SRJ Technologies Limited

Directors' Report and Audited Consolidated Financial Statements

For the Year Ended 31 December 2018

SRJ Technologies Limited

Company Information

Directors	Alexander Wood Kim Berknov Simon Humphreys Roger Smith
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
Solicitors	Smithfield Partners Limited Temple Chambers 252 Chancery Lane London EC4Y 0HP

SRJ Technologies Limited

Contents

Directors' Report
For the Year Ended 31 December 2018

The directors present their report and the consolidated financial statements of SRJ Technologies Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2018.

Principal activity

The principal activity of the Company is the holding of investments in the subsidiaries. Snap Ring Joint Limited and SRJ Technology Limited, incorporated in Jersey, Channel Islands and the United Kingdom respectively and which are both 100% owned by the Company 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.

Going Concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least the following 12 month period.

Dividends paid

There were no dividends paid in the year under review *(2017 - £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 Berknov
Simon Humphreys
Roger Smith

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

There have been no significant events affecting the Group since the year end.

Auditor

The previous auditor, Holl Cameron and Co Limited resigned on 21 May 2019 and was replaced by Grant Thornton Limited.

Directors' Report (continued)
For the Year Ended 31 December 2018

Company secretary

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

This report was approved by the board on 13.09.19 and signed on its behalf.

Director:

Directors' Responsibilities Statement
For the Year Ended 31 December 2018

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 SRJ Technologies Limited

Opinion
We have audited the consolidated financial statements of SRJ Technologies Limited (the 'Company') and its subsidiaries (the "Group") for the year ended 31 December 2018 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 the Company's affairs as at 31 December 2018 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.

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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Alexander R Langley

For and on behalf of
Grant Thornton Limited
Chartered Accountants
St Helier, Jersey, Channel Islands

23 September 2019

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2018

	Note	2018 £	*As restated* *2017* *£*
Turnover		**84,339**	*192,887*
Cost of sales		**(7,336)**	*(110,438)*
Gross profit		**77,003**	*82,449*
Administrative expenses		**(1,051,642)**	*(869,612)*
Other operating income	4	**624**	*68,990*
Impairment of intangible assets	7	**(48,887)**	-
Operating loss	5	**(1,022,902)**	*(718,173)*
Interest payable and expenses		**(26,284)**	*(52,973)*
Loss for the financial year		**(1,049,186)**	*(771,146)*
Loss for the year attributable to:			
Owners of the parent company		**(1,049,186)**	*(771,146)*

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 12 to 25 form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2018

	Notes		2018 £		As restated 2017 £
Fixed assets					
Intangible assets	7		**864,622**		*952,804*
Tangible assets	8		**5,882**		*4,801*
			870,504		*957,605*
Current assets					
Stocks	10	**4,638**		*4,638*	
Debtors: amounts falling due within one year	11	**114,250**		*91,787*	
Cash at bank and in hand	12	**9,415**		*30,394*	
		128,303		*126,819*	
Creditors: amounts falling due within one year	13	**(864,356)**		*(975,231)*	
Net current liabilities			**(736,053)**		*(848,412)*
Total assets less current liabilities			**134,451**		*109,193*
Net assets			**134,451**		*109,193*
Capital and reserves					
Called up share capital	15		**14,086**		*13,300*
Share premium account			**4,053,162**		*2,979,504*
Profit and loss account			**(3,932,797)**		*(2,883,611)*
			134,451		*109,193*

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

Name: ALEXANDER WOOD
Director

Date: 13/09/19

The notes on pages 12 to 25 form part of these financial statements.

SRJ Technologies Limited

Company Statement of Financial Position
As at 31 December 2018

	Notes		2018 £		*As restated 2017 £*
Fixed assets					
Investments	9		**22,224**		*10,716*
			22,224		*10,716*
Current assets					
Debtors: amounts falling due within one year	11	**3,931,389**		*3,227,056*	
Cash at bank and in hand	12	**2,899**		*26,301*	
		3,934,288		*3,253,357*	
Creditors: amounts falling due within one year	13	**(84,308)**		*(386,918)*	
Net current assets			**3,849,980**		*2,866,439*
Total assets less current liabilities			**3,872,204**		*2,877,155*
Net assets			**3,872,204**		*2,877,155*
Capital and reserves					
Called up share capital	15		**14,086**		*13,300*
Share premium account			**4,053,022**		*2,979,504*
Profit and loss account			**(194,904)**		*(115,649)*
			3,872,204		*2,877,155*

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

Name: ALEXANDER WOOD
Director

Date: 13/09/19

The notes on pages 12 to 25 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	**12,415**	**1,843,810**	**(2,112,465)**	**(256,240)**
Loss for the year (restated)	-	-	(771,146)	(771,146)
Shares issued during the year (note 15)	885	1,135,694	-	1,136,579
At 1 January 2018 (as restated)	**13,300**	**2,979,504**	**(2,883,611)**	**109,193**
Loss for the year	-	-	(1,049,186)	(1,049,186)
Shares issued during the year (note 15)	786	1,073,658	-	1,074,444
At 31 December 2018	**14,086**	**4,053,162**	**(3,932,797)**	**134,451**

The notes on pages 12 to 25 form part of these financial statements.

Company Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	12,415	1,843,810	(78,131)	1,778,094
Loss for the year	-	-	(37,518)	(37,518)
Shares issued during the year (note 15)	885	1,135,694	-	1,136,579
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 31 December 2018	14,086	4,053,022	(194,904)	3,872,204

The notes on pages 12 to 25 form part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2018

	2018 £	*2017 £*
Cash flows from operating activities		
Loss for the financial year	**(1,049,186)**	*(771,146)*
Adjustments for:		
Amortisation of intangible assets	**82,742**	*79,400*
Impairment of intangible assets	**48,887**	*-*
Depreciation of tangible assets	**2,746**	*2,133*
Government grants	**(624)**	*(61,700)*
Interest paid	**26,284**	*52,973*
Increase in stocks	**-**	*(4,638)*
Increase in debtors	**(22,462)**	*(82,836)*
Increase in creditors	**298,979**	*32,839*
Net cash used by operating activities	**(612,634)**	*(752,975)*
Cash flows from investing activities		
Purchase of intangible fixed assets	**(43,448)**	*(60,958)*
Purchase of tangible fixed assets	**(3,826)**	*(3,990)*
Government grants received	**624**	*61,700*
Net cash used by investing activities	**(46,650)**	*(3,248)*
Cash flows from financing activities		
Issue of ordinary shares	**1,074,444**	*1,136,579*
Repayment of loans	**(113,359)**	*(386,705)*
Increase in loans payable	**24,004**	*-*
Increase of debenture loans	**-**	*10,320*
Repayment of debenture loans	**(320,500)**	*-*
Interest paid	**(26,284)**	*(52,973)*
Net cash provided by financing activities	**638,305**	*707,221*
Net (decrease) in cash and cash equivalents	**(20,979)**	*(49,002)*
Cash and cash equivalents at beginning of year	**30,394**	*79,396*
Cash and cash equivalents at the end of year	**9,415**	*30,394*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**9,415**	*30,394*

1. General information

SRJ Technologies Limited (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. Its registered office is Le Quai House, Le Quai d'Auvergne, St Helier, JE2 3TN.

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

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.

2.3 Going concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least the 12 month period following the approval of these financial statements.

2. Summary of significant accounting policies (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 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.

2.8 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.

2.9 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 initially recognised as a reduction in the proceeds of the associated capital instrument.

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. Summary of significant accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

2. Summary of significant accounting policies (continued)

2.14 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 opeating polices 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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. Summary of significant accounting policies (continued)

2.19 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.20 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

	2018 £	*2017 £*
Net rents receivable	-	*7,290*
Government grants receivable	624	*61,700*
	624	*68,990*

5. Operating loss

The operating loss is stated after charging:

	2018 £	*2017 £*
Exchange differences	6,581	*7,502*

6. Auditor's remuneration

	2018 £	*2017 £*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	11,200	*5,000*

Breakdown by auditor:

Grant Thornton	11,200	*-*
Holl Cameron & Co	-	*5,000*

7. Intangible assets

Group

	Patents £	Development expenditure £	Total £
Cost			
At 1 January 2018	**390,615**	**641,589**	**1,032,204**
Additions	**41,919**	**1,529**	**43,448**
Disposals	**(17,585)**	**(31,302)**	**(48,887)**
At 31 December 2018	**414,949**	**611,816**	**1,026,765**
Amortisation			
At 1 January 2018	**30,047**	**49,353**	**79,400**
Charge for the year	**33,272**	**49,471**	**82,743**
At 31 December 2018	**63,319**	**98,824**	**162,143**
Net book value			
At 31 December 2018	**351,630**	**512,992**	**864,622**
At 31 December 2017	*360,568*	*592,236*	*952,804*

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 2018	4,421	6,957	11,378
Additions	-	3,826	3,826
At 31 December 2018	4,421	10,783	15,204
Depreciation			
At 1 January 2018	2,980	3,597	6,577
Charge for the year on owned assets	739	2,006	2,745
At 31 December 2018	3,719	5,603	9,322
Net book value			
At 31 December 2018	702	5,180	5,882
At 31 December 2017	*1,441*	*3,360*	*4,801*

9. Fixed asset investments

Company

	Investments in subsidiary companies £	Total £
Cost		
At 1 January 2018	**10,716**	**10,716**
Additions	**11,608**	**11,608**
Disposals	**(100)**	**(100)**
At 31 December 2018	**22,224**	**22,224**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding
Snap Ring Joint Limited	Jersey	Ordinary	100%
SRJ Technology Limited	United Kingdom	Ordinary	100%
Acorn Intellectual Properties Limited	Jersey	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2018 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) £
Snap Ring Joint Limited	**(3,609,917)**	**(940,094)**
SRJ Technology Limited	**(48,925)**	**(29,937)**
Acorn Intellectual Properties Limited	**-**	**-**

In 2014 the Company acquired 100% of the issued share capital (100 £1 Ordinary shares) of Acorn Capital Holdings Limited ("ACHL"), incorporated in BVI, in exchange for 5 Ordinary shares in the Company. ACHL was struck off from the BVI Register of Companies on 2 May 2017 for non payment of annual fees. The cost of the investment was written off in 2018.

On 22 March 2015 the intellectual property held by ACHL was transferred to Acorn Intellectual Properties Limited ("AIPL"), a newly incorporated entity incorporated and domiciled in Jersey and owned 100% by the Company (2 £1 Ordinary shares).

9. Fixed asset investments (continued)

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

In August 2016, the Company aquired 100% of the issued share capital (1 £1 Ordinary share) of SRJ Technology Limited, a Company incorporated in the United Kingdom, through a 1 for 1 swap of Company's shares.

10. Stocks

	Group 2018 £	*Group 2017 £*
Finished goods and goods for resale	**4,638**	*4,638*

11. Debtors

	Group 2018 £	*Group 2017 £*	**Company 2018 £**	*Company 2017 £*
Trade debtors	**3,530**	*91,419*	**-**	*-*
Amounts owed by Snap Ring Joint	**-**	*-*	**3,931,389**	*3,227,056*
Other debtors	**35,720**	*368*	**-**	*-*
Prepayments and accrued income	**75,000**	*-*	**-**	*-*
	114,250	*91,787*	**3,931,389**	*3,227,056*

The amount owed by Snap Ring Joint Limited is for its long term financing. Amounts due are unsecured, interest free with no fixed date of repayment. The directors will not call for repayment of the balance within 12 months of the date of signing these financial statements.

12. Cash and cash equivalents

	Group 2018 £	*Group 2017 £*	**Company 2018 £**	*Company 2017 £*
Bank and cash balances	**9,415**	*30,394*	**2,899**	*26,301*

13. Creditors: Amounts falling due within one year

	Group	*Group As restated*	Company	*Company As restated*
	2018	*2017*	**2018**	*2017*
	£	*£*	**£**	*£*
Debenture loans	**36,258**	*356,758*	**36,258**	*356,758*
Loans (see note 14)	**290,247**	*379,603*	**-**	*-*
Trade creditors	**310,687**	*228,930*	**37,295**	*30,159*
Amounts owed to group undertakings	**-**	*-*	**-**	*1*
Accruals and deferred income	**227,164**	*9,940*	**10,755**	*-*
	864,356	*975,231*	**84,308**	*386,918*

During 2016, the Company received £382,444 of convertible shareholder loans. These loans entitled the lending party to convert at any time within 12 months from signing of a loan agreement at a price of £1,234 per share. Upon entering the agreement, the shareholder also immediately accrued 10% of the value of the loan irrespective of whether the Company repays the loan early. If converted, the original loan amount plus the 10% will be converted into shares of the Company. The outstanding balance of this convertible shareholder loan is £32,962 (2017: £142,507) plus the 10% accrual of £3,296 (2017: £14,251). Interest accrues on the loans from the day following 30 June 2018 at a rate of 15 percent per annum and is payable by the last Business Day of each month following that date.

An additional convertible loan of £200,000 with Kimera Limited in 2017 was converted to 14,361 ordinary shares issued at a premium of £13.66 per share, rounded down to the nearest number of shares in the year.

Debt instruments that are payable within one year shall be measured at the non-discounted amount of the cash to be paid. The issued convertible loan does not constitute a financing transactions because it does not represent a payment deferred beyond normal business terms and, in the opinion of the directors, the actual interest rate relative to the prevailing market interest rate for such a loan are comparable. Therefore, it was not deemed necessary to discount to the present value.

14. Loans

	2018 £	*2017 £*
TFS loan	**65,377**	*86,810*
AVI Partners loan	**50,606**	*26,601*
JIF loan	**174,264**	*266,192*
	290,247	*379,603*

The loan from TFS Loans Limited is unsecured, bears interest at 18% per annum and is repayable on demand.

The loan from AVI Partners Limited to Snap Ring Joint is to enable it to meet operating expenses. The loan accrues interest at a rate of 5% per annum and is repayable on demand.

The convertible loan of £500,000 from the Jersey Innovation Fund ("JIF") accrues interest at 5%, is payable quarterly and the final repayment is due to be made on 19 February 2020.

15. Share capital

	2018 £	*2017 £*
Allotted, called up and fully paid		
1,408,589 *(2017 - 1,330,000)* Ordinary shares of £0.01 each	**14,086**	*13,300*

During the year, 78,639 £0.01 Ordinary shares were issued for a total consideration of £1,074,304 including £1,073,518 share premium (2017: 88,450 shares for total consideration of £1,136,578 including £1,135,694 share premium).

16. Commitments under operating leases

At 31 December 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	*2017 £*
Not later than 1 year	**24,000**	-
Later than 1 year and not later than 5 years	**35,047**	-
	59,047	-

17. Prior year adjustment

It was noted that the prior year in the financial statements of Snap Ring Joint that cost of sales had been understated by £22,334. This was due to a misapplication of the revenue recognition policy which states that the revenue and expenses must be recognised in the period in which the product was delivered to the customer. A further adjustment to retained earnings was recognised in 2018 to reflect this change in the prior year result. It is not practicable to determine the amount of correction for each financial statement line item affected and at the beginning of the earliest prior period presented.

18. Related party transactions

Snap Ring Joint Limited is a Subsidiary of the Company and during the year the Company made loans of £872,140 (2017: £1,140,739) and received repayments of £162,194 (2017: £40,468) to support its ongoing operations. The intercompany loan balance due to the Company as at 31 December 2018 is £3,931,389 (2017: £3,221,443).

SRJ Technology Limited is a subsidiary of the Company and during the year the Company made loans in the total of £5,596 (2017: £5,613) to support its ongoing operations. During the year the loan of £11,209 was converted to equity and written off, in exchange for settling the Company's obligation to pay for the share in SRJ Technology. This resulted in share premium of £11,208 arising in the subsidiary.

As outlined in Note 12 there is a loan between AVI Partners Limited, a shareholder of the Company and Snap Ring Joint in the total of £50,606 (2017: £26,601). Interest accrues on the loan at 5% per annum and the interest expense incurred in the year was £1,725 (2017: £1,332) with interest payable at the year end totalling £3,058 (2017: £1,332). During the year AVI Partners Limited also provided business consultancy services to Snap Ring Joint at no charge.

19. Post balance sheet events

Following the year end, the Company has issued 20,000 warrants to key staff members and 36,319 new shares to investors for a total consideration of £496,698 including share premium of £496,135.

20. Ultimate controlling party

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