SRJ Technologies Group Plc

Directors' Report and Unaudited Consolidated Interim Financial Statements

For the period ended 30 June 2020

SRJ Technologies Group Plc

Company information

Directors	Kim Berknov (resigned 7 May 2020) Roger Smith (resigned 24 July 2020) Stefan McGreevy (resigned 24 July 2020) Alexander Wood Robin Pinchbeck Grant Mooney (appointed 2 June 2020) Benjamin Donovan (appointed 2 June 2020) Andrew Mitchell (appointed 18 June 2020)
Company secretary	Benjamin Donovan (appointed 2 June 2020) H.S. Corporate Services Limited (resigned 2 June 2020)
Registered number	115590
Registered office	Le Quai House Le Quai d'Auvergne St Helier Jersey JE2 3TN
Independent reviewer	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
Lawyers	Mourant 22 Grenville Street St Helier Jersey JE4 8PX

SRJ Technologies Group Plc

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Directors' Report
For the Period ended 30 June 2020

The directors present their report and the financial statements of SRJ Technologies Group Plc (formerly SRJ Technologies Limited) (the "Company") for the interim period ended 30 June 2020.

Principal activity
The principal activity of the Company is the holding of investments in the subsidiaries. SRJ 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 results of SRJ Tech Australia Pty Ltd are only consolidated from this point onwards in the annual comparative period from 1 January 2019 to 31 December 2019. The Company also owns 100% of the issued share capital of Acorn Intellectual Properties Limited, a Company incorporated in Jersey which has the primary activity of holding intellectual property.

Going Concern
The Group made a loss in the period in the amount of £1,387,574 (30 June 2019: £148,689) and as at 30 June 2020 was in a net liability position of £1,521,074 (30 June 2019: net asset position of £342,454).

During the period under review the Company concluded an AU$7m fund raise from third party investors ahead of its planned IPO on the Australian Stock Exchange (ASX) with an anticipated fundraise of £4m (A$8m) later on in the year. The Directors have a reasonable expectation that both further sales of the product and/or consulting fees alongside further investment in the Company, via the IPO, 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, whilst uncertain, does not cast significant doubt upon the Group's ability to continue as a going concern.

Dividends paid
There were no dividends paid in the period under review (2019 - £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 and subsequently were:

Kim Berknov (resigned 7 May 2020)
Roger Smith (resigned 24 July 2020)
Stefan McGreevy (resigned 24 July 2020)
Alexander Wood
Robin Pinchbeck
Grant Mooney (appointed 2 June 2020)
Benjamin Donovan (appointed 2 June 2020)
Andrew Mitchell (appointed 18 June 2020)

Disclosure of information to independent accountant reviewer
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 independent accountant reviewer 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 information and to make themselves aware and make that information available to the Group's reviewer.

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.

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 Group is active. As of the date of issuing the financial statements the directors have not noted any significant detrimental impact to the Group. During the period under review the Company concluded an AU$7m fund raise from third party investors ahead of its planned IPO later on this year. It is widely expected that the global socioeconomic impact of COVID-19 will be significant and its effects will be felt for years to come. However at this point in time it is not possible to accurately quantify the future impact on the operations of the Company specifically. The directors do not consider there to be any indicators of impairment over the Group’s assets as a result of the pandemic.

Post balance sheet events (continued)

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.

Company secretary

The Company secretary who was appointed on 2 June 2020 was Benjamin Donovan. The previous company secretary who held office throughout the period and resigned on 2 June 2020 was H.S. Corporate Services Limited.

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

Director Alexander Wood

Date: 29 July 2020

Statement of Directors' Responsibilities
For the Period ended 30 June 2020

The directors are responsible for preparing the Directors' Report and the consolidated interim 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 applicable law. 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.

The directors acknowledge the independent accountants' 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 independent accountants which is false or misleading and to fail to promptly provide information requested.

Independent accountants' review report
To the shareholders of SRJ Technologies Group Plc

We have reviewed the financial statements of SRJ Technologies Group Plc (the "Company") and its subsidiaries (collectively referred to as the "Group") for the period ended 30 June 2020, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards including Financial Reporting Standard 104 'Interim Financial Reporting' (FRS104).

Directors' Responsibility for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Accountants' Responsibility

Our responsibility is to express a conclusion based on our review of the financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to review historical financial statements and ICAEW Technical Release TECH 09/13AAF (Revised) Assurance review engagements on historical financial statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with United Kingdom Generally Accepted Accounting Practice. ISRE 2400 (Revised) also requires us to comply with the FRC Ethical Standard.

Scope of the Assurance Review

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We have performed procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, applying analytical procedures, and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (UK). Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared:

- so as to give a true and fair view of the state of the Group's and Company's affairs as at 30 June 2020 and of its comprehensive loss for the period then ended;
- in accordance with United Kingdom Generally Accepted Accounting Practice; *and*
- in accordance with the requirements of the Companies (Jersey) Law 1991.

Use of our report

This report is made solely to the Company's shareholders, as a body, in accordance with the terms of our engagement letter dated 10 July 2020. Our review work has been undertaken so that we might state to the Company's shareholders those matters we have agreed to state to them in a reviewer'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 review work, for this report, or for the conclusions we have formed.

Grant Thornton

Grant Thornton Limited
Chartered Accountants
St Helier, Jersey, Channel Islands

Date: 29 July 2020

SRJ Technologies Group Plc

Consolidated Statement of Comprehensive Income
For the Period Ended 30 June 2020

	Note	**Period ended 30 June 2020 £**	*Period ended 30 June 2019 £*	*Year ended 31 December 2019 £*
Turnover		**88,764**	*437,974*	*552,410*
Cost of sales		**(43,549)**	*(224,381)*	*(215,292)*
Gross profit		**45,215**	*213,593*	*337,118*
Administrative expenses		**(1,490,795)**	*(550,339)*	*(1,500,490)*
Other operating income	4	**58,243**	*196,590*	*396,006*
Operating loss		**(1,387,337)**	*(140,156)*	*(767,366)*
Interest payable and expenses		**(237)**	*(8,533)*	*(14,482)*
Loss for the financial period		**(1,387,574)**	*(148,689)*	*(781,848)*
Other comprehensive income:				
Loss on translation of foreign subsidiary		**(7,703)**	-	-
Total comprehensive loss for the period		**(1,395,277)**	*(148,689)*	*(781,848)*
Total comprehensive loss for the period attributable to:				
Owners of the parent company		**(1,395,277)**	*(148,689)*	*(781,848)*

There were no recognised gains and losses for the period ended 30 June 2020 or 2019 other than those included in the consolidated statement of comprehensive income.

The notes on pages 9 to 18 form part of these financial statements.

SRJ Technologies Group Plc

Consolidated Statement of Financial Position
As at 30 June 2020

	Notes	**30 June 2020 £**	*30 June 2019 £*	*31 December 2019 £*
Fixed assets				
Intangible assets	6	**917,784**	*932,842*	*950,458*
Tangible assets	7	**29,382**	*4,231*	*8,544*
		947,166	*937,073*	*959,002*
Current assets				
Debtors: amounts falling due within one year	8	**284,046**	*49,400*	*210,508*
Cash at bank and in hand	9	**1,567,782**	*11,957*	*1,191,983*
		1,851,828	*61,357*	*1,402,491*
Current liabilities				
Creditors: amounts falling due within one year	10	**(4,320,068)**	*(655,976)*	*(2,487,303)*
Net current liabilities		**(2,468,240)**	*(594,619)*	*(1,084,812)*
Total assets less current liabilities		**(1,521,074)**	*342,454*	*(125,810)*
Net (liabilities)/assets		**(1,521,074)**	*342,454*	*(125,810)*
Capital and reserves				
Called up share capital	12	**14,680**	*14,539*	*14,667*
Share premium account		**4,574,028**	*4,409,261*	*4,574,028*
Translation reserve		**(7,703)**	*-*	*-*
Profit and loss account		**(6,102,079)**	*(4,081,346)*	*(4,714,505)*
		(1,521,074)	*342,454*	*(125,810)*

The financial statements were approved and authorised for issue by the board on 29 July 2020 and were signed on its behalf by:

Name: Alexander Wood
Director

Date: 29 July 2020

The notes on pages 9 to 18 form part of these financial statements.

Consolidated Statement of Changes in Equity
For the period ended 30 June 2020

	Called up share capital	Share premium account	Profit and loss account	Translation reserve	Total equity
	£	£	£	£	£
At 1 January 2019	**14,086**	**4,053,022**	**(3,932,657)**	**-**	**134,451**
Loss for the period	**-**	**-**	**(148,689)**	**-**	**(148,689)**
Shares issued during the period (note 12)	**453**	**356,239**	**-**	**-**	**356,692**
At 30 June 2019	**14,539**	**4,409,261**	**(4,081,346)**	**-**	**342,454**
At 1 January 2020	**14,667**	**4,574,028**	**(4,714,505)**	**-**	**(125,810)**
Total comprehensive loss for the period	**-**	**-**	**(1,387,574)**	**(7,703)**	**(1,395,277)**
Shares issued during the period (note 12)	**13**	**-**	**-**	**-**	**13**
At 30 June 2020	**14,680**	**4,574,028**	**(6,102,079)**	**(7,703)**	**(1,521,074)**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
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 12)	**581**	**521,006**	**-**	**521,587**
At 31 December 2019	**14,667**	**4,574,028**	**(4,714,505)**	**(125,810)**

The notes on pages 9 to 18 form part of these financial statements.

SRJ Technologies Group Plc

Consolidated Statement of Cash Flows
For the period ended 30 June 2020

	Period ended 30 June 2020 £	*Period ended 30 June 2019 £*	*Year ended 31 December 2019 £*
Cash flows from operating activities			
Loss for the financial period	**(1,387,574)**	*(148,689)*	*(781,848)*
Adjustments for:			
Amortisation of intangible assets	**49,061**	*41,118*	*91,940*
Depreciation of tangible assets	**3,633**	*1,651*	*3,602*
Government grants	**(58,243)**	*(196,590)*	*(361,493)*
Interest paid	**237**	*8,533*	*14,482*
Decrease in stocks	**-**	*4,638*	*4,638*
(Increase)/decrease in debtors	**(73,538)**	*64,850*	*(96,259)*
Increase/(decrease) in creditors	**163,103**	*(134,089)*	*(277,264)*
Net cash used in operating activities	**(1,303,321)**	*(358,578)*	*(1,402,202)*
Cash flows from investing activities			
Purchase of intangible fixed assets	**(16,387)**	*(109,338)*	*(177,776)*
Purchase of tangible fixed assets	**(24,471)**	*-*	*(6,264)*
Government grants received	**58,243**	*196,590*	*361493*
Net cash provided from investing activities	**17,385**	*87,252*	*177,453*
Cash flows from financing activities			
Issue of ordinary shares	**13**	*356,692*	*521,587*
Repayment of loans	**(1,725)**	*(57,881)*	*(288,522)*
Repayment of debenture loans	**-**	*(16,410)*	*(36,258)*
Interest paid	**(237)**	*(8,533)*	*(14,482)*
Issuance of convertible loan notes	**1,671,387**	*-*	*2,224,992*
Net cash provided from financing activities	**1,669,438**	*273,868*	*2,407,317*
Net increase in cash and cash equivalents	**383,502**	*2,542*	*1,182,568*
Effect of changes in foreign exchange rate			
Decrease in cash and cash equivalents due to change in interest in a subsidiary	**(7,703)**	*-*	*-*
Cash and cash equivalents at beginning of period	**1,191,983**	*9,415*	*9,415*
Cash and cash equivalents at the end of period	**1,567,782**	*11,957*	*1,191,983*
Cash and cash equivalents at the end of period comprise:			
Cash at bank and in hand	**1,567,782**	*11,957*	*1,191,983*

Notes to the financial statements
For the period ended 30 June 2020

1. General information

SRJ Technologies Group Plc (the "Company") is a Public company incorporated in Jersey, Channel Islands on 29 April 2014 in accordance with the Companies (Jersey) Law 1991 with registration number 115590.

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 Financial Reporting Standard 104 *Interim Financial Statements* (FRS 104) and the Companies (Jersey) Law 1991. They do not include all of the information required in annual financial statements in accordance with FRS 102, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

The preparation of financial statements 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).

There have been no changes to the accounting policies or methods of computation used in preparing the interim financial statements as were used in the most recent set of annual financial statements of the Group published for the year ended 31 December 2019.

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.

2.3 Going concern

The Group made a loss in the period in the amount of £1,3874,574 (30 June 2019: £148,689) and as at 30 June 2020 was in a net liability position of £1,521,074 (30 June 2019: net asset position of £342,454).

During the period under review the Company concluded an AU$7m fund raise from third party investors ahead of its planned IPO on the Australian Stock Exchange (ASX) with an anticipated fundraise of £4m (A$8m) later on in the year. The Directors have a reasonable expectation that both further sales of the product and/or consulting fees alongside further investment in the Company, via the IPO, 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, whilst uncertain, does not cast significant doubt upon the Group's ability to continue as a going concern.

2. Summary of significant accounting policies (continued)

2.4 Foreign currency

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:

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.

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.

The Group is not significantly affected by seasonality or cyclicality of operations.

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.

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. Summary of significant accounting policies (continued)

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 period in which they are incurred.

2.11 Pensions

Defined contribution

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.

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%

2. Summary of significant accounting policies (continued)

2.15 Tangible fixed assets (continued)

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.

2.16 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 polices of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period 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.

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.

Notes to the financial statements
For the period ended 30 June 2020

2. Summary of significant accounting policies (continued)

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

	Period ended 30 June 2020 £	*Period ended 30 June 2019 £*	*Year ended 31 December 2019 £*
Government grants receivable	**58,243**	*196,590*	*361,493*
Loan written off	**-**	-	*34,513*
	58,243	*196,590*	*396,006*

5. Fixed asset investments

	Investments in subsidiary companies £	**Total £**
Cost		
At 1 January 2019, 30 June 2019, 31 December 2019 and 30 June 2020	**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	Jersey	Ordinary	100%
SRJ Tech Australia Pty Ltd	Australia	Ordinary	100%
Acorn Intellectual Properties Limited	Jersey	Ordinary	100%

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.

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.

6. Intangible assets

	Patents £	Development expenditure £	Total £
Cost			
At 1 January 2019	**414,949**	**611,816**	**1,026,765**
Additions	**12,152**	**97,186**	**109,338**
At 30 June 2019	**427,101**	**709,002**	**1,136,103**
Additions	**26,831**	**41,607**	**68,438**
At 1 January 2020	**453,932**	**750,609**	**1,204,541**
Additions	**7,708**	**8,679**	**16,387**
At 30 June 2020	**461,640**	**759,288**	**1,220,928**
Amortisation			
At 1 January 2019	**63,319**	**98,824**	**162,143**
Charge for the period	**15,563**	**25,555**	**41,118**
At 1 July 2019	**78,882**	**124,379**	**203,261**
Charge for the period	**19,085**	**31,737**	**50,822**
At 1 January 2020	**97,967**	**156,116**	**254,083**
Charge for the period	**18,637**	**30,424**	**49,061**
At 30 June 2020	**116,604**	**186,540**	**303,144**
Net book value			
At 30 June 2020	**345,036**	**572,748**	**917,784**
At 30 June 2019	*348,219*	*584,623*	*932,842*
At 31 December 2019	*355,965*	*594,493*	*950,458*

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 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.

7. Tangible assets

	Plant and machinery £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 January 2019	-	4,421	10,783	15,204
Additions	-	-	-	-
At 30 June 2019	-	4,421	10,783	15,204
Additions	-	2,446	3,818	6,264
At 1 January 2020	-	6,867	14,601	21,468
Additions	19,387	2,938	2,146	24,471
At 30 June 2020	19,387	9,805	16,747	45,939
Depreciation				
At 1 January 2019	-	3,719	5,603	9,322
Charge for the period	-	352	1,299	1,651
At 1 July 2019	-	4,071	6,902	10,973
Charge for the period	-	432	1,519	1,951
At 1 January 2020	-	4,503	8,421	12,924
Charge for the period	1,007	394	2,232	3,633
At 30 June 2020	1,007	4,897	10,653	16,557
Net book value				
At 30 June 2020	18,380	4,908	6,094	29,382
At 30 June 2019	*-*	*350*	*3,881*	*4,231*
At 31 December 2019	*-*	*2,364*	*6,180*	*8,544*

8. Debtors

	30 June 2020 £	30 June 2019 £	31 December 2019 £
Trade debtors	96,836	8,466	3,316
Other debtors	126,820	40,934	207,192
Prepayments and accrued income	60,390	-	-
	284,046	49,400	210,508

9. Cash at bank and in hand

	30 June 2020 £	30 June 2019 £	31 December 2019 £
Bank and cash balances	1,567,782	11,957	1,191,983

10. Creditors: Amounts falling due within one year

	30 June 2020 £	30 June 2019 £	31 December 2019 £
Debenture loans	-	19,848	-
Loans (see note 11)	-	232,366	1,725
VAT held on account	13,182	13,182	13,182
Trade creditors	225,222	308,696	206,714
Convertible loan note	3,896,379	-	2,224,992
Accruals and deferred income	185,285	81,884	40,690
	4,320,068	655,976	2,487,303

In October 2019, the Company undertook a pre-IPO fund raise issuing AUD7,000,000 of convertible loan notes to investors raising a net cash amount of AUD6,722,900. Issue costs have been charged to the Consolidated Statement of Comprehensive

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 liablity 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.

11. Loans

	30 June 2020 £	30 June 2019 £	31 December 2019 £
TFS loan	-	56,377	-
AVI Partners loan	-	1,725	1,725
JIF loan	-	174,264	-
	-	232,366	1,725

12. Share capital

	30 June 2020	*30 June 2019*	*31 December 2019*
	£	*£*	*£*
Allotted, called up and fully paid			
1,467,985 (30 June 2019 - 1,453,917 & 31 December 2019 - 1,466,735) Ordinary shares of £0.01 each	14,680	14,539	14,667

During the period, 1,250 warrants for £0.01 Ordinary shares were issued at nominal value in recognition of an employee achieving certain performance conditions as set out in their employment contract (period ended 30 June 2019: 45,328 shares for total consideration of £356,692 including £356,239 share premium, year ended 31 December 2019: 58,146 £0.01 Ordinary shares issued for a total consideration of £521,587 including £521,006 share premium).

13. Commitments under operating leases

At 30 June 2020, the Group had future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2020	*30 June 2019*	*31 December 2019*
	£	*£*	*£*
Not later than 1 year	**23,047**	*24,000*	*24,000*
Later than 1 year and not later than 5 years	**-**	*23,047*	*11,047*
	23,047	*47,047*	*35,047*

14. Related party transactions

	30 June 2020	*30 June 2019*	*31 December 2019*
Balances due to the Company	**£**	*£*	*£*
From SRJ Limited	**5,295,939**	*4,176,312*	*4,900,801*
From SRJ Technology Limited	**512,161**	*80,250*	*158,020*
From SRJ Technology Aus Pty Ltd	**247,198**	*-*	*63,284*
	6,055,298	*4,256,562*	*5,122,105*
Balances due between subsidiaries			
From SRJ Limited to SRJ Technology Limited	**2,125**	*38,586*	*8,206*

SRJ Limited is a Subsidiary of the Company. During the period the Company made loans of £395,138 (30 June 2019: £244,923) 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 Technology Limited is a subsidiary of the Company and during the period the Company made additional loans in the total of £354,141 further to the £158,020 owed at 31 December 2019 (30 June 2019: £80,250) 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 Technology Aus Pty Ltd is a subsidiary of the Company and during the period the Company made additional loans in the total of £183,914 further to the £63,284 owed at 31 December 2019 (30 June 2019: £nil) 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 period SRJ Limited repaid loans in the total of £6,081 (30 June 2019: received loans of £77,956) to support SRJ Limited's ongoing operations. Also, during the period SRJ Technology Limited applied for UK Government grants in order to support the continued development of the product by the Company. During the period SRJ Technology Limited paid no grants to SRJ Limited (30 June 2019: £624).

14. Related party transactions (continued)

	30 June 2020	*30 June 2019*	*31 December 2019*
	£	*£*	*£*
From AVI Partners Limited	**-**	*1,725*	*1,725*

As outlined in Note 11 there was a loan between AVI Partners Limited, a shareholder of the Company and SRJ Limited which was repaid in full in the period.

During the period key management personnel of the Group received total compensation of £186,941 (30 June 2019: £124,999).

15. Analysis of changes in net debt

	At 1 January 2020	**Cash flows**	**Other non-cash changes**	**At 30 June 2020**
Cash and cash equivalents	**£**	**£**	**£**	**£**
Cash at bank and in hand	**1,191,983**	**383,502**	**(7,703)**	**1,567,782**
Borrowings				
AVI Partners loan	**1,725**	**(1,725)**	**-**	**-**
Convertible loan notes	**2,224,992**	**1,430,209**	**241,178**	**3,896,379**
	2,226,717	**1,428,484**	**241,178**	**3,896,379**
Net debt	**(1,034,734)**	**(1,044,982)**	**(248,881)**	**(2,328,597)**

Non-cash changes relate to:
Convertible loan notes - the amount of £241,178 is split as £69,578 relating to loan notes issued where the consideration remains outstanding by the period end date and £171,600 relating to foreign currency revalaution of the loan notes at the period 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.

16. 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.

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 Group is active. As of the date of issuing the financial statements the directors have not noted any significant detrimental impact to the Group. During the period under review the Company concluded an AU$7m fund raise from third party investors ahead of its planned IPO later on this year. It is widely expected that the global socioeconomic impact of COVID-19 will be significant and its effects will be felt for years to come. However at this point in time it is not possible to accurately quantify the future impact on the operations of the Company specifically. The directors do not consider there to be any indicators of impairment over the Group’s assets as a result of the pandemic.

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.

17. Ultimate controlling party

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