COMPANY REGISTRATION NUMBER: 08449586

SulNOx Group PLC

Annual Report and Financial Statements

31 March 2022

SulNOx Group PLC

Annual Report and Financial Statements

Year ended 31 March 2022

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Officers and Professional Advisers

The board of directors	Mr S Cowin (Appointed 9 August 2021) Lord N Fairfax (Appointed 7 September 2021) Mr R Florescu Mr B Richardson Ms K Robinson
Secretary	Ms K Robinson
Registered office	10 Orange Street Haymarket London United Kingdom WC2H 7DQ
Auditor	Jeffreys Henry LLP Chartered accountants & statutory auditor Finsgate 5-7 Cranwood Street London EC1V 9EE
Registrar	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
Bankers	HSBC City of London Branch 60 Queen Victoria Street London EC4N 4TR
Nominated advisor	Allenby Capital 5 St Helen's Place London EC3A 6AB
Solicitors	Bracher Rawlins LLP 77 Kingsway Holborn London WC2B 6SR
Company website	https://sulnoxgroup.com

SulNOx Group PLC

Chairman’s Statement

Year ended 31 March 2022

2022 has been in many ways an extraordinary year. The war in Ukraine, the slowdown of the pandemic (not the end) and sky-rocketing energy prices which have led to inflationary pressure not seen in over 40 years. While these combined events have added challenges to SulNOx’s business plans, they have not deterred us from achieving our 2022 full year plan.

As non-executive Chair of your board, I am acutely aware of the surrounding business challenges and together with the board, remain confident that the plans that we set out to accomplish have for the most part been achieved. Our priorities were and remain, weathering the issues we inherited from the former management team and placing the Company into a position where it can convert contacts into sales. Specifically, putting together a tightly knit management team, the implementation of proper corporate governance, initiation of product trials with qualified clients and redefining the company’s positioning and product targeting industry and the general public was from the outset our main goal. The entire board was unanimous in its support of this action plan which I believe has now clearly established a solid footing for us to capitalize and convert sales from the multiple evaluations now underway.

The energy squeeze in Europe and the recent, extraordinary passage of carbon tax legislation in the United States also provide a tremendous opportunity for SulNOx as companies, government and institutions reconsider all options to reduce their carbon footprint, improve fuel efficiency and blunt the impact of rising energy costs for households on all seven continents across the globe. We have the right product, an expanding network of potential customers and with the current management team to execute our plan, SulNOx is gaining momentum.

Having now sold product in 17 countries worldwide and to around 90 clients in the first 4 months of 2023, I believe we are at the “knee of the revenue curve”. New evaluations are now paid for by clients and several are ongoing with major global companies, reassured by certification from Bureau Veritas, Lloyds Register and Hochschule Wismar University, to name a few. Rising sales from an expanding worldwide ISO (Independent Sales Organisation) and introducer base of c. 60 demonstrate our commitment to becoming a significant and successful part of the energy transition from fossil fuel to a reduced carbon emission world and we are proud of our current positioning within this fast paced and critical sector.

That being said, it will likely take time and potential additional investment to bridge the gap between the final stages of client product evaluations and ultimate sales, but we remain focused and committed to converting our current and growing pipeline into revenue and ultimately shareholder value. To underscore our commitment, we have recently made significant budget cuts to reflect the delayed projected sales target, however, we have not compromised the effectiveness of the team nor its ability to execute our plan.

There remains still much hard work ahead as we enter the next phases of our project development, but we move forward encouraged and emboldened by the feedback from our clients, the market and industry experts and by our progress and shareholder support to date. This journey will still require patience and we are confident that over time, SulNOx will be a more valuable company for its shareholders and bring a wider benefit to the society that we live in.

I would like to thank the executive team Ben Richardson, Steven Cowin, the entire SulNOx board for their leadership and the hard work throughout this difficult year and I am grateful for the continued support from the shareholders who are acutely aware of the steps that we have taken to ensure SulNOx’s success moving forward.

I look forward to working together in 2023.

Radu Florescu – Chairman

Dated ………………………

SulNOx Group PLC

Strategic Report

Year ended 31 March 2022

Principal activities

Sulnox Group plc is an Environmental Science and Technology company quoted on the Apex segment of the Aquis Stock Exchange ("AQSE") APEX Growth Market. Its shares were admitted to trading on AQSE on 17 December 2019.

The Company's principal activity is the invention and development of fuel emulsifier technologies to enable users to significantly reduce harmful greenhouse gas and particulate matter emissions and to help consumers to towards their net zero and other ESG (Environmental, Social and Governance) objectives. SulNOx is an 'energy transition environmental stock' that quickly delivers significant and evidencable results. Whilst the product is effective on all liquid hydrocarbon fuels and biofuels, the immediate global sales strategy focuses on transportation (road haulage, logistics, public transport etc), marine (commercial and leisure), oil and fuel distribution and storage companies, mining, generators and agriculture sectors that are heavy polluters desiring climate change and emission reduction.

Business review

The Statement of Comprehensive Income and Statement of Financial Position for the year are set out on pages 21 and 22 respectively. A review of developments affecting the Company during the year and of its prospects for the future appear in the Chairman's Statement on page 2.

Whilst the Group is now selling regularly to retail and corporate customers, at the time of this report sales were largely limited to small volumes for client evaluations, therefore has low revenues to report for the current year. During the year ended 31 March 2022, the net increase in cash in the period was £1,023,117 (2021 decrease: £45,463) resulting in cash and cash equivalents as at 31 March 2022 of £1,065,388 (2021: £42,271).

Key performance indicators

The Key Performance Indicators ("KPIs") for the Company are listed as follows:

	2022	2021 £
Earnings/(loss) per share	(2.16) pence	(0.96) pence

During 2022, the Company matured significantly. Whilst sales nearly doubled from £17.9k in 2021 to £33.5K, 2021 was predominantly about putting the pieces in place for significant growth in 2023. Some of the key highlights included:

- The Board was shuffled with the move of Radu Florescu from CEO to Non-Executive Chairman and Ben Richardson from COO to CEO and strengthened with key hires of Steven Cowin (CFO) and Lord Nicholas Fairfax as Non-Executive Director and head of marine business;
- SulNOx met the criteria and was appointed to the Apex, Top Tier of the Aquis Growth Market;
- Patent approvals were sought in c.80 countries;
- A PR firm was hired and we have now achieved reader reach of >50million over the last 12 months;
- The number of ISOs and introducers has gone from being negligible to >50, including a number in the USA;
- The number of prospective clients is now >1,000 with significant household names recently announced and regular sales now being experienced;
- Certification of the SulNOx EcoTM products have included fuel standards for both petrol and diesel in the USA and for Very Low Sulphur Fuel Oil (VLSFO) and Marine Gas and Diesel oil by Lloyds Register.

Future developments

Whilst The Chairman's Statement provides high level information on the outlook for the Company, more specifically SulNOx will focus on the following in the next 12 months:

1. Industry Sectors:

    a. Shipping: With the price of fuel at unprecedented levels and looking set to continue due to the prolonged Russian/Ukranian conflict and the advent of new shipping regulation, shipping remains a top industry focus for SulNOx. Our declared 25 shipping trials expected to commence in the next 6-9 months points to significant revenues in the evaluation alone, before full scale fleet adoption. Our German ISO has already purchased >2,000 litres of SulNOx but the expectation is for at least 9,000 more by year end, and an estimate of c. £3million of revenue per annum should a fleet of 30 typical tankers adopt SulNOx. The advent of the Carbon Intensity Indicator (CII) regulation from January 2023 will also play an increasing role in shipping adoption of the SulNOx product. CII is a measure of how efficiently a ship transports goods or passengers and is given in grams of CO_2 emitted per cargo-carrying capacity and nautical mile – SulNOx improves both fuel consumption and reductions of Green Houses Gases,
    b. Construction and Mining: Clients and their procurement departments are increasingly demanding greener construction. With demonstrable improvements in the air quality from generator trials and reduced consumption of c.10% in loaders, 8% in trucks and 6.5% in Vans, the construction industry enables quick and cumulatively significant revenue opportunities. Direct sales now materialising from SulNOx.com
    c. Power Generation: There is a focus on particulate matter reduction in large burners in powerplants that consume vast quantities of residual fuels, representing significant revenue potential.
    d. Transportation and logistics: New evaluations emerging within rail and significant orders expected in public transportation following successful and expanding trials across the globe

2. Geographical Expansions:

    a. Further expansion in North America following on from the historic $369 billion climate, clean energy legislation, where SulNOx can have an immediate impact on environmental justice for disadvantaged communities and by promoting clean vehicles and power sources electricity generation. Multiple evaluations with significant fuel consumers in train.
    b. Further buildout in Europe: Expected significant revenues from Germany and Switzerland and growth in UK, Spain, France and various Eastern European countries with evaluations now underway.
    c. Significant enlargement of African footprint: SulNOx is going viral amongst everyday drivers in Ghana due to immediate fuel consumption improvements and improved engine performance. Successes also continue in South Africa and new distributor discussions are ongoing in DRC, Namibia, Mozambique, Botswana, Cote d'Ivoire, Uganda, Tanzania, Senegal, Ethiopia, Kenya, Zambia, Zimbabwe, and Nigeria.
    d. Continued growth in Asia and Oceania: Revenues materialising from initial orders, expected to grow quickly following from impressive evaluation results including with biofuels. New introducers emerging in India, Australia, Indonesia, The Philippines, Malaysia, and South Korea,

3. R&D: Continued product and patent development

    a. Oil Reclamation: First orders emerging with quotations sent. A seemingly inexhaustible demand with limitations of scale to store and process waste oil from engines and cargo in ports globally.
    b. Pyrolysis: Increasing demand from emerging technologies with both process and product being enhanced by SulNOx.
    c. Paraffinic fuels: Liquid fuels synthetically created from feedstocks such as natural gas (GTL), biomass (BTL) or coal (CTL); or through hydro-treatment of vegetable oils or animal fats (HVO).
    d. New University partnerships following on from shipping success with Hochschule Wismar.
    e. Carbon Credits: An 8% fuel saving from using SulNOx achieves an estimated 160x carbon reduction and scope 3 reporting benefits, Discussions ongoing to create carbon credits and an End-to-End carbon lifecycle analysis underway – an increasing requirement for large businesses to adopt SulNOx.

4. Further partnerships:

    SulNOx can deliver on the common goals of cost and emissions reductions whilst providing favourable ESG PR to users, itself enabling increased and improved new business generation from our green credentials. SulNOx is looking to partner with various AI/Machine Learning and blockchain technologies to demonstrate and report the effectiveness of our products. We are also in discussion with emission monitoring technologies which will assist in the aforementioned carbon credit and shipping industry ambitions.

Principal risks and uncertainties

The Company's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives. The Board is responsible for approving the Company's strategy and determining the appropriate level of risk. The key risks which the Company faces are now formally reviewed quarterly and detailed as follows:

Business and sales performance risk:
Business performance risk is the risk that the Company may not perform as expected either due to internal factors or due to competitive pressures in the markets in which we operate. The Company seeks product sales to companies and Government agencies with needs to reduce their costs and emissions. The Directors identify suitable sales opportunities and Independent Sales Organisations (ISOs) and introducers in accordance with our marketing and sales strategy.

By their nature, smaller businesses, whether quoted or unquoted, are more volatile than larger, more established businesses and less robust to withstand economic pressures. SulNOx takes actions to keep the cost base low and secure revenue streams. ISOs and introducers continue to grow in number, geography and maturity with regular, active monitoring of creditor and cash forecasts via the Board.

The risk is that the Company’s sales strategies may encounter circumstances that result in a loss of value which could in turn damage the Company’s share price.

The Board is of the view that obtaining timely information on the position of its ISO’s sales initiatives is the most effective management tool and to reduce this risk has put in place monitoring reports on the performance of, and regular dialogue with the ISO’s contracted to it. SulNOx mitigates contractual risk through agreements drafted by Bracher Rawlins.

Market conditions
Market conditions, especially in the context of the Russian/Ukraine war and COVID-19 pandemic, may continue to have a negative impact on the Company's ability to enter new markets on a global scale, thereby not generating acceptable returns. This risk is mitigated by pre-selection of more open markets and economies, and the establishment of local ISO's and Introducers to service businesses locally, and regionally. Also, to partner global organisations with existing infrastructure in the markets we intend to operate in. The risk that SulNOx manufacturer, Nouryon, cannot supply product is limited by their global network and written guarantees to supply product are in place.

Russia/Ukraine War
Accounting for c.12% of world oil production the Russian invasion of Ukraine in February 2022, presents significant challenges and inflationary pressures on the global economy. Whilst the Russian market afforded opportunities for SulNOx, the rising oil price and cost of fuel to consumers represents significant opportunities for our products.

Brexit
The UK's withdrawal from the European Union may continue to have knock-on impacts around administration and taxation and potentially increased market volatility which could make it more difficult to do business in Europe. The Company continues to monitor the situation closely and has set up facilities in The Netherlands to fulfil European orders.

Covid-19
It is clear that the spread of the COVID-19 coronavirus continued to impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread. The principal impact of COVID-19 on the Company's operations, however, was limited such that it has only slowed down the speed with which the Company can progress new markets – particularly the USA, Latin America, and Europe. By not having physical offices, the concentration risk for SulNOx is limited and "key-man" insurance is in place.

Funding Risk
Until the raise of £2.59m in July 2021, the Group was dependant on securing additional funding. The Board will seek approval for a further issue of Ordinary Shares as a precaution to provide working capital should revenues not materialise.

Licensing and title risk
SulNOx technologies are patent pending and the registration of new technologies following research and development are open to challenge. There is always a risk that ISO's, albeit independent, may cause conflict for the Company. This is mitigated by legal and insurance liability cover.

Promotion of the Company for the benefit of the members as a whole
The Directors believe that they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interest of the Company's employees;
- Foster the Company's relationships with suppliers, customers and others;
- Consider the impact of the Company's operations on the community and the environment.

During the period to 31 March 2022 the Company has sought to act in a way that upholds these principals. The Directors believe that the application of S172 requirements can be demonstrated in relation to some of the key decisions made and actions taken during 2020. The Company is also committed to the ten principles of corporate governance as practices by the AQSE market.

The Company is a quoted early-stage company and its members will be fully aware, through various announcements, shareholder meetings and financial communications, of the Board's broad and specific intentions and the rationale for its decisions. The Company pays its employees and creditors promptly and keeps its costs to a minimum to protect shareholders funds. The Company promotes the concept of ESG (Environment, Sustainability, Governance) to its employees, shareholders and suppliers. Our products and ethos provide an opportunity to impact on the community and the environment.

This report was approved by the board of directors on .... and signed on behalf of the board by:

Mr B Richardson
Director

Registered office:
10 Orange Street
Haymarket
London
United Kingdom
WC2H 7DQ

SulNOx Group PLC

Directors' Report

Year ended 31 March 2022

The directors present their report and the financial statements of the group for the year ended 31 March 2022.

Directors

The directors who served the company during the year were as follows:

Mr R Florescu	
Mr B Richardson	
Mr S Cowin	(Appointed 9 August 2021)
Ms K Robinson	
Lord N Fairfax	(Appointed 7 September 2021)
Mr A Granger	(Resigned 30 November 2021)

Radu Florescu
Non-Executive Chairman and Independent Non-Executive Director (appointed 4 December 2020 as CEO and 28 May 2021 as Chairman)

An experienced CEO of International companies. American - French, Boston College School of Business graduate, has founded, developed and capitalised multiple successful companies and charities in America and Europe. Decades of international experience in trading, account executive, business development and management in the fields of manufacturing, marketing, power generation and fuels.

Ben Richardson
CEO (appointed 28 May 2021, previously Director appointed 4 December 2020 and COO appointed 23rd February 2021)

A C-suite executive with previous Chief Operating Officer and Chief Commercial Officer roles with 20+ years banking experience including c.16 years at Deutsche Bank, specialising in Risk Management, Governance and Control including Regulatory requirement implementation and strategic infrastructure and business development transformations. Experienced with leading multidisciplined programmes with complex and evolving international interdependencies and communications.

Steven Cowin
Chief Financial Officer (CFO) (appointed 9 August 2021)

An experienced Chartered Certified Accountant with more than 20 years' experience within international professional services and trading businesses, most recently within Aon Plc, where he worked for over 15 years as CFO of the Global Risk Consulting division. Experienced in driving transformational change and improved financial governance across global teams.

Kiesha Robinson
Independent Non-Executive Director & Company Secretary (appointed 4 December 2020)

Commercial legal consultant with experience across sectors, contract negotiation specialist with extensive knowledge of the media and tech industries, intellectual property, banking practice and regulation. International Trade, the oil and gas markets and associated exchanges.

Nicholas Fairfax (appointed 7 September 2021)

Lord Fairfax qualified as a barrister in 1977 and then has worked over the last 40 years in the specialist area of Protection & Indemnity insurance within the shipping and marine world. He has also served for 15 years, until 2020, as a senior executive with the SCF Group, one of the world's largest tanker shipping companies. He has a wide understanding of the many issues faced by the shipping industry.

Dividends

The Directors do not recommend payment of a dividend for the year ended 31 March 2022 (2021: £ nil).

Going concern

As at 31 March 2022, the Company had a cash balance of £1,065,388. As our sales pipeline continues to strengthen, confirmed sales continue to increase, with a significant number of orders under discussion following successful evaluations by customers, and verifications and certifications of our products from 3rd parties continuing to be positive, it is expected that conversion of material sales is now imminent, which will contribute significantly to our working capital.

Whilst the Directors remain confident that the sales pipeline will convert in the near term, until sales are confirmed, and commercial terms agreed, cashflow risk remains. In order to mitigate some of the risk to the cashflow, the Directors, employees, and Consultants have agreed to a salary and fee reduction effective 1st August 2022 until the end of the current financial year, with 3rd party engagements being thoroughly reviewed, with some cancelled, and others with reduced services.

As a precaution to the sales not converting as expected, the Directors will be seeking approval at the Annual General Meeting to issue new Ordinary Shares in order to provide working capital.

The Directors are therefore of the opinion that the Company has adequate financial resources to enable it to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Other matters

The total remuneration of the Directors for the year was as follows:

	Salary / Fee	Employer Pension	Share Based Payments	TOTAL	2021 TOTAL
Radu Florescu	35,831	-	11,667	47,498	10,000
Ben Richardson	107,500	4,633	46,667	158,800	9,617
Steven Cowin	74,167	4,633	17,500	96,300	-
Kiesha Robinson	25,835	-	-	25,835	6,666
Nicholas Fairfax	17,500	-	5,833	23,333	-
Anthony Granger	51,493	-	24,500	75,993	10,000

Of these fees, £nil (2021: £9,617) remains unpaid at the year end.

Pensions

The Company had a pension scheme in place with 2 members during the period under review.

Directors' interests

The following current Directors had interests in the shares of the Company at the end of the year.

Ben Richardson	1,016,666 shares
Radu Florescu	16,666 shares
Nicholas Fairfax	124,800 shares

Share Option Scheme

The Company adopted both an Approved and an Unapproved Share Option Scheme in the year and made a grant of options to Directors and other key staff. A summary of the option granted to each director is shown below. See note 20 for further details on the options.

Approved Share Option Scheme:

Date of Grant	Name	Number of options	Price of options in pence
26 January 2022	Ben Richardson	694,442	0.36
27 January 2022	Steven Cowin	500,000	0.36

Unapproved Share Option Scheme:

Date of Grant	Name	Number of options	Price of options in pence
26 January 2022	Ben Richardson	222,225	0.36
10 February 2022	Radu Florescu	250,000	0.36
16 February 2022	Nicholas Fairfax	166,666	0.36

Remuneration policies

The remuneration policies were introduced from 1 January 2021 and it is intended that these policies will be continued for the next and subsequent years subject to any acquisition. The Directors' Remuneration Report for the period ended 31 March 2022 and the Directors' Remuneration Policy are to be approved by the shareholders at the Annual General Meeting to be held on 20 September 2022.

The remuneration policy is designed to attract, retain and motivate executive Directors and senior management with a view to encouraging commitment to the development of the Group and for long term enhancement of shareholder value. Remuneration packages take into account individual performance and the remuneration for similar roles in comparable companies, where such companies can be identified. This would also be taken into account on appointment of any new Directors. The Board believes that share ownership by executive Directors and senior staff strengthens the link between their personal interests and those of shareholders. The Board have implemented a long-term staff share option scheme that has challenging performance conditions and has been designed to align the interests of all SulNOx employees to those of its shareholders.

The level of Director remuneration will be reviewed annually, and will cover base salaries, bonuses and share based incentives.

Substantial shareholdings
As far as the Directors are aware, as at 30 June 2022, the following shareholders are interested in 3% or more of issued share capital of the Company.

Shareholder	Number of ordinary shares of £0.02 each	% Issued Share Capital
Nistad Group AS	12,500,000	13.28%
Stephen Bamford	8,564,200	9.10%
Angela Bravo	7,687,935	8.17%
James Redman Jnr	7,459,200	7.92%
Richard Leggatt	7,307,500	7.76%
Rodney Weinberg	6,481,061	6.89%
Unicorn AIM VCT PLC	5,667,000	6.02%
Gary Bostock	4,173,258	4.43%
Beverly Short	2,875,000	3.05%

Disclosure of information in the strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors Report, and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards (IFRS).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the financial performance and cash flows of the Company for that year.

The financial statements are required by law, and UK adopted international accounting standards, to give a true and fair view of the state of affairs of the Company.
share based incentives.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether in preparation of the financial statements the Company has complied with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' responsibilities statement ***(continued)***

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each Director in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a Director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The auditors, Jeffreys Henry LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed as the Annual General Meeting..

This report was approved by the board of directors on .... and signed on behalf of the board by:

Mr S Cowin
Director

Registered office:
10 Orange Street
Haymarket
London
United Kingdom
WC2H 7DQ

Independent Auditor's Report to the Members of SulNOx Group PLC

Year ended 31 March 2022

Opinion

We have audited the financial statements of Sulnox Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards (IFRSs) and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;

- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards (IFRSs);

- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards (IFRSs), and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We draw your attention to page 6 of the financial statements which indicates that the Group's ability to continue as a going concern is reliant on meeting its forecast sales and if these are not met, are dependent on raising additional finance. As stated in page 6, these conditions, along with other matters set out in note page 6 indicate a material uncertainty exists that may cast significant doubt on the group and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We identified going concern as a key audit matter based on our assessment of the significance of the risk and effect on our audit strategy.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors assessment of the Group and the Parent Company's ability to continue to adopt the following going concern basis of accounting and our audit procedures in response to this key audit matter included the following:

• we assessed the Director's base case cash flow forecasts against our understanding of the business, including considering potential risks and uncertainties associated with the current and future trading at the Groups cash generating unit in the UK.

• we compared recent sales information to the Directors' forecast to assess the reasonableness of price and volume assumptions, and we compared forecast operating costs to current run rates.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

• the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

• the parent company financial statements are not in agreement with the accounting records and returns; or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

- Impairment of intangible assets
- Valuation of investment in and recoverability of amounts due from subsidiaries (parent only)
- Going concern – see material uncertainty relating to going concern section above

Key audit matter	How our audit addressed the key audit matter
Impairment of development costs The Group acquired the exclusive rights to a suite of Emulsion Technologies, from Technologies & Systems, developed over 25 years, for a consideration of £10,000,000 in cash, to be paid at the rate of £1,000,000 per year for 10 years, subject to terms and conditions. In a subsequent agreement dated 18th October 2013, the outstanding consideration was satisfied by the placement of shares at value of £1.50 each and the Company (Group) assumed unencumbered ownership of the Emulsification Technologies. Consequently, the group carried intangible assets of £7,879,545 (2021: £8,279,545) at the year-end relating to intellectual property and development costs. The risk is that the useful economic life of the intangible assets may be different to the management assumptions or technological advancements may render its market value below its carrying value. Earnings per share (EPS) which is considered by management to be a key metric and is included as a KPI in the strategic report, is directly impacted by the amount of impairment to the capitalised cost.	We have performed the following audit procedures: • confirmed cost and useful life by reviewing the underlying contracts for purchase of the intangible assets; • performed a recalculation of amortisation charge for year; • reviewed the group policy to ensure that amortisation was correctly calculated, policy adopted was in accordance with IFRS and appropriate for the type of asset; • confirmed the useful economic life of the asset by reviewing and challenging assumptions made by management in determining the life of intangible assets across the group; • reviewed the latest management accounts to assess post year end cashflows due to the technology and licenses held; and • reviewed cash flow forecasts for the foreseeable future to assess the potential future economic benefit from ownership of the intangible assets. • reviewed the net present value of future cashflows arising from the future revenue generating activities. Based on the audit work performed we are satisfied, that although there are inherent uncertainties associated with the forecast and estimation of useful economic life of intangible

	assets, the directors have made reasonable assumptions about the valuation and useful economic life of intangible assets, based on past experience and expected future revenues. We are also satisfied that all necessary disclosures have been made in the consolidated financial statements.
Valuation of investments in and recoverability of amounts due from subsidiaries The parent company carried Investments in subsidiaries of £408,150 (2021: £408,150). The parent company also had amounts owed by subsidiary undertakings of £852,408 (2021: £634,372) at the year end. Management's assessment of the recoverable amounts from investments in and loans to subsidiaries requires estimation and judgement around assumptions used, including the cash flows to be generated from continuing operations. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting the value of investment in the subsidiary, amounts recoverable from the subsidiaries and resulting impairment charges. The directors have assessed the recoverability of intercompany balances and have concluded that they are recoverable. There is a risk that the subsidiaries may not be able to trade as expected in the future and therefore the investment and the amounts recoverable may be impaired.	We have performed the following audit procedures: • reviewed management's assessment of future operating cashflows and indicators of impairment; • assessed the methodology used by management to estimate the future profitability of companies in the group and recoverable value of the investment, in conjunction with any intra-group balances, to ensure that the method used is appropriate; • assessed the reasonableness of the key assumptions used in management's estimates of recoverable value, in line with the economic and industry statistics relevant to the business; • confirmed that any adverse changes in key assumptions would not materially increase the impairment loss; • challenged cash inflows from revenue generating activities and the key assumptions applied in arriving at the expected revenues for the foreseeable future; • assessed the appropriateness and applicability of discount rate applied to the current business performance; • assessed the reasonability of cash outflows, including contracted costs, research expenditure and expected capital expenditure; • reviewed the latest management accounts for all entities in the group to confirm reasonability of assumption used in the cashflow forecast. Based on the audit work performed we are satisfied that the management have made reasonable assumptions in arriving at the value of the companies in the group based on net present value of future cashflow and the amounts are disclosed in accordance with the

	reporting framework, and no further impairment loss should be recognised in the parent company financial statements.

Our application of materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£99,000 (2021: £145,000).	£99,000 (2021: £145,000).
How we determined it	Based on 5% of net loss (2021: based on 1% of adjusted Gross Assets).	Based on 1% of Gross assets capped at group materiality (2021: based on 1% of adjusted Gross Assets).
Rationale for benchmark applied	We believe that net loss is the primary measure used by shareholders in assessing the financial position of the group and is a generally accepted auditing benchmark.	We believe that Gross Assets are a primary measure used by shareholders in assessing the financial position of the company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £7,000 and £99,000.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £4,950 (Group audit) (2021: £4,650) and £4,950 (Company audit) (2021: £4,650) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of three reporting units, comprising the Group's operating businesses and parent company.

We performed audits of the complete financial information for Sulnox Group Plc, Sulnox Fuel Fusions Limited and Sulnox Research and Development Limited, reporting units, which were individually financially significant and accounted for over 100% of the Group's revenue and 100% of the Group's absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units).

The Group engagement team performed all audit procedures.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;

- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the mortgage finance industry.

- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and

- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;

- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;

- tested journal entries to identify unusual transactions;

- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 2 of the Group financial statements were indicative of potential bias;

- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;

- reading the minutes of meetings of those charged with governance;

- enquiring of management as to actual and potential litigation and claims;

- reviewing correspondence with HMRC and the company's legal advisor.

There are inherent limitations in our audit procedures described above. The more removed those laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Sanjay Parmar (Senior Statutory Auditor)

For and on behalf of
Jeffreys Henry LLP
Chartered accountants & statutory auditor
Finsgate
5-7 Cranwood Street
London
EC1V 9EE

SulNOx Group PLC

Consolidated Statement of Comprehensive Income

Year ended 31 March 2022

	Note	2022 £	2021 £
Turnover	**4**	**33,522**	17,896
Cost of sales		**(55,671)**	(12,380)
Gross (loss)/profit		**(22,149)**	5,516
Administrative expenses		**(1,953,742)**	(861,218)
Operating loss	**5**	**(1,975,891)**	(855,702)
Interest payable and similar expenses	**8**	**(2,085)**	–
Loss before taxation		**(1,977,976)**	(855,702)
Tax on loss	**9**	**2,237**	32,462
Loss for the financial year and total comprehensive income		**(1,975,739)**	(823,240)

All the activities of the group are from continuing operations.

Loss in pence per share	**10**		
Basic		(2.16 pence)	(0.96 pence)
Diluted		(2.16 pence)	(0.96 pence)

SulNOx Group PLC

Consolidated Statement of Financial Position

31 March 2022

	Note		2022 £	2021 £
Fixed assets				
Intangible assets	**11**		**7,879,788**	8,280,334
Tangible assets	**12**		**24,061**	3,528
			7,903,849	8,283,862
Current assets				
Stocks	**14**	**164,467**		119,501
Debtors	**15**	**78,051**		36,332
Cash at bank and in hand		**1,065,388**		42,271
		1,307,906		198,104
Creditors: amounts falling due within one year	**16**	**259,197**		271,154
Net current assets/(liabilities)			**1,048,709**	(73,050)
Total assets less current liabilities			**8,952,558**	8,210,812
Net assets			**8,952,558**	8,210,812
Capital and reserves				
Called up share capital	**18**		**1,882,657**	1,710,057
Share premium account	**19**		**13,322,915**	11,049,435
Other reserves, including the fair value reserve	**19**		**578,844**	307,439
Profit and loss account	**19**		**(6,831,858)**	(4,856,119)
Shareholders funds			**8,952,558**	8,210,812

These financial statements were approved by the board of directors and authorised for issue on …...................., and are signed on behalf of the board by:

Mr S Cowin
Director

Company registration number: 08449586

SulNOx Group PLC

Company Statement of Financial Position

31 March 2022

	Note		2022 £	2021 £
Fixed assets				
Intangible assets	**11**		**7,879,545**	8,279,545
Tangible assets	**12**		**3,432**	–
Investments	**13**		**408,150**	408,150
			8,291,127	8,687,695
Current assets				
Debtors	**15**	**893,801**		613,139
Cash at bank and in hand		**1,063,837**		876
		1,957,638		614,015
Creditors: amounts falling due within one year	**16**	**69,237**		184,428
Net current assets			**1,888,401**	429,587
Total assets less current liabilities			**10,179,528**	9,117,282
Net assets			**10,179,528**	9,117,282
Capital and reserves				
Called up share capital	**18**		**1,882,657**	1,710,057
Share premium account	**19**		**13,322,916**	11,049,435
Other reserves, including the fair value reserve	**19**		**578,844**	307,439
Profit and loss account	**19**		**(5,604,889)**	(3,949,649)
Shareholders funds			**10,179,528**	9,117,282

The loss for the financial year of the parent company was £1,655,240 (2021: £791,786).

These financial statements were approved by the board of directors and authorised for issue on …..................... and are signed on behalf of the board by:

Mr S Cowin
Director

Company registration number: 08449586

SulNOx Group PLC

Consolidated Statement of Changes in Equity

Year ended 31 March 2022

	Called up share capital £	Share premium account £	Other reserves, including the fair value reserve £	Profit and loss account £	**Total £**
At 1 April 2020	1,695,782	10,781,690	307,439	(4,032,879)	8,752,032
Loss for the year				(823,240)	(823,240)
Total comprehensive income for the year	–	–	–	(823,240)	(823,240)
Issue of shares	14,275	267,745	–	–	282,020
Total investments by and distributions to owners	14,275	267,745	–	–	282,020
At 31 March 2021	1,710,057	11,049,435	307,439	(4,856,119)	**8,210,812**
Loss for the year				(1,975,739)	**(1,975,739)**
Total comprehensive income for the year	–	–	–	(1,975,739)	**(1,975,739)**
Issue of shares	172,600	2,273,480	–	–	**2,446,080**
Share based payment expense	–	–	271,405	–	**271,405**
Total investments by and distributions to owners	172,600	2,273,480	271,405	–	**2,717,485**
At 31 March 2022	1,882,657	13,322,915	578,844	(6,831,858)	**8,952,558**

SulNOx Group PLC

Company Statement of Changes in Equity

Year ended 31 March 2022

	Called up share capital £	Share premium account £	Other reserves, including the fair value reserve £	Profit and loss account £	**Total £**
At 1 April 2020	1,710,057	11,049,435	307,439	(3,157,863)	9,909,068
Loss for the year				(791,786)	(791,786)
Total comprehensive income for the year	–	–	–	(791,786)	(791,786)
At 31 March 2021	1,710,057	11,049,435	307,439	(3,949,649)	**9,117,282**
Loss for the year				(1,655,240)	**(1,655,239)**
Total comprehensive income for the year	–	–	–	(1,655,240)	**(1,655,239)**
Issue of shares	172,600	2,273,481	–	–	**2,446,081**
Share based payment expense	–	–	271,405	–	**271,405**
Total investments by and distributions to owners	172,600	2,273,481	271,405	–	**2,717,485**
At 31 March 2022	1,882,657	13,322,916	578,844	(5,604,889)	**10,179,528**

SulNOx Group PLC

Consolidated Statement of Cash Flows

Year ended 31 March 2022

	2022	2021
	£	£
Cash flows from operating activities		
Loss for the financial year	**(1,975,739)**	(823,240)
Adjustments for:		
Depreciation of tangible assets	**3,194**	1,176
Amortisation of intangible assets	**400,546**	400,547
Interest payable and similar expenses	**2,085**	–
Equity-settled share-based payments	**271,405**	–
Tax on loss	**(2,237)**	(32,462)
Changes in:		
Stocks	**(44,966)**	(8,063)
Trade and other debtors	**(41,719)**	15,270
Trade and other creditors	**(9,720)**	122,072
Cash generated from operations	**(1,397,151)**	(324,700)
Interest paid	**(2,085)**	–
Tax received	**–**	42,217
Net cash used in operating activities	**(1,399,236)**	(282,483)
Cash flows from investing activities		
Purchase of tangible assets	**(23,727)**	–
Net cash used in investing activities	**(23,727)**	–
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**2,446,080**	282,020
Proceeds from borrowings	**–**	(45,000)
Net cash from financing activities	**2,446,080**	237,020
Net increase/(decrease) in cash and cash equivalents	**1,023,117**	(45,463)
Cash and cash equivalents at beginning of year	**42,271**	87,734
Cash and cash equivalents at end of year	**1,065,388**	42,271

SulNOx Group PLC

Company Statement of Cash Flows

Year ended 31 March 2022

	2022	2021
	£	£
Cash flows from operating activities		
Loss for the financial year	**(1,655,240)**	(791,786)
Adjustments for:		
Depreciation of tangible assets	**687**	–
Amortisation of intangible assets	**400,000**	400,000
Interest payable and similar expenses	–	–
Equity-settled share-based payments	**271,405**	–
Tax on loss	–	–
Changes in:		
Stocks	–	–
Trade and other debtors	**(280,662)**	(49,681)
Trade and other creditors	**(115,190)**	135,155
Cash generated from operations	**(1,379,000)**	(306,312)
Interest paid	–	–
Tax received	**–**	–
Net cash used in operating activities	**(1,379,000)**	(306,312)
Cash flows from investing activities		
Purchase of tangible assets	**(4,119)**	–
Net cash used in investing activities	**(4,119)**	–
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**2,446,080**	282,020
Proceeds from borrowings	**–**	(45,000)
Net cash from financing activities	**2,446,080**	237,020
Net increase/(decrease) in cash and cash equivalents	**1,062,961**	(69,292)
Cash and cash equivalents at beginning of year	**876**	70,168
Cash and cash equivalents at end of year	**1,063,837**	876

1. General information

SulNOx Group PLC is a public Company limited by shares, domiciled and incorporated in England and Wales. The registered office is 10-12 Orange Street, London, UK, WC2H 7DQ. The Group currently operates under a full working from home policy and therefore there is no formal trading address. The Group's principal activities and nature of its operations are disclosed in the strategic report and the Directors report.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Group consists of SulNOx Group PLC and its subsidiaries:

Sulnox Research and Development Limited
Sulnox Fuel Fusion Limited

2. Statement of compliance

These are the first financial statements prepared under UK adopted international accounting standards. On 31 December 2020, IFRS as adopted by the European Union, at the date, was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. SulNOx Group plc transitioned to UK- adopted International Accounting Standards in its consolidated and Company financial statements on 1 April 2021. The change constitutes a change in accounting framework. However, there is no change on recognition, measurement or disclosure in the financial year reported as a result of the change in framework.

The financial statements have been prepared in accordance with UK adopted international accounting standards (IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

3. Accounting policies

Basis of preparation

The consolidated Group financial statements consist of the financial statements of the parent Company SulNOx Group PLC together with all entities controlled by the parent Company (its subsidiaries) and the Group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 March 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between Group Companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred

3. Accounting policies *(continued)*

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Change in subsidiary ownership and loss of control
Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Parent Company Income Statement
The Parent Company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual Income Statement.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

Cost is calculated using the weighted average method.

Going concern

The financial statements have been prepared on the going concern basis, which assumes the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. At the end of the year the Group is in a significant net asset position of £8,952,558 which is an improvement when compared to £8,210,812 in the prior period. Forecasts have been prepared for the next 12 months which show trading profits and positive cash flow. As at 31 March 2022, the Company had a cash balance of £1,065,388. As a business dependent on sales which had negligible income during the period, the Company has limited operating cash flow and carried out a successful capital raise in July 2021. Annualised normal running costs of the Company are projected to be circa £1,500,000.

Whilst the directors remain confident that the sales pipeline will convert in the near term, until sales are confirmed, cashflow risk remains. In order to mitigate the risk of cashflow, the Directors, employees and Consultants have agreed to a salary and fee reduction effective 1st August 2022 until the end of the current financial year. As a precaution to the sales not converting as expected, the Directors will be seeking approval at the Annual General Meeting to issue new Ordinary Shares in order to provide working capital. The Directors are therefore of the opinion that the Company has adequate financial resources to enable it to continue in operation for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

3. Accounting policies ***(continued)***

The Company's employees can carry out their duties remotely, via the network infrastructure in place. During the COVID-19 pandemic there was disruption to the Sales operation of the Company due to social distancing and working from home restrictions. All key business operating functions continued to operate at normal capacity, other than sales and onsite testing.

Cash and cash equivalents

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

Employee benefits

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

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

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

Retirement benefits
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

Consolidation

The financial statements consolidate the financial statements of SulNOx Group PLC and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

3. Accounting policies ***(continued)***

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Bad debt provisions
Trade receivables are reviewed for impairment, where necessary, provisions for old debts are included in the financial statements. Calculation of these provisions requires judgements to be made, which include an estimation of the recoverable amounts.

Inventories
Inventories are valued at the lower cost and net realisable value. New realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Impairment of intangible assets
Management have considered various indicators that may suggest that the carrying amount of the intangible assets, may be impaired. The recoverable amount of the intangible asset has been determined to be the value in use based on the cash flows generated from the continuing operations of the entity. In performing this assessment, management has applied the following assumptions and estimates:

- cash flows have been projected over a period of ten years from 31 March 2022, which management considers appropriate due to the long-term nature of the target market and related returns; - cash inflow projections reflect the following key assumptions:- development of various sales channels over 8 months from August 2021 to 31 March 2022 will allow expansion in the B2C and B2B markets;
- revenues in the short to medium term are based on actual sales, high probability pipeline of potential clients, trials that are currently underway, trial proposed over the next 12 months and orders placed; - for financial modelling purposes, it has been assumed that total revenue increases to approximately 19.3 million per annum in the ten years to March 2032;- the growth rate for revenue is projected to be 10% from April 2025 to March 2032.- gross margin is expected to be 50% from April 2023 to March 2032.- cash outflows, include costs such as staff costs are expected to be in the region of ¢G750k during the calendar year 2022, due to the hire of scientific research and development professionals, full time CFO and other administration staff. During 2023 costs are assumed to rise a further 15% due to business expansion;
- other costs included in the forecasts are marketing, cost of running trails and public relations costs and a portion has been estimated for one-off costs that may need to be incurred; and- a pre-tax discount rate of 8% has been applied in discounting cash flows to their present value, which has been benchmarked against available sources for comparable companies.

3. Accounting policies *(continued)*

Cash flow projections are most sensitive to the assumptions regarding:

- total revenue from various resources, mainly the independent sales organisations;- fluctuations in gross margins; and
- changes in the discount rate.

At 31 March 2022, there is limited headroom in respect of the carrying value of the intangible assets. Should any of the future events and cash flow assumptions upon which management has based its value in use calculation not occur or change adversely, an impairment of the intangible assets would be necessary.

Revenue recognition

Revenue for the sale of products is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from the provision of the principal activities is recognised by reference to the stage of completion of the transaction at the reporting date where the amount of revenue can be measured reliably and sufficient work has been completed with certainty to ensure that the economic benefit will flow to the Group. The Group also acts as an agent under an exclusive licensing agreement. Commissions and license fees are measured based on a contracted rate per unit. Commissions and license fees are recognised based on sales orders generated on behalf of its customer at the point that these orders are fulfilled.

The Group recognises revenue from the following major sources:- Sale of stock
- Commissions and license fees

The nature, timing of satisfaction of performance obligations and significant payment terms of the Group’s major sources of revenue are as follows:

Sale of stock
Sale of stock represents the sale of units of either BEROL 6446 950 KG WP IBC or SulNOxEco conditioner. Performance obligations are met when the customer receives the product. The terms of payment are upon receipt of the units or within 14 days of date of invoice.

Commissions and license fees
Commissions represent agency fees due to the Group arising on generating sales of specific products; SulNOxEco conditioner and Berol 6446 emulsifier. Commissions are receivable at an agreed rate per kg. Commissions are due to the Group as soon as, and to the extent that the supplier of the specified products receives for immediate value from or on behalf of the customer the price for the sale of these specific products. Commission is receivable no later than the end of the calendar month following the quarter in which it became due.

License fees represent royalty payments due to the Group in return for the use of a license to manufacture the products Armofuel 160 emulsifier. The royalty rate is calculated at a fixed fee per kg of the licensed product sold to customers and for which the customer has made payment.

The license fees are receivable on the last banking day of the second month following the month during which the licensed product was sold and paid by the customer.

3. Accounting policies ***(continued)***

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis. The Group does not have any intangible assets with indefinite lives.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development Costs	-	4% straight line
Trademarks	-	25% straight line
Research & Development	-	25% straight line

Tangible assets

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	-	25% reducing balance
Computer Equipment	-	25% reducing balance

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

3. Accounting policies *(continued)*

Impairment of fixed assets

At each reporting end date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non-current investments

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

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

Financial instruments

Financial assets
Financial assets are recognised in the Group’s statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

3. Accounting policies *(continued)*

Financial assets at fair value through profit or loss
When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

The fair values of other financial assets at FVTPL are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Financial assets held at amortised cost
Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets
Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.
Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

In determining whether financial assets are impaired the Group considers the following:

- significant financial difficulty of the counterparty- default or delinquency in interest or principal payments- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments or observable changes in national to local economic conditions that correlate with default on receivables.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities
The Group recognises financial debt when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

3. Accounting policies ***(continued)***

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and has a recent actual pattern of short-term profit taking, or- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities
Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Group¡¦s obligations are discharged, cancelled, or they expire.

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

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

In the case of options granted, fair value is measured by a Black-Scholes pricing model.

4. Turnover

Turnover arises from:

	2022	2021
	£	£
Sale of goods	**33,522**	17,896

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

5. Operating loss

Operating loss is stated after charging/crediting:

	2022	2021
	£	£
Amortisation of intangible assets	**400,546**	400,547
Depreciation of tangible assets	**3,194**	1,176
Impairment of trade debtors	**–**	13,600
Foreign exchange differences	**2,771**	(1,287)
Auditors remuneration	**15,000**	20,500
Share based payment expense	**271,405**	-

6. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2022	2021
	No.	No.
	7	4

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022	2021
	£	£
Wages and salaries	**460,679**	195,075
Social security costs	**48,586**	7,438
Other pension costs	**10,667**	2,950
	519,932	205,463

During the period, the average number of staff employed by both the group and the company was 7 (2021: 4).

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2022	2021
	£	£
Remuneration	**91,386**	117,959
Company contributions to defined contribution pension plans	**10,667**	2,950
	102,053	120,909

8. Interest payable and similar expenses

	2022 £	2021 £
Other interest payable and similar charges	**2,085**	–

9. Tax on loss

Major components of tax income

	2022 £	2021 £
Current tax:		
UK current tax income	**–**	(18,860)
Adjustments in respect of prior periods	**(2,237)**	(13,602)
Total current tax	**(2,237)**	(32,462)
Tax on loss	**(2,237)**	(32,462)

The company has unused tax losses of £5,199,691 (2021: £3,515,266). A deferred tax asset has not been recognised in respect of these losses because it is not yet probable that the losses will be utilised in future periods. Therefore, the company has an unrecognised deferred tax asset of £1,299,923 (2021 £667,901). The rate of deferred tax has increased to 25% compared to 19% in 2021.

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Loss on ordinary activities before taxation	**(1,977,976)**	(855,702)
Loss on ordinary activities by rate of tax	**(375,815)**	(162,584)
Adjustment to tax charge in respect of prior periods	**(2,237)**	–
Effect of expenses not deductible for tax purposes	**53,428**	2,617
Effect of capital allowances and depreciation	**(4,136)**	–
Unused tax losses	**326,523**	159,967
Research and development tax credit	**–**	(32,462)
Tax on loss	**(2,237)**	(32,462)

10. Loss per share

	2022 £	2021 £
Number of shares		
Weighted average number of ordinary shares for basic loss per share	91,555,665	85,323,333
Loss (attributable to equity shareholders of the company)		
Continuing operations		
Loss for the period from continued operations	(1,975,739)	(823,241)
Loss per share for continuing operations		
Basic and diluted loss per share	(2.16 pence)	(0.96 pence)
Basic and diluted loss per share		
From continuing operations	(2.16 pence)	(0.96 pence)

10. Loss per share *(continued)*

The loss attributable to equity holders (holders of ordinary shares) of the Company for the purpose of calculating the fully diluted loss per share is identical to that used for calculating the loss per share. The exercise of share options would have the effect of reducing the loss per share and is therefore anti-dilutive under the terms of IAS33 'Earnings per Share'.

11. Intangible assets

Group	Development costs £	Patents, trademarks and licences £	Intangible asset £	**Total £**
Cost				
At 1 April 2021 and 31 March 2022	10,000,000	2,185	45,984	**10,048,169**
Amortisation				
At 1 April 2021	1,720,455	1,396	45,984	**1,767,835**
Charge for the year	400,000	546	–	**400,546**
At 31 March 2022	2,120,455	1,942	45,984	**2,168,381**
Carrying amount				
At 31 March 2022	7,879,545	243	–	**7,879,788**
At 31 March 2021	8,279,545	789	–	8,280,334

Company	**Development costs £**
Cost	
At 1 April 2021 and 31 March 2022	**10,000,000**
Amortisation	
At 1 April 2021	**1,720,455**
Charge for the year	**400,000**
At 31 March 2022	**2,120,455**
Carrying amount	
At 31 March 2022	**7,879,545**
At 31 March 2021	8,279,545

Previously, the Company (and therefore Group) acquired from Technologies & Systems, the exclusive rights to a suite of Emulsion Technologies developed over the previous 25 years, for a consideration of £10,000,000 in cash, to be paid at the rate of £1,000,000 per year for 10 years, subject to terms and conditions.

In a subsequent agreement dated 18th October 2013, the outstanding consideration was satisfied by the placement of shares at value of £1.50 each and the Company (Group) assumed unencumbered ownership of the Emulsification Technologies.

Goodwill of £43,424 arises on consolidation as a consequence of the Company's acquisition of subsidiary Sulnox Research and Development Ltd. The goodwill has been fully amortised in prior periods.

12. Tangible assets

Group	Plant and machinery £	Computer Equipment £	**Total £**
Cost			
At 1 April 2021	–	8,337	**8,337**
Additions	19,608	4,119	**23,727**
At 31 March 2022	19,608	12,456	**32,064**
Depreciation			
At 1 April 2021	–	4,809	**4,809**
Charge for the year	1,625	1,569	**3,194**
At 31 March 2022	1,625	6,378	**8,003**
Carrying amount			
At 31 March 2022	17,983	6,078	**24,061**
At 31 March 2021	–	3,528	3,528

Company	Computer Equipment £	**Total £**
Cost		
At 1 April 2021	–	**–**
Additions	4,119	**4,119**
At 31 March 2022	4,119	**4,119**
Depreciation		
At 1 April 2021	–	**–**
Charge for the year	687	**687**
At 31 March 2022	687	**687**
Carrying amount		
At 31 March 2022	3,432	**3,432**
At 31 March 2021	–	–

13. Investments

The group has no investments.

Company	**Shares in group undertakings £**
Cost	
At 1 April 2021 and 31 March 2022	**408,150**
Impairment	
At 1 April 2021 and 31 March 2022	**–**
Carrying amount	
At 1 April 2021 and 31 March 2022	**408,150**
At 31 March 2021	408,150

13. Investments *(continued)*

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Sulnox Research & Development Limited, 10 Orange Street, London, WC2H 7DQ	Ordinary	100
Sulnox Fuel Fusions Ltd, 10 Orange Street, London, WC2H 7DQ	Ordinary	100

Details of the Company's subsidiaries at 31 March 2022 are as follows:

Sulnox Fuel Fusions Ltd registered office address is 10 Orange Street, Haymarket, London, WC2H 7DQ. Their principal activity is fuel emulsifier products. They hold ordinary shares which hold 100% voting rights.

Sulnox Research and Development Ltd registered office address is 10 Orange Street, Haymarket, London, WC2H 7DQ. Their principal activity is fuel emulsifier products. They hold ordinary shares which hold 100% voting rights.

Impairment of investments

Management have considered various indicators that may suggest that the carrying amount of the investments, may be impaired. The recoverable amount of the investments has been determined to be the value in use based on the cash flows generated from the continuing operations of the entities. In performing this assessment, management has applied the following assumptions and estimates:

- cash flows have been projected over a period of ten years from 31 March 2021, which management considers appropriate due to the long-term nature of the target market and related returns;
- cash inflow projections reflect the following key assumptions:
- revenues in the short to medium term are based on actual sales, high probability pipeline of potential clients, trials that are currently underway, trial proposed over the next 12 months and orders placed;
- the growth rate for revenue is projected to be 10% from April 2025 to March 2031.
- gross margin is expected to be 50% from April 2023 to March 2031.
- cash outflows, include costs such as staff costs are expected to be in the region of £750k during the calendar year 2022, due to the hire of scientific research and development professionals, full time CFO and other administration staff. During 2023 costs are assumed to rise a further 15% due to business expansion. Other costs included in the forecasts are marketing, cost of running trails and public relations costs and a portion has been estimated for one-off costs that may need to be incurred; and
- a pre-tax discount rate of 8% has been applied in discounting cash flows to their present value

14. Stocks

	Group		Company	
	2022	2021	**2022**	2021
	£	£	**£**	£
Raw materials and consumables	**164,467**	119,501	**–**	–

15. Debtors

	Group		Company	
	2022	2021	**2022**	2021
	£	£	**£**	£
Trade debtors	**93,671**	92,884	**300**	–
Provision for bad and doubtful debts	**(75,630)**	(75,630)	–	–
	18,041	17,254	**300**	–
Amounts owed by group undertakings	**–**	–	**852,408**	594,997
Prepayments and accrued income	**18,084**	9,765	**18,084**	9,766
Other debtors	**41,926**	9,313	**23,009**	8,376
	78,051	36,332	**893,801**	613,139

16. Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	**2022**	2021
	£	£	**£**	£
Trade creditors	**152,179**	72,639	**22,392**	69,044
Accruals and deferred income	**39,574**	69,265	**21,659**	44,960
Corporation tax	**7,518**	9,755	**–**	–
Social security and other taxes	**18,252**	15,817	**18,252**	18,015
Director loan accounts	**–**	16,465	**–**	–
Other creditors	**41,674**	87,213	**6,934**	52,409
	259,197	271,154	**69,237**	184,428

17. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £10,667 (2021: £2,950).

18. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	**£**	No.	£
Ordinary shares of £0.02 each	**94,132,843**	**1,882,657**	85,502,843	1,710,057

18. Called up share capital *(continued)*

Reconciliation of movements during the year:

	Number
At 1 April 2021	85,502,843
Issue of fully paid shares	8,630,000
As 31 March 2022	**94,132,843**

On 19 July 2021 the Company issued 8,630,000 ordinary shares of 0.02p at a price of £0.300115 per share for working capital purposes.

19. Reserves

Share premium account **Group and company**	**2022** **£**	2021 £
At the beginning of the year	**11,049,435**	10,781,690
Issue of new shares	**2,273,481**	273,325
Share issue expenses	**–**	(5,580)
At the end of the year	**13,321,916**	**11,049,435**

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.
Profit and loss account - This reserve records retained earnings and accumulated losses.

20. Share based payment transactions – Group and company

The Group has an equity settled share based payment plan for certain consultants, employees and directors.

The table below summarises the options granted, exercised, and cancelled during the year.

	Number of share options		**Weighted average exercise price**	
	2022	2021	2022 £	2021 £
Outstanding at 1 April 2021	1,600,000	1,600,000	0.02	0.02
Granted in the period	3,149,999	-	0.07	-
Outstanding at 31 March 2022	4,749.999	1,600,000	0.02	0.02
Exercisable at 31 March 2022	3,925,000	1,275,000	0.02	0.02

20. Share based payment transactions – Group and company *(continued)*

The options outstanding at 31 March 2022 had an exercise price of £0.02 per share (par value) and a remaining contractual life of 7 years.

The weighted average fair value of the options granted on the measurement date was £0.15.The weighted average fair values of the options on the measurement date was £578,844 (2021: £307,439). Fair value was measured using the Black-Scholes option pricing model.

Input were as follows:

	2022	**2021**
Weighted average share price	0.36	0.5
Weighted average exercise price	0.07	0.02
Expected life	4	10
Risk free rate	1.94%	2.83%

In the prior period the Company was newly listed on a stock exchange and therefore there was a lack of available historic trading data for its shares, volatility was calculated based upon the anticipated volatility of newly listed companies of a similar market capitalisation and number of shareholders.

The share-based payment charge for the year was £271,405 (2021: £nil).

21. Analysis of changes in net debt

	At 1 Apr 2021	Cash flows	**At 31 Mar 2022**
	£	£	**£**
Cash at bank and in hand	42,271	1,023,117	**1,065,388**
Debt due within one year	(16,465)	16,465	**–**
	25,806	1,039,582	**1,065,388**

22. Related party transactions

Group

During the period, expenses totalling £2,839 were paid to Mr G Bostock, one of the shareholders. There were also expenses totalling £34,408 paid to Ms A Bravo and expenses of £18,000 paid to Mr S J Bamford, both of whom are shareholders.

Company

During the period, expenses totalling £2,839 were paid to Mr G Bostock, one of the shareholders. There were also expenses totalling £34,408 paid to Ms A Bravo and expenses of £18,000 paid to Mr S J Bamford, both of whom are shareholders.

23. Controlling party

In the opinion of the directors there is no ultimate controlling party by virtue of a majority shareholding.

24. Trade receivables - credit risk

Fair value of trade receivables

The Directors consider that the carrying amount of trade and other receivables for both the Group and Company, is approximately equal to their fair value.
No significant receivable balances are impaired at the reporting end date.

Movement in the allowances for doubtful debts - Group

	2022	2021
	£	£
Balance at 1 April 2021 and at 31 March 2022	75,630	75,630

25. Fair value of financial liabilities - Group and Company

The Directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements are approximate to their fair values.

26. Liquidity risk

The Group seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs.

27. Market risk

Market risk management

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities	
	2022	2021
	£	£
Trade Payables	12,408	17,254

	Assets	
	2022	2021
	£	£
Trade Receivables	90,450	-

Foreign exchange risk sensitivity analysis

Whilst the Group takes steps to minimise its exposure to foreign exchange risk, changes in foreign exchange rates will have an impact on profit.

The Group's foreign exchange risk is dependent on the movement in the US Dollar and Euro to Sterling exchange rate. The effect of a 5% strengthening in the Euro against Sterling at the reporting date on the US Dollar and Euro denominated receivables would, all other variables being held constant, have resulted in an decreased in the post-tax losses for the year of £4,089.

A 5% weakening in the exchange rate would, on the same basis, have increased post-tax losses by £4,089.

28. Capital commitments

At 31 March 2022 the Group and Company had no capital commitments.

29. Events after the reporting date

There are no significant post balance sheet events.