

# **Welney Plc**

(formerly Metroelectric plc)

## **Annual Report and Financial Statements for the Year Ended 30 June 2014**

Company's registered number: 05840813  
(England & Wales)

# Welney Plc

## COMPANY INFORMATION

Directors	M Chapman (Chairman) C Luck
Secretary	Nominee Secretaries Limited
Registered Office	2nd Floor Cambridge House Cambridge Road Harlow Essex CM20 2EQ
Auditors	Welbeck Associates Chartered Accountants & Registered Auditors 30 Percy Street London W1T 2DB
Registrars	Share Registrars Limited First floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
ISDX Corporate Adviser	Peterhouse Corporate Finance 3 <sup>rd</sup> Floor New Liverpool House 15-17 Eldon Street London EC2M 7LD

# Welney Plc

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# Welney Plc

## CHAIRMAN'S STATEMENT

The Board is pleased to present the results of Welney plc for the year ended 30 June 2014.

The recent year has been particularly challenging for the Company and circumstances have forced the Directors to review the Company's previous investments and strategic focus as a matter of some urgency. As a result of that review, the Directors are planning to dispose of the Company's initial investments in the recycling sector and raised additional funds to allow the Company to continue with its strategy of investing in the recycling industry, although focused now on the recycling of rubber and plastics.

The background to today's announcement is as follows:

On 7 February 2014, the Company announced that it had acquired (i) an interest of 30% in Aircraft Recycling Ltd ("ARL") and (ii) the issued share capital of Blaze and Barney Ltd ("B&B"), whose sole business is the operation of a horizontal baling machine for recycling. The total consideration for these transactions involved the payment of £280,000 in cash to the vendors (the "Vendors") and the issue of 234,500,000 ordinary shares in the Company at an agreed value of £586,250.

In May 2014, to reflect its focus on recycling, the Company disposed of the majority of its interest in Powabyke in settlement of amounts due to various creditors of the Company. Following this settlement, the Company was debt free and, the Directors believed, well placed to capitalise on the opportunities presented by ARL and B&B.

In this context, also in May 2014, the Company announced that it was finalising contracts for utilisation of B&B's baling machine which would generate cash flow for the Company. The baling machine was fully operational by October 2014 and the Directors were still optimistic at that time that contracts would be signed and that revenues would be generated for the Company.

However, it became clear to the Directors towards the end of 2014 that the operation of the baling machine was not going to be commercially viable for the Company. At around the same time, the Directors became aware that the funds required to develop ARL's recycling business could not be raised. In addition, the contract that AR was expected to fulfil with a major airline was never started.

In light of this and the poor operational performance at B&B, on 1 December 2014, the Directors requested that trading in the Company's shares be suspended while the Company resolved its operational and financial issues.

The Directors have spent considerable time attempting to resolve the Company's problems with a view to stabilising the Company and providing a platform which could provide an opportunity for future growth in the recycling industry.

The Directors are now pleased to report that Sems International FZC ("Sems") has subscribed for £100,000 of 6% Convertible Unsecured Loan Notes 2016 (the "Loan Notes") of the Company. Subject to the approval of the Company's shareholders at a general meeting that will be convened as soon as possible, the Loan Notes will be convertible into a total of 100,000,000 ordinary shares in the Company, representing 6.08% per cent of the Company's issued share capital as enlarged by conversion. For every ordinary share converted, Sems will be entitled to one warrant to subscribe for ordinary shares in the Company at a price of 0.5p per share.

The proceeds from the subscription for the Loan Notes will enable the Company to discharge its liabilities and provide the working capital required for it to continue to seek opportunities in the recycling and waste management sector.

As mentioned above, the Directors now plan to focus the Company's business on the recycling of rubber and plastics, with an initial focus on the recycling of tyres. To this end, the Company is in advance discussions regarding the disposal of ARL and B&B. The Directors expect to update shareholders on developments in this area shortly.

*Mark Chapman*  
*Chairman*  
29 May 2015

# Welney Plc

## STRATEGIC REPORT

### Business review

#### *Development and performance of the business*

The financial year to 30 June 2014 has been challenging as the Board has endeavoured to take the Company forward severely hampered by cash constraints.

#### *Key performance indicators*

As the company is in an early stage of development the board considers reduction in the loss before tax and gross margin as key targets. No individual key performance indicator, or group thereof, is regarded as more important than informed background knowledge of the underlying businesses.

	2014	2013
Loss before tax	£(1,308,343)	£(283,062)
Share price	N/A	0.45p

#### *Position of the business*

At the end of the year, the Company had net liabilities of £48,344 (2013: Net assets £134,888).

A detailed review of the business is contained in the Chairman's Report.

#### **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, shareholders' loans and share issues. As at 30 June 2014 the Company has a deficit in shareholder funds of £48,000 and net current liabilities of £51,000. The Directors have secured agreement for the subscription of a loan note for £100,000. These funds will be used to settle outstanding liabilities and to provide working capital for the Company.

The Directors have prepared cash flow forecasts for the period to 30 June 2016 which assume no unnecessary costs or expenditure. On the basis of these forecasts and the additional funding detailed in the preceding paragraph 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 2015 and if it does not meet these forecasts further finance will need to be raised 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 forwards and there can be no certainty in this respect. Nevertheless, after making due and careful enquiries 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.

*Mark Chapman*  
Director  
29 May 2015

# Welney Plc

## REPORT OF THE DIRECTORS

The directors present their annual report together with the financial statements for the year ended 30 June 2014.

### Change of name

On 30 May 2014 the Company changed its name from Metroelectric plc to Welney plc.

### Principal activities

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

### Results and dividends

The Company's loss for the year from continuing and total operations was £1,308,343 (2013: £283,062)

The directors do not recommend the payment of a dividend (2013: £nil)

### Financial instruments

Details of the Company's risk management objectives and policies together with its exposure to financial risk are set out below. The purpose of the policies is to ensure that adequate cost effective funding is available to the Company and exposure to financial risk, interest rate, liquidity and credit risk is minimised.

### Principal risks and uncertainties

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

#### *Requirements 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 way of the issue of further ordinary shares or the issue of convertible loan note instruments.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables. This risk is managed daily by the Company's credit control function who monitor recovery to ensure that outstanding debts are identified when these become overdue and appropriate action is taken to recover the outstanding amount. The Company had no substantial exposure to any individual third party in respect of trade receivables.

#### *Liquidity risk*

The Company's policy is to finance its operations through working capital. The Company has actively been seeking new sources of liquidity during the year, and has secured new loan agreements and continues to seek additional sources of finance to provide sufficient funds for the foreseeable future.

#### *Interest rate and cash flow 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.

# Welney Plc

## REPORT OF THE DIRECTORS

### Directors

The Directors of the Company who held office during the period were as follows:

C Luck	(appointed 24 September 2013)
G Collier	(resigned 17 July 2014)
M Chapman	

### Directors interests

The Directors had the following interests in the share capital of the Company at 30 June 2014.

	<b>Number of ordinary shares</b>
G Collier	3,100,000

### Substantial shareholdings

Save for the holdings disclosed below the Directors are not aware of any shareholdings representing 3% or more of the issued share capital of the Company at 28 April 2015.

<b>Shareholders</b>	<b>Number of shares</b>	<b>Shareholding %</b>
W B Nominees Limited	324,751,224	21.0%
Brewin 1762 Nominees Limited A/c GRO	239,361,811	15.5%
JIM Nominees Limited A/c Jarvis	122,310,483	7.9%
Lawshare Nominees Limited A/c SIPP	117,132,142	7.6%
Gleeson Bessent Trustee Services Limited A/c FRB No2	100,000,000	6.5%
Norman Villis	80,000,000	5.2%
Venus Holdings LLC	80,000,000	5.2%
Andrew Villis	74,500,000	4.8%
Winterflood Securities Limited A/c Winscrep	69,117,780	4.5%
Redmayne (Nominees) Limited A/c LM3910S	55,905,305	3.6%

### Research and development

The Company will continue its policy of investment in research and development in order to retain a competitive position in the market.

# Welney Plc

## REPORT OF THE DIRECTORS

### Directors' responsibilities statement

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 Company and parent company 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and 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 apply them consistently;
- make judgments and estimates that are responsible and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 of the Company, and to 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.

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

### Disclosure of information to Auditors

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant available information of which the company's auditors were unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Auditors

The auditors Welbeck Associates have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

Mark Chapman  
Director  
29 May 2015



# Welney Plc

## Independent Auditor's Report to the Members of Welney PLC

We have audited the financial statements of Welney PLC for the year ended 30 June 2014 which comprise the profit and loss account, balance sheet, cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 auditors' 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.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 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 (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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 Chairman's statement, strategic report and Directors' report 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 misstatements or inconsistencies we consider the implication for our report.

A description of the scope of an audit of financial statements is also provided on the APB's website at: [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Basis for qualified opinion on financial statements

The audit evidence available to us was limited due to restrictions placed on the scope of work as a result of the following issue.

As described in note 9, underlying financial records supporting the financial results of the subsidiary undertaking, Blaze and Barney Limited, included within the financial statements as an investment were unavailable for audit purposes. As a result we were unable to carry out direct procedures of our own in relation to Blaze and Barney Limited to obtain audit evidence concerning:

- the existence of the investment held by the Company
- the valuation attributed to the investment and subsequent impairment charge

Consequently, we are unable to determine whether any adjustments need to be made to the reported loss of the company for the year ended 30 June 2014 in respect of this investment and whether the amounts included in the financial statements relating to the investment are true and fair. Accordingly we are unable to determine whether the accounting treatment adopted by the Company is in accordance with UK GAAP.

### Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the Company's 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.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Welney Plc

## Independent Auditor's Report to the Members of Welney PLC (continued)

### Opinion

#### *Emphasis of matter – Going concern*

In forming our modified opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £1,308,343 during the year ended 30 June 2014 and, at that date, the Company has net current liabilities of £51,019. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability 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.

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

In respect solely of the limitation on our work to the assessment of the accuracy of the accounting records used in the preparation of the financial statements, described above, we have not obtained all the information and explanations that we considered necessary for the purpose of the audit.

We have nothing else 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.

Jonathan Bradley-Hoare  
(Senior Statutory Auditor)  
For and on behalf of Welbeck Associates, Registered Auditor  
30 Percy Street  
London  
W1T 2DB

29 May 2015

# Welney Plc

## PROFIT AND LOSS ACCOUNT for the year ended 30 June 2014

	Note	2014 £	2013 £ *(Restated)
Administrative expenses		(75,278)	(85,085)
(Loss)/gain on disposal of investments		(218,669)	150,000
Impairment of investments		(1,025,575)	(123,000)
Provision for amounts due from subsidiary		–	(196,986)
<b>Operating loss</b>	3	<b>(1,319,522)</b>	<b>(255,071)</b>
Reversal of interest charge		11,179	–
Interest payable and similar charges	6	–	(27,991)
<b>Loss on ordinary activities before taxation</b>		<b>(1,308,343)</b>	<b>(283,062)</b>
Tax on loss on ordinary activities	7	–	–
<b>Loss for the year</b>		<b>(1,308,343)</b>	<b>(283,062)</b>
<b>Earnings per share</b>			
Basic and diluted loss per share	8	<b>(0.108)p</b>	(0.032)p

\*The financial statements for the year ended 30 June 2013 were prepared on a consolidated basis, so the comparative figures have been restated to reflect the results of the Company only.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# Welney Plc

## BALANCE SHEET as at 30 June 2014

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Investment in subsidiaries	9(a)	–	315,000
Other investments	9(b)	<u>2,675</u>	<u>162,000</u>
		<b>2,675</b>	<b>477,000</b>
<b>Current assets</b>			
Debtors	10	<b>5,850</b>	5,850
Cash at bank and in hand		<u>173</u>	<u>33</u>
		<b>6,023</b>	<b>5,883</b>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(57,042)</u>	<u>(147,955)</u>
<b>Net current liabilities</b>		<b>(51,019)</b>	<b>(142,072)</b>
<b>Creditors greater than one year:</b>			
Convertible loan notes	12	<u>–</u>	<u>(200,040)</u>
<b>Net assets/(liabilities)</b>		<u><b>(48,344)</b></u>	<u><b>134,888</b></u>
<b>Capital and reserves</b>			
Called up share capital	13	<b>1,545,511</b>	911,011
Share premium	14	<b>1,562,336</b>	1,010,586
Loan note holders reserve	14	–	61,139
Share option reserve	14	<b>132,240</b>	132,240
Profit and loss account	14	<u><b>(3,288,431)</b></u>	<u>(1,980,088)</u>
<b>Shareholders' funds/(deficit)</b>		<u><b>(48,344)</b></u>	<u><b>134,888</b></u>

The financial statements were approved by the Board of Directors on 29 May 2015 and were signed on its behalf by:

**Mark Chapman**  
Director

Company registration number – 05840813 (England and Wales)

# Welney Plc

## CASH FLOW STATEMENT for the year ended 30 June 2014

	Notes	2014 £	2013 £
<b>Net cash outflow from operating activities</b>	16	<b>(54,453)</b>	(65,204)
<b>Investment activities</b>			
Purchase of investments		(280,000)	–
Loan to subsidiary undertaking		(15,407)	(184,825)
<b>Net cash outflow for investment activities</b>		<b>(295,407)</b>	(184,825)
<b>Net cash outflow before management of liquid resources and financing</b>		<b>(349,860)</b>	(250,029)
<b>Financing</b>			
Proceeds from issue of shares		350,000	–
Proceeds from issue of convertible loan notes		–	250,000
<b>Net cash inflow from financing</b>		<b>350,000</b>	250,000
<b>Net decrease in cash in the year</b>	17	<b>140</b>	(29)
<b>Cash at beginning of year</b>	17	<b>33</b>	62
<b>Cash at end of year</b>	17	<b>173</b>	33

# Welney Plc

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 1 ACCOUNTING POLICIES

#### Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently, except as otherwise stated.

As referred to in note 9 the Company acquired the entire share capital of Blaze and Barney Limited during the year. The books and records of Blaze and Barney Limited have not been made available to the directors and to endeavour to obtain them would cause undue delay for the preparation of the accounts, so the company's results, assets and liabilities have not been consolidated, in accordance with the exemption available under S.405(3b) of the Companies Act.

#### 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, shareholders' loans and share issues. As at 30 June 2014 the Company has a deficit in shareholder funds of £48,000 and net current liabilities of £51,000. The Directors have secured agreement for the subscription of a loan note for £100,000. These funds will be used to settle outstanding liabilities and to provide working capital for the Company.

The Directors have prepared cash flow forecasts for the period to 30 June 2016 which assume no unnecessary costs or expenditure. On the basis of these forecasts and the additional funding detailed in the preceding paragraph 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 2015 and if it does not meet these forecasts further finance will need to be raised 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 forwards and there can be no certainty in this respect. Nevertheless, after making due and careful enquiries 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.

#### Revenue recognition

Revenue represents the amounts derived from the sale of goods during the year stated net of Value Added Tax. Sales are recognised in the profit and loss account and recorded as sales upon the delivery of goods to customers.

Licence fees are included within Sales and are recognised in full, net of any provisions, in the year in which the agreement is signed. Any royalties due as part of these agreements are recognised as and when they fall due.

Government and EU grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute. To the extent that grants are received as a contribution towards specific expenditure on fixed assets, they are recognised over the useful economic lives of the related assets. Grants received to reimburse costs already incurred are recognised in the profit and loss account in the period in which they become receivable.

#### Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic segments.

#### Investments

Fixed asset investments are stated at cost less provision for diminution in value.

# Welney Plc

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Taxation

The charge for taxation is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

### Deferred taxation

Deferred taxation is provided on the comprehensive basis computed as the difference between the tax base and carrying amounts of assets and liabilities. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

### Share based payments

The cost of share-based employee compensation arrangements whereby employees receive remuneration in the form of shares or share options is recognised as an employee benefit expense in the income statement.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non market-based vesting to reflect the conditions prevailing at the balance sheet date. Fair value is measured by the use of the Black-Scholes model. The expected life used in the model has been adjusted based on management's best estimate for the effects of the non-transferability exercise restrictions and behavioural considerations.

## 2 Segmental analysis

There is no segmental area of operations, as the directors consider that the Company's operations comprise one business segment; that of the investment or acquisition of businesses or companies within the eco-friendly technology sector. The disclosures for this primary segment are therefore given by the primary financial statements and related notes. All income and trading activity currently arises in the United Kingdom.

## 3 Operating loss

Operating loss is stated after charging:

	2014 £	2013 £
Auditors' remuneration:		
- audit services	10,000	10,000
Amortisation of goodwill	–	24,050
Amortisation of other intangible fixed assets	–	2,948
	<hr/>	<hr/>

## 4 Particulars of employees

The average number of employees, including executive directors, was 3 (2013: 4)

	2014 £	2013 £
Wages and salaries	46,000	64,087
Social security costs	–	3,447
	<hr/>	<hr/>
	<b>46,000</b>	<b>67,534</b>

# Welney Plc

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 5 Directors' remuneration

The directors' remuneration for the year is as follows:

	2014 £	2013 £
Directors' remuneration (including benefits in kind)	<u>46,000</u>	<u>37,000</u>
	<u><b>46,000</b></u>	<u><b>37,000</b></u>

### 6 Interest payable and similar charges

	2014 £	2013 £
Interest on convertible loan notes	<u>–</u>	<u>27,991</u>
	<u><b>–</b></u>	<u><b>27,991</b></u>

### 7 Taxation

	2014	2013 £
UK corporation tax credit on loss for the year	<u>–</u>	<u>–</u>
Tax on loss on ordinary activities	<u>–</u>	<u>–</u>
Loss on ordinary activities before tax	<u><b>(1,308,343)</b></u>	<u><b>(283,062)</b></u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013: 20%)	<b>(261,669)</b>	(56,612)
Effects of:		
Expenses not deductible for tax purposes	<b>9,080</b>	4,200
Unutilised tax losses	<u><b>252,589</b></u>	<u>52,412</u>
Current tax credit for the year	<u>–</u>	<u>–</u>

No provision for tax has been made as the Company has estimated tax losses of £3,105,000 (2013: £1,830,000). The deferred tax asset arising on these losses has not been provided as the directors cannot satisfy themselves that the losses will be relieved within the next 12 months.

### 8 Earnings per share

	2014 £	2013 £
Basic and fully diluted loss per share	<u><b>(0.108p)</b></u>	<u>(0.032p)</u>
<b>Earnings</b>		
Losses for the purposes of basic and fully diluted earnings per share	<u><b>(1,308,343)</b></u>	<u>(283,062)</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u><b>1,210,007,295</b></u>	<u>883,074,419</u>

The effect of conversion into ordinary shares of warrants is anti-dilutive when the Company has made a loss and so is disregarded. As the Company made a loss in both 2013 and 2014 the basic and diluted loss per share is the same for each of the two years.



# Welney Plc

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 9 Investments

#### (a) Investment in subsidiaries

	£
Net book value at 1 July 2013	315,000
Disposal of subsidiary (see Note 1 below)	(315,000)
Acquisition of subsidiary undertaking (see Note 2 below)	266,250
Provision for diminution in value	(266,250)
Net book value at 30 June 2014	–
Net book value at 30 June 2013	<u>315,000</u>

Investments in group undertakings are stated at cost less provision for diminution in value.

#### Note 1

On 30 April 2014 the Company disposed of 65.31% of the share in Powabyke EV Limited (“Powabyke”), leaving it with a shareholding of 4.69%. The consideration for the disposal was £111,738, which was satisfied by the conversion of amounts due to directors of £96,738 into shares in Powabyke and the assumption of debt of £15,000 by a third party.

	£
Net book value at 30 June 2013	315,000
Advances to subsidiary	15,407
	<u>330,407</u>
Loss on disposal	(218,669)
Disposal consideration	<u>111,738</u>

#### Note 2

On 7 February 2014 the Company acquired the entire share capital of Blaze and Barney Limited, a company whose sole business was the operation of a Harris horizontal baling machine. The consideration for the acquisition was £266,250, satisfied by a cash payment of £80,000 and the issue of 74,500,000 shares at 0.25p each.

The books and records of Blaze and Barney Limited have not been made available to the directors so the company has not been consolidated and full provision has been made for the value of the investment.

At 30 June 2014 details of the Company's subsidiaries were as follows:

Name of company	Nature of business	Country of incorporation	Holding	% voting rights and shares held
Blaze and Barney Limited	Operation of recycling equipment	England	Ordinary	100%

At 30 June 2014 Blaze and Barney Limited had share capital and reserves totalling £nil.

#### (b) Other investments

	£
Cost at 1 July 2013	162,000
Purchases (see note below)	600,000
Impairment of investment	(759,325)
Net book value at 30 June 2014	<u>2,675</u>
Net book value at 30 June 2013	<u>162,000</u>

On 7 February 2014 the Company acquired 30% of the share capital of Aircraft Recycling Limited, which was in the business of recycling decommissioned aircraft, for a consideration of £600,000, satisfied by cash payments totalling £200,000 and the issue of 160,000,000 shares in the Company at 0.25p per share. Subsequently it was determined that the Company's shareholding should be fully provided for.

Other investments are shown at cost less provision for impairment

# Welney Plc

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 10 Debtors

	2014	2013
	£	£
Prepayments and accrued income	<u>5,850</u>	<u>5,850</u>
	<b>5,850</b>	<b>5,850</b>

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

	2014	2013
	£	£
Trade creditors	12,125	34,120
Other creditors	17,500	90,002
Accruals and deferred income	<u>27,417</u>	<u>23,833</u>
	<b>57,042</b>	<b>147,955</b>

### 12 Convertible loan notes

The convertible loan notes contain two components liability and equity elements. The equity element is presented as loan note holders reserve, representing the fair value of the embedded option to convert the liability into equity of the Group, and the loan notes issued have been adjusted in this respect, as set out below.

	2014	2013
	£	£
Liability component at beginning of period	200,040	194,521
Nominal value of loan notes issued	–	250,000
Equity component of loan notes issued	–	(61,139)
Equity component of loan notes converted	61,139	–
Conversion of loans	<u>(250,000)</u>	<u>(203,000)</u>
	11,179	180,382
Transfer to reserves	–	–
Interest charged	–	27,991
Reversal of interest charge	(11,179)	–
Interest accrual at end of period	<u>–</u>	<u>(8,333)</u>
Liability component at end of period	–	200,040
Total equity component	<u>–</u>	<u>61,139</u>

The loan notes outstanding at 30 June 2013 were converted into equity in December 2013.

On 7 November 2012, the Company issued £250,000 convertible loan notes bearing interest at 5% per annum. The loan notes were converted into ordinary share in two tranches on 17 December 2013 and 3 January 2014.

The actual interest charged for the year is calculated by applying an effective interest rate of 20% to the liability component for the period since the loan notes were issued.

# Welney Plc

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 13 Called up share capital

	2014 £	2013 £
<b>Allotted and fully paid</b>		
1,545,511,405 (2013: 911,011,405 ) ordinary shares of 0.1p each	1,545,511	911,011
	<u>1,545,511</u>	<u>911,011</u>

On 30 October 2013, 50,000,000 ordinary shares were issued for cash at 0.2p per share.

On 17 December 2013, 50,000,000 ordinary shares were issued at 0.1p per share on the conversion of convertible loans.

On 31 December 2013, 100,000,000 ordinary shares were issued for cash at 0.25p per share.

On 3 January 2014, 200,000,000 ordinary shares were issued at 0.1p per share on the conversion of convertible loans.

On 7 February 2014, 74,500,000 shares were issued at 0.25p per share as part consideration for the acquisition of 100% of the shares in Blaze and Barney Limited.

Also on 7 February, 160,000,000 shares were issued at 0.25p per share as consideration for the acquisition of a 20% shareholding in Aircraft Recycling Limited.

### 14 Statement of movement in reserves

	Share premium £	Loan note holders reserve £	Option reserve £	Profit and loss account £	Total £
Balance at 1 July 2013	1,010,586	61,139	132,240	(1,980,088)	(776,123)
Loss for the year	–	–	–	(1,308,343)	(1,308,343)
Share issues	551,750	–	–	–	551,750
Conversion of loan notes	–	(61,139)	–	–	(61,139)
Balance at 30 June 2014	<u>1,562,336</u>	<u>–</u>	<u>132,240</u>	<u>(3,288,431)</u>	<u>(1,593,855)</u>

### 15 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Loss for the financial year	(1,308,343)	(283,062)
Proceeds from issue of shares	1,186,250	309,000
Conversion of convertible loan notes	(61,139)	61,139
Net (depletion in)/addition to shareholders' funds	<u>(183,232)</u>	87,077
Opening shareholders' funds	134,888	47,811
Closing shareholders' funds	<u>(48,344)</u>	<u>134,888</u>

# Welney Plc

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 16 Reconciliation of operating loss to net cash flow from operations

	2014	2013
	£	£
Operating loss	(1,319,522)	(255,071)
Gain on disposal of investment	–	(150,000)
Provision for diminution in value of investment	1,025,575	123,000
Loss on disposal of subsidiary	218,669	–
Inter-company loan provision	–	194,936
Increase in debtors	–	(2,491)
(Decrease)/Increase in creditors within one year	20,825	24,422
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(54,453)</b>	<b>(65,204)</b>
	<hr/> <hr/>	<hr/> <hr/>

### 17 Analysis of net funds/net debt

	1 July 2013	Cash flow	Other non-cash changes	30 June 2014
	£	£	£	£
Net cash:				
Cash at bank and in hand	33	140	–	173
	<hr/>	<hr/>	<hr/>	<hr/>
	33	140	–	173
Debt:				
Falling due within one year	–	–	–	–
Falling due after one year	(200,040)	–	200,040	–
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net funds/(net debt)</b>	<b>(200,007)</b>	<b>140</b>	<b>200,040</b>	<b>173</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 18 Reconciliation of net cash flow to movement in net funds

	2014	2013
	£	
Increase/(decrease) in cash in the year	140	(29)
decrease in debt in the year	200,040	100,481
	<hr/>	<hr/>
<b>Movement in net funds in the year</b>	<b>200,180</b>	100,452
Opening net debt	(200,007)	(300,459)
	<hr/>	<hr/>
<b>Closing net funds/(debt)</b>	<b>173</b>	<b>(200,007)</b>
	<hr/> <hr/>	<hr/> <hr/>

# Welney Plc

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 19 Share based payments

On 30 November 2010 the Company granted share options totalling 30,000,000 shares to directors and key executives. The options, exercisable at 0.5p per share, vested on the date of grant and have a contractual life of 5 years.

A summary of the options outstanding during the year is shown below.

	No of options	Exercise price
Outstanding at the beginning of the year	30,000,000	0.5p
Outstanding at the end of the year	<u>30,000,000</u>	0.5p
Exercisable at the end of the year	<u>30,000,000</u>	0.5p

The value of the options granted has been measured by the use of the Black-Scholes pricing model. The inputs into the model were as follows:

Share price at grant date	0.8p
Exercise price	0.5p
Volatility	40%
Expected life	5 years
Risk free rate	3%
Expected dividend yield	0%

Expected volatility rate used was the estimated weighted average volatility of the share prices of comparable companies listed on the ISDX market. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability exercise restrictions and behavioural considerations.

The Company recognised total expenses of £nil (2013: £nil) related to equity-settled share-based payment transactions in the year to 30 June 2014.

### 20 Related party transactions

As at 30 June 2014, amounts of £76,238 and £20,500 were owed respectively to Mr G Collier and Mr M Chapman in respect of unpaid directors' fees and expenses. (2013: £67,600 and £20,600 respectively). The amounts outstanding at 30 June 2014 were converted into shares in Powabyke EV Limited as detailed in note 9.

### 21 Ultimate controlling party

The Directors consider that there is no ultimate controlling party.

### 22 Post balance sheet events

On 29 November 2014 trading in the Company's shares on the ISDX Growth Market was suspended pending the publication of its final results for the year ended 30 June 2014.