

HIGHWAY CAPITAL *plc*

ANNUAL REPORT 2017

Contents

	Page
Chairman's statement	3
Strategic report	4
Directors' report	5
Directors' remuneration report	8
Corporate governance	10
Directors' responsibility statement	13
Independent auditors' report	14
Statement of comprehensive income	17
Statement of financial position	18
Statement of changes in equity	19
Statement of cash flows	20
Notes to the accounts	21
Company information	27
Financial review	28

Chairman's statement

Dear Shareholders

Highway Capital remains faithful and committed to the new strategy, as outlined in previous communication with the stakeholders, especially by the means of the reports published by the company.

At the same time, throughout 2017 and up to date, new concepts have been emerging, partly driven by the need to adapt to formal requirements imposed on the Company by the capital market regulators, partly by the ongoing developments of the business nature.

2017 was marked by continuation of efforts to give new impulses to the Company, but this time serving also a purpose to reactivate the trading in the Company's shares.

In a way of reminding, a loan transaction completed in 2016 led to an acknowledgement of the UK Listing Authority, that the execution of the loans fundamentally changed the strategic direction of the business, away from its stated aim to find an acquisition that would enhance shareholder value. As a result, the Company's shares were suspended from trading on 22 September pending the completion of the "reverse" procedure required to resume trading. This decision naturally determined the directors' attention as attached to business arrangements that could be conducive to the re-establishment of Highway Capital as a traded entity.

Consequently, the Company's directors have been seeking to identify profitable potential transactions and in parallel to seek reliable sources of financing.

In addition, the directors undertook internal analysis and feasibility studies, oriented towards a theoretically possible shift of the Company's business model, resting on investment activities and specialization within the broadly understood financial industry. While no decision has been taken in that regard, we are presenting this line of thinking through the present report, considering that it is important to share with the shareholders the current attitude of the directors. We are convinced that the business entity as Highway Capital is, must constantly be flexible, to adapt to various chances and determinants (such as regulatory constraints) and to benefit thereof.

The directors are also fully convinced about the necessity for a meaningful improvement of the compliance procedures, corporate governance practices and of the quality and professionalism of the communication with investors. Several measures are being implemented in that regard.

Ludwik Sobolewski
Chairman

22 February 2018



Strategic report

Highway has a long history on the London Stock Exchange and has for many years been an investing vehicle in search of a transaction, with the recent suspension occurring as the UKLA deemed that the loans extended to Mylux constituted a reverse transaction.

The company has a single class of ordinary share in issue and has constituted a class of convertible loan notes, of which a small number have been issued.

The Directors strongly believe the retention of the listing is key and would be in shareholders' best interests.

Since the suspension in 2016, the Company has been in discussion with number of potential target companies. The Directors have recently appointed Peterhouse Corporate Finance as Company's brokers.



Ludwik Sobolewski
Chairman

22 February 2018

Directors' report

Your directors have pleasure in submitting their report and the audited accounts for the year ended 28 February 2017, 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 loss on ordinary activities for the year before taxation was £407,260 (2016: loss £131,793). After taxation and dividends, the deficit of £407,260 (2016: deficit £131,793) 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 £17 at 28 February 2017.

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 2017:

L. Sobolewski (Chairman)

D. M. D. A. Wheatley – resigned 20 April 2016

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 Zych 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, 51, 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

Maciej Szytko, 34, 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, 46, 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 2017 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:

	Number of Ordinary Shares	Percentage Holding
R. B. Rowan	2,375,745	24.77%
M. Szytko	2,622,060	27.34%
D. Wheatley	435,644	4.54%
P. Felleman	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 2017 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 and to establish that the company's auditors are aware of that information.

Directors' report continued

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

Since the issue of 850,000 ordinary shares of 2p each on 9 September 2016, 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 received loan funding of £100,000 to enable it to pursue its investment strategy and for working capital purposes.

After reviewing the company's budget for 2017/2018 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.

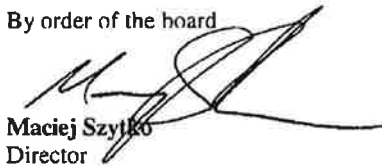
Carbon emissions

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

22 February 2018

Directors' remuneration report

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.

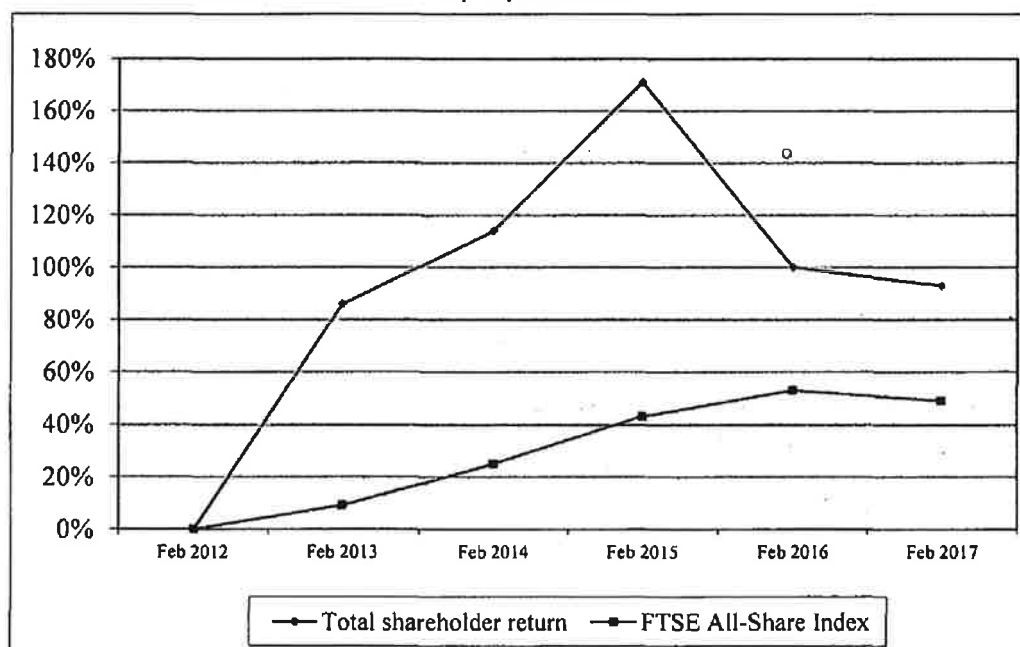
The remuneration committee determines the company's policy for the remuneration of directors, having regard to the UK Corporate Governance Code and its provisions on directors' remuneration.

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 on 9 December 2015 a resolution was passed to approve the directors' remuneration report and the percentage of votes cast for was 99%. It is the intention to implement a similar directors' remuneration policy in 2017 to that in 2016.

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**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.

	Number of ordinary shares	
	28.2.2017	29.2.2016
D. M. D. A. Wheatley (resigned 20 April 2016)	435,644	435,644
D. Zych	10	-
M. Szytko	2,622,060	2,622,060

There have been no notified changes in the interests of the directors since the year end. Mr Wheatley resigned on 20 April 2016.

Directors' emoluments (audited)

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

Non-executive directors:	Fees	Basic Salary	Compensation payment	Taxable Benefits	2017 Total	2016 Total
L. Sobolewski	36,000	—	—	—	36,000	3,968
M. D. A. Wheatley	1,667	—	—	—	1,667	20,000
M. Szytko	24,000	—	—	—	24,000	24,000
D. Zych	—	—	—	—	—	—
J Slotala	—	—	—	—	—	—
	<u>£61,667</u>	<u>£—</u>	<u>£—</u>	<u>£—</u>	<u>£61,667</u>	<u>£47,968</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 22 February 2018 and signed on its behalf by:

Ludwik Sobolewski
Chairman and Head of Remuneration Committee



Corporate governance

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 2017, there were 12 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

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 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 received loan funding of £100,000 to enable it to pursue its investment strategy and for working capital purposes.

After reviewing the company's budget for 2017/2018 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

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 2017 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.

Directors' responsibility statement

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 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

22 February 2018

Independent Auditors' Report to the members of Highway Capital plc

Opinion on Financial Statements of Highway Capital Plc

In our opinion:

- The Financial Statements give a true and fair view of the state of the Company's affairs at 28 February 2017 and of the Company's loss for the year then ended;
- The Financial Statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice (GAAP); and
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

The Financial Statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the Financial Statements is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice).

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.

Risk	How the scope of our audit responded to the risk
<i>Management override of controls</i> 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.
<i>Going Concern</i> 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.
<i>Bank letter</i> 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.

Independent Auditors' Report continued

<i>Company status and listing rules</i> 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.
<i>Convertible loans</i> 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.
<i>Accounting Estimates</i> 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 £7,247, 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the statements are prepared is consistent with the Financial Statements.

Matters which we are required to report on by exception*Adequacy of explanations received and accounting records*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, 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 or returns.

We have nothing to report in respect of the above matters.

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.

Independent Auditors' Report continued

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.

Respective Responsibilities of Directors and the auditor

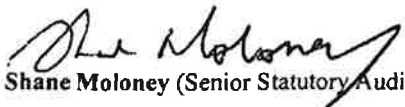
As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance 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.

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/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.



Shane Moloney (Senior Statutory Auditor)

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

23 February 2018

10 Orange Street, Haymarket
London WC2H 7DQ

Statement of comprehensive income**Year ended 28 February 2017**

	Notes	2017	2016
Management fees		—	—
Other income		—	—
Administrative expenses		(196,627)	(131,802)
Operating loss	2	(196,627)	(131,802)
Interest receivable		17	9
Amount written off investments		(210,650)	-
Loss on ordinary activities before taxation		(407,260)	(131,793)
Tax credit on loss on ordinary activities	5	—	—
Loss for the financial period and total comprehensive income		(407,260)	(131,793)
Basic and diluted loss per share	7	(4.25)p	(1.51)p
Basic and diluted loss per share from continuing operations	7	(1.92)p	(1.51)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 2017**

	Notes	2017	2016
Fixed assets			
Investments	8	10,725	—
		10,725	—
Current assets			
Debtors	10	5,461	3,798
Cash at bank and in hand		17	685
		5,478	4,483
Creditors: amounts falling due within one year	11	(265,293)	(124,163)
Net current liabilities		(259,815)	(119,680)
Total assets less current liabilities		(249,090)	(119,680)
Creditors: amounts due after more than one year	12	(349,000)	(150,000)
Net liabilities		£(598,090)	£(269,680)
Capital and reserves			
Share capital	14	191,804	174,804
Share premium account	17	430,471	368,621
Profit and loss account	17	(1,220,365)	(813,105)
Total equity shareholders' funds/(deficit)		£(598,090)	£(269,680)

Approved by the board on 22 February 2018

Ludwik Sobolewski
Chairman



Company registration no. 02991159

Statement of changes in equity**Year ended 28 February 2017**

	Share capital	Share Premium account	Profit and loss account	Total
Balance at 1 March 2015	174,804	368,621	(681,312)	(137,887)
Period ended 29 February 2016:				
Loss and total comprehensive income for the year	—	—	(131,793)	(131,793)
Balance at 29 February 2016	174,804	368,621	(813,105)	(269,680)
Period ended 28 February 2017:				
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)
Balance at 28 February 2017	£191,804	£430,471	£(1,220,365)	£(598,090)

Statement of cash flows
Year ended 28 February 2017

	2017	2016
Cash flows from operating activities		
Loss for the financial period	(407,260)	(131,793)
<i>Adjustments for:</i>		
Interest receivable	(17)	(9)
Amounts written off investments	210,650	-
<i>Changes in:</i>		
Trade and other debtors	(1,663)	2,057
Trade and other creditors	140,198	(1,830)
Cash generated from operations	(58,092)	(131,575)
Interest received	17	9
Net cash from operating activities	(58,075)	(131,566)
Cash flows from financing activities		
Proceeds from loans	284,000	120,000
Costs of conversion of loan to share capital	(6,150)	-
Investments made	(221,375)	-
Net cash from financing activities	56,475	120,000
Net increase/(decrease) in cash and cash equivalents	(1,600)	(11,566)
Cash and cash equivalents at beginning of period	685	12,251
Cash and cash equivalents at end of period	£(915)	£685

Notes to the accounts

Year ended 28 February 2017

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 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 received loan funding of £100,000 to enable it to pursue its investment strategy and for working capital purposes.

After reviewing the company's budget for 2017/2018 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 2017, 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 2017****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:

	2017	2016
Directors' remuneration – Salaries and fees	61,667	47,968
Auditors' remuneration – Audit services	10,000	10,000
	<u>—</u>	<u>—</u>

3. Employees

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

	2017	2016
Directors	4	2
Other	<u>—</u>	<u>—</u>
	<u>4</u>	<u>2</u>

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

Salaries and fees	61,667	47,968
	<u>£61,667</u>	<u>£47,968</u>

4. Directors' remuneration

Information relating to directors' emoluments is included in the directors' remuneration report on pages 8. and 9.

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

Notes to the accounts continued**Year ended 28 February 2017****5. Taxation**

Based on the loss for the year:

	2017	2016
U.K. corporation tax at 20% (2016: 20%)	—	—
Under/(over) provision in previous years	—	—
	<u>£—</u>	<u>£—</u>

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

Loss on ordinary activities before taxation	£(407,260)	£(131,793)
Loss on ordinary activities before taxation multiplied by the small company rate of UK corporation tax of 20% (2016: 20%)	£(81,452)	£(26,359)
Effects of:		
Current period tax losses not utilised	81,070	26,050
Disallowed expenditure/(income)	382	309
Adjustments to tax charge in respect of previous periods	—	—
	<u>£81,452</u>	<u>£26,359</u>
Current tax charge/(credit)	<u>£—</u>	<u>£—</u>

The company has estimated losses of £1,770,000 (2016: £1,370,000) that may be available for carry forward against future profits, and estimated capital losses of £1,460,000 (2016: £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

	2017	2016
Interim dividend paid per share	<u>—</u>	<u>—</u>
	<u>£—</u>	<u>£—</u>

7. Loss per share

The loss per ordinary share calculation has been based on the loss attributable to ordinary shareholders of £407,260 (2016: loss £131,793), divided by 9,590,201 (2016: 8,740,201), being the weighted average number of ordinary shares in issue during the year. There is no difference between the basic and the diluted loss per ordinary share.

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

8. Investments

	2017	2016
Investments	10,725	—
	<u>£10,725</u>	<u>£—</u>

The investment of £10,725 is for 100% of the ordinary share capital in Central Europe Opportunity GP S.a r.l, a private limited company incorporated in Luxembourg.

Notes to the accounts continued**Year ended 27 February 2017****9. Capital commitments**

At 28 February 2017 the company had no capital commitments (2016: nil).

10. Debtors

	2017	2016
Other debtors	2,137	1,674
Prepayments	3,324	2,124
	<u>£5,461</u>	<u>£3,798</u>

11. Creditors: amounts falling due within one year

	2017	2016
Bank overdraft	932	-
Trade creditors	99,688	44,249
Accruals	164,673	79,914
	<u>£265,293</u>	<u>£124,163</u>

12. Creditors: amounts due after more than one year

The creditor due after more than one year of £349,000 (2016: £150,000), is 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, and £27,000 from D Zych, a director and shareholder: 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 19% rate of tax, amounts to £613,700 (2016: based on a 20% rate of tax £566,000). Of this amount, £277,400 may be recoverable by the company against future chargeable gains, and £336,300 may be recoverable against future profits.

Notes to the accounts *continued***Year ended 28 February 2017****14. Share capital**

	Number of Shares 2017	Nominal Value 2017	Number of Shares 2016	Nominal Value 2016
Allotted, called-up and fully paid:				
Ordinary shares of 2p each	9,590,201	£191,804	8,740,201	£174,804

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 year end date, Highway Capital has received a loan of £100,000, to ensure that the company continues to have adequate resources.

The loan is in the form of convertible loan notes which attract 5% interest per annum and are convertible into new ordinary shares in the company at a price of 10p per share.

The Company has made a further loan of £78,640 to Mylux, a Cypriot SPV, which will attract interest at a rate of 8% per annum and be repayable in 2 years.

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 2017 the company had no commitments under non-cancellable operating leases (2016: nil).

Notes to the accounts *continued***Year ended 28 February 2017****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.

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:

	2017	2016
Financial assets		
Trade and other receivables	5,461	3,798
Cash at bank	17	685
	<u>£5,478</u>	<u>£4,483</u>
Financial liabilities		
Bank overdraft	932	-
Trade and other payables	264,361	124,163
	<u>£265,293</u>	<u>£124,163</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 and registered office	Maciej Szytko Eden House, Reynolds Road Beaconsfield HP9 2FL
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