

**SKY HIGH PLC**

**INTERIM REPORT**

**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010**

**COMPANY NUMBER: 3896384**

# Sky High Plc

## Interim Report for the Six Months to 30 September 2010

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 2010.

### Highlights

The group has had a difficult period driven by market uncertainty but recent trading shows an improvement.

- Results show a loss for the period of £299k (2009: £113k profit).
- Group Turnover for the period is down 12% but for UK Traffic it is down 27.5% due to difficult market conditions, compared to the same period last year.
- The Directors believe that the output of the comprehensive spending review should be broadly positive for the UK Traffic market in the medium term.
- Trading since the half year end has improved and results for these two months have shown a profit.
- Directors are optimistic that results in the second half of the year will show an improved performance compared to that from the first six months of the financial year.

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 2010.

### **Results**

As covered in the last annual report, trading in the first half of this financial year has been difficult with results for the period showing a loss of £299k (2009: £113k profit). Turnover for the Group was £2,278k in the period compared with £2,586k in the same period the previous year.

This period was dominated by uncertainty in the UK economy which particularly impacted public sector spending due to the comprehensive spending review process. This uncertainty resulted in local authorities and other public sector bodies dramatically decreasing their spending which directly impacted on the turnover and profitability of our UK Traffic business. The performances in other areas of the Group could not compensate for this downturn.

Results for the period for UK Traffic show a loss of £192k compared with a profit of £209k in 2009. Revenue of £1,291k in the period was down by 27.5% on the same period last year. The difficult market conditions also saw a drop in gross margins from previous years and the combination of these two factors could not be mitigated by cost saving initiatives implemented.

The performance of Australia Traffic continues to improve. Turnover in the period was £735k compared with £534k in the same period the previous year showing a growth of 38%. The results for the period show a loss of £19k compared with a loss of £62k in the corresponding period last year. The business had a very strong first quarter but sales fell in the second quarter due to uncertainty caused by a general election and a hung parliament. These issues have now been resolved.

Sky High Data Capture results show a profit for the period of £8k (2009: £38k). Turnover in the period was down slightly at £252k (2009: £272k). The reduced profit in this period is largely due to an investment in sales and marketing resource in the 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 costs of maintaining the Plc have increased in the period largely due to a one off cost of recruiting a full time Finance Director. This again shows the Directors willingness to invest in the business for the longer term even during a difficult economic period. The costs in the six months to 30 September 2010 were £96k compared with £72k in the same period the previous year. The Directors are committed to reducing these costs over the next six months.

### **Prospects**

Trading in the UK Traffic business has improved in the two months since the period end. Sales levels have improved from the first half of the year and whilst they are not at the levels of the corresponding period last year they provide some evidence of a stabilisation of the market. The improved sales and the full impact of the cost saving measures implemented over August and September have resulted in a profitable start to the second half of the year.

It is still early days since the announcement of the comprehensive spending review and the full impact on our market will take some time to take effect and fully assess. Whilst the review has resulted in reductions in some areas of spending, there was also a commitment to considerable road and other transport infrastructure spending. The Directors current view is that the outcome of the spending review on UK Transport was not as bad as they had feared and they consider that it should have a positive impact on the UK Traffic market, although the full effects may take some months to be realised.

The outcome of the spending review combined with trading in the first two months since the half year end mean that the Directors remain optimistic that the market will continue to stabilise providing the opportunity for improved performance for the UK Traffic business in the second half of the year. The Directors also remain committed to investment in Sales and Marketing to continue to grow our market share.

Revenue in Australia Traffic has also improved now the political situation has stabilised and the Directors expect the business to show continued growth in sales and profits in the next six months. The trading in the first two months since the half year has been profitable. The Directors believe that Australia Traffic remains an important member of the Group, with excellent long term prospects.

Trading in Data Capture has been steady in the two months since the half year. The Directors believe in the long term growth potential of the Data Capture business. They expect the investment in sales and marketing to produce results in the next six months trading.

Taking account of current trading and current market conditions the Directors are optimistic that results for the Group in the second half of the year will be significantly better than those for first six months of this financial year.

The Directors continue to support the strategy of pursuing acquisitions that expand the service offerings and have good synergy benefits. Whilst most of these initiatives have been put on hold for the last six months due to the market uncertainly and focus being required on the core business, the Directors believe that once the market stabilises the Group will be in a good position to restart these initiatives.

The recruitment of a full time Finance Director has helped the business manage through this difficult period and the Directors believe that this appointment will also contribute to the Groups plans to achieve longer term growth whether by acquisition or organic growth.

The poor performance in the first six months of the year has inevitably impacted the cash reserves of the business but cash has been effectively managed through this period. Whilst the business continues to be reliant on continued bank support though the use of an overdraft facility, the bank have been kept fully informed of the performance of the Group and are supportive. The Directors have no reason to believe that the overdraft facility will be withdrawn and are confident that the Group has sufficient working capital and cash headroom as it trades out of this difficult period.

### **Dividends**

Whilst the trading performance in the first two months since the half year has improved the Directors consider that it is too early to return to paying dividends and that 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 that 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 support of all the directors and the employees in our UK Traffic business during the difficult start to this current financial year when it has been necessary to introduce reduced and flexible working hours.

Richard W W Jackson LLB  
Chairman  
7 December 2010

# UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period to 30 September 2010

		<b>6 months ended 30 September 2010</b>	6 months ended 30 September 2009	12 months ended 31 March 2010
	Note	<b>Unaudited £'000</b>	Unaudited £'000	Audited £'000
<b>Continuing operations</b>				
<b>Revenue</b>	6	<b>2,278</b>	2,586	5,720
Cost of sales		<b>(1,527)</b>	(1,615)	(3,495)
<b>Gross profit</b>		<b>751</b>	971	2,225
Other administrative expenses		<b>(1,034)</b>	(833)	(1,914)
<b>Results from operating activities</b>	6	<b>(283)</b>	138	311
Finance income		-	1	2
Finance expenses		<b>(16)</b>	(26)	(46)
<b>Profit before taxation</b>		<b>(299)</b>	113	267
Income tax expense		-	-	(95)
<b>Profit from continuing operations</b>	6	<b>(299)</b>	113	172
<b>Other comprehensive costs</b>				
Exchange differences on translating foreign operations		<b>11</b>	33	47
<b>Total comprehensive income</b>		<b>(288)</b>	146	219
Basic profit per ordinary share	4	<b>(2.3)p</b>	0.9p	1.3p
Diluted profit per ordinary share	4	<b>(2.3)p</b>	0.9p	1.3p

There were no recognised gains or losses other than the profit for the financial period.

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

		At 30 September 2010	At 30 September 2009	At 31 March 2010
	Note	Unaudited £'000	Unaudited £'000	Audited £'000
<b>Non current assets</b>				
Property, plant and equipment		788	839	817
Goodwill		730	730	730
Other intangible assets		41	55	48
<b>Total non current assets</b>		<u>1,559</u>	<u>1,624</u>	<u>1,595</u>
<b>Current assets</b>				
Trade and other receivables		1,066	1,402	1,491
Cash and cash equivalents		6	47	101
<b>Total current assets</b>		<u>1,072</u>	<u>1,449</u>	<u>1,592</u>
<b>Total assets</b>	6	<u>2,631</u>	<u>3,073</u>	<u>3,187</u>
<b>Current liabilities</b>				
Bank borrowings		(61)	(172)	(67)
Hire purchase contracts		(99)	(114)	(110)
Trade and other payables		(703)	(659)	(923)
Current tax payable		(79)	(48)	(89)
<b>Total current liabilities</b>		<u>(942)</u>	<u>(993)</u>	<u>(1,189)</u>
<b>Non current liabilities</b>				
Hire purchase contracts		(197)	(245)	(218)
Deferred tax provision		(61)	(62)	(61)
<b>Total non current liabilities</b>		<u>(258)</u>	<u>(307)</u>	<u>(279)</u>
<b>Total liabilities</b>	6	<u>(1,200)</u>	<u>(1,300)</u>	<u>(1,468)</u>
<b>Net assets</b>		<u>1,431</u>	<u>1,773</u>	<u>1,719</u>
<b>Capital and reserves</b>				
Called up share capital		1,275	1,275	1,275
Share premium account		1,657	1,657	1,657
Profit and loss account		196	563	495
Foreign Exchange reserve		77	52	66
Reverse acquisition reserve		(1,774)	(1,774)	(1,774)
<b>Shareholders' funds</b>		<u>1,431</u>	<u>1,773</u>	<u>1,719</u>

The financial statements were approved by the Board of Directors and authorised for issue on 7 December 2010. 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 2010

	Called up share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Exchange gain reserve £'000	Retained earnings £'000	Total equity £'000
<b>For the 6 months ended 30 September 2010</b>						
<b>Unaudited</b>						
At start of period	1,275	1,657	(1,774)	66	495	1,719
Total comprehensive income for the period	-	-	-	11	(299)	(288)
Dividends paid	-	-	-	-	-	-
At end of period	1,275	1,657	(1,774)	77	196	1,431
<b>For the 6 months ended 30 September 2009</b>						
<b>Unaudited</b>						
At start of period	1,275	1,657	(1,774)	19	450	1,627
Total comprehensive income for the period	-	-	-	33	113	146
Dividends paid	-	-	-	-	-	-
At end of period	1,275	1,657	(1,774)	52	563	1,773
<b>For the 12 months ended 31 March 2010</b>						
<b>Audited</b>						
At start of period	1,275	1,657	(1,774)	19	450	1,627
Total comprehensive income for the year	-	-	-	47	172	219
Dividends paid	-	-	-	-	(127)	(127)
At end of period	1,275	1,657	(1,774)	66	495	1,719

## UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOW

**For the six month period to 30 September 2010**

		<b>6 months ended 30 September 2010</b>	6 months ended 30 September 2009	12 months ended 31 March 2010
	Note	<b>Unaudited £'000</b>	Unaudited £'000	Audited £'000
<b>Cash used in operations</b>	5	<b>16</b>	(105)	366
Income taxes paid		-	(21)	(68)
<b>Cashflow from investing activities</b>				
Purchase of property, plant and equipment		<b>(51)</b>	(76)	(158)
Proceeds from disposal of property, plant and equipment		<b>4</b>	-	16
Equity dividends paid		-	-	(127)
Interest paid		<b>(16)</b>	(26)	(46)
Interest received		-	1	3
<b>Net cash outflow from investing activities</b>		<b>(63)</b>	(101)	(313)
<b>Financing</b>				
Repayment of bank loans		<b>(26)</b>	(26)	(52)
Hire purchase repayments		<b>(54)</b>	(56)	(124)
<b>Net cash outflow from financing</b>		<b>(80)</b>	(82)	(176)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(127)</b>	(309)	(191)
Effect of exchange fluctuations		<b>11</b>	33	47
Cash and cash equivalents at beginning of period		<b>61</b>	205	205
Cash and cash equivalents at end of period		<b>(55)</b>	(71)	61

# NOTES TO THE ACCOUNTS

## For the six month period to 30 September 2010

### 1 BASIS OF PREPARATION OF INTERIM REPORT

#### IFRS

The Interim financial report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS). The accounting for this is explained more fully in note 2.

The information for the period ended 30 September 2010 is not audited and does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The interim accounts for the six month period to 30 September 2009 were also unaudited.

The information for the year ended 31 March 2010 is audited, taken from the unqualified statutory accounts for the year then ended.

### 2 ACCOUNTING POLICIES

#### Basis of Accounting

The interim results have been prepared in accordance with International Financial Reporting Standards (IFRS) accounting rules. The accounting policies used in the preparation of these results were the accounting policies used in the preparation of the results for the year ended 31 March 2010 and detailed in the notes to those results (see Accounts for the year ended 31 March 2010 issued 30 September 2010).

#### Going Concern

As shown in this Interim Report, the group has incurred losses in the first six months of this financial year which has created uncertainty over the group's short term future profitability. As discussed in the Chairman's Statement trading for the two months since the half year end has improved and the results for the two months show a profit. The group is reliant on continued bank support, largely through an overdraft facility. This facility has no termination date but there is a requirement for an annual review. The next annual review is due in the new calendar year and the directors have no reason to believe that this facility will be withdrawn. The directors have prepared forecasts to 31 March 2012 using assumptions which incorporate all known factors regarding existing turnover sources, potential new sources of turnover based on past experience of business wins and the ability of the group to generate new work. Based on these forecasts the group is shown to be operating within its agreed borrowing facility limit throughout the period of the forecasts, enabling the group to meet its day to day commitments. In addition should the need arise the Directors believe alternative sources of finance will be available. However, there is an inherent risk within the forecasts prepared as there can be no guarantee that forecasted levels will be achieved. This indicates the existence of uncertainty which may cast some doubt upon the group's ability to continue as a going concern.

Nevertheless, after considering the uncertainties described above, and 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 financial statements. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

### 3 CRITICAL ACCOUNTING JUDGEMENTS

#### 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.

In the last annual accounts the Directors had highlighted that there was uncertainty regarding the market conditions that existed post year end and that this may have impacted on the assumptions of future cash generation. The Directors now have a clearer understanding of the market condition, as outlined in the Chairman's statement and have performed a further impairment review as at 30 September 2010. This test did not result in recognition of any loss and the goodwill carrying amount of all cash-generating units was considered lower than their recoverable amount.

### 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:

	<b>6 months ended 30 September 2010</b>	6 months ended 30 September 2009	12 months ended 31 March 2010
	<b>Unaudited £'000</b>	Unaudited £'000	Audited £'000
Profit/(Loss) for the period	<u>(299)</u>	<u>113</u>	<u>172</u>
	<b>No. '000</b>	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>13,127</u>	<u>12,919</u>	<u>13,006</u>

### 6 PROPERTY, PLANT AND EQUIPMENT

During the period the Group made acquisitions amounting to £51k (2009: £76k).

## 7 CASH USED IN OPERATIONS

	<b>6 months ended 30 September 2010</b>	6 months ended 30 September 2009	12 months ended 31 March 2010
	<b>Unaudited £'000</b>	Unaudited £'000	Audited £'000
Results from operating activities	(283)	138	311
Depreciation of property, plant and equipment	99	99	213
Amortisation of intangible fixed assets	7	7	13
Loss/(Profit) on disposal of property, plant and equipment	1	5	3
Decrease/(Increase) in receivables	422	(433)	(500)
Increase/(Decrease) in payables	(230)	79	326
<b>Cash used in operations</b>	<b>16</b>	<b>(105)</b>	<b>366</b>

## 8 SEGMENT ANALYSIS

Since the annual report, management have reviewed the relevant business segments for their own internal reporting purposes and have amended the segmental reporting in the interim statements to reflect these changes.

The relevant segments are presented below but previously Australia Traffic was described as Australia and what was described as UK has now been split into UK Traffic, Data Capture and Plc.

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

	UK Traffic	Australia Traffic	Data Capture	Plc	Total for group
For the 6 months ended 30 September 2009					
Unaudited	£'000	£'000	£'000	£'000	£'000
Revenue	1,780	534	272	-	2,586
Operating profit/(loss)	219	(47)	38	(72)	138
Finance income	1	-	-	-	1
Finance expenses	(11)	(15)	-	-	(26)
Profit/(loss) before taxation	209	(62)	38	(72)	113
Income tax expense	-	-	-	-	-
Profit/(loss) from continuing operations	209	(62)	38	(72)	113
Balance sheet					
Total assets	1,365	747	174	787	3,073
Total liabilities	(664)	(450)	(81)	(105)	(1,300)
	UK Traffic	Australia Traffic	Data Capture	Plc	Total for group
For the 12 months ended 31 March 2010					
Audited	£'000	£'000	£'000	£'000	£'000
Revenue	3710	1,510	500	-	5,720
Operating profit/(loss)	346	29	79	(143)	311
Finance income	2	-	-	-	2
Finance expenses	(18)	(27)	(1)	-	(46)
Profit/(loss) before taxation	330	2	78	(143)	267
Income tax expense	(63)	(24)	(8)	-	(95)
Profit/(loss) from continuing operations	267	(22)	70	(143)	172
Balance sheet					
Total assets	1,244	939	223	781	3,187
Total liabilities	(696)	(599)	(86)	(87)	(1,468)

Copies of this report will be available from the Company's website at [www.skyhighplc.co.uk](http://www.skyhighplc.co.uk) and the Company's registered office at 10 High Street, Tadcaster, Leeds, LS24 9AT.