

HIGHWAY CAPITAL PLC

INTERIM REPORT 2011

Chairman's Statement

The results for the six months ended 31 August 2011 showed a loss before tax of £41,000 (six months ended 31 August 2010: £45,000 loss; year ended 28 February 2011: £93,000 loss).

No dividend has been declared.

Subsequent to the publication of the last Annual Report Mr M Szytko acquired the shares formerly held by Mr A Perloff bringing his holding to 28.8%. This was announced to the markets on 25 July 2011.

Following the Annual General Meeting, Mr Szytko and myself were invited to join the Board and Mr Drummon and Mr Perloff stood down. The Board would like to thank them both for their contribution and wish them well for the future.

With two new major shareholders we hope to identify a potential target in due course which will be acceptable to all shareholders and which will add shareholder value.

I will report to you as soon as there are positive developments.

D Wheatley
Chairman

31 October 2011

<i>Profit and loss account</i>	<i>Notes</i>	<i>6 months ended 31 August 2011 (unaudited) £'000</i>	<i>6 months ended 31 August 2010 (unaudited) £'000</i>	<i>Year ended 28 February 2011 (audited) £'000</i>
Management fees		-	-	-
Administrative expenses		(41)	(45)	(93)
Operating loss	2	(41)	(45)	(93)
Interest receivable		-	-	-
Loss on ordinary activities before taxation		(41)	(45)	(93)
Tax credit on loss on ordinary activities		-	-	-
Loss for the period		(41)	(45)	(93)
Basic and diluted loss per share	3	(0.52)p	(0.57)p	(1.17)p

<i>Balance Sheet</i>	<i>Notes</i>	<i>31 August 2011 (unaudited) £'000</i>	<i>31 August 2010 (unaudited) £'000</i>	<i>28 February 2011 (audited) £'000</i>
Fixed assets				
Investments		-	-	-
Current assets				
Debtors		12	12	4
Cash at bank and in hand		191	288	229
		203	300	233
Creditors: amounts falling due within one year		(33)	(42)	(22)
Net current assets		170	258	211
Net assets		170	258	211
Capital and reserves				
Share capital	5	159	159	159
Share premium		295	295	295
Profit and loss account		(284)	(196)	(243)
Total equity shareholders' funds		170	258	211

<i>Cash Flow Statement</i>	<i>Notes</i>	<i>6 months ended 31 August 2011 (unaudited) £'000</i>	<i>6 months ended 31 August 2010 (unaudited) £'000</i>	<i>Year ended 28 February 2011 (audited) £'000</i>
Net cash outflow from operating activities	6a	(38)	(34)	(93)
Returns on investments and servicing of finance				
Interest received		-	-	-
Net cash inflow from returns on investments and servicing of finance		-	-	-
Taxation				
Corporation tax		-	-	-
Equity dividends paid		-	-	-
Decrease in cash	6b	(38)	(34)	(93)

Notes to the Interim Report

1. Basis of preparation of the interim report

The condensed set of financial statements for the six months ended 31 August 2011 has been prepared on a basis consistent with the financial statements for the year ended 28 February 2011.

The condensed set of financial statements for the six months ended 31 August 2011 has not been audited or reviewed by the auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

The comparative financial information for the year ended 28 February 2011 has been extracted from the audited financial statements, on which the auditors issued an unqualified audit report and which have been delivered to the Registrar of Companies.

The financial information contained in the interim statement does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

There are no acquired or discontinued operations in the relevant financial periods.

There are no recognized gains or losses other than the profit or loss for the relevant financial periods.

Highway Capital plc is a stand-alone company and does not prepare consolidated accounts. It has therefore continued to prepare its accounts in accordance with UK rather than international accounting standards, as permitted under EC Regulation 1606/2002.

2. Operating loss

This is stated after charging:

	<i>6 months ended 31 August 2011 (unaudited) £'000</i>	<i>6 months ended 31 August 2010 (unaudited) £'000</i>	<i>Year ended 28 February 2011 (audited) £'000</i>
Directors' remuneration			
- salaries and fees	16	16	33
Auditors' remuneration			
- audit services	4	4	9
- other services	7	7	14

3. Loss per share

The loss per ordinary share calculation has been based on the losses attributable to ordinary shareholders of £41,000 (August 2010: £45,000; February 2011: £93,000), divided by 7,945,638 (August 2010 and February 2011: 7,945,638) being the average of the issued share capital during the period.

There is no difference between the basic and diluted loss per share.

4. 2011 interim dividend

No interim dividend has been declared.

5. Share capital

	<i>31 August 2011 (unaudited)</i>	<i>31 August 2010 (unaudited)</i>	<i>28 February 2011 (audited)</i>
Ordinary shares of 2p each			
Authorised			
Number of shares	50,000,000	50,000,000	50,000,000
Nominal value	£1,000,000	£1,000,000	£1,000,000
Allotted, called-up, fully paid			
Number of shares	7,945,638	7,945,638	7,945,638
Nominal value	£158,913	£158,913	£158,913

6. Cash flow statement

	<i>6 months ended 31 August 2011 (unaudited) £'000</i>	<i>6 months ended 31 August 2010 (unaudited) £'000</i>	<i>Year ended 28 February 2011 (audited) £'000</i>
a) Net cash outflow from operating activities			
Operating loss	(41)	(45)	(93)
(Increase)/decrease in debtors	(8)	(9)	1
Increase/(decrease) in creditors	11	20	(1)
	(38)	(34)	(93)
b) Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the period	(38)	(34)	(93)
Movement in net funds in the period	(38)	(34)	(93)
Opening net funds	229	322	322
Closing net funds	191	288	229

7. Related party transactions

A H Drummon, who retired as chairman and director on 19 September 2011, is a consultant to Keith, Bayley, Rogers & Co. Limited, the financial adviser and stockbroker to Highway Capital plc. In the six months ended 31 August 2011, Keith, Bayley, Rogers & Co. Limited received retainer fees of £2,500 (August 2010: £5,000; February 2011: £10,000) and website maintenance and setup fees of £500 (August 2010: £1,167; February 2011: £1,667).

8. Responsibility statement

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with Statement: Half-yearly financial reports issued by the Accounting Standards Board;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

D Wheatley
Chairman

E P Levey
Non-Executive Director

9. Publication

Copies of this statement will be available on the company's website at www.highwaycapital.co.uk.