Company registration no. 02991159

HIGHWAY CAPITAL *plc*

ANNUAL REPORT 2016

Contents

Chairman's statement

It is with satisfaction and a great sense of responsibility that I address the shareholders and stakeholders of Highway Capital.

It comes at a time when Highway Capital has been undergoing important changes.

The changes first of all relate to the Company's strategic intentions, which have been reformulated.

Highway Capital continues to seriously consider all business opportunities that might materialize, in particular from the use of the Company's cash shell identity. In this sense, we remain a globally oriented business undertaking, listed in one of the world's first class financial centres. Yet, at the same time, an enrichment of the business strategy has been introduced, which consists of being much more focused on opportunities located in Central Europe. It is our belief that "Central Europe" should, when speaking about shareholders' value, include some of the investment territories that used to be called, from a somewhat geopolitical perspective, "Eastern Europe" or "Central and Eastern Europe". We see Poland and a few other countries of the eastern European markets, as a non-peripheric area, emulating developed economies, such as Germany or Austria. The process of emulation can be seen in the quality of corporate governance, modernized approach in building up businesses, drive towards innovation and general openness of the markets. This process usually offers to investors higher rates of return than those in mature economies, tied up with the better-than-European-average GDP growth in some countries of the New Europe. Therefore, we see notable affinities uniting, in the middle of Europe, established and advanced economies Germany and Austria, with their prospective peers. We claim to be one of those entities that will promote this process and the Highway Capital shareholders' value will find one of the substantial pillars there, supporting its growth.

Secondly, and consistently with its strategic intentions and goals, Highway Capital has recently been equipped with a new team of professionals, bringing into the Company real expertise, experience and skills that underpin the orientation towards Central Europe. I am referring here especially to Jacek Ślotała and Dariusz Zych, whose individual accomplishments in the vast investment area of Central Europe, and even beyond the boundaries of this region, are already being utilized for the benefit of Highway Capital's development. I am also using this opportunity to express thanks to Dominic Wheatley, who stepped down from the Board of Directors, for his excellent contribution to the functioning of the Company as a listed organisation.

Thirdly, the period under review was marked by significant financial operations, which signal that the redefinition of the business orientation and the personal changes that are aligned with it, are also confirmed by real deeds and deals. In that matter, it is worth emphasizing the loan granted to Mylux, a Cyprus-based Company (reported previously to the market), which is intended to be translated into value creation for Highway Capital and of which the Company will report in due course. We are also continuing efforts to secure the financial resources of the Company, by increasing the value of the program of convertible notes from £3 million to £5 million.

We expect the current financial year to be very active for the Company and that the strategy reflecting the current and future trends, the unique team of professionals spanning different domains, and the increased financing, will generate new advantages for our shareholders.

Ludwik Sobolewski
Chairman

30 June 2016

Strategic report

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.

Since the balance sheet date, the company has received loan funding of £284,000 to enable it to pursue its investment strategy and for working capital purposes.

The company is currently exploring many opportunities in Poland. The loans issued to Cypriot SPV Mylux gives us access to one of the most promising of these. Furthermore, the loans issued give us flexibility in terms of our future participation in that company.

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 and exchange rates.

The company currently has four male non-executive directors and no other employees.

Ludwik Sobolewski
Chairman

30 June 2016

Directors' report

Your directors have pleasure in submitting their report and the audited accounts for the year ended 29 February 2016, 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 £131,793 (2015: loss £124,290). After taxation and dividends, the deficit of £131,793 (2015: deficit £124,290) 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 £685 at 29 February 2016.

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 29 February 2016:

L. Sobolewski (Chairman) – appointed 22 January 2016
D. M. D. A. Wheatley – resigned 20 April 2016
M. Szytko
D. Zych – appointed 11 December 2015
J. Slotala – appointed 11 December 2015

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 Szytko retires by rotation, and Mr Sobolewski, Mr Zych and Mr Slotala, retire as it is the first AGM since their appointment. They all offer themselves for re-election at the AGM, and do not have a service contract with the company. Following formal performance evaluation, the board believes that the non-executive directors have performed effectively and that they should be re-elected.

Biographies of directors

Ludwik Sobolewski, 50, 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, 33, 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.

Darius Zych, 45, 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.

Jacek Slotala, 62, was appointed as a non-executive director on 11 December 2015, and has over 30 years experience in the CEE region. He currently serves as an Investment Director in CEE Equity Partners. Mr Ślotała established and managed J. Walter-Thompson-Parintex Poland, a joint venture with WPP, for nearly 20 years. He also led the restructuring of the first privatised sugar refinery in Poland, returning it to profitability and completing its sale to Tate & Lyle. In addition, he has been a strategic advisor to the Chairman of Daewoo Group on their business development outside Asia and he consolidated the 114 cooperatives of TU Samopomoc into Samopomoc Życie, making it, within four years, the fifth largest insurance group in Poland. Mr Slotala spent nine years on the Supervisory Board of Bank Zachodni WBK, and also sat on a number of other supervisory boards, including USAID and the EBRD.

Substantial shareholdings

At 29 February 2016 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	27.18%
M. Szytko	2,622,060	29.99%
D. Wheatley	435,644	4.98%
P. Fellerman	1,100,000	12.59%
Sanchoria Investments Limited	271,090	3.1%

The only subsequent notified changes up to 28 June 2016, were decreases in the shareholding of P. Fellerman down to 560,000 (6.4%).

Fixed assets

There have been no movements in fixed assets during the year.

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 29 February 2016 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

Throughout the year, the issued share capital has been £174,804 divided into 8,740,201 ordinary shares of 2p each. Each ordinary share has full voting rights. The restriction on the authorised share capital to £1,000,000 divided into 50,000,000 ordinary shares of 2p each, was removed by special resolution on 9 December 2015. 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 £284,000 to enable it to pursue its investment strategy and for working capital purposes.

After reviewing the company's budget for 2016/2017 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 is currently a non-trading "cash-shell" with 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
Secretary

30 June 2016

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.

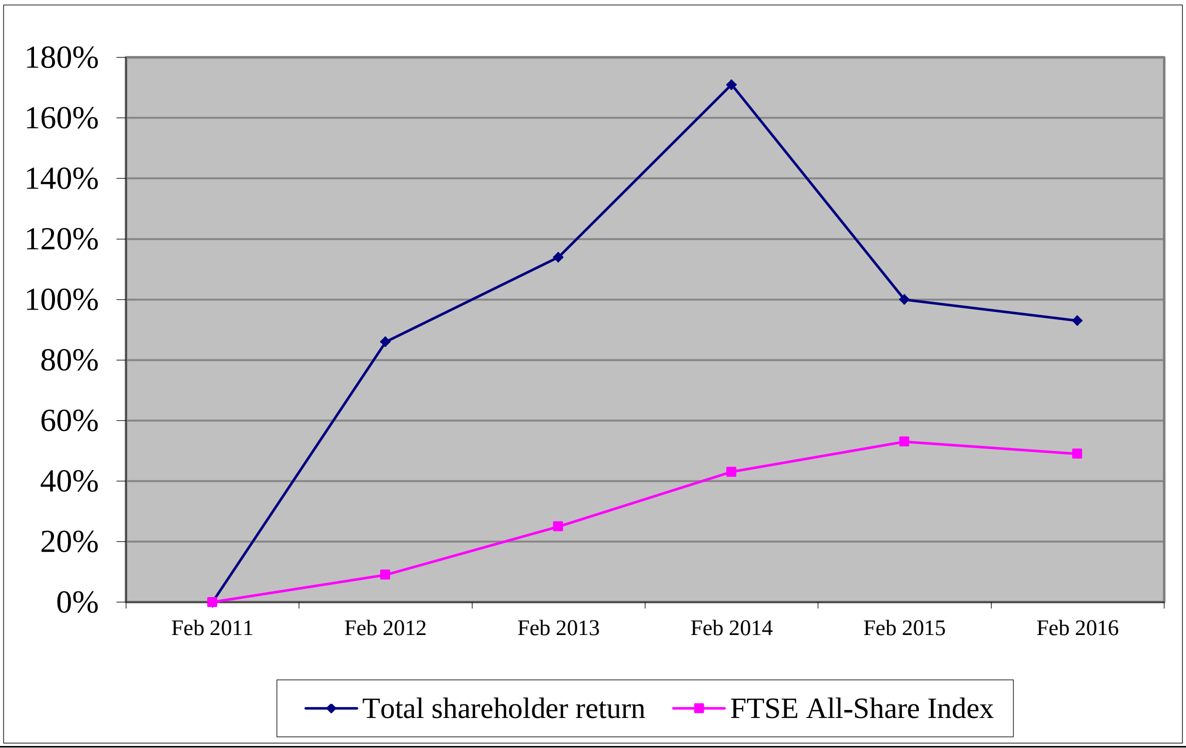
The remuneration committee determines the company's policy for the remuneration of directors, having regard to the UK Corporate Governance Code and its provisions on directors' remuneration.

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	
	29.2.2016	**28.2.2015**
M. D. A. Wheatley	435,644	435,644
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**	**2016 Total**	**2015 Total**
L. Sobolewski	3,968	—	—	—	3,968	—
M. D. A. Wheatley	20,000	—	—	—	20,000	20,000
M. Szytko	24,000	—	—	—	24,000	24,000
D. Zych	—	—	—	—	—	—
J Slotala	—	—	—	—	—	—
	£47,968	£—	£—	£—	£47,968	£44,000

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 30 June 2016 and signed on its behalf by:

Ludwik Sobolewski
Remuneration Committee Chairman

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 four non-executive directors: Ludwik Sobolewski, Maciej Szytko, Dariusz Zych and Jacek Slotala. The articles of association require a third, but not greater than a third, of the directors to retire by rotation each year. On 22 January 2016, Mr Sobolewski was appointed non-executive Chairman, taking over from Dominic Wheatley. 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 29 February 2016, 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-excutive 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 £284,000 to enable it to pursue its investment strategy and for working capital purposes.

After reviewing the company's budget for 2016/2017 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 29 February 2016 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 A.3.1 – The former Chairman, Dominic Wheatley, who stood down on 22 January 2016, held 4.98% of the ordinary share capital of the company, and therefore did not satisfy the Code's independence criteria. However, major shareholders were consulted prior to his appointment.

Code provision B.1.2 – Prior to the appointment of Dariusz Zych and Jacek Slotala as non-executive directors on 11 December 2015, the company did not have at least two independent non-executive directors on the board, as Dominic Wheatley and Maciej Szytko were both significant shareholders in the company.

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. Prior to that date, the company did not have an independent non-executive director 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.

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 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
Secretary

30 June 2016

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 29 February 2016 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 Profit and Loss Account, the Reconciliation of Equity Shareholders' Funds, the Balance Sheet, the Cash Flow Statement 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).

Going Concern

As required by the Listing Rules we have reviewed the Director's statement on page 11 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**
Management override of controls 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.
Going Concern 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.
Bank letter 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.
Company status and listing rules 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.

Independent Auditors' Report ***continued***

Convertible loans 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.
Accounting Estimates 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 £4,367, 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) — 30 June 2016

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

10 Orange Street, Haymarket
London WC2H7DQ

Statement of comprehensive income
Year ended 29 February 2016

	Notes	2016	2015
Management fees		—	—
Other income		—	—
Administrative expenses		(131,802)	(124,304)
Operating loss	2	(131,802)	(124,304)
Interest receivable		9	14
Loss on ordinary activities before taxation		(131,793)	(124,290)
Tax credit on loss on ordinary activities	5	—	—
Loss for the financial period and total comprehensive income		(131,793)	(124,290)
Basic and diluted loss per share	7	(1.51)p	(1.42)p
Basic and diluted loss per share from continuing operations	7	(1.51)p	(1.42)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

at 29 February 2016

	Notes	2016	2015
Fixed assets			
Investments	8	—	—
		—	—
Current assets			
Debtors	10	3,798	5,855
Cash at bank and in hand		685	12,251
		4,483	18,106
Creditors: amounts falling due within one year	11	(124,163)	(125,993)
Net current assets/(liabilities)		(119,680)	(107,887)
Total assets less current liabilities		(119,680)	(107,887)
Creditors: amounts due after more than one year	12	(150,000)	(30,000)
Net assets/(liabilities)		£(269,680)	£(137,887)
Capital and reserves			
Share capital	14	174,804	174,804
Share premium account	17	368,621	368,621
Profit and loss account	17	(813,105)	(681,312)
Total equity shareholders' funds/(deficit)		£(269,680)	£(137,887)

Approved by the board on 30 June 2016

Ludwik Sobolewski
Chairman

Company registration no. 02991159

Statement of changes in equity

	Share capital	Share Premium account	Profit and loss account	Total
Balance at 1 March 2014	174,804	368,621	(557,022)	(13,597)
Period ended 28 February 2015:				
Loss and total comprehensive income for the year	—	—	(124,290)	(124,290)
Balance at 28 February 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)

Statement of cash flows
Year ended 29 February 2016

	2016	2015
Cash flows from operating activities		
Loss for the financial period	(131,793)	(124,290)
Adjustments for:		
Interest receivable	(9)	(14)
Changes in:		
Trade and other debtors	2,057	(2,275)
Trade and other creditors	(1,830)	94,473
Cash generated from operations	(131,575)	(32,106)
Interest received	9	14
Net cash from operating activities	(131,566)	(32,092)
Cash flows from financing activities		
Proceeds from loans	120,000	-
Net cash from financing activities	120,000	-
Net increase/(decrease) in cash and cash equivalents	(11,566)	(32,092)
Cash and cash equivalents at beginning of period	12,251	44,343
Cash and cash equivalents at end of period	£685	£12,251

Notes to the accounts

Year ended 29 February 2016

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, as permitted under BC Regulation 1606/2002.

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

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 March 2014. Details of how FRS 102 has affected the reported financial position and financial performance are given in note 21.

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 £284,000 to enable it to pursue its investment strategy and for working capital purposes.

After reviewing the company's budget for 2016/2017 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.

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

Consolidation

At 29 February 2016, Highway Capital plc was a stand-alone company and is therefore not required to prepare consolidated accounts.

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.

Notes to the accounts *continued*

Year ended 29 February 2016

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.

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. 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.

2. Operating loss

This is stated after charging:

	2016	2015
Directors' remuneration – Salaries and fees	47,968	44,000
Auditors' remuneration – Audit services	10,000	10,000
– Taxation and other related compliance services	—	—

3. Employees

The average number of employees during the year was made up as follows:

	2016	2015
Directors	2	2
Other	—	—
	2	2

Employee costs including directors during the year amounted to:

Salaries and fees	47,968	44,000
	£47,968	£44,000

4. Directors' remuneration

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

Notes to the accounts ***continued***

Year ended 29 February 2016

5. Taxation

Based on the loss for the year:

	2016	2015
U.K. corporation tax at 20% (2015: 20%)	—	—
Under/(over) provision in previous years	—	—
	£—	£—

Factors affecting the tax charge/(credit) for the year		
Loss on ordinary activities before taxation	£(131,793)	£(124,290)
Loss on ordinary activities before taxation multiplied by the small company rate of UK corporation tax of 20% (2014: 20%)	£(26,359)	£(24,858)
Effects of:		
Current period tax losses not utilised	26,050	24,858
Disallowed expenditure/(income)	309	—
Adjustments to tax charge in respect of previous periods	—	—
	£26,359	£24,858
Current tax charge/(credit)	£—	£—

The company has estimated losses of £1,370,000 (2015: £1,240,000) that may be available for carry forward against future profits, and estimated capital losses of £1,460,000 (2015: £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

	2016	2015
Interim paid nil per share (2015: nil)	—	—
	£—	£—

7. Loss per share

The loss per ordinary share calculation has been based on the loss attributable to ordinary shareholders of £131,793 (2015: loss £124,490), divided by 8,740,201 (2015: 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

The company currently has no investments.

Notes to the accounts ***continued***

Year ended 29 February 2016

9. Capital commitments

At 29 February 2016 the company had no capital commitments.

10. Debtors

	2016	2015
Other debtors	1,674	3,795
Prepayments	2,124	2,060
	£3,798	£5,855

11. Creditors: amounts falling due within one year

	2016	2015
Trade creditors	44,249	71,030
Accruals	79,914	54,963
	£124,163	£125,993

12. Creditors: amounts due after more than one year

The creditor due after more than one year of £150,000 (2015: £30,000), is made up of two loans from M Szytko, a director and shareholder, as follows: (a) £30,000 unsecured loan 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), and (b) £120,000 unsecured loan 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 20% rate of tax, amounts to £566,000 (2015: based on a 20% rate of tax £540,000). Of this amount, £292,000 may be recoverable by the company against future chargeable gains, and £274,000 may be recoverable against future profits.

14. Share capital

	Number of Shares 2016	Nominal Value 2016	Number of Shares 2015	Nominal Value 2015
Allotted, called-up and fully paid:				
Ordinary shares of 2p each	8,740,201	£174,804	8,740,201	£174,804

Notes to the accounts continued

Year ended 29 February 2016

15. Related party transactions

As at the balance sheet date, there are loans of £150,000 to the company from M Szytko, 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 aggregate loans of £284,000, including £34,000 from directors of the company, to ensure that the company continues to have adequate resources.

Loans of £88,000 and £162,000 have been received from an institutional investor in the form of two year loans attracting 5% interest per annum. In addition, £27,000 has been received from D Zych and £7,000 from M Szytko, directors of the company, 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 invested £89,000 (500,000 Polish Zloty) by way of a two year loan attracting 8% interest to Mylux, a Cypriot SPV which is acquiring a 48% interest in Multipay. Multipay is a newly formed company looking to offer comprehensive payment services in Poland, including POS devices. Despite being an advanced economy, the payment infrastructure in Poland significantly lags other members of the EU and the founders of Multipay, who have extensive sector experience, believe there to be a significant opportunity as a result.

The Company intends to make a further loan to Mylux of £120,000, which will be used to make a minority investment in a medical technology company. The loan will attract interest at a rate of 8% per annum and be repayable in 3 months.

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 29 February 2016 the company had no commitments for the year ending 28 February 2017 under non-cancellable operating leases.

Notes to the accounts ***continued***

Year ended 29 February 2016

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:

	2016	**2015**
Financial assets		
Receivables	3,798	5,855
Cash at bank	685	12,251
	£4,483	£18,106
Financial liabilities		
Payables	£124,163	£155,993

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.

21. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 1 March 2014.

No transitional adjustments were required in equity or profit or loss for the period.

Company information

Directors	Ludwik Sobolewski (non-executive Chairman)* Maciej Szytko (non-executive director)* Dariusz Zych (non-executive director) Jacek Slotala (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	Northland Capital Partners Limited 131 Finsbury Pavement London EC2A 1NT

Financial review

	Year to 29.2.2016	Year to 28.2.2015	Year to 28.2.2014	Year to 28.2.2013	Year to 29.2.2012
Management fees	—	—	—	—	—
Other income	—	—	—	—	—
Administrative expenses	(131,802)	(124,304)	(103,810)	(116,772)	(93,802)
Operating profit/(loss)	(131,802)	(124,304)	(103,810)	(116,772)	(93,802)
Profit on disposal of subsidiaries	—	—	—	—	—
Income from fixed asset investments	—	—	—	—	—
Interest receivable	9	14	113	279	697
Profit/(loss) on ordinary activities before taxation	(131,793)	(124,290)	(103,697)	(116,493)	(93,105)
Taxation	—	—	—	—	—
Profit/(loss) on ordinary activities after taxation	£(131,793)	£(124,290)	£(103,697)	£(116,493)	£(93,105)
Earnings/(loss) per share	(1.51)p	(1.42)p	(1.25)p	(1.47)p	(1.17)p
Dividend per share	nil	nil	nil	nil	nil

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