

**WELNEY PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**



# WELNEY PLC

## COMPANY INFORMATION

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<b>Directors</b>	Mr D G Edmonston Mr C Luck
<b>Secretary</b>	Nominee Secretaries Limited
<b>Company number</b>	05840813
<b>Registered office</b>	Tednambury farm Tednambury Spellbrook Bishop's Strotford UK CM23 4BD
<b>Auditor</b>	Welbeck Associates 30 Percy Street London W1T 2DB

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# WELNEY PLC

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# WELNEY PLC

## CHAIRMAN'S STATEMENT

**FOR THE YEAR ENDED 30 JUNE 2018**

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The Board is pleased to present the results for Welney plc for the year ended 30 June 2018.

During the year I have continued to look to keep the company's operating costs to a minimum whilst I continue to review several different proposals to take the Company forward, which at this stage none of which have been suitable. There continues to be a couple of proposals being considered and I have continued to maintain the discussions around enabling the Company to raise additional funding.

The Company's investment in GACR the Nasdaq listed Company continues to perform poorly and it continues to be very illiquid.

The Company continues to investigate proposals for our subsidiary company Metro Environmental Ltd and will pursue this strategy once further funding is forthcoming.

Semsa International FZC ("Semsa"), the loan note holders, continues to support the Company by way of the loan note within the financial statements. The directors are pleased to report that the loan note holders "Semsa" have agreed to not call in the loans outstanding for at least another 12 months. In addition, the company has confirmation of further support in relation to the future ongoing costs of the company from its shareholder's.

I hope to be able to report any further developments to shareholders at the AGM, in the meantime the directors will keep costs to a minimum.



Darren Edmonston  
Chairman

30 November 2018

# WELNEY PLC

## STRATEGIC REPORT

**FOR THE YEAR ENDED 30 JUNE 2018**

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The directors present the strategic report for the year ended 30 June 2018.

### Fair review of the business

The financial year to 30 June 2018 has continued to be challenging with the board continuing to review the ability to raise additional investment and as a consequence this year continues to be hampered by cash constraints.

The Company continues to be in a transitional stage and the board continues to consider the loss before tax and share price as key targets.

	2018	2017
Loss before tax	£71,098	£75,649
Share price at 30 June	(0.004) p	(0.005) p

### Events since year end

There were no significant events since the year end.

### Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the continuing trading losses.

The Group meets its day to day financing through its cash reserves, equity or debt financing in the form of shareholders' loans and new share issues. As at 30 June 2018 the Company has net current liabilities of £38,932, a deficit in shareholders' funds of £267,773 and no cash at bank.

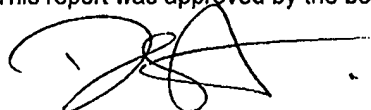
The directors have prepared cash flow forecasts for the period to 30 June 2020 which assume no unnecessary costs or expenditure. On the basis of these forecasts, the fact that the loan note holders have agreed in writing to not call in the loans for at least the next 12 months from the date of this report, and that the directors have agreed not to take any salary or fees until such time as there is sufficient cash reserves in the business, the Company is expected to continue to operate within its available financial facilities for at least the next 12 months.

The going concern basis is dependent upon the Company meeting its forecasts for 2019/20. These forecasts show that further finance will need to be raised for the Company to continue, which may not be forthcoming.

Whilst the directors remain confident that the Company will continue as a going concern, this is dependent on their ability to secure the necessary funding to take the Company forward and there can be no certainty in this respect.

Nevertheless, after making due and careful enquires and considering all uncertainties, the Directors believe the Company will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

This report was approved by the board of directors on 30 November 2018 and signed on its behalf by



Mr D G Edmonston  
Director

# WELNEY PLC

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2018

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The directors present their annual report and financial statements for the year ended 30 June 2018.

#### Principal activities

The principal activity of the company is that of an investment company.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D G Edmonston

Mr C Luck

#### Directors' interests

The directors' interests in the shares of the Company were as stated below:

	Ordinary shares of 0.1p each	
	30 June 2018	30 June 2017
Mr D G Edmonston*	5,000,000	5,000,000
Mr C Luck	-	-

\*Through EDS Solutions Limited.

#### Requirement for further funds

There may be a requirement for the Company to raise further funds in the future in order to fund working capital requirements. Such a funding requirement may be by the issue of further ordinary shares or the issue of convertible loan note instruments.

#### Principal risks and uncertainties

The Company's activities expose it primarily to the following financial risks:

##### Liquidity risk

The Company's policy is to finance its operations through working capital. The Company continues to seek additional sources of finance to provide sufficient funds for the foreseeable future.

##### Interest rate risk

The Company has interest bearing assets and liabilities. Interest bearing assets include only cash balances which earn interest at a fixed rate. The Company monitors its interest rate risk primarily through cash flow forecasting and allocating funds to the most relevant accounts in light of forecast balances and outgoings.

#### Substantial shareholdings

As at 28 November 2018, other than the directors' holdings, the following shareholders hold more than 3% of the issued share capital:

Shareholder	Number of ordinary shares	Percentage of issued share capital
Beaufort Nominees Limited	340,405,305	22%
W B Nominees Limited	308,351,224	20%
Lawshare Nominees Limited	111,532,142	7%
Alliance Trust Savings Nominees Ltd	110,256,475	7%
Gleeson Bessent Trustee Services Limited	100,000,000	6%
HSBC Global Custody Nominee (UK) Limited	83,800,000	5%
Redmayne (Nominees) Limited	76,000,000	5%
Winterflood Securities Limited	72,646,024	5%

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# WELNEY PLC

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 30 JUNE 2018**

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### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditor

In accordance with the company's articles, a resolution proposing that Welbeck Associates be reappointed as auditor of the company will be put at a General Meeting.

This report was approved by the board of directors on 30 November 2018 and signed on its behalf by



Mr D G Edmonston  
Director

# WELNEY PLC

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF WELNEY PLC

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#### Opinion

We have audited the financial statements of Welney PLC (the 'company') for the year ended 30 June 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Emphasis of matter – Going concern

We draw attention to the disclosure made in note 1.2 to the financial statements, under the heading 'Going Concern', concerning the ability of the Company to continue as a going concern and to note 17 regarding events after the balance sheet date.

These conditions, along with other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the ability of the Company to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit matter

#### How we addressed it

##### Accounting Estimates

To assess whether the accounting estimates are prepared on a reasonable and consistent basis and disclosed in the financial statements.

We have considered the basis of the accounting estimates applied when preparing the financial statements and considered the responses to audit questions with professional scepticism.

##### Related Parties

We are required to consider if the disclosures made in the financial statements are complete and accurate and to consider whether the processes for the identifying related parties and related party transactions are appropriate.

We have assessed the Company's procedures for identifying related parties and ensuring the completeness of the disclosures that are included in the audit planning pack.



# WELNEY PLC

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF WELNEY PLC

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#### Key audit matter

Management override of controls

We are required to consider how management biases could affect the results of the company.

#### How we addressed it

We have considered the controls in place, remained alert for material and unusual items and tested a sample of journals to assess the risk.

#### **Our application of materiality**

Materiality for the financial statements as a whole was set at £2,100.

This has been calculated as 3% of the benchmark of administrative expenses, which we have determined, in our professional judgment, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance.

We report to the Directors all corrected and uncorrected misstatements we identified through our audit with a value in excess of £105, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

#### **An overview of the scope of our audit**

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

We consider management override and related parties to be qualitatively material. Although it is not the responsibility of the auditor to discover fraud, clearly any instances of fraud which we detect are material to the users of the financial statements. We have tested manual and automated journal entries, with a focus on those journal entries at year end. In addition, as part of our audit procedures to address this fraud risk, we assessed the overall control environment and reviewed whether there had been any reported actual or alleged instances of fraudulent activity during the year. For Related Parties, we have inquired with the client as the relevant related parties. We have also assessed the Company's procedures regarding related parties.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

# WELNEY PLC

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF WELNEY PLC

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

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

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

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

#### Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

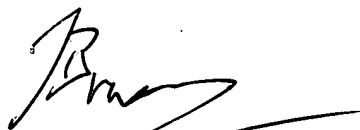
#### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Jonathan Bradley Hoare**  
for and on behalf of Welbeck Associates  
Chartered Accountants and Statutory Auditor

30 Percy Street  
London  
W1T 2DB  
30 November 2018

# WELNEY PLC

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2018

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		2018	2017
	Notes	£	£
Administrative expenses		(62,026)	(66,339)
Interest payable and similar expenses	6	(8,833)	(9,310)
Fair Value Loss		(239)	-
<b>Loss before taxation</b>		<b>(71,098)</b>	<b>(75,649)</b>
Tax on loss	7	-	-
<b>Loss for the financial year</b>		<b>(71,098)</b>	<b>(75,649)</b>

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

The accompanying accounting policies and notes are an integral part of these financial statements.

# WELNEY PLC

## STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 30 JUNE 2018*

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	2018 £	2017 £
Loss for the year	(71,098)	(75,649)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>(71,098)</u>	<u>(75,649)</u>

The accompanying accounting policies and notes are an integral part of these financial statements.

# WELNEY PLC

## BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018 £	£	2017 £	£
<b>Non-current assets</b>					
Investments	8		1,328		1,567
<b>Current assets</b>					
Debtors	10	9,358		14,848	
Creditors: amounts falling due within one year	11	<u>(48,290)</u>		<u>(39,363)</u>	
<b>Net current liabilities</b>			<u>(38,932)</u>		<u>(24,515)</u>
<b>Total assets less current liabilities</b>			<u>(37,604)</u>		<u>(22,948)</u>
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(230,169)</u>		<u>(173,726)</u>
<b>Net liabilities</b>			<u>(267,773)</u>		<u>(196,674)</u>
<b>Capital and reserves</b>					
Called up share capital	15		1,545,511		1,545,511
Share premium account			1,562,336		1,562,336
Equity reserve			10,714		10,714
Profit and loss reserves			<u>(3,386,334)</u>		<u>(3,315,235)</u>
<b>Total equity</b>			<u>(267,773)</u>		<u>(196,674)</u>

The financial statements were approved by the board of directors and authorised for issue on 30 November 2018 and are signed on its behalf by:



Mr D G Edmonston  
Director

Company Registration No. 05840813

The accompanying accounting policies and notes are an integral part of these financial statements.

**WELNEY PLC****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 30 JUNE 2018**

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	Share capital	Share premium account	Equity reserve	Own shares	Profit and loss reserves	Total
	£	£	£	£	£	£
<b>Balance at 1 July 2016</b>	1,545,511	1,562,336	10,714	132,240	(3,371,826)	(121,025)
<b>Year ended 30 June 2017:</b>						
Loss and total comprehensive income for the year	-	-	-	-	(75,649)	(75,649)
Other movements	-	-	-	(132,240)	132,240	-
<b>Balance at 30 June 2017</b>	1,545,511	1,562,336	10,714	-	(3,315,235)	(196,674)
<b>Year ended 30 June 2018:</b>						
Loss and total comprehensive income for the year	-	-	-	-	(71,098)	(71,098)
<b>Balance at 30 June 2018</b>	<u>1,545,511</u>	<u>1,562,336</u>	<u>10,714</u>	<u>-</u>	<u>(3,386,334)</u>	<u>(267,773)</u>

The accompanying accounting policies and notes are an integral part of these financial statements.

# WELNEY PLC

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

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	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	16		-		(18,952)
<b>Net cash used in investing activities</b>			-		-
<b>Financing activities</b>					
Repayment of borrowings		-		18,900	
<b>Net cash generated from financing activities</b>			-		18,900
<b>Net increase/(decrease) in cash and cash equivalents</b>			-		(52)
Cash and cash equivalents at beginning of year			-		52
<b>Cash and cash equivalents at end of year</b>			-		-

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The accompanying accounting policies and notes are an integral part of these financial statements.

# WELNEY PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2018

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#### 1 Accounting policies

##### Company information

Welney PLC is a company incorporated in England and Wales. The registered office is Tednambury farm, Tednambury, Spellbrook, Bishop's Stortford, UK, CM23 4BD. The company is listed on the NEX.

##### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

##### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The Company made a loss for the year of £71,098 (2017: £75,649) and has net liability position of £267,773 (2017: £196,674). Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

##### 1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

##### 1.4 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.



# WELNEY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2018

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#### 1 Accounting policies...(continued)

##### 1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# WELNEY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

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### 1 Accounting policies...(continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.6 Compound instruments

The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

### 1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

# WELNEY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

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### 1 Accounting policies...(continued)

#### 1.8 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### 2 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.

### 3 Operating loss

	2018	2017
	£	£
Operating loss for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	9,600	8,000

### 4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018	2017
	Number	Number
	2	2

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	24,000	24,000

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# WELNEY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

### 5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	<u>24,000</u>	<u>24,000</u>

### 6 Interest payable and similar expenses

	2018 £	2017 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on convertible loan notes	<u>8,833</u>	<u>9,310</u>

### 7 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Loss before taxation	<u>(71,098)</u>	<u>(75,649)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(13,509)	(14,941)
Unutilised tax losses carried forward	<u>13,509</u>	<u>14,941</u>
Taxation charge for the year	<u>-</u>	<u>-</u>

### 8 Fixed asset investments

	2018 £	2017 £
Listed investments	<u>1,328</u>	<u>1,567</u>
Listed investments carrying amount	<u>1,328</u>	<u>1,567</u>

# WELNEY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2018

#### 8 Fixed asset investments

##### Movements in fixed asset investments

	Investments other than loans £
<b>Cost or valuation</b>	
At 1 July 2017 & 30 June 2018	1,567
Loss: Fair value loss on investment	(239)
	<hr/>
<b>Carrying amount</b>	
At 30 June 2018	1,328
	<hr/>
At 30 June 2017	1,567
	<hr/>

#### 9 Financial instruments

	2018 £	2017 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	9,358	8,998
Equity instruments measured at cost less impairment	1,328	1,567
	<hr/>	<hr/>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	268,859	213,089
	<hr/>	<hr/>

#### 10 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Other debtors	9,358	8,998
Prepayments and accrued income	-	5,850
	<hr/>	<hr/>
	9,358	14,848
	<hr/>	<hr/>

#### 11 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	38,690	29,252
Accruals and deferred income	9,600	10,111
	<hr/>	<hr/>
	48,290	39,363
	<hr/>	<hr/>

# WELNEY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2018

#### 12 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Convertible loans	14	118,193	109,310
Other borrowings	13	111,976	64,416
		<u>230,169</u>	<u>173,726</u>

#### 13 Loans and overdrafts

	2018 £	2017 £
Loans from related parties	52,976	29,416
Other loans	59,000	35,000
	<u>111,976</u>	<u>64,416</u>
Payable after one year	<u>111,976</u>	<u>64,416</u>

The long-term loans are secured by fixed charges over 0%.

#### 14 Convertible loan notes

	2018 £	2017 £
Liability component of convertible loan notes	<u>118,193</u>	<u>109,310</u>

The net proceeds received from the issue of the convertible loan notes have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity.

The liability component is measured at amortised cost, and the difference between the carrying amount of the liability at the date of issue and the amount reported in the Balance Sheet represents the effective interest rate less interest paid to that date.

The effective rate of interest is 9.57%.

The equity component of the convertible loan notes has been credited to the equity reserve.

# WELNEY PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

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<b>15 Share capital</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1,545,511,000 Ordinary shares of 0.1p each	1,545,511	1,545,511
	<u>1,545,511</u>	<u>1,545,511</u>
	<u>1,545,511</u>	<u>1,545,511</u>
<b>16 Cash generated from operations</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Loss for the year after tax	(71,098)	(75,649)
<b>Adjustments for:</b>		
Finance expense	8,833	9,310
Fair value loss on investment	239	-
<b>Movements in working capital:</b>		
Decrease in debtors	5,490	246
Increase in creditors	65,369	47,141
Finance Cost	(8,833)	-
<b>Cash absorbed by operations</b>	<u>-</u>	<u>(18,952)</u>

### 17 Events after year end

There were no significant events reported after year end.