

23 June 2009

HIGHTEX GROUP PLC

PRELIMINARY UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

Chairman's statement and review of operations

For the year ended 31 December 2008

Introduction

In April 2008, Hightex Group plc ("Hightex" or the "Company") initiated a linked sequence of fundamental changes in its approach to its business and a more commercial focus has been introduced. The principal changes were:-

- The focus of the membrane business has been directed to working on fewer membrane contracts, each of significantly greater value than had previously been customary.
- Higher margins are being sought by offering clients more energy-efficient structures, achieved by complex and innovative coatings, and moving away from a standard 'commodity' product.
- Overhead costs were significantly reduced, in part by decreasing the headcount.
- The solar cooling business, which had developed a solar cooling and heating system in kit form, was reduced in February 2009 to ensure the Company devoted its resources to its successful and growing membrane business.
- Cash was conserved as far as possible. Apart from the reduction in overheads, the decision on the solar cooling business cut net cash outflow on SolarNext in a full year from approximately EUR 1,500,000 to an estimated maximum of EUR 610,000 in 2009 and EUR 400,000 on a full year basis thereafter.
- The management team was restructured and this included the departure of the then chief executive.

These changes have successfully gathered momentum and have delivered beneficial results on all aspects of Hightex's financial and trading operations in the second half of 2008 and into 2009.

Membrane business

Hightex is one of two companies operating world-wide in the design and

installation of large architectural tensile and pneumatic polymer membrane structures. These are usually roofs and facades, which typically form part of the structure of an airport or railway terminal, a sports stadium or a shopping mall.

Two significant projects were completed in May 2009: the membrane element of the new retractable roof over the Centre Court at Wimbledon and the roof over the Dolce Vita Shopping Mall at Lisbon, Portugal. The Wimbledon roof is a type of 'folding fabric concertina', allowing the roof to be folded into a highly compressed area and parked over the fixed canopy when not in use. It opened to universal acclaim on 17 May 2009 at a special event. The Dolce Vita Shopping Mall is one of the largest shopping malls in Europe and opened on 7 May 2009. Hightex designed, fabricated and installed 346 roof cushion elements with multiple layers and various combinations of transparent and opaque foil. In total more than 200,000 square metres of different ETFE membranes were produced in order to execute this outstanding project. The Dolce Vita project value was approximately EUR 9.5 million, of which approximately EUR 6.8 million arose in 2008, with the balance in the current financial year.

Other announced contracts, begun in 2008 and due for completion in 2009, include the Green Point Stadium in Cape Town (membrane element worth around EUR 5 million) and the FNB Stadium in Johannesburg (membrane element worth around EUR 7 million), both of which relate to the 2010 FIFA World Cup competition in South Africa. In February 2009, Hightex won a contract to provide the membrane roof over the Munich Olympic Hall, of which the membrane element is worth EUR 8.2 million, all of which is expected to arise in 2009. These contracts demonstrate the success of the Board's change of direction to working on fewer, larger membrane contracts with higher value-added margins.

Solar cooling business

SolarNext has successfully developed a solar cooling and heating system in kit form able to be retro-fitted to many kinds of structures. This proprietary air-conditioning system is driven by solar thermal energy and managed by an innovative multi-function system controller which is the subject of international patent applications. With no concerted selling effort, SolarNext sold 23 of these chillers during 2008 with an aggregate sales value of approximately EUR 526,000. The customers included offices, a school, a bank, an old people's home and a winery. These revenues, small as they are, indicate a potential demand for this product and the Board of Hightex believes that a growing global market exists for such products, which will develop significantly as and when solar power begins to replace electrical power as the energy source used to drive air-conditioning systems.

The development phase of both the system and the controller has been successfully completed and the products are ready for larger scale commercialisation. However, in February 2009 the Board of Hightex concluded that the working capital requirements which a move to the

commercialisation phase would necessitate, including increased production volumes and recruiting a larger sales force, were beyond the current capacity of Hightex to finance in the present market conditions.

Accordingly, the Board decided to reduce SolarNext's operations. Ten members of staff have left the company, leaving a small team to maintain the intellectual property until economic circumstances permit SolarNext's products to be commercially exploited. Subsequently the Board has received approaches from potential partners and has begun to consider how the intrinsic value within SolarNext can be released for the benefit of shareholders in Hightex.

Commentary on 2008 results

In the year ended 31 December 2008, Hightex's membrane business generated a 20% increase in revenue to EUR 15.7 million (2007: EUR 13.0 million) and the solar cooling business generated maiden sales of EUR 0.5 million. Aggregate revenues in 2008 were therefore EUR 16.2 million.

The gross profit was EUR 5.5 million, equivalent to a margin of 34%. The loss before tax increased to EUR 3.1 million (2007: EUR 2.4 million). However this loss is stated after several significant or non-recurring items, including the full year's expenditure on SolarNext (approximately EUR 1.0 million before amortisation expense); accelerated amortisation of intangible assets (EUR 534,000); and foreign exchange translation losses (EUR 836,000); and other provisions of EUR 210,000.

The loss before tax caused shareholders' funds to fall to EUR 7.2 million (2007: EUR 10.2 million). Cash balances at 31 December 2008 were EUR 2.2 million (2007: EUR 2.5 million).

Prospects

The Directors believe that the membrane market is set for growth not only by reason of its lightness, energy efficiency but also and increasingly by reason of its inherent safety properties. Flexible, shatterproof membrane is designed to provide vastly superior blast protection from airborne debris and shock waves compared with the traditional building materials of glass, steel and concrete.

Hightex enjoys a long pipeline of potential projects within its traditional range of capability - airports, sports stadia and shopping malls. Some projects are closer to tender than others, but on certain projects Hightex has worked closely with the architects or structural engineers, creating links which the Directors believe put the Company in a strong position.

In particular Hightex has devoted considerable resources into tendering for one major contract for a membrane roof in North America, which is one of the largest contracts tendered for by the Company in recent years. If Hightex

were to win this contract, substantial visibility of revenues in 2010 would be achieved.

The placing announced on 11 June 2009 augments these prospects by providing approximately £862,000 (EUR 1 million) (before expenses) as working capital to contribute towards the planned expansion of its membrane business.

Principal strategic objectives

The principal strategic objectives of Hightex in 2009 and beyond are as follows:

- To grow the membrane business substantially by winning several contracts every year, each of around EUR 10 million or more.
- To secure good margins on each such contract. The Directors believe this can be achieved through offering clients innovative and technically excellent solutions coupled with energy efficiencies.
- To strengthen further the balance sheet.
- To unlock the intrinsic value within SolarNext for shareholders.

Conclusion

In summary, Hightex has in the past 12 months returned the membrane business to profitability; reduced recurring overhead expenditure; capped the net cash outflow on SolarNext; and taken a significant first step in strengthening its balance sheet. With the membrane business now stabilised, the Directors will focus on growing its revenues and profits and releasing the value of its solar cooling and heating system and controller within SolarNext. The Directors look forward to the future with confidence.

Charles DesForges
Executive Chairman

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GROUP INCOME STATEMENT

For the year ended 31 December 2008

		Year ended 31 December 2008	Year ended 31 December 2007
	Notes	Unaudited €000	Audited €000
<i>Continuing operations</i>			
Revenue	2	16,189	12,960
Cost of sales		(10,641)	(8,977)
Gross profit		5,548	3,983
Operating expenses:			
Salaries and related expenses		(2,767)	(2,438)
Other operating expenses		(4,323)	(3,564)
Depreciation and amortisation		(263)	(320)
Underlying operating loss		(1,805)	(2,339)
Accelerated amortisation charge	3	(534)	-
Foreign exchange translation losses	3	(836)	(111)
Operating loss		(3,175)	(2,450)
Interest and other income		229	153
Finance costs		(134)	(84)
Loss on ordinary activities before taxation		(3,080)	(2,381)
Income tax (charge)/credit	4	(363)	223
Loss after tax and before minority interest		(3,443)	(2,158)
Minority interest		(86)	(51)
Loss from continuing operations and attributable to equity holders		(3,529)	(2,209)
Loss per share (cents):			
Basic and diluted	6	(2.95)*	(1.85)*

* In accordance with IAS 33 'Earnings per share' and as the Group has reported a loss for the period, the shares are not dilutive.

GROUP BALANCE SHEET

As at 31 December 2008

	Notes	31 December 2008 Unaudited €000	31 December 2007 Audited €000
Assets			
Non-current assets			
Goodwill		6,627	6,627
Other intangible assets	5	91	403
Property, plant and equipment		1,374	908
Deferred tax asset		117	425
		<u>8,209</u>	<u>8,363</u>
Current assets			
Cash at bank and in hand		2,191	2,530
Inventories		134	218
Trade and other receivables		4,224	5,421
		<u>6,549</u>	<u>8,169</u>
Total assets		<u>14,758</u>	<u>16,532</u>
Equity and liabilities			
Current liabilities			
Trade payables		2,316	1,799
Accrued liabilities and deferred income		3,546	3,189
Bank overdraft		82	-
Other accounts payable		1,482	1,005
		<u>7,426</u>	<u>5,993</u>
Non-current liabilities			
Accrued liabilities and deferred income		103	256
Other accounts payable		75	62
		<u>178</u>	<u>318</u>
Total liabilities		<u>7,604</u>	<u>6,311</u>
Capital and reserves			

Share capital	7	1,776	1,776
Share premium	7	11,757	11,757
Accumulated losses		(6,726)	(3,573)
Total equity attributable to equity holders		6,807	9,960
Minority interest		347	261
		7,154	10,221
Total equity and liabilities		14,758	16,532

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2008

	Share capital €000	Share premium €000	Accumulated losses €000	Minority interest €000	Total €000
Group - Unaudited Balance at 1 January 2008	1,776	11,757	(3,573)	261	10,221
Loss for the year	-	-	(3,529)	86	(3,443)
Currency translation differences	-	-	376	-	376
Balance at 31 December 2008	1,776	11,757	(6,726)	347	7,154

	Share capital €000	Share premium €000	Accumulated losses €000	Minority interest €000	Total €000
Group - Audited Balance at 1 January 2007	1,775	11,757	(991)	198	12,739
Issued during the period	1	-	-	-	1
Loss for the year	-	-	(2,209)	63	(2,146)
Currency translation differences	-	-	(373)	-	(373)

Balance at 31 December 2007	1,776	11,757	(3,573)	261	10,221
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GROUP CASH FLOW STATEMENT

For the year ended 31 December 2008

	Year ended 31 December 2008 Unaudited €000	Year ended 31 December 2007 Audited €000
Cash flows from operating activities		
Operating loss for the period	(3,175)	(2,450)
Adjustments for:		
(profit)/Loss on disposal of fixed assets	(18)	50
Bad debts written off	-	46
Depreciation	272	282
Amortisation and impairment of intangibles	581	39
Operating cash flows before movements in working capital	(2,340)	(2,033)
Decrease in inventories	84	(75)
(Increase)/decrease in receivables	1,197	(1,828)
Increase in payables	795	2,270
Cash (used in)/generated from operating activities	(264)	(1,666)
Interest paid	(100)	(84)
Deferred tax asset	(32)	-
Income tax paid	(24)	(51)
Net cash (used in)/generated from operating activities	(420)	(1,801)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	-
Acquisition of intangible assets	(269)	(377)
Acquisition of property, plant and equipment	(773)	(551)
Proceeds from disposal of property, plant and equipment	22	92
Interest received	211	153
Net cash (used in)/generated from investing activities	(809)	(683)

Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	-
Costs of issue of shares	-	-
Proceeds from loan	400	83
Net cash generated from financing activities	<u>400</u>	<u>83</u>
Net (decrease)/increase in cash and cash equivalents		
	(829)	(2,401)
Cash and cash equivalent at the beginning of the period	2,530	5,305
Effect of foreign exchange on cash and cash equivalent brought forward	408	(374)
Cash at bank and cash equivalent at the end of the period	<u>2,109</u>	<u>2,530</u>
Cash at bank and in hand comprises:		
Cash and cash equivalents	388	1,034
Cash lodged under performance and warranty bonds	1,721	1,496
	<u>2,109</u>	<u>2,530</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. Basis of preparation

The financial information set out in this preliminary results announcement does not constitute the Group's financial statements for the year ended 31 December 2008.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and using the accounting policies which are consistent with those adopted in the financial statements for the year ended 31 December 2007.

The auditors have yet to sign their report on the 2008 financial statements. The financial statements for the year ended 31 December 2008 will be finalized on the basis of the financial information presented by the Directors in this preliminary announcement. Whilst the auditors have not yet reported on the financial statements for the year ended 31 December 2008, they anticipate issuing an unqualified report.

The financial information for the year ended 31 December 2007 is derived from the financial statements for that year. The auditors have reported on the 2007 financial statements, their report was unqualified.

The financial information set out in this announcement was approved by the board on 22 June 2009.

The directors do not propose a dividend in respect of the year ended 31 December 2008 (2007:nil).

2. 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:

	2008 €000	2007 €000
<i>Revenue</i>		
Europe	10,567	7,681
Asia	73	94
USA	1,520	249
Africa	3,930	1,958
Australasia	99	2,978
	<u>16,189</u>	<u>12,960</u>
<i>Carrying amount of segment assets</i>		
Europe	12,304	13,602
Asia	134	-
USA	5	76
Africa	1,714	1,966
Australasia	601	888
	<u>14,758</u>	<u>9,882</u>
<i>Carrying amount of segment liabilities</i>		
Europe	6,514	4,236
Asia	71	152
USA	40	150
Africa	829	1,466
Australasia	150	307
	<u>7,604</u>	<u>6,311</u>
<i>Additions to plant and equipment</i>		
Europe	639	542
Asia	134	-
USA	-	-
Africa	-	-
Australasia	-	9
	<u>773</u>	<u>551</u>
<i>Additions to intangible assets</i>		
Europe	269	377

Asia	-	-
USA	-	-
Africa	-	-
Australasia	-	-
	269	377
<i>Depreciation</i>		
Europe	260	282
Asia	13	-
USA	-	-
Africa	-	-
Australasia	-	-
	273	282
<i>Amortisation</i>		
Europe	581	39
Asia	-	-
USA	-	-
Africa	-	-
Australasia	-	-
	581	39

3. Accelerated Amortisation and Foreign exchange

Included in amortisation of intangible assets of €581,000 in 2008 is €534,000 representing an accelerated charge in relation to the amortisation of capitalised development expenditure in respect of the SolarNext business following an assessment of their useful economic life.

The operating loss for the period is stated after charging an expense of €836,000 (2007: €111,000) in relation to foreign exchange.

4. Taxation

	Group	
	Year ended 31 December 2008 unaudited €000	Year ended 31 December 2007 audited €000
Current taxation	(44)	(60)
Deferred taxation	(319)	283
Taxation	(363)	223

The deferred taxation credit arose in previous years on losses recognised across the Group.

Analysis of factors influencing the tax charge:

	Year ended 31 December 2008 unaudited €000	Year ended 31 December 2007 audited €000
Net deficit before taxation	<u>(3,080)</u>	<u>(2,381)</u>
Loss on ordinary activities at 28.5% (2007: 28.5%)	878	678
Tax paid for current period	(18)	(4)
Tax rate differences	252	-
Effect of tax free earnings	(1,506)	(467)
Other adjustments	<u>31</u>	<u>16</u>
Corporate taxation (charge)/credit	<u>(363)</u>	<u>223</u>

5. Intangible fixed assets

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

	Development Costs €000	Software Costs €000	Total €000
GROUP			
Cost			
As at 1 January 2008	297	204	501
Additions	<u>244</u>	<u>25</u>	<u>269</u>
As at 31 December 2008	<u>541</u>	<u>229</u>	<u>770</u>
Accumulated Amortisation			
As at 1 January 2008	(7)	(91)	(98)
Charge for the year	<u>(534)</u>	<u>(47)</u>	<u>(581)</u>
As at 31 December 2008	<u>(541)</u>	<u>(138)</u>	<u>(679)</u>
Net book value			
As at 31 December 2008	<u>-</u>	<u>91</u>	<u>91</u>
As at 31 December 2007	<u>290</u>	<u>113</u>	<u>403</u>

6. Loss per share

The 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. In accordance with IAS 33 and as the Group has reported a loss for the period the share are not diluted:

	Group	
	2008	2007
Loss attributable to equity holders of the Company	€3,529,000	€2,209,000
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	119,652,582	119,652,582
Basic and diluted loss per share based on the issued share capital as at 31 December 2008	(2.95) cents	(1.85) cents

7. Share capital

	Shares	Share capital €000	Share premium €000
At 1 January 2008	119,652,582	1,776	11,757
At 31 December 2008	119,652,582	1,776	11,757

8. Post balance sheet events

On 11 June 2009, Hightex announced that it had placed 28,730,516 new ordinary shares at a placing price of 3 pence per share, raising nearly £862,000 for the Company. Following this placing, the Company's issued share capital was increased to 148,383,098 ordinary shares of 1 penny each, each with voting rights.

9. Nature of financial information

These preliminary 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

This information is provided by RNS
The company news service from the London Stock Exchange

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