

# **HIGHWAY CAPITAL *plc***

## **ANNUAL REPORT For the year ending 28 February 2018**

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***Chairman's statement***  
**Year ended 28 February 2018**

Dear Shareholders

About the year ending 28 February 2018 one would say it was a year which was neither marked by a finalization of the Company's Board and management team efforts to take the Company out of the difficult situation, nor by any deterioration in the Company's situation as regards the listing and trading on the London Stock Exchange or, more generally, with regard to the Company's business.

The trading in the shares remained suspended, due to the regulator's decision from 2016. It is worth stressing that the decision was not caused by any infraction or contravention vis-a-vis the regulations imposing obligations on the listed companies, but by an interpretation of a loan extended by Highway Capital which, according to the regulator's opinion, was a sign of the change of the company's business, namely deterring it from seeking an acquisition in the market.

Nevertheless, it was never our intention to relinquish the completion of an acquisition that would be suitable for the interests of the shareholders. Consistently with that aim, the Company has continued pursuing the objective of identifying a partner to execute an RTO transaction or a similar one, invariably before and after the trading has been interrupted, and especially in 2018.

**Ludwik Sobolewski**  
Chairman

8 March 2019



***Strategic report***  
**Year ended 28 February 2018**

Highway Capital is listed on the Standard List segment of the Main Market, having been admitted to trading on 20 March 1995. In May and June 2016, the Company provided loans to Mylux, an investment vehicle, which was acquiring an interest in Multipay, a newly formed company looking to offer comprehensive payment services in Poland (the "Loan"). The Company proceeded with the Loan following advice from a third party FCA regulated firm. This advice has retrospectively been proven incorrect; the UKLA considered the Loan "a change in the strategic direction or nature of the Company's business away from its stated aim to find an acquisition". Trading in the Company's shares was therefore suspended on 22 September 2016.

Trading in the Company's shares has since remained suspended.

Following an approach from the Company, Peterhouse Capital Limited ("Peterhouse") has been invited by Highway's Board to assist the Company in rectifying its failure to comply with regulation, and in applying for the restoration of trading in its shares.

The Company is now undertaking both a reversal of the Loan and the completion of all overdue documentation (and its approval through an AGM).

Future developments and key risks facing the company are discussed in the Chairman's Statement on page 3 and the Directors' Report on page 5 of the financial statements.

**Ludwik Sobolewski**  
Chairman

8 March 2019



## ***Directors' report***

### **Year ended 28 February 2018**

Your directors have pleasure in submitting their report and the audited accounts for the year ended 28 February 2018, and consider it to be fair, balanced and understandable.

#### **Principal activity**

Highway Capital plc's core focus is to invest in or acquire undervalued companies with either strong asset backing or opportunities which possess high barriers to entry.

#### **Business review and management report**

The profit on ordinary activities for the year before taxation was £54,378 (2017: loss £407,260). After taxation and dividends, the profit of £54,378 (2017: deficit £407,260) has been transferred to reserves.

The company continues to keep expenditure to a minimum in order to preserve its cash resources. The company had cash at bank and in hand of £1,262 at 28 February 2018.

The principal risks and uncertainties that the company faces are in identifying and acquiring suitable investments. The income of the company fluctuates with movements in interest rates.

Events that have occurred since the end of the financial year are detailed in note 16 to the accounts. Details of future developments can be found in the Chairman's statement.

#### **Dividends**

The directors do not recommend the payment of a final dividend for the year.

#### **Directors**

The following directors served during the year to 28 February 2018:

L. Sobolewski (Chairman)  
M. Szytko  
D. Zych  
J. Slotala – resigned 13 June 2017

Details of directors' remuneration, service contracts and interests in the ordinary shares of the company are included in the directors' remuneration report on pages 8 and 9.

Mr Sobolewski retires by rotation, and offers himself for re-election at the AGM. He does not have a service contract with the company. Following formal performance evaluation, the board believes that the non-executive director has performed effectively and that he should be re-elected.

#### **Biographies of directors**

**Ludwik Sobolewski**, 52, was appointed a non-executive director and Chairman on 22 January 2016. Mr Sobolewski currently serves as CEO of the Bucharest Stock Exchange, where he has been charged with a mission to implement a deep reform of the infrastructure of the Romanian capital market, in cooperation with the Government, the National Bank of Romania, the Romanian Financial Services Authority and market participants. Prior to joining the Bucharest Stock Exchange, Mr Sobolewski served as the CEO and President of the Management Board of the Warsaw Stock Exchange. Mr Sobolewski's background also includes serving as President of the Association of Polish Lawyers and Executive Vice-President of the National Depository for Securities. Mr Sobolewski is currently on the supervisory boards of ZE PAK, a company listed on the Warsaw Stock Exchange, the Financial Revision Commission of the Sztuka Media Film Foundation and he is a member of the Council of the Teraz Polska (Poland Now) Foundation, promoting small and medium entrepreneurship.

## ***Directors' report continued***

### **Year ended 28 February 2018**

**Maciej Szytko**, 35, was appointed as a non-executive director on 19 September 2011. He is a Commercial Studies graduate from the University of Westminster. Over the past 10 years, he has held a number of managerial positions in the hospitality industry. He is currently a self-employed adviser and active investor in public and private companies with a focus on the Commonwealth of Independent States (CIS) and the Warsaw Stock Exchange (WSE), where his first financial successes occurred.

**Dariusz Zych**, 47, was appointed as a non-executive director on 11 December 2015, and has over 20 years experience in Capital Markets, most recently with SCG S.A. working as Investment Director and Vice Chairman. Mr Zych has extensive experience in the financial markets gained through participation across a broad range of projects and capital transactions, including running Private Equity/Venture Capital projects as well as Equity and Debt Raising for both IPO and SPO transactions. Throughout his career he served on a number of Boards. Currently, he is a board member of Pragma Inkaso S.A. Apanet S.A. CHP Energia Sp z o.o. Cezar 10 Sp z o.o.

#### **Substantial shareholdings**

At 28 February 2018 the company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, of the following notifiable interests in the ordinary share capital of the company:

	<b>Number of Ordinary Shares</b>	<b>Percentage Holding</b>
R. B. Rowan	2,375,745	24.77%
M. Szytko	2,622,060	27.34%
D. Wheatley	435,644	4.54%
P. Fellerman	650,000	6.78%
Wildman Asset Management SA	850,000	8.86%

There have been no subsequent notified changes since the year end.

#### **Payment of suppliers**

It is the company's policy to pay suppliers in accordance with the terms agreed for each transaction.

#### **Audit information**

The directors are satisfied that the auditors are aware of all information relevant to the audit of the company's accounts for the year to 28 February 2018 and that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information (as defined by Section 418 of the Companies Act 2006) and to establish that the company's auditors are aware of that information.

***Directors' report continued***  
**Year ended 28 February 2018**

**Auditors**

A resolution proposing that Shipleys LLP they be re-appointed as auditors of the company will be put to the annual general meeting.

**Share capital and voting rights**

Throughout the year the issued share capital of the company has been £191,804 divided into 9,590,201 ordinary shares of 2p each. Each ordinary share has full voting rights. It is intended that resolutions to authorise the directors to allot shares up to an aggregate nominal amount of £1,043,701 and to dis-apply the pre-emption rights on allotments of shares up to that aggregate nominal amount will be proposed at the AGM.

**Going concern**

The company was until recently a “cash shell”, and, apart from a small amount of interest receivable, currently has no income stream. Until the business investments start to generate income, the company is dependent on its cash reserves to fund ongoing costs. Since the balance sheet date, the company has redeemed the loans made by the company of £281,965, and also received new loan funding of £178,650, to enable it to pursue its investment strategy and for working capital purposes.

After reviewing the company's budget for 2018/2019 and its medium term plans, the directors have a reasonable expectation that, following the loans made to the company since the balance sheet date, and the opportunities for additional funding as needed, the company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

**Carbon emissions**

The company currently has no head office and no employees other than its directors, and therefore has minimal carbon emissions.

**Financial risk management**

The company's financial risk management objective is to minimise, as far as possible, the company's exposure to such risk as detailed in note 20 to the accounts.

By order of the board



**Maciej Szytko**  
Director

8 March 2019

## ***Directors' responsibility statement***

**Year ended 28 February 2018**

The directors are responsible for preparing the strategic report and the directors' report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the accounts;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for the system of internal control, and for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities. The directors are also responsible for ensuring that all information relevant to the audit has been made available to the auditors.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, a directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The directors confirm that, to the best of their knowledge and belief:

- the accounts in this document, prepared in accordance with applicable UK law and accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the business review and management report in the directors' report includes a true and fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

By order of the board

  
**Maciej Szytko**  
Director

8 March 2019

## ***Directors' remuneration report***

**Year ended 28 February 2018**

### **Introduction**

The information included in this report is not subject to audit other than where specifically indicated.

### **Remuneration committee**

The remuneration committee consists of the non-executive directors, Ludwik Sobolewski and Maciej Szytko. This committee's primary function is to review the performance of executive directors and senior employees and set their remuneration and other terms of employment. Since the disposal of its trading subsidiary on 24 January 2001, the company has only had one executive director and no senior employees. The committee is also responsible for administering any share option scheme or bonus schemes.

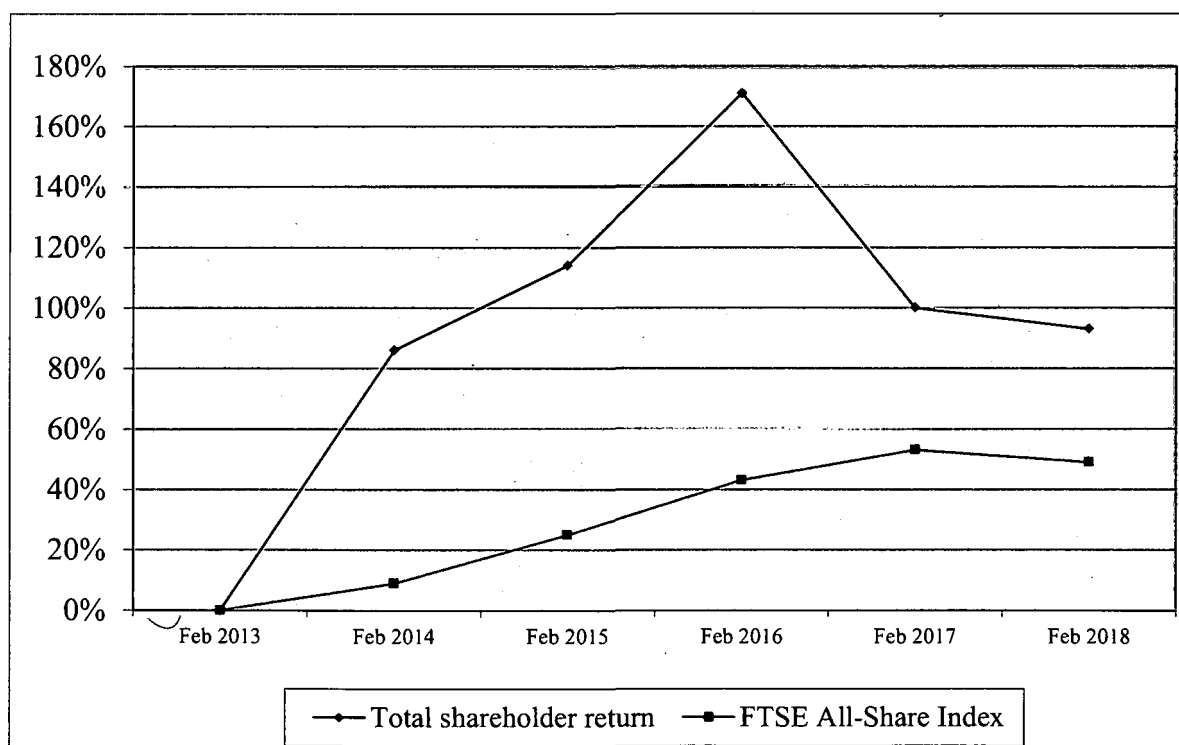
The remuneration committee determines the company's policy for the remuneration of directors, having regard to the UK Corporate Governance Code and its provisions on directors' remuneration.

### **The remuneration policy**

It is the aim of the committee to remunerate directors competitively and to reward performance. Details of the remuneration packages of individual directors are set out below. There are currently no long term incentive plans, performance bonuses or pension schemes in place. The only share options in issue are to a former director, Dominic Wheatley. The views of the shareholders have been considered in the formulation of the remuneration policy, including through meeting at the AGM. At the last AGM held a resolution was passed to approve the directors' remuneration report. It is the intention to implement a similar directors' remuneration policy in 2018/2019 to that in 2017/2018.

### **Performance graph**

The following table includes a performance graph comparing, over the last five financial years, the Total Shareholder Return of an ordinary share in Highway Capital plc against the Total Shareholder Return of the FTSE All-Share Index. The remuneration committee considers the FTSE All-Share Index to be an appropriate comparator for Total Shareholder Return performance. The dividend adjustment to the FTSE All-Share Index has been estimated based on past performance.



## ***Directors' remuneration report continued***

### **Year ended 28 February 2018**

#### **Service agreements and terms of appointment**

None of the directors has a service contract with the company.

#### **Directors' interests**

The directors' interests in the share capital of the company are shown below. All interests are beneficial.

	<b>Number of ordinary shares</b>	
	<b>28.2.2018</b>	<b>28.2.2017</b>
M. Szytko	2,622,060	2,622,060
D. Zych	10	10

There have been no notified changes in the interests of the directors since the year end.

#### **Directors' emoluments (audited)**

Directors' emoluments including amounts payable to third parties in respect of directors' services are comprised as follows:

	<b>Fees</b>	<b>Basic Salary</b>	<b>Compensation payment</b>	<b>Taxable Benefits</b>	<b>2018 Total</b>	<b>2017 Total</b>
<b>Non-executive directors:</b>						
L. Sobolewski	36,000	—	—	—	36,000	36,000
M. D. A. Wheatley (resigned 20 April 2016)	—	—	—	—	—	1,667
M. Szytko	60,000	—	—	—	60,000	24,000
D. Zych	24,000	—	—	—	24,000	—
J Slotala (resigned 13 June 2017)	—	—	—	—	—	—
	<u>£120,000</u>	<u>£—</u>	<u>£—</u>	<u>£—</u>	<u>£120,000</u>	<u>£61,667</u>

No pension contributions were made by the company on behalf of its directors.

No director currently has share options, and no share options were granted to or exercised by the directors during the period under review. In connection with his resignation on 20 April 2016, Mr Wheatley has been granted 150,000 options to subscribe for new ordinary shares in Highway Capital plc at a price of 20 pence per share at any time until 20 April 2021.

#### **Approval by shareholders**

At the next annual general meeting of the company a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the board on 8 March 2019 and signed on its behalf by:

**Ludwik Sobolewski**

Chairman and Head of Remuneration Committee



## ***Corporate governance***

**Year ended 28 February 2018**

The policy of the board is to manage the affairs of the company with reference to the UK Corporate Governance Code, which is publicly available from the Financial Reporting Council. In July 2013 the company changed from a Premium to a Standard listing.

### **Application of principles of good governance**

#### **Board of directors**

The board currently comprises the non-executive Chairman, Ludwik Sobolewski, and the two non-executive directors, Maciej Szytko and Dariusz Zych. The articles of association require a third, but not greater than a third, of the directors to retire by rotation each year. Since the disposal of the company's trading subsidiary on 24 January 2001 the company has not had a Chief Executive. The board intends to appoint a Chief Executive when a new business is acquired.

There are regular board meetings each year and other meetings are held as required to direct the overall company strategy and operations. Board meetings follow a formal agenda covering matters specifically reserved for decision by the board. These cover key areas of the company's affairs including overall strategy, acquisition policy, approval of budgets, major capital expenditure and significant transactions and financing issues.

The board has delegated certain responsibilities, within defined terms of reference, to the audit committee and the remuneration committee as described below. The appointment of new directors is made by the board as a whole.

During the year ended 28 February 2018, there were 11 board meetings, 1 audit committee meeting and 1 remuneration committee meeting. All meetings were fully attended.

The board undertakes a formal annual evaluation of its own performance and that of its committees and individual directors, through discussions and one-to-one reviews with the Chairman and the senior independent director. The terms and conditions of appointment of the non-executive directors are available for inspection at Eden House, Reynolds Road, Beaconsfield HP9 2FL.

#### **Audit committee**

The audit committee is currently headed by Ludwik Sobolewski, the Chairman, and also comprises Maciej Szytko. The committee's terms of reference are in accordance with the UK Corporate Governance Code.

The committee reviews the company's financial and accounting policies, interim and final results and annual report prior to their submission to the board, together with management reports on accounting matters and internal control and risk management systems. It reviews the auditors' management letter and considers any financial or other matters raised by both the auditors and employees.

The committee considers the independence of the external auditors and ensures that their objectivity and independence are not impaired. During the year no non-audit services were provided by the external auditors.

The committee has primary responsibility for making recommendations to the board in respect of the appointment, reappointment and removal of the external auditors.

## ***Corporate governance continued***

**Year ended 28 February 2018**

### **Remuneration committee**

The remuneration committee is currently headed by Ludwik Sobolewski, the Chairman, and also comprises Maciej Szytko.

The committee's primary function is to review the performance of directors and senior employees and to set their remuneration and other terms of employment. It is also responsible for administering any share option and bonus schemes.

### **Relations with shareholders**

The company encourages two-way communication with both its institutional and private investors and responds promptly to all queries received. An understanding of the views of the major shareholders of the company has been developed, including through meeting at the AGM.

### **Internal controls**

The directors are responsible for internal control in the company and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material error, losses or fraud. In addition, there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the company.

The key procedures that the directors have established are designed to provide effective internal control within the company and are regularly reviewed by the board. This is in accordance with The Turnbull Guidance provided by the Institute of Chartered Accountants in England and Wales. Such procedures have been in place throughout the period under review and up to the date of approval of the annual report and accounts.

Due to the size of the company, all key decisions are made by the board and the assessment and management of risk is an integral part of the board's decision-making process.

The company's organisational structure has clear lines of responsibility and the board continues to review systems to monitor and investigate the major business risks facing the company.

The board has established control procedures for all key financial areas of the business, which enable the board to maintain full and effective control. These controls include defined procedures for seeking and obtaining approval for major transactions and controls relating to the security of assets. The company operates a comprehensive budgeting and financial reporting system.

The directors have reviewed the effectiveness of the company's systems of internal control as they operated during the period under review and consider that there have been no material losses, contingencies or uncertainties caused by weaknesses in internal controls. The directors do not consider that an internal audit function is presently necessary as the company is a "cash shell".

### **Going concern**

The company is essentially a "cash shell", and, apart from some interest receivable, currently has no income stream. The company is therefore dependent on its cash reserves and the injection of new funding, to fund ongoing costs. Since the balance sheet date, the company has redeemed the loans made by the company of £281,965, and also received new loan funding of £178,650, to enable it to repay some of its existing loans and for working capital purposes.

After reviewing the company's budget for 2018/2019 and its medium term plans, the directors have a reasonable expectation that, following the loans made to the company since the balance sheet date, and

***Corporate governance continued***  
**Year ended 28 February 2018**

the opportunities for additional funding as needed, the company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

**Statement of compliance**

In the opinion of the directors, the company has complied throughout the year ended 28 February 2018 with all provisions relevant to a company of its size set out in the UK Corporate Governance Code, except for the items outlined below.

Code provision A.2.1 – Since the disposal of the company’s trading subsidiary on 24 January 2001 the company has not had a Chief Executive. The board intends to appoint a Chief Executive when a new business is acquired.

Code provision B.2.1 – A nomination committee has not been set up, as the directors consider that it is not appropriate while the company is a “cash shell” without any employees. The board intends to set up a nomination committee when a new business is acquired.

Code provision C.3.1 – Since the appointment of Ludwik Sobolewski as non-executive Chairman on 22 January 2016, the company has had one rather than at least two independent non-executive directors on the audit committee.

***Independent Auditors' Report to the members of Highway Capital plc***  
**Year ended 28 February 2018**

**Opinion**

We have audited the financial statements of Highway Capital PLC (the 'company') for the year ended 28 February 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements regarding the company's ability to continue as a going concern. These disclosures indicate the existence of material uncertainties that may cast significant doubt on the company's ability to continue as a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

**Going Concern**

As required by the Listing Rules we have reviewed the Director's statement on page 13 that the Company is a going concern. We confirm that:

- We have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate; and
- We have not identified any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

**Our assessment of risks of material misstatement**

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

***Independent Auditors' Report to the members of Highway Capital plc***  
**Year ended 28 February 2018**

<b>Risk</b>	<b>How the scope of our audit responded to the risk</b>
<b><i>Management override of controls</i></b> Journals can be posted that significantly alter the Financial Statements of the entity.	We examined journals posted around the year end, specifically focusing on areas which are more easily manipulated such as accruals, prepayments and the bank reconciliation.
<b><i>Going Concern</i></b> There is a risk that the entity may not be a going concern due to net liabilities and lack of revenue.	We made enquiries with the Directors regarding how the Company will continue to fund expenditure over the coming year. Attention was focused on the additional loans provided by shareholders and third parties post year end.
<b><i>Bank letter</i></b> The bank letter was not received at the date of the audit, giving rise to the potential for undisclosed liabilities.	We examined bank statements and other supporting records to ensure that balances agreed, and to look for evidence of any undisclosed financial liabilities.
<b><i>Company status and listing rules</i></b> Risk of non-compliance with listed company status.	We held discussions with management together with review of correspondence with the bank and LSE documentation indicated no signs of non-compliance.
<b><i>Convertible loans</i></b> Risk that convertible loans had not been calculated correctly.	The assumptions used around company cost of capital for the purposes of the calculation were reviewed with comparisons to similar loans with third parties. The calculations were reviewed.
<b><i>Accounting Estimates</i></b> Potential risk of inappropriate accounting estimates around accruals giving rise to misstatement in the accounts.	Accruals were agreed to expected costs and supporting documentation, and other areas were examined to identify any potential accounting estimates.

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the Financial Statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

### **Our application of materiality**

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning and in the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company to be £7,982, which is less than 4% of results before tax and less than 2% of net liabilities. We agreed with the Audit Committee that we would report to them all audit differences in excess of 10% of materiality, as well as differences below that which would, in our view, warrant reporting on a qualitative basis. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

***Independent Auditors' Report continued***  
**Year ended 28 February 2018**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Directors' Remuneration**

Under the Companies Act 2006 we are also required to report in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

**Our duty to read other information in the Annual Report**

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is materially inconsistent with the information in the audited Financial Statements; or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit.

In particular we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Director's statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that were communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

**Other matters**

*Corporate Governance Statement*

We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with the UK Corporate Governance Code. We have nothing to report arising from our review.

***Independent Auditors' Report continued***  
**Year ended 28 February 2018**

**Respective Responsibilities of Directors and the auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our independent partner review processes.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Independent Auditors' Report continued***  
**Year ended 28 February 2018**

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Shane Moloney** (Senior Statutory Auditor)

For and on behalf of Shipleys LLP  
Chartered Accountants and Statutory Auditor

**8 March 2019**

10 Orange Street, Haymarket  
London WC2H 7DQ

**Statement of comprehensive income****Year ended 28 February 2018**

	Notes	2018	2017
<b>Management fees</b>		—	—
Other income		—	—
Administrative expenses		(178,756)	(196,627)
<b>Operating loss</b>	2	(178,756)	(196,627)
Interest receivable		33,209	17
Amount written back/(off) loans receivable		210,650	(210,650)
Amount written back/(off) equity investments		(10,725)	—
<b>Profit/(loss) on ordinary activities before taxation</b>		54,378	(407,260)
Tax credit on loss on ordinary activities	5	—	—
<b>Profit/(loss) for the financial period and total comprehensive income</b>		54,378	(407,260)
<b>Basic profit/(loss) per share</b>	7	0.57p	(4.25)p
<b>Diluted profit/(loss) per share</b>	7	0.55p	(4.25)p
<b>Basic profit/(loss) per share from continuing operations</b>	7	0.57p	(4.25)p
<b>Diluted profit/(loss) per share from continuing operations</b>	7	0.55p	(4.25)p

**Continuing operations**

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

**Statement of comprehensive income**

The company has no items of other comprehensive income other than the profit or loss for the above two financial periods.

***Statement of financial position*****As at 28 February 2018**

	Notes	2018	2017
<b>Fixed assets</b>			
Investments	8	—	10,725
		—	10,725
<b>Current assets</b>			
Debtors	10	317,456	5,461
Cash at bank and in hand		1,262	17
		318,718	5,478
<b>Creditors: amounts falling due within one year</b>	11	(388,430)	(265,293)
<b>Net current liabilities</b>		(69,712)	(259,815)
<b>Total assets less current liabilities</b>		(69,712)	(249,090)
<b>Creditors: amounts due after more than one year</b>	12	(474,000)	(349,000)
<b>Net liabilities</b>		£(543,712)	£(598,090)
<b>Capital and reserves</b>			
Share capital	14	191,804	191,804
Share premium account	17	430,471	430,471
Profit and loss account	17	(1,165,987)	(1,220,365)
<b>Total equity shareholders' funds/(deficit)</b>		£(543,712)	£(598,090)

Approved by the board on 8 March 2019

Ludwik Sobolewski  
Chairman



Company registration no. 02991159

***Statement of changes in equity*****Year ended 28 February 2018**

	Share capital	Share Premium account	Profit and loss account	Total
<b>Balance at 1 March 2016</b>	174,804	368,621	(813,105)	(269,680)
<b>Period ended 28 February 2017:</b>				
Loss and total comprehensive income for the year	—	—	(407,260)	(407,260)
Conversion of loan notes to 850,000 ordinary shares of 2p each	17,000	68,000	—	85,000
New equity listing costs	—	(6,150)	—	(6,150)
<b>Balance at 28 February 2017</b>	191,804	430,471	(1,220,365)	(598,090)
<b>Period ended 28 February 2018:</b>				
Profit/(loss) and total comprehensive income for the year	—	—	54,378	54,378
<b>Balance at 28 February 2018</b>	£191,804	£430,471	£(1,165,987)	£(543,712)

# ***Statement of cash flows***

**Year ended 28 February 2018**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Profit / (loss) for the financial period	54,378	( 407,260)
<i>Adjustments for:</i>		
Interest receivable	( 33,209)	( 17)
Amounts written (back)/off investments and loan	( 199,925)	210,650
<i>Changes in:</i>		
Trade and other debtors	3,095	(1,663)
Trade and other creditors	123,024	140,198
Cash generated from operations	( 52,637)	( 58,092)
Interest received	84	17
<b>Net cash from operating activities</b>	<b>( 52,553)</b>	<b>( 58,075)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans to company	125,000	284,000
Costs of conversion of loan to share capital	—	( 6,150)
Loans made by company	( 78,640)	( 221,375)
Loans redeemed by company	7,325	—
<b>Net cash from financing activities</b>	<b>53,685</b>	<b>56,475</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,132</b>	<b>(1,600)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>(915)</b>	<b>685</b>
<b>Cash and cash equivalents at end of period</b>	<b>£217</b>	<b>£(915)</b>

## ***Notes to the accounts***

**Year ended 28 February 2018**

### **1 Accounting policies**

#### **Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland".

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Highway Capital plc does not prepare consolidated accounts and the directors have therefore continued to prepare its accounts in accordance with FRS 102 rather than international accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **Going concern**

The company is essentially a "cash shell", and, apart from some interest receivable, currently has no income stream. The company is therefore dependent on its cash reserves and the injection of new funding, to fund ongoing costs. Since the balance sheet date, the company has redeemed the loans made by the company of £281,965, and also received new loan funding of £178,650, to enable it to repay some of its existing loans and for working capital purposes.

After reviewing the company's budget for 2018/2019 and its medium term plans, the directors have a reasonable expectation that, following the loans made to the company since the balance sheet date, and the opportunities for additional funding as needed, the company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts. However, inherently there can be no certainty in relation to these matters.

The accounts do not include any adjustments that would result if the company were unable to continue as a going concern.

#### **Consolidation**

At 28 February 2018, Highway Capital plc was a stand-alone company and is therefore not required to prepare consolidated accounts.

#### **Investments**

Fixed asset investments are measured at cost or valuation less any provision for impairment.

#### **Deferred taxation**

Deferred tax is provided in full at appropriate rates in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes, if those timing differences are not permanent and have originated but not reversed by the balance sheet date. The deferred tax balance has not been discounted.

#### **Foreign currencies**

Profit and loss account transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

**Notes to the accounts** *continued***Year ended 28 February 2018****Turnover**

It is anticipated that going forward turnover will be represented by management fees receivable. Currently, other than interest receivable, there is no income stream.

**Interest receivable**

Revenue from interest receivable is recognised as income in the period on the effective income basis. Turnover is stated net of VAT and trade discounts.

**Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors have considered the above and do not believe that there are any estimates or assumptions which have a significant effect on the amounts recognised in the financial statements that require disclosure.

**2. Operating loss**

This is stated after charging:

	2018	2017
Directors' remuneration – Salaries and fees	£120,000	£61,667
Auditors' remuneration – Audit services	£10,000	£10,000
	—	—

**3. Employees**

The average number of employees, including directors and key management personnel, during the year was made up as follows:

	2018	2017
Directors	3	4
	4	4

Employee costs, including directors and key management personnel, during the year amounted to:

Salaries and fees	120,000	61,667
	£120,000	£61,667

**4. Directors' remuneration**

Information relating to directors' emoluments is included in the directors' remuneration report on page 10.

There were no key management personnel in the year, other than directors.

**Notes to the accounts continued****Year ended 28 February 2018****5. Taxation**

Based on the profit/(loss) for the year:

	2018	2017
U.K. corporation tax at 19% (2017: 20%)	—	—
Under/(over) provision in previous years	—	—
	<u>£—</u>	<u>£—</u>

**Factors affecting the tax charge/(credit) for the year**

Profit/(loss) on ordinary activities before taxation

£54,378      £(407,260)

Loss on ordinary activities before taxation multiplied by the small company rate of UK corporation tax of 19% (2017: 20%)

£10,332      £(81,452)

Effects of:

Current period tax losses not utilized

-      81,070

Brought forward tax losses utilized

(12,510)      —

Equity investments written off

2,038      —

Disallowed expenditure/(income)

140      382

£(10,332)      £81,452**Current tax charge/(credit)**£—      £—

The company has estimated losses of £1,710,000 (2017: £1,770,000) that may be available for carry forward against future profits, and estimated capital losses of £1,470,000 (2017: £1,460,000) that may be available for carry forward against future chargeable gains. No deferred tax asset has been recognised in the accounts in respect of these unrelieved losses.

**6. Dividends**

	2018	2017
Interim dividend paid per share	—	—
	<u>£—</u>	<u>£—</u>

**7. Profit/(loss) per share**

The profit/(loss) per ordinary share calculation has been based on the profit/(loss) attributable to ordinary shareholders of £54,378 (2017: loss £407,260), divided by 9,590,201 (2017: 9,590,201), being the weighted average number of ordinary shares in issue during the year. The 2018 diluted profit per ordinary share calculation has been based on an adjusted profit of £65,724 and an adjusted weighted average number of ordinary shares of 11,859,367.

There are no discontinued operations in either period and, therefore, the basic and the diluted profit/(loss) per ordinary share from continuing operations are the same as the basic and the diluted profit/(loss) per ordinary share.

**Notes to the accounts continued****Year ended 27 February 2018****8. Investments**

	<b>2018</b>	<b>2017</b>
Investments - shares	—	10,725
	<hr/> £—	<hr/> £10,725

The investment of £10,725 for 100% of the ordinary share capital in Central Europe Opportunity GP S.à r.l, a private limited company incorporated in Luxembourg was written off in the year and has been recognized in the Statement of comprehensive income.

**9. Capital commitments**

At 28 February 2018 the company had no capital commitments (2017: nil).

**10. Debtors**

	<b>2018</b>	<b>2017</b>
Loans receivable	281,965	—
Other debtors	1,783	2,137
Prepayments	33,708	3,324
	<hr/> £317,456	<hr/> £5,461

**11. Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
Bank overdraft	1,045	932
Trade creditors	93,335	99,688
Accruals	294,050	164,673
	<hr/> £388,430	<hr/> £265,293

**12. Creditors: amounts due after more than one year**

The creditors due after more than one year of £474,000 (2017: £349,000), are made up of the following loans:

- (a) £30,000 from M Szytko, a director and shareholder, and £165,000 from an institutional investor: these loans are unsecured, repayable after two years, and bearing interest at a rate of 5% per annum (if it so wishes, the company can repay the loan or part thereof at any time within the two year period).
- (b) £127,000 from M Szytko, £27,000 from D Zych, a director and shareholder, and £125,000 from outside investors: these loans are unsecured, repayable after five years, convertible at the holder's request into new ordinary shares in the company at a price of 10 pence per share; in the event that the loan is not repaid or converted prior to its maturity date then it will attract accrued interest at a rate of 5% per annum.

**13. Deferred taxation**

The estimated deferred tax asset not recognised in the accounts, based on a 17% rate of tax, amounts to £540,600 (2017: based on a 19% rate of tax £613,700). Of this amount, £249,900 may be recoverable by the company against future chargeable gains, and £290,700 may be recoverable against future profits.

***Notes to the accounts continued*****Year ended 28 February 2018****14. Share capital**

	Number of Shares 2018	Nominal Value 2018	Number of Shares 2017	Nominal Value 2017
Allotted, called-up and fully paid:				
Ordinary shares of 2p each	9,590,201	£191,804	9,590,201	£191,804

**15. Related party transactions**

As at the balance sheet date, there are loans of £157,000 to the company from M Szytko, a director and shareholder, and £27,000 from D Zych, a director and shareholder. The terms of these loans are set out in note 12 above. No other transactions are required to be disclosed under FRS 102.

**16. Post balance sheet events**

Since the balance sheet date, the company has redeemed the loans made by the company of £281,965, and also received new loan funding of £178,650, to enable it to repay some of its existing loans and for working capital purposes.

**17. Reserves**

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

**18. Other financial commitments**

At 28 February 2018 the company had no commitments under non-cancellable operating leases (2017: nil), or contracts for capital expenditure in place (2017: nil).

**19. Financial instruments**

The Company's financial instruments comprise cash, trade debtors and trade creditors that arise directly from its operations. The Company's policy has been, and continues to be, that no speculative trading in financial derivatives shall be undertaken.

***Notes to the accounts continued*****Year ended 28 February 2018****20. Financial assets**

The cash is held in bank current and premium accounts and on treasury deposit, which receive varying rates of interest that is recognised on a receivable basis. All financial assets and liabilities are denominated in Sterling.

*Fair value of financial assets and liabilities*

The fair value of financial assets and liabilities, calculated by discounting expected future cash flows at prevailing interest rates, is not materially different from their book value, and is as follows:

	<b>2018</b>	<b>2017</b>
Financial assets		
Trade and other receivables	317,456	5,461
Cash at bank	1,262	17
	<u>£318,718</u>	<u>£5,478</u>
Financial liabilities		
Bank overdraft	1,045	932
Trade and other payables	387,385	264,361
	<u>£388,430</u>	<u>£265,293</u>

*Hedging*

The Company makes no use of forward currency contracts, other financial derivatives or hedging.

*Interest rate risk*

The Company does not have an interest rate policy in isolation but regularly reviews the interest rates being received on deposits.

*Liquidity risk*

The principal policy of the Company in managing liquidity risk is to align the anticipated timing of expenditure with the availability of its cash balances.

## *Company information*

Directors	Ludwik Sobolewski (non-executive Chairman)* Maciej Szytko (non-executive director)* Dariusz Zych (non-executive director) * member of the remuneration & audit committees
Secretary, registered office, and principal place of business	Maciej Szytko Eden House, Reynolds Road Beaconsfield HP9 2FL
Place of incorporation	England and Wales
Registrars and share transfer office	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Share price information	Information about the day-to-day movement of the Company's share price can be obtained from the London Stock Exchange: Code HWC
Auditors	Shipleys LLP Chartered Accountants 10 Orange Street London WC2H 7DQ
Bankers	Barclays Bank Plc The Lea Valley Group 78 Turners Hill Cheshunt Herts EN8 9BW
Solicitors	Gowling WLG 4 More London Riverside London SE1 2AU
Stockbrokers	Peterhouse Corporate Finance New Liverpool House 15 Eldon Street London EC2M 7LD

***Financial review***

	<b>Year to 28.2.2018</b>	<b>Year to 28.2.2017</b>	<b>Year to 29.2.2016</b>	<b>Year to 28.2.2015</b>	<b>Year to 28.2.2014</b>
<b>Management fees</b>	—	—	—	—	—
Other income	—	—	—	—	—
Administrative expenses	(178,756)	(196,627)	(131,802)	(124,304)	(103,810)
<b>Operating profit/(loss)</b>	<b>(178,756)</b>	<b>(196,627)</b>	<b>(131,802)</b>	<b>(124,304)</b>	<b>(103,810)</b>
Profit on disposal of subsidiaries	—	—	—	—	—
Income from fixed asset investments	—	—	—	—	—
Interest receivable	33,209	17	9	14	113
Amount written back/(off) investments	199,925	(210,650)	—	—	—
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>54,378</b>	<b>(407,260)</b>	<b>(131,793)</b>	<b>(124,290)</b>	<b>(103,697)</b>
Taxation	—	—	—	—	—
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>£54,378</b>	<b>£(407,260)</b>	<b>£(131,793)</b>	<b>£(124,290)</b>	<b>£(103,697)</b>
<b>Earnings/(loss) per share</b>	<b>0.57p</b>	<b>(4.25)p</b>	<b>(1.51)p</b>	<b>(1.42)p</b>	<b>(1.25)p</b>
<b>Diluted earnings/(loss) per share</b>	<b>0.55p</b>	<b>(4.25)p</b>	<b>(1.51)p</b>	<b>(1.42)p</b>	<b>(1.25)p</b>
<b>Dividend per share</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>

The basic and the diluted earnings/(loss) per share figures are the same.