

SRJ Technologies Group Plc

Directors' Report and Audited Consolidated Financial Statements

For the Year Ended 31 December 2019

SRJ Technologies Group Plc

Company Information

Directors	Alexander Wood Kim Berkov Simon Humphreys (resigned 5 November 2019) Roger Smith Robin Pinchbeck (appointed 19 November 2019) Stefan McGreevy (appointed 5 November 2019)
Company secretary	H.S. Corporate Services Limited
Registered number	115590
Registered office	Le Quai House Le Quai d'Auvergne St Helier Jersey JE2 3TN
Independent auditor	Grant Thornton Limited Kensington Chambers 46/50 Kensington Place St Helier Jersey JE1 1ET
Accountants	Bracken Rothwell Limited 2nd Floor, The Le Gallais Building 54 Bath Street St Helier Jersey JE1 1FW
Bankers	Barclays Bank plc 13 Library Place St Helier Jersey JE4 8NE
Laywers	Mourant 22 Grenville Street St Helier Jersey JE4 8PX

SRJ Technologies Group Plc

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SRJ Technologies Group Plc

Directors' Report For the Year Ended 31 December 2019

The directors present their report and the financial statements of SRJ Technologies Group Plc (formerly SRJ Technologies Limited) (the "Company") for the year ended 31 December 2019.

Principal activity

The principal activity of the Company is the holding of investments in the subsidiaries. SRJ Limited (formerly called Snap Ring Joint Limited) incorporated in Jersey, Channel Islands and SRJ Technology Limited incorporated in the United Kingdom which are both 100% owned by the Company and are primarily involved in the development and sale of a range of pipe connection technologies for use in industrial applications particularly oil and gas exploration and transport. On 3 September 2019, a new wholly-owned subsidiary was registered with the Australian Securities & Investments Commission named SRJ Tech Australia Pty Ltd with the same primary activity. The Company also owns 100% of the issued share capital of Acorn Intellectual Properties Limited, a Company incorporated in Jersey which has primary activity of holding intellectual property.

Going Concern

The Group made a loss in the year in the amount of £781,848 (2018: £1,049,186) and as at 31 December 2019 was in a net liability position of £125,810 (2018: net asset position of £134,451).

The Group is in various negotiations with both potential customers and investors but there can be no certainty that a sale or investment will proceed. Based on the negotiations conducted to date the Directors anticipate orders of over £760k (AU\$1.5m) and post year-end the Group has raised further funds totaling to £310k (\$607k) as part of the £2.5m (A\$5m) pre-IPO funding round. The Group is also proposing to list the Company on the Australian Stock Exchange (ASX) with an anticipated fundraise of £5m (AU\$10m). The Directors have a reasonable expectation that both sales of the product and further investment in the Company will be achieved but there is no guarantee as to the level of sales or investment that will occur. The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that the Group may be unable to realise assets and discharge its liabilities in the normal course of business should the actual product sales and investment into the Group in 2020 not meet the anticipated levels.

In light of the above the Directors have considered in detail the progression of its negotiations with the relevant stakeholders along with the material uncertainties outlined and have concluded that there is a reasonable expectation that should the Group be able to realise its negotiations with potential customers and investors and will have adequate resources to continue in operational existence for at least the 12 month period following the approval of these financial statements.

Dividends paid

There were no dividends paid in the year under review (2018 - £NIL).

Results

The Consolidated Statement of Comprehensive Income for the year is set out on page 6.

Directors

The directors who served during the year were:

Alexander Wood
Kim Berkov
Simon Humphreys (resigned 5 November 2019)
Roger Smith
Robin Pinchbeck (appointed 19 November 2019)
Stefan McGreevy (appointed 5 November 2019)

SRJ Technologies Group Plc

Directors' Report (continued) For the Year Ended 31 December 2019

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

Subsequent events have been evaluated up to the date that the financial statements were approved and authorised for issue by the Board of Directors. There have been no material events requiring adjustment or disclosure in these financial statements further to the events outlined below.

Following the year end date, the Company has received subscriptions of £310k (AU\$607k) from a number of investors in respect of the convertible loan notes of the Company.

The Directors acknowledge and are closely monitoring the current Coronavirus (COVID-19) pandemic and its potentially adverse economic impact on the countries and industries that the Company is active. It is not yet possible to quantify accurately the impact of COVID-19 on the operations of the Company specifically however its impact on global economic activity is expected to be significant. As at 31 December 2019 there was no evidence to suggest how significant the impact of COVID-19 would be and as such this is considered to be a non-adjusting event.

Following the conclusion of the crisis the Directors are confident that demand for the product will continue. The Group offers both temporary and permanent repair solutions across the Energy sectors and this demand will not fall away as a result of these events. Consumer demand for energy will continue and so facilities need to ensure they remain operational. The solutions provided are also cost-effective which in times of oil price fluctuations can help to reduce operational costs.

The name of the Company was changed from SRJ Technologies Limited by special resolution approved by the Board on 18 March 2020.

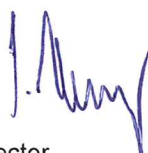
Auditor

The auditor, Grant Thornton Limited, have indicated their willingness to remain in office for the foreseeable future.

Company secretary

The Company secretary who held office throughout the year and subsequently was H.S. Corporate Services Limited.

This report was approved by the board and signed on its behalf.



Director
Date: 7 May 2020

SRJ Technologies Group Plc

Directors' Responsibilities Statement For the Year Ended 31 December 2019

The directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and generally accepted accounting practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable 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 the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with articles 111 (3) and 112 of the Companies (Jersey) Law 1991, the directors acknowledge the auditor's right of access at all times to the Company's records and acknowledge that it is an offence for anyone to recklessly or knowingly supply information to the auditor which is false or misleading and to fail to promptly provide information requested.

Independent auditor's report
To the shareholders of SRJ Technologies Group Plc

Opinion

We have audited the consolidated financial statements of SRJ Technologies Group Plc (the 'Company') and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 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 Group's and Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 Jersey, 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.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the Group made a loss during the year in the amount of £781,848 (2018: £1,049,186) and on a net liability as at 31 December 2019 £125,810 (2018: Net Asset £134,451). The Group had been in various negotiations with potential customers, distributing partners and investors but there can be no certainty as to the number of units or sales to happen. Based on the negotiations conducted to date, the Directors have a reasonable expectation that both sales and an investment in the Group will be achieved. Also, the Group is in the opinion that they will have sufficient resources to support their operation after the IPO with the anticipation that they will obtain IPO funding the amount of AUD5,000,000 via IPO.

As noted in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt in the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter related to impact of COVID-19 pandemic

We also draw attention to note 19 in the financial statements which describes the impact of the Coronavirus (COVID-19) pandemic on the Group's operations. Our opinion is not modified in respect of this matter.

Who we are reporting to

This report is made solely to the Company's shareholders, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial statements set out on pages 1 to 3, 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Group; or
- the Company financial statements are not in agreement with the accounting records; or
- we have not received proper returns adequate for our audit from branches not visited by us; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with UK GAAP, 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

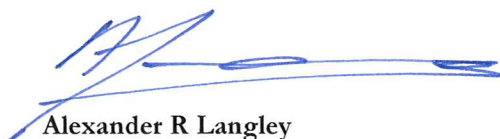
Auditor's responsibilities for the audit of the financial statements

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: 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 shareholders, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Alexander R Langley

**For and on behalf of
Grant Thornton Limited**

Chartered Accountants
St Helier, Jersey, Channel Islands
7 May 2020

SRJ Technologies Group Plc

**Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
Turnover		552,410	84,339
Cost of sales		(215,292)	(7,336)
Gross profit		337,118	77,003
Administrative expenses		(1,500,490)	(1,051,642)
Other operating income	4	396,006	624
Impairment of intangible assets	7	-	(48,887)
Operating loss	5	(767,366)	(1,022,902)
Interest payable and expenses		(14,482)	(26,284)
Loss for the financial year		(781,848)	(1,049,186)
Loss for the year attributable to:			
Owners of the parent company		(781,848)	(1,049,186)

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

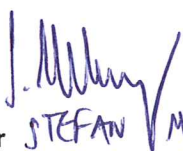
The notes on pages 12 to 27 form part of these financial statements.

SRJ Technologies Group Plc

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	2019 £	2018 £
Fixed assets			
Intangible assets	7	950,458	864,622
Tangible assets	8	8,544	5,882
		<u>959,002</u>	<u>870,504</u>
Current assets			
Stocks	10	-	4,638
Debtors: amounts falling due within one year	11	210,508	114,250
Cash at bank and in hand	12	1,191,983	9,415
		<u>1,402,491</u>	<u>128,303</u>
Creditors: amounts falling due within one year	13	(2,487,303)	(864,356)
Net current liabilities		<u>(1,084,812)</u>	<u>(736,053)</u>
Total assets less current liabilities		<u>(125,810)</u>	<u>134,451</u>
Net (liabilities)/assets		<u><u>(125,810)</u></u>	<u><u>134,451</u></u>
Capital and reserves			
Called up share capital	15	14,667	14,086
Share premium account		4,574,028	4,053,022
Profit and loss account		(4,714,505)	(3,932,657)
		<u>(125,810)</u>	<u>134,451</u>

The financial statements were approved and authorised for issue by the board on 7 May 2020 and were signed on its behalf by:

Name: 
Director STEFAN MCGEE

Date: 7 May 2020

The notes on pages 12 to 27 form part of these financial statements.

SRJ Technologies Group Plc

Company Statement of Financial Position
As at 31 December 2019

	Notes	2019 £	2018 £
Fixed assets			
Investments	9	22,783	22,224
		<u>22,783</u>	<u>22,224</u>
Current assets			
Debtors: amounts falling due within one year	11	5,278,070	3,931,389
Cash at bank and in hand	12	1,101,321	2,899
		<u>6,379,391</u>	<u>3,934,288</u>
Creditors: amounts falling due within one year	13	(2,324,941)	(84,308)
Net current assets		<u>4,054,450</u>	<u>3,849,980</u>
Total assets less current liabilities		<u>4,077,233</u>	<u>3,872,204</u>
Net assets		<u><u>4,077,233</u></u>	<u><u>3,872,204</u></u>
Capital and reserves			
Called up share capital	15	14,667	14,086
Share premium account		4,574,028	4,053,022
Profit and loss account		(511,462)	(194,904)
		<u>4,077,233</u>	<u>3,872,204</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Name: 
Director

Date: 7 May 2020

The notes on pages 12 to 27 form part of these financial statements.

SRJ Technologies Group Plc

**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	13,300	2,979,504	(2,883,471)	109,333
Loss for the year	-	-	(1,049,186)	(1,049,186)
Shares issued during the year (note 15)	786	1,073,518	-	1,074,304
At 1 January 2019	14,086	4,053,022	(3,932,657)	134,451
Loss for the year	-	-	(781,848)	(781,848)
Shares issued during the year (note 15)	581	521,006	-	521,587
At 31 December 2019	14,667	4,574,028	(4,714,505)	(125,810)

The notes on pages 12 to 27 form part of these financial statements.

SRJ Technologies Group Plc

**Company Statement of Changes in Equity
For the Year Ended 31 December 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2018	13,300	2,979,504	(115,649)	2,877,155
Loss for the year	-	-	(79,255)	(79,255)
Shares issued during the year (note 15)	786	1,073,518	-	1,074,304
At 1 January 2019	<u>14,086</u>	<u>4,053,022</u>	<u>(194,904)</u>	<u>3,872,204</u>
Loss for the year	-	-	(316,558)	(316,558)
Shares issued during the year (note 15)	581	521,006	-	521,587
At 31 December 2019	<u><u>14,667</u></u>	<u><u>4,574,028</u></u>	<u><u>(511,462)</u></u>	<u><u>4,077,233</u></u>

The notes on pages 12 to 27 form part of these financial statements.

SRJ Technologies Group Plc

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(781,848)	(1,049,186)
Adjustments for:		
Amortisation of intangible assets	91,940	82,742
Impairment of intangible assets	-	48,887
Depreciation of tangible assets	3,602	2,746
Government grants	(361,493)	(624)
Interest paid	14,482	26,284
Decrease in stocks	4,638	-
(Increase) in debtors	(96,259)	(22,462)
(Decrease)/increase in creditors	(277,264)	298,979
Net cash used in operating activities	(1,402,202)	(612,634)
Cash flows from investing activities		
Purchase of intangible fixed assets	(177,776)	(43,448)
Purchase of tangible fixed assets	(6,264)	(3,826)
Government grants received	361,493	624
Net cash provided from/(used in) investing activities	177,453	(46,650)
Cash flows from financing activities		
Issue of ordinary shares	521,587	1,074,444
Repayment of loans	(288,522)	(113,359)
Increase in loans payable	-	24,004
Repayment of debenture loans	(36,258)	(320,500)
Issuance of convertible loan notes	2,224,992	-
Interest paid	(14,482)	(26,284)
Net cash provided from financing activities	2,407,317	638,305
Net increase/(decrease) in cash and cash equivalents	1,182,568	(20,979)
Cash and cash equivalents at beginning of year	9,415	30,394
Cash and cash equivalents at the end of year	1,191,983	9,415
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,191,983	9,415

SRJ Technologies Group Plc

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

SRJ Technologies Group Plc (the "Company") is a members limited liability company incorporated in Jersey, Channel Islands on 29 April 2014 in accordance with the Companies (Jersey) Law 1991 with registration number 115590. It is deemed to be a Public Company under that law by virtue of it having more than 30 investors.

The registered office of the Company is Le Quai House, Le Quai d'Auvergne, St Helier, JE2 3TN.

The principal activity of the Company is that of investment holding.

The name of the Company was changed from SRJ Technologies Limited by special resolution approved by the Board on 18 March 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies (Jersey) Law 1991.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 31 December 2016.

SRJ Technologies Group Plc

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.3 Going concern

The Group made a loss in the year in the amount of £781,848 (2018: £1,049,186) and as at 31 December 2019 was in a net liability position of £125,810 (2018: net asset position of £134,451).

The Group is in various negotiations with both potential customers and investors but there can be no certainty that a sale or investment will proceed. Based on the negotiations conducted to date the Directors anticipate orders of over £760k (AU\$1.5m) and post year-end the Group has raised further funds totaling to £310k (AU\$607k) as part of the £2.5m (A\$5m) pre-IPO funding round. The Group is also proposing to list the Company on the Australian Stock Exchange (ASX) with an anticipated fundraise of £5m (AU\$10m). The Directors have a reasonable expectation that both sales of the product and further investment in the Company will be achieved but there is no guarantee as to the level of sales or investment that will occur. The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that the Group may be unable to realise assets and discharge its liabilities in the normal course of business should the actual product sales and investment into the Group in 2020 not meet the anticipated levels.

In light of the above the Directors have considered in detail the progression of its negotiations with the relevant stakeholders along with the material uncertainties outlined and have concluded that there is a reasonable expectation that should the Group be able to realise its negotiations with potential customers and investors and will have adequate resources to continue in operational existence for at least the 12 month period following the approval of these financial statements.

2.4 Foreign currency translation

Functional and presentation currency

The Company and the Group's functional and presentational currency is Pound Sterling (£).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income within administration expenses.

Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is estimated to be 13 years from the date in which the production and sale of the product commenced.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

2. Summary of significant accounting policies (continued)

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.8 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.9 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are charged to the Consolidated Statement of Comprehensive Income in the period in which the instrument is issued.

2.10 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.11 Pensions

Defined contribution pension plan

The Group operates a statutory defined contribution plan for its UK employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

2. Summary of significant accounting policies (continued)

2.13 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The patents and development costs first became available for use in 2017 when production and sale of the product commenced. They are being amortised annually on a straight line basis up to 20 October 2029 which is the maximum duration the main patent application can be extended to. The basis for this amortisation is 13 years (2017 - 2029).

The patents and development costs residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

2.14 Impairment of assets

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	20%
Computer equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

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Notes to the Financial Statements For the Year Ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.16 Investment in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

The consolidated financial statements incorporate in the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal as appropriate using accounting policies consistent with those of the Parent. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Financial instruments

The Group enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans to and from other third parties and to related parties.

SRJ Technologies Group Plc

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.21 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other receivables and payables, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

2.22 Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components and presented separately in the Statement of Financial Position.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited directly to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements management is required to make estimates and assumptions that affect amounts presented therein. These estimates and assumptions are based on past experience or the other factors and are believed to be reasonable in the circumstances.

4. Other operating income

	2019 £	2018 £
Government grants receivable	361,493	624
Loan written off	34,513	-
	<u>396,006</u>	<u>624</u>

The loan written off comprises £32,329 due to TFS Loans and £2,184 due to JIF Fund that were written off by the respective parties as a result of early settlement. See note 14 for further details.

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**Notes to the Financial Statements
For the Year Ended 31 December 2019**

5. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Operating gain/(loss) on exchange	<u>20,729</u>	<u>(6,581)</u>

6. Auditor's remuneration

	2019 £	2018 £
Fees paid to Grant Thornton for the audit of the Group financial statements	<u>11,550</u>	<u>11,200</u>

7. Intangible assets

Group

	Patents £	Development expenditure £	Total £
Cost			
At 1 January 2019	414,949	611,816	1,026,765
Additions	38,983	138,793	177,776
At 31 December 2019	<u>453,932</u>	<u>750,609</u>	<u>1,204,541</u>
Amortisation			
At 1 January 2019	63,319	98,824	162,143
Charge for the year	34,648	57,292	91,940
At 31 December 2019	<u>97,967</u>	<u>156,116</u>	<u>254,083</u>
Net book value			
At 31 December 2019	<u>355,965</u>	<u>594,493</u>	<u>950,458</u>
At 31 December 2018	<u>351,630</u>	<u>512,992</u>	<u>864,622</u>

SRJ Technologies Group Plc

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

7. Intangible assets (continued)

The patents and development costs first became available for use during the year when production and sale of the product commenced. They are being amortised annually on a straight line basis up to 20 October 2029 which is the maximum duration the main patent application can be extended to.

The patents and development costs residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

8. Tangible fixed assets

Group

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 January 2019	4,421	10,783	15,204
Additions	2,446	3,818	6,264
At 31 December 2019	6,867	14,601	21,468
Depreciation			
At 1 January 2019	3,719	5,603	9,322
Charge for the year on owned assets	784	2,818	3,602
At 31 December 2019	4,503	8,421	12,924
Net book value			
At 31 December 2019	2,364	6,180	8,544
At 31 December 2018	702	5,180	5,882

SRJ Technologies Group Plc

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

9. Fixed asset investments

Company

	Investments in subsidiary companies £	Total £
Cost		
At 1 January 2019	22,224	22,224
Additions	559	559
At 31 December 2019	22,783	22,783

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding
SRJ Limited	Jersey	Ordinary	100%
SRJ Technology Limited	United Kingdom	Ordinary	100%
SRJ Tech Australia Pty Ltd	Australia	Ordinary	100%
Acorn Intellectual Properties Limited	Jersey	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves/ (deficit) £	Profit/(Loss) £
SRJ Limited	(4,082,127)	(415,527)
SRJ Technology Limited	(72,281)	(23,357)
SRJ Tech Australia Pty Ltd	(26,909)	(27,441)
Acorn Intellectual Properties Limited	-	-

In November 2014, the Company acquired 100% of the issued share capital (10,613 Ordinary shares) of SRJ Limited, a Company incorporated and domiciled in Jersey through a 1 for 1 swap of the Company's shares.

In March 2015, the Company acquired 100% of the issued share capital (2 £1 ordinary shares) of Acorn Intellectual Properties Limited ("AIPL"), a Company incorporated and domiciled in Jersey.

SRJ Technologies Group Plc

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

9. Fixed asset investments (continued)

In August 2016, the Company acquired 100% of the issued share capital (1 £1 Ordinary share) of SRJ Technology Limited, a Company incorporated in the United Kingdom.

In September 2019, the Company acquired 100% of the issued share capital (1,000 AUD1 Ordinary shares) of the newly incorporated SRJ Tech Australia Pty Ltd, a Company incorporated and domiciled in Australia.

10. Stocks

	Group 2019 £	<i>Group 2018 £</i>
Finished goods and goods for resale	-	4,638

11. Debtors

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Trade debtors	3,316	3,530	-	-
Amounts owed by subsidiaries	-	-	5,122,106	3,931,389
Other debtors	207,192	35,720	155,964	-
Prepayments and accrued income	-	75,000	-	-
	210,508	<i>114,250</i>	5,278,070	<i>3,931,389</i>

12. Cash at bank and in hand

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Bank and cash balances	1,191,983	9,415	1,101,321	2,899

SRJ Technologies Group Plc

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

13. Creditors: Amounts falling due within one year

	Group		Company	
	2019	<i>Group</i>	2019	<i>Company</i>
	£	<i>2018</i>	£	<i>2018</i>
Debenture loans	-	36,258	-	36,258
Loans (see note 14)	1,725	290,247	-	-
VAT held on account	13,182	-	-	-
Trade creditors	206,714	310,687	72,950	37,295
Convertible loan note	2,224,992	-	2,224,992	-
Accruals and deferred income	40,690	227,164	26,999	10,755
	<u>2,487,303</u>	<u>864,356</u>	<u>2,324,941</u>	<u>84,308</u>

The outstanding balance of the convertible shareholder loans of £36,258 due to AVI Partners Limited was repaid in full during the year. The shareholder did not take up the option to convert the loan to shares in the Company.

In October 2019, the Company undertook a pre-IPO fund raise issuing AUD4,105,280 of convertible loan notes to investors raising a net cash amount of AUD3,867,884. Issue costs have been charged to the Consolidated Statement of Comprehensive Income for the year.

The terms of the loan notes (the "notes") state that the notes are issued for consideration of their face value, being AUD100 per note and they have a initial maturity date of 12 months after the issue date. The notes will be converted into equity shares on the conversion date based on the lower of:

- (a) 80% multiplied by the IPO Offer Price or the Trade Sale Price, as applicable; and
- (b) the Valuation Cap (AUD 42m) divided by the number of Securities in issue on the Conversion Date.

When an entity issues convertible debt the proceeds must be allocated between its liability and equity components (FRS 102 Section 22.13). As the number of shares to be issued on conversion is based on the value of the liability and there is no fixed settlement amount the convertible note is classified as having a liability component only.

SRJ Technologies Group Plc

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

14. Loans

	2019	2018
	£	£
TFS loan	-	65,377
AVI Partners loan	1,725	50,606
JIF loan	-	174,264
	<u>1,725</u>	<u>290,247</u>

The loan from TFS Loans Limited ("TFS") to SRJ Limited was unsecured, bears interest at 18% per annum and was repayable on demand. During the year a settlement figure was agreed with TFS to discharge the outstanding balance of the loan with effective date of 4 July 2019. Repayments in the year totalled £39,000 and as a result of the settlement agreement £32,329 was written off to the Consolidated Statement of Comprehensive Income. The interest charge for the year was £5,952.

The loan from AVI Partners Limited to Snap Ring Joint is to enable it to meet operating expenses. The loan is interest free and is repayable on demand. During the year repayments of £48,881 were received by the Company.

The convertible loan of £500,000 from the Jersey Innovation Fund ("JIF") accrued interest at 5%, was payable quarterly with a scheduled final repayment date on 19 February 2020. On 29 October 2019 SRJ Limited made one payment of £172,081 in full and final settlement of the loan. The balance of £2,184 was written off to the Consolidated Statement of Comprehensive Income.

15. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
1,466,735 (2018 - 1,408,589) Ordinary shares of £0.01 each	<u>14,667</u>	<u>14,086</u>

During the year, 58,146 £0.01 Ordinary shares were issued for a total consideration of £521,587 including £521,006 share premium (2018: 78,639 shares for total consideration of £1,074,304 including £1,074,518 share premium).

SRJ Technologies Group Plc

Notes to the Financial Statements For the Year Ended 31 December 2019

16. Commitments under operating leases

At 31 December 2019 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	24,000	24,000
Later than 1 year and not later than 5 years	11,047	35,047
	<u>35,047</u>	<u>59,047</u>

17. Related party transactions

SRJ Limited (formerly named Snap Ring Joint Limited) is a Subsidiary of the Company and during the year the Company made loans of £1,034,519 (2018: £872,140) and received repayments of £65,107 (2018: £162,194) to support its ongoing operations. The intercompany loan balance due to the Company as at 31 December 2019 is £4,900,801 (2018: £3,931,389). The loan is unsecured, interest free and repayable on demand although the Directors have no current intention of recalling the loan within the next 12 months.

SRJ Technology Limited is a subsidiary of the Company and during the year the Company made loans in the total of £158,020 (2018: £5,596) to support its ongoing operations. The intercompany loan balance due to the Company as at 31 December 2019 is £158,020 (2018: £nil). The loan is unsecured, interest free and repayable on demand although the Directors have no current intention of recalling the loan within the next 12 months.

SRJ Technology Aus Pty Ltd is a subsidiary of the Company and during the year the Company made loans in the total of £63,284 to support its ongoing operations. The loan is unsecured, interest free and repayable on demand although the Directors have no current intention of recalling the loan within the next 12 months.

SRJ Limited and SRJ Technology Limited are both subsidiaries of the Company and during the year SRJ Technology Limited made net loans in the total of £47,576 (2018: received net loans of £168,805) to support SRJ Limited's ongoing operations. During the year an amount of £592 due to SRJ Technology Limited (2018: £153,893 due to SRJ Limited) was written off. Also, during the year SRJ Technology Limited applied for UK Government grants in order to support the continued development of the product by the Company. During the year SRJ Technology Limited paid no grants to SRJ Limited (2018: £624).

As outlined in Note 14 there is a loan between AVI Partners Limited, a shareholder of the Company and SRJ Limited in the total of £1,725 (2018: £50,606). During the year repayments of £48,881 were made to the Company. As of 2019, the loan is interest free but in previous years interest accrued on the loan at 5% per annum and the interest expense incurred in the year was £nil (2018: £1,752) with interest payable at the year end totalling £1,725 (2018: £3,058). During the year AVI Partners Limited also provided business consultancy services to SRJ Limited at no charge.

During the year key management personnel of the Group received total compensation of £313,620 (2018: £223,505).

SRJ Technologies Group Plc

**Notes to the Financial Statements
For the Year Ended 31 December 2019**

18. Analysis of changes in net debt

	At 1 January 2019 £	Cash flows £	Other non- cash changes £	At 31 December 2019 £
Cash and cash equivalents				
Cash at bank and in hand	9,415	1,182,567	-	1,191,982
	<u>9,415</u>	<u>1,182,567</u>	<u>-</u>	<u>1,191,982</u>
Borrowings				
TFS loan	65,377	(33,048)	(33,329)	-
AVI Partners loan	50,606	(48,881)	-	1,725
JIF loan	174,264	(172,080)	(2,184)	-
Debenture loans	36,258	(36,258)	-	-
Convertible loan notes	-	2,092,720	132,272	2,224,992
	<u>326,505</u>	<u>1,802,453</u>	<u>96,759</u>	<u>2,226,717</u>
Net debt	<u><u>317,090</u></u>	<u><u>619,886</u></u>	<u><u>96,759</u></u>	<u><u>1,034,735</u></u>

Non-cash changes relate to:

TFS loan - the balance of £33,329 was agreed to be written off by the lender.

JIF loan - the balance of £2,184 was agreed to be written off by the lender.

Convertible loan notes - the amount of £132,272 relates to loan notes issued but consideration not yet collected by the year end date.

There are no restrictions over the use of the cash and cash equivalents balances which comprises of cash at bank and in hand.

SRJ Technologies Group Plc

Notes to the Financial Statements For the Year Ended 31 December 2019

19. Post balance sheet events

Subsequent events have been evaluated up to the date that the financial statements were approved and authorised for issue by the Board of Directors. There have been no material events requiring adjustment or disclosure in these financial statements further to the events outlined below.

Following the year end date, the Company has received subscriptions of £310k (AU\$607k) from a number of investors in respect of the convertible loan notes of the Company.

The Directors acknowledge and are closely monitoring the current Coronavirus (COVID-19) pandemic and its potentially adverse economic impact on the countries and industries that the Company is active. It is not yet possible to quantify accurately the impact of COVID-19 on the operations of the Company specifically however its impact on global economic activity is expected to be significant. As at 31 December 2019 there was no evidence to suggest how significant the impact of COVID-19 would be and as such this is considered to be a non-adjusting event.

Following the conclusion of the crisis the Directors are confident that demand for the product will continue. The Group offers both temporary and permanent repair solutions across the Energy sectors and this demand will not fall away as a result of these events. Consumer demand for energy will continue and so facilities need to ensure they remain operational. The solutions provided are also cost-effective which in times of oil price fluctuations can help to reduce operational costs.

The name of the Company was changed from SRJ Technologies Limited by special resolution approved by the Board on 18 March 2020.

20. Ultimate controlling party

In the opinion of the Directors there is no one ultimate controlling party of the Company.