

HIGHTEX GROUP plc

INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2008

CHAIRMAN'S STATEMENT

1. Introductory

The financial information set out in this report covers the six month period from 1 January to 30 June 2008. Turnover reached €8.27 million in the first six months of 2008 (2007: €5.74 million), compared with €12.96 million in the whole of 2007. The gross profit for the half year amounted to €2.13 million, compared with €3.98 million for calendar 2007. The loss before tax was €1.41 million (calendar 2007: €2.38 million) and the loss per share in the six month period amounted to €0.0120, compared with a loss of €0.0185 in the whole of 2007.

Included within the first half result is net expenditure on the solar business (SolarNext) amounting to approximately €600,000, all of which has been written off. SolarNext's total costs were nearly €1 million, but these have been partly offset by the first sales of solar cooling systems amounting to approximately €350,000, and further considered below.

Since the announcement of a number of Board changes on 25 April 2008, including the departure of Klaus-Michael Koch as Chief Executive Officer, the Directors have sought to introduce a more commercial approach throughout the business. In particular, this approach has entailed a focus only on larger contracts (€1 million and above) which can deliver an appropriate level of gross margin to drive overall group profitability. At the same time, expenditure on overheads is also being reduced.

2. Operations

2.1 Membrane business

Hightex has been successful in recent months in winning a number of major new contracts. These include the membrane roof over the Dolce Vita Shopping Mall in Lisbon, Portugal, of which the total contract volume for Hightex is around €8.5 million; a new canopy for Terminal 4 at Heathrow Airport (announced on 17 July 2008) and the membrane façade for the Green Point 2010 Football World Cup Stadium in Cape Town, South Africa worth around €5 million to Hightex (announced on 2 September 2008). In aggregate these three contracts are worth nearly €15 million of revenues to Hightex and will be delivered during 2008 and 2009.

The Directors believe that this success is in part due to the focus on membrane structures which incorporate complex and innovative coatings, such as the Dolce Vita Shopping Mall contract. This contract marked an important milestone in allowing ETFE (ethylenetetrafluorethylene) to compete with glass in thermal performance, through the use of high performance Selective Filters and Low-Emissivity ("Low-E") coatings applied to the cushion system. Emissivity is a measure of how much a glass or other surface transfers radiant heat. The Selective Filter is a coating which represents a pioneering use of the ETFE membrane, as it allows more light than heat to enter a building. The second feature, a Low-E coating, serves to prevent the roof, when it gets hot, radiating heat into the building, thereby reducing the cooling costs.

The directors estimate that membrane turnover in the Company's financial year ending 31 December 2008 will reach the range of €18 to €19 million. This would represent a substantial advance on 2007 sales of €13.0 million (2006: €8.5 million).

2.2 Solar business

Hightex's wholly owned subsidiary SolarNext AG has developed a solar cooling and heating system in kit form which can be retro-fitted to many kinds of structures. To date approximately €2 million has been invested in a development programme which has resulted in the design and production of a proprietary air-conditioning system, driven by solar thermal energy and controlled by an innovative controller which is the subject of patent applications.

The solar cooling and heating system is the first step towards the long-term replacement of electrical power as the energy source to drive air-conditioning systems. The sales potential is significant in a world-wide market totalling at least 65 million air-conditioning systems.

With no sales force or concerted selling effort, Hightex has already sold 23 of these chillers as a chillii® unit or as a chillii® cooling kit, mostly in Germany and with a sales value of approximately €350,000. Customers include an office, a bank, an old peoples' home, a bakery, a winery, and residential buildings, among others.

The Directors of Hightex are excited about the prospects for this product, whose research and development phase has now been successfully completed. A prospective sales director with relevant experience is being recruited: the Directors hope to make a further announcement on this appointment in due course.

The use of flexible photovoltaic solar cells in large membrane structures is being pursued with a number of clients.

At the INTERSOLAR 2008 Trade Fair, SolarNext introduced its new product, the chillii® System Controller. This is a unique controller for thermally driven heating and cooling systems and it can handle a variety of heat sources, including solar heat, district heat, biomass, CHP unit and process heat. It includes a heating/cooling management system, many comprehensive hydraulic alternatives, and intuitive high comfort guidance by using plaintext touch screen display. The unique feature of this system controller is that it can run the heating, cooling and hot water treatment as well as the cold and heat distribution in a building with one system controller. In addition, this system controller uses a remote control device in order to enable updates and control adjustments. The system controller also reduces the price level for a cooling kit considerably compared to the common solution with a programmable logic controller (PLC).

3. Future strategy

3.1 Membrane business

The Directors seek to expand the membrane business with a particular focus on its four preferred areas: Europe; North America; South Africa; and the Middle East and are promoting Hightex solutions by working with selected firms of architects and structural engineers active in those regions. The Directors consider that the overall market for membrane structures is growing, partly as regular sporting events give rise to a continuing need for new or upgraded stadia, for example:

- the 2010 FIFA Football World Cup in South Africa, for which Hightex has won contracts in two of the four stadia being built or upgraded;
- the 2012 Olympic Games in London;
- the 2012 UEFA European Football Championship (known as Euro 2012), for which Poland and Ukraine are building or upgrading a total of 11 stadia; and
- the 2014 FIFA World Cup to be held in Brazil, which will be played in 14 stadia, some brand new and others to be upgraded.

The Directors believe that security considerations are also likely to drive forward the requirement for membrane structures, as there is a growing awareness that membrane is a far safer material than glass in structures where the public congregate, such as airports, shopping malls or stadia.

Additionally, Hightex is in discussion with firms of structural engineers about its potential participation in two very large contracts in the Middle East. If successful, each has the potential to transform the scale of Hightex's business.

Hightex has begun to discuss with a leading international firm of architects the possibility of its flexible photovoltaic membrane "Flexcell" being designed and introduced into a prestigious new stadium to be built in Europe. This would create a building which can generate part of its own electricity requirement.

The Directors therefore plan to recruit further experienced salesmen and project managers in order to establish

Hightex as an international provider of innovative solutions to membrane structures with coatings which can add value and reduce cooling costs.

3.2 Solar business

The research and development phase of the solar cooling product has been completed, allowing commercial sales to begin. The company is actively recruiting an experienced individual to create and lead the sales force.

SolarNext is a product business whereas Hightex's membrane activity is a project business. They have a different customer base and cash flow profiles. The Directors are examining the potential advantages of raising money for SolarNext by placing new shares directly in SolarNext, thereby diluting the percentage owned by Hightex below 100%. It is the current intention of the Directors to retain a substantial majority interest in SolarNext.

The advantages of this strategy include achieving the separate financing of SolarNext from sources of finance with a particular interest in the solar sector; establishing an independent valuation of Hightex's shareholding in SolarNext; and achieving a greater separation of the two businesses by admitting a degree of independent ownership. The Directors expect to make a further announcement on these developments in due course.

4. Conclusion

Following the changes implemented in the management and modus operandi of both the businesses within Hightex, the Board believe that Hightex is now better positioned to win membrane contracts by offering its innovative materials for sporting stadia and other structures throughout the world and to exploit the commercial opportunities of its proprietary solar cooling system.

Charles DesForges
Chairman
29 September 2008

CONSOLIDATED INCOME STATEMENT For the six months ended 30 June 2008

	Notes	6 Months 30 June 2008 (Unaudited) €'000	6 Months 30 June 2007 (Unaudited) €'000	12 Months 31 Dec 2007 (Audited) €'000
Turnover	3	8,272	5,735	12,960
Cost of sales		(6,142)	(3,202)	(8,977)
Gross profit		2,130	2,533	3,983
Salaries and related expenses		(1,378)	(1,215)	(2,438)
Other operating expenses		(2,043)	(1,666)	(3,675)
Depreciation and amortisation		(191)	(158)	(320)
Operating loss		(1,482)	(506)	(2,450)
Net interest		71	69	69
Net loss before taxation		(1,411)	(437)	(2,381)
Taxation		(25)	110	223

Loss after tax		<u>(1,436)</u>	<u>(327)</u>	<u>(2,158)</u>
Minority interests		(29)	(29)	(51)
Loss from continuing operations and attributable to equity holders		<u>(1,465)</u>	<u>(356)</u>	<u>(2,209)</u>
Loss per ordinary share				
Basic earnings per share (cent)	4	<u>(1.20)</u>	<u>(0.30)</u>	<u>(1.85)</u>

CONSOLIDATED BALANCE SHEET
For the six months ended 30 June 2008

	Notes	30 June 2008 (Unaudited) €'000	30 June 2007 (Unaudited) €'000	31 Dec 2007 (Audited) €'000
Current assets				
Cash and cash equivalents		2,735	4,495	2,530
Inventories and work in progress		155	103	218
Accounts receivable		6,308	3,964	5,421
Total current assets		<u>9,198</u>	<u>8,562</u>	<u>8,169</u>
Non-current assets				
Goodwill		6,627	6,627	6,627
Intangible fixed assets	5	451	77	403
Property, plant and equipment		868	974	908
Deferred tax assets		424	371	425
Total non-current assets		<u>8,370</u>	<u>8,049</u>	<u>8,363</u>
Total assets		<u>17,568</u>	<u>16,611</u>	<u>16,532</u>
Current liabilities				
Trade accounts payable		3,289	1,023	1,799
Accrued liabilities and deferred income		4,453	2,244	3,189
Other accounts payable		840	786	1,005
Total current liabilities		<u>8,582</u>	<u>4,053</u>	<u>5,993</u>
Non-current liabilities				
Accrued liabilities and deferred income		116	193	256
Other non-current liabilities		99	91	62
Total non-current liabilities		<u>215</u>	<u>284</u>	<u>318</u>

Shareholders' equity			
Share capital	1,776	1,775	1,776
Share premium account	11,757	11,757	11,757
Retained earnings	(5,052)	(1,485)	(3,573)
	<hr/>	<hr/>	<hr/>
Total equity attributable to equity holders	8,481	12,047	9,960
Minority interests	290	227	261
Total equity	8,771	12,274	10,221
	<hr/>	<hr/>	<hr/>
Total equity and liabilities	17,568	16,611	16,532
	<hr/>	<hr/>	<hr/>

CONSOLIDATED CASHFLOW STATEMENT As at 30 June 2008

	6 Months 30 June 2008 (Unaudited) €'000	6 Months 30 June 2007 (Unaudited) €'000	12 Months 31 Dec 2007 (Audited) €'000
Cash flows from operating activities			
Operating loss for the period:	(1,482)	(506)	(2,450)
Adjustments for:			
Loss on disposal	-	-	50
Bad debts written off	-	-	46
Depreciation and amortisation	191	141	321
Net operating income before working capital changes	<hr/> (1,291)	<hr/> (365)	<hr/> (2,033)
Changes in working capital:			
Decrease/(increase) in inventories	67	40	(75)
Decrease/(increase) in accounts receivable	(782)	(327)	(1,828)
(Decrease)/increase in accounts payable	2,009	486	2,270
Net cash used in operating activities	<hr/> 3	<hr/> (166)	<hr/> (1,666)
Interest paid	(71)	(18)	(84)
Income tax paid	(16)	(34)	(51)
Net cash generated from operating activities	<hr/> (84)	<hr/> (218)	<hr/> (1,801)
Cash flows from investing activities			
Acquisition of intangibles and PPE	(146)	(358)	(928)
Proceeds from disposal of PPE	-	-	92
Interest received	123	87	153
	<hr/>	<hr/>	<hr/>

Net cash used in investing activities	(23)	(271)	(683)
Cash flows before financing	(107)	(489)	(2,484)
Cash flows from financing activities			
Proceeds / (repayment) of loans	400	(321)	83
Net cash provided by financing activities	400	(321)	83
Net increase/(decrease) in cash and cash equivalents	293	(810)	(2,401)
Cash and cash equivalents, beginning of period/year	2,530	5,305	5,305
Foreign exchange	(70)	-	(374)
Cash and cash equivalents, end of period/year	2,753	4,495	2,530
Cash at bank and in hand comprises:			
Cash and cash equivalents	194	1,860	1,034
Cash lodged under performance and warranty bonds	2,559	2,635	1,496
	2,753	4,495	2,530

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the six months ended 30 June 2008

	Combined share capital	Share premium account	Retained earnings	Minority interest	Total
	€'000	€'000	€'000	€'000	€'000
Balances at 1 July 2007	1,775	11,757	(1,485)	198	12,245
Issue of shares	1	-	-	-	1
Net deficit for the period	-	-	(1,853)	63	(1,790)
Exchange differences on combination	-	-	(235)	-	(235)
Balances at 31 December 2007	1,776	11,757	(3,573)	261	10,221
Net deficit for the period	-	-	(1,465)	29	(1,436)
Exchange differences on combination	-	-	(14)	-	(14)
Balances at 30 June 2008	1,776	11,757	(5,052)	290	8,771

1. Business of the Hightex Plc

The principal activities of the Group are the design and installation of polymer membrane tensile structures and the exploitation of intellectual property applications in the field of solar energy and related areas.

2. Basis of presentation and significant accounting policies

The Group's interim financial statements comprise the consolidated balance sheet as of 30 June 2008 and related income statement, consolidated cash flow statement, consolidated statement of changes in equity and related notes for the six months then ended of Hightex Plc. These have been prepared in accordance with IAS 34 'Interim Financial Statements'. The accounting policies are consistent with those adopted in the Company's annual financial statements for the year ended 31 December 2007.

The interim statements are unaudited and do not constitute statutory financial statements. The results for the year ended 31 December 2007 do not constitute statutory accounts and have been extracted from the group's published accounts for that year, which contain an unqualified Audit Report.

The consolidated financial statements are presented in Euros ("€") and all values are rounded to the nearest € '000 except where otherwise indicated.

The Interim Report for the six months ended 30 June 2008 was approved by the Directors on 29 September 2008.

3. Business and Geographical Segments

For business purposes, the Group is currently organised into just one significant operating division - design, supply and fit of membrane structures. A second division, the exploitation of solar intellectual property rights ("Solar") is in development but has not reached significant revenue stage to date and so is not included as a separate division.

This single division is the basis on which Group reports its primary information by geographic segment as follows:

	Six months ended 30 June 2008 €'000	Six months ended 30 June 2007 €'000	Year ended 31 Dec 2007 €'000
<i>Revenue</i>			
Europe	4,801	3,387	7,681
Asia	29	-	94
USA	1,300	69	249
Africa	1,818	-	1,958
South America	220	-	-
Australasia	104	2,279	2,978
	<u>8,272</u>	<u>5,735</u>	<u>12,960</u>
<i>Carrying amount of segment assets</i>			
Europe	16,167	12,258	15,541
Asia	400	1,250	-
USA	-	478	67
Africa	-	38	36
South America	-	-	-
Australasia	1,001	2,587	888
	<u>17,568</u>	<u>16,611</u>	<u>16,532</u>

Carrying amount of segment liabilities

Europe	6,715	3,553	4,236
Asia	162	108	152
USA	293	193	150
Africa	1,334	11	1,466
South America	82	-	-
Australasia	211	472	307
	<u>8,797</u>	<u>4,337</u>	<u>6,311</u>

Additions to plant and equipment

Europe	94	253	542
Asia	-	-	-
USA	-	-	-
Africa	-	-	-
South America	-	-	-
Australasia	-	9	9
	<u>94</u>	<u>262</u>	<u>551</u>

Additions to intangible assets

Europe	124	-	377
Asia	-	-	-
USA	-	-	-
Africa	-	-	-
Australasia	-	-	-
	<u>124</u>	<u>-</u>	<u>377</u>

Segment assets and intangible assets exclude goodwill. The goodwill on consolidation in the period is €6,627,000 (2007: €6,627,000) and has not changed in aggregate and relates entirely to operations in Europe.

4. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As the Group has reported a loss for the period the shares are not diluted:

	Six months ended 30 June 2008 €'000	Six months ended 30 June 2007 €'000	Year ended 31 December 2007 €'000
Loss attributable to equity holders of the company	1,436	327	2,158
Weighted average number of ordinary shares in issue	119,652,582	119,652,582	119,652,582
Basic loss per share (cents)	<u>1.20</u>	<u>0.30</u>	<u>1.85</u>

5. Intangible fixed assets

Movements in the cost, amortisation and net book value of the assets are as follows:

	Six months ended 30 June 2008 €'000	Six months ended 30 June 2007 €'000	Year ended 31 December 2007 €'000
As at beginning of period	501	124	124
Additions	124	-	377
As at period end	625	124	501
Amortisation	(174)	(47)	(98)
Net book value	451	77	403

6. Seasonality

The Group's business operations are not seasonal

7. Property, plant and equipment

During the period, the Group acquired new plant and machinery at a cost of €41,000. No disposals were made in the period.

8. Related party transactions

(a) Amounts due to shareholders:

	Group Six months ended 30 June 2008 €'000	Year ended 31 December 2007 €'000
Klaus- Michael Koch	23	11
Koch Projekt GmbH	444	494
David Walker	28	21
Frank Molter	67	40
KM Immobilien	25	49
Charles Desforges & Associates	31	7
Charles Sebag-Montefiore & Associates	17	0
	635	622

K-M Koch, who ceased to be a director of the Company during the period from January to June 2008, controls Koch Projekt GmbH. KM Immobilien GmbH & Co. KG, the owner of the factory building, is controlled by F. Molter and K-M Koch. Frank Molter is a director of the Company during the period.

(b) Amounts due to other related parties:

The Group entered into a rental agreement to rent its office premises in Rimsting, Bavaria from Karen Koch and paid €40,000 (2007: €80,000) in relation to this agreement during the period.

An amount of €2,500 (2007: €5,000) was paid to Karen Walker, the wife of David Walker, as remuneration for her services as Company Secretary of Hightex UK Limited during the period.

An amount of €83,000 (2007: €41,000) was paid to KM Immobilien for the rent of the factory building.

9. Borrowings and loans

Current borrowings - amounts falling due within one year

	30 June 2008 €'000	30 June 2007 €'000	31 December 2007 €'000
Loans*	400	0	0

*During the period the Group obtained short-term loans of €200,000 from Ludgate 181 (Jersey) Limited and €200,000 from Ludgate Investments Limited. Interest accrued across both loans at the rate of 12 percent per annum.

10. Dividends

No final dividend was paid in respect of the financial year ended 31 December 2007. The directors do not propose to pay an interim dividend.

11. Nature of financial information

The next statutory financial statements of the Hightex Group Plc will cover the year ending 31 December 2008.

These interim results will be available on the Company's website www.hightexworld.com. Further copies can be obtained from the registered office at Masters House, 107 Hammersmith Road, London, W14 0QH.

Independent review report to Hightex plc

We have been engaged by Hightex Group plc to review the condensed Interim financial information for the six months ended 30 June 2008 which comprises the unaudited consolidated income statement, the unaudited consolidated balance sheet, the unaudited consolidated cash flow statement, the unaudited consolidated statement of changes in shareholders' equity and related notes 1 to 11. We have read the other information contained in the interim half-year report and considered whether it contains any apparent misstatements or material inconsistencies with the condensed interim information.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Respective responsibilities of directors and auditors

The interim report, including the condensed interim financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules issued by the London Stock Exchange, which requires that the interim report must be prepared and presented in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility is to express to the Company a conclusion on the condensed interim consolidated financial information in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements

(UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial information in the interim half-yearly report for the six month period ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by European Union and the AIM Rules issued by the London Stock Exchange.

Mazars LLP
Chartered Accountants
London

29 September 2008

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