Cronin Group Plc

(Change of name to DeepMatter Group Plc is proposed)

Annual Report **2017**

DIRECTORS, OFFICERS AND ADVISORS

Directors

Mark Warne	Chairman
Michael Bretherton	
David Cleevely	
Lee Cronin	
Laurence Ede	
James Ede-Golightly	

Secretary
Michael Bretherton

Registered Office
The Walbrook Building
25 Walbrook
London EC4N 8AF

Broker and Nominated Advisor
Stockdale Securities Limited
100 Wood Street
London EC2V 7AN

Auditor
Nexia Smith & Williamson
Portwall Place
Portwall Lane
Bristol BS1 6NA

Registrar and Transfer Agent
Neville Registrars
Neville House
18 Laurel Lane
Halesowen B63 3DA

Company Number
05845469 (England and Wales)

CONTENTS

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present the Chairman's Statement for Cronin Group Plc (the "Company") and its subsidiaries (the "Group") for the financial year to 31 December 2017. Big Data will enhance productivity in all areas of chemistry, a multi-billion-dollar market and discipline that impacts nearly all elements of human life. The last year has seen the Group make exciting progress towards deploying its DigitalGlassware™ technology platform. The platform will increase access to, and the quality of, data associated with making a chemical. The resulting data insights subjected to Artificial Intelligence and Machine Learning methodologies will allow chemicals to be discovered, made and remade more productively. Ultimately the Group envisages a capability for autonomous digital synthesis.

Advancing Technical Capability

During the year the Group completed a first laboratory-based deployment of its DigitalGlassware™ platform, comprising an easy-to-use software interface and a unique, low footprint sensor array, which will allow an individual to access reproducible chemistry via internet protocols. The deployment of the DigitalGlassware™ platform was accelerated during the period following the Group's decision to secure access to an established and synergistic Internet of Lab Things (IoLT) hardware capability. The Group acquired OpenIOlabs Limited ("OIOL"), a company based in Cambridge, with assets for integrating equipment in a laboratory, a capability the Group had always intended to include in its DigitalGlassware platform. Currently, the integration of OIOL into the Group is well under way, with measures to deploy the prioritised assets and realise cost synergies initiated.

As of the date of this report, the Group now employs 20 personnel including chemistry specialists, software and hardware engineers with operations in Cambridge and Glasgow. The Group continues its research relationship with the team at Glasgow University, which is led by Cronin Group's scientific founder, Professor Lee Cronin.

First Industry Engagements

The Group believes only high fidelity data will truly enable making better chemical molecules, faster and more effectively. It has been stated that a large gap currently exists in chemical data reporting standards, rendering much of the currently available data unusable by algorithmic analyses. It has been widely reported that researchers think that science faces a reproducibility crisis, with around half not having faith in the published literature in their field – chemists often reporting the most difficulty. DigitalGlassware™ overcomes challenges in chemical data reporting standards, enabling access to this chemistry data in real-time to a broad community of users, including industrial and academic chemists, students, scientists from non-chemistry disciplines, scientific publishers and funding and professional advocacy bodies.

Since the year end, the Group has entered into memoranda of understanding with two leading international life science reagent and chemicals manufacturers to join the Company's Pioneer Programme, evaluating DigitalGlassware™. One is a US headquartered business, with laboratory operations worldwide and the other, a UK based subsidiary of a NASDAQ listed company. The purpose of the Programme is to beta trial the Group's technology with the full range of target users, allowing the Group to observe its performance in different operating environments and locations worldwide. These observations will contribute towards technical and commercial optimisation, prior to wider dissemination to target users. The Pioneer companies will also assess the performance of the DigitalGlassware™ platform, specifically to understand how it can help improve the outcomes of chemical processes, including precision and reproducibility, with an view to how the platform can help in discovering/enabling new and improved chemistry.

Financial Review

The Group incurred an operating loss for the year ended 31 December 2017 of £1.58 million (2016: loss from operations of £0.82 million) which resulted in an overall after tax loss for the year of £1.46 million compared to an overall loss of £0.71 million in the previous year.

The Group continues to benefit from a sound balance sheet with cash balances at 31 December 2017 of £3.27 million compared to £4.79 million at 31 December 2016. The £1.52 million decrease in cash during the year is mainly attributable to the research and development and overhead expenditure costs associated with the continuing operations of the Group for the financial year.

Board Changes

The Group strengthened its Executive management in April 2017 when I took on the role of Executive Chairman and Michael Bretherton was appointed as Finance Director. At that time, the Company was also pleased to announce the appointment of Laurence Ede as independent non-executive director. Laurence, who had been serving in an advisory capacity since April 2016, brings specific experience of the chemicals industry. He was the Managing Director and co-owner of Tocris Bioscience, a company producing chemical compounds for pharmaceutical research, when it was sold to Techne Corporation for £75 million in 2011. In addition, as part of the acquisition of OIOL in November 2017, the Group was delighted that David Cleevely CBE, a serial entrepreneur and notably co-founder of Abcam PLC and chairman of the Raspberry Pi Foundation, agreed to join the Board as a new non-executive director.

Proposed change of name

It is proposed that, to better represent the mission and values of the Company, its name be changed to "DeepMatter Group Plc", as set out in resolution 7 of the attached Notice of Annual General Meeting due to be held on 16 May 2018.

Outlook

Our DigitalGlassware™ platform provides a new language for digital chemistry, championing speed, simplicity and unhindered discovery. This brings code, structure and order into the chemistry lab environment and enables recordable, shareable, reproduceable chemistry.

The Group has identified a number of leading companies and institutions involved in the field of chemistry to participate in its Pioneer Programme. Moving forward we keenly anticipate beta stage deployment with these key innovators and early adopters, in preparation for addressing broader adoption among the target user groups, building credibility, awareness and understanding of the DigitalGlassware™ platform.

Mark Warne
Executive Chairman
28 March 2018

Company Number: 05845469

STRATEGIC REPORT

The Directors present their Strategic Report with the audited consolidated financial statements and their assessment of risks faced by Cronin Group Plc ("Cronin" or the "Company") and its subsidiaries (the "Cronin Group" or "the Group") for the year to 31 December 2017.

The Company acquired OpenIOLabs Limited ("OpenIOLabs") on 8 November 2017, in order to further complement the strategic operations of its existing Cronin 3D Limited subsidiary, such that the Company now has two wholly owned subsidiary entities.

There have been no further changes to the group structure subsequent to that time but it is proposed that the Company name be changed to "DeepMatter Group Plc" as set out in resolution 7 of the attached Notice of Annual General Meeting to be held on 16 May 2018.

Principal Activity and Business Model

The Group's ongoing business activity, undertaken by a subsidiary entity, is that of the digitization of chemical space coupled with innovative chemical drug discovery.

The Group continues to make exciting progress towards deploying its DigitalGlassware™ technology platform, comprising an easy-to-use software interface and a unique, low footprint sensor array, which will allow an individual to access reproducible chemistry via internet protocols. The platform will increase access to, and the quality of, data associated with making a chemical.

Business Review

A review of the Group's performance and future prospects is included in the Chairman's Statement on pages 2 and 3.

Share Capital & Funding

The Group held cash balances of £3.27 million at the end of the year 2017. Management believes that this provides sufficient funding for the Group to continue to execute its development strategy in the foreseeable future. There were 550,739,933 ordinary shares in issue at 31 December 2017, including 25 million ordinary shares that were issued during the period in connection with the acquisition of OpenIOLabs, as described further in note 15 to the financial statements.

Financial Review

The Consolidated Financial Statements have been prepared for the year to 31 December 2017.

Key performance indicators

Key Group performance indicators are set out below:

	31 December 2017	31 December 2016
Net assets (£ million)	**8.11**	8.92
Net asset value per share (pence)	**1.47**	1.70
Loss after tax (£ million)	**(1.46)**	(0.71)
Basic loss per share from continuing operations (pence)	**(0.27)**	(0.14)
Cash and short term deposits with banks (£ million)	**3.27**	4.79

Consolidated statement of comprehensive income

The Group incurred a loss after tax for the year ended 31 December 2017 of £1.46 million compared to a loss of £0.71 million in the previous year.

Consolidated statement of financial position

The Group continues to benefit from a solid balance sheet with net assets at 31 December 2017 of £8.11 million compared to £8.92 million at 31 December 2016. The reduction in net assets reflects the £1.46 million loss for the year, partially offset by the issue of additional equity capital valued at £0.66 million as consideration for the acquisition of OpenIOLabs.

Consolidated statement of cash flows

The Group's overall cash position decreased by £1.52 million during the year. The decrease mainly reflects £1.50 million of cash used in operating activities and cash of £0.02 million invested in property plant and equipment during the year.

Directors & Employees

As at 31 December 2017, the Group had 23 employees, consisting of 6 directors and 17 mainly technical and scientific staff. The profile of the directors and their remuneration is detailed in the Directors' Report on pages 7 and 8.

In addition, the Group had 2 full time equivalent personnel working in research and development during the year ended 31 December 2017 who were on the payroll of Glasgow University ("GU"). The wages and salary costs in respect of these is recharged to the Group by GU on a monthly basis, together with a charge for laboratory costs and related overheads.

During the year the Group employed an average of 13 of its own technical and scientific staff, together with an office manager and is in the process of recruiting a number of additional employees to staff its development programmes.

The Company opened a money purchase defined contribution pension scheme during the last quarter of the 2017 year for all employees and under which the Company pays a fixed 4% of basic salary as pension contributions.

The Group is committed to the health and safety of its employees in the workplace and has processes and procedures, combined with appropriate training and risk assessment, to ensure the same. The Group supports employment of disabled people wherever possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion. The Group is committed to keeping employees as fully informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

Risk Review

The analysis of key performance indicators ("KPIs") is included in the Financial Review section of the Strategic report. The Directors believe that performance should also be measured by achievement against technical and business development milestones.

The Group's risk management objectives and exposure to various risks are detailed in note 22 to the Group financial statements. The key operating risks of the Group and the measures taken to manage these are summarised below.

Early stage operations

The Group is at an early stage of development. It is difficult to predict if and when material revenues will arise and the Group faces risks frequently encountered by developing companies. The Group's success will depend on its ability to develop products and services which address specific market needs and develop suitable licensing, royalty and contract manufacture models and capture value from business opportunities.

Technology & Development Risk

There is a risk that technology development is delayed or specific programme targets cannot be met. The Group manages the development of its technology through separate development programmes. Each programme has a specific set of milestones (either internal or external), together with measurable goals and a timeline. Performance against each of these is monitored regularly, depending on the programme requirements. This enables the Group to identify issues at an early stage and take appropriate mitigating actions.

Commercial success and market acceptance

There can be no assurance that any current or future technology programmes will be successfully developed into commercially viable products or services. The Group's success will depend on the market's acceptance of its products or services and there can be no guarantee that this will be forthcoming or that alternative competitor technologies are adopted by the market instead.

Attraction and retention of key employees

The Group depends on its Directors and other key employees and whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed. The Group has attempted to reduce this risk by offering competitive remuneration packages and investment in training, development and succession planning.

Intellectual Property

A part of the Group's future development and growth depends on its intellectual property. If intellectual property is inadequately protected, the Group's future success could become adversely affected. The Group may not be able to protect and preserve its intellectual property or to exclude competitors with competing technology products. The Group continues to invest in the protection and expansion of its intellectual property portfolio. In addition the Group utilises internal procedures and controls to identify and capture new intellectual property and to prevent unauthorised disclosure to third parties.

Financial Risks

The Group's activities expose it to a number of financial risks including credit risk, interest rate risk and liquidity risk. The Group is not currently exposed to significant exchange rate risks. At present the Group does not use financial derivatives in the normal course of business. The Group's and the Company's financial instruments comprise cash and cash equivalents, trade and other receivables, equity investments and trade and other payables. The main purpose of these financial instruments is the funding of the Group's activities.

Credit Risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. The Group's credit risk is primarily attributable to its cash and cash equivalents. The Group seeks to reduce the credit risk associated with cash by only holding cash with institutions that have good credit ratings.

Interest Rate Risk

The Group has no external financing facility, therefore its interest rate risk is limited to the level of interest received on its cash surpluses. Interest rate risk on cash, cash equivalents and short term deposits is partially mitigated by using an element of fixed-rate accounts and short term deposits.

STRATEGIC REPORT (CONTINUED)

Liquidity Risk

The Group seeks to manage liquidity by ensuring sufficient funds are available to meet foreseeable needs and to invest cash assets safely and profitably. The Group had cash, cash equivalents and short-term deposit balances of £3.27 million as at 31 December 2017 (2016: £4.79 million).

In order to minimise risk to the Company's capital, funds are invested across a number of financial institutions with sound credit ratings. Cash forecasts are updated regularly to ensure that there is sufficient cash available for foreseeable requirements. The Directors are satisfied that the current cash balances and the present running cost base of the Group ensures that the going concern assumption remains valid.

Future Developments

The Board remains committed to delivering additional value for our shareholders and aims to pursue its corporate strategies as outlined in the Chairman's Statement.

On behalf of the Board

Lee Cronin
Founding Scientific Director
28 March 2018

Company Number: 05845469

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for Cronin Group Plc ("Cronin" or "the Company") and its subsidiaries (the "Cronin Group" or "the Group") for the year to 31 December 2017.

Principal Activities

A review of the Group's activities is included in the Chairman's Statement on pages 2 and 3 and in the Strategic Report on page 4.

Business Review

A review of Group performance and future prospects is given in the Chairman's Statement on pages 2 and 3 and in the Strategic Report on pages 4 to 6.

Share Capital

The share capital of the Company increased by the issue of 25 million ordinary shares during the year, being the Initial Consideration Shares issued in relation to the acquisition of OpenIOLabs Limited ("OpenIOLabs"), as detailed in note 19 to the Group financial statements.

Results and Dividends

The audited consolidated financial statements have been prepared for the year to 31 December 2017. The loss before tax from continuing operations for the year was £1.56 million (2016: £0.79 million). The Directors do not recommend a dividend in respect of the year to 31 December 2017 and no dividends were paid during the year under review or the prior year.

Substantial Shareholdings

No single person directly or indirectly, individually or collectively, exercises control over the Company. The Directors are aware of the following persons, who had an interest in 3% or more of the issued ordinary share capital of the Company as at 27 March 2018:

Name	**No. of ordinary shares**	**% holding**
IP Group	152,710,498	27.73%
Richard Griffiths and controlled undertakings	150,319,870	27.29%
Prof Lee Cronin	54,618,853	9.92%
GU Holdings	39,373,994	7.15%
Robert Quested	26,285,369	4.77%
ETX Capital	19,761,241	3.59%
University of Oxford	17,264,429	3.13%

At this date no other person had notified any interest in the ordinary shares of the Company required to be disclosed to the Company in accordance with Chapter 5 of the Disclosure and Transparency Rules of the Financial Services Authority in respect of holdings exceeding the 3% notification threshold.

Directors and their interests

The Directors who have held office during the year and in the subsequent period to the signing of these financial statements were as follows:

Mark Warne
Michael Bretherton
David Cleevely (appointed 8 November 2017)
Lee Cronin
Laurence Ede (appointed 26 April 2017)
James Ede-Golightly

The remuneration of the Directors for the year under review is shown below:

Directors' Remuneration

Name of Director	**Salaries and fees £'000**	**Benefits £'000**	**Total December 2017 £'000**	Total December 2016 £'000
Mark Warne	20	–	20	12
Michael Bretherton	12	–	12	12
David Cleevely	2	–	2	–
Lee Cronin	12	–	12	12
Laurence Ede	16	–	16	–
James Ede-Golightly	12	–	12	12
	74	**–**	**74**	48

All Directors have service contracts for three years with one month's notice. The Directors are all required to put themselves up for re election periodically in accordance with the Articles of Association and all service contracts and letters of appointment are subject to early termination provisions.

Remuneration for Executive Directors is recommended by the Remuneration Committee and agreed by the Board as a whole. At the present time, none of the Executive Directors receive any pension payments or other benefits and nor do they participate in bonus or share option schemes.

Remuneration for Non executive Directors is set by the Board as a whole. Non executives do not receive any pension payments or other benefits and nor do they participate in bonus or share option schemes.

Director dealings in Shares of the Company

The Group has adopted a model code for Directors' dealings in securities of the Company which is appropriate for a company quoted on AIM. The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and also take all reasonable steps to ensure compliance by the Group's "applicable employees" as defined in the AIM Rules.

DIRECTORS' REPORT (CONTINUED)

Directors' Interests in Shares of the Company

The beneficial interests of the Directors in the issued share capital of the Company at 31 December 2017 are given below:

	Ordinary shares of £0.0001 each			
	31 December 2017		31 December 2016	
	Number	**Percent**	Number	Percent
Mark Warne	541,475	0.10%	96,472	0.02%
Michael Bretherton	4,033,824	0.73%	3,673,824	0.70%
David Cleevely	15,692,993	2.85%	–	–
Lee Cronin	54,618,853	9.92%	54,175,520	10.30%
Laurence Ede	444,444	0.08%	–	–
James Ede-Golightly	2,080,249	0.38%	2,080,249	0.40%

Profiles of the Directors

Mark Warne

Executive Chairman

Mark joined the board in September 2015. He is currently Head of Healthcare at IP Group plc. Mark has been with IP Group plc since 2008 developing and commercialising healthcare technology innovations primarily from research intensive universities. Mark currently represents IP Group plc on the boards of a number of its life science portfolio companies. He joined IP Group plc from pre-clinical drug discovery contract research organisation, Exelgen, where he was managing director. Mark spent eight years at Exelgen (formerly Tripos Discovery Research) where he also held positions in licensing and strategic affairs, project management and research. He has a PhD in Computational Chemistry, an MSc in Colloid Science and a BSc in Chemistry, all from the University of Bristol. Mark is a Chartered Chemist and member of the Royal Society of Chemistry.

Prof. Lee Cronin

Founding Scientific Non-Executive Director

Professor Cronin is the Regius Chair of Chemistry in the Department of Chemistry at the University of Glasgow. He was elected to the Fellowship of the Royal Society of Edinburgh, the Royal Society of Chemistry, and appointed to the Gardiner Chair in April 2009. He was awarded a Philip Leverhulme Prize by the Leverhulme Trust in 2007. He was awarded the Corday-Morgan medal of the Royal Society of Chemistry in 2012. Professor Cronin has a large active group at the University of Glasgow performing cutting-edge research into how complex chemical systems, created from non-biological building blocks, can have real-world applications with wide impact. Professor Cronin has published in excess of 300 peer-reviewed articles in a number of journals and has given over 280 invited presentations at conferences and universities worldwide.

Michael Bretherton

Finance Director

Michael joined the Board in June 2015. He is Chairman of Adams Plc and is also a director of Sarossa Plc and ORA Limited. In addition, Michael has been a non-executive director of six other AIM quoted companies during the last six years, including Nanoco Group plc, Tissue Regenix Group Plc and Ceres Power Holdings Plc. He has a degree in Economics from Leeds University and is a member of the Institute of Chartered Accountants in England and Wales. His early career included working as an accountant and manager with PriceWaterhouse for 7 years in London and the Middle East, followed by finance roles at the Plessey Company plc, Bridgend Group plc, Mapeley Limited and Lionhead Studios Limited.

James Ede-Golightly

Non-Executive Director

James joined the Board in July 2014. He is chairman of East Balkan Properties Plc and Quoram Plc and has extensive experience as a non-executive on the boards of AIM-quoted companies with international business interests. James was a founder of ORA Capital Partners in 2006, having previously worked as an analyst at Merrill Lynch Investment Managers and Commerzbank. He is a CFA Charterholder and holds an MA in economics from Cambridge University. In 2012 he was awarded New Chartered Director of the Year by the Institute of Directors.

David Cleevely

Non-Executive Director

David Cleevely is a serial entrepreneur having founded or co-founded several companies and organisations, notably including Abcam plc, Analysys Limited, 3 WayNetworks Limited, Cambridge Wireless Limited, Cambridge Angels and Controllis Limited. David is Chairman of the Raspberry Pi Foundation and is a member of the IET Communications Policy Panel. He was awarded a CBE for services to innovation and technology in 2013.

Laurence Ede

Non-Executive Director

Laurence Ede was the Managing Director and co-owner of Tocris Bioscience, a company producing chemical compounds for pharmaceutical research, when it was sold to Techne Corporation for £75M in 2011. Mr. Ede had previously led the Management Buyout of Tocris for £14M five years earlier and grew its value by focusing on developing the business to be an increasingly significant provider of products within the life science arena. Mr. Ede is currently a non-executive director of Ubiquigent Ltd, a drug discovery services company using research tools and chemistry to pursue ubiquitin system-focused drug discovery programmes. He has a BSc in Chemistry from Reading University and an MBA from the University of Bath.

Corporate governance

The Company is not required to and does not fully comply with the UK Corporate Governance Code. However the Directors recognise the importance of sound corporate governance and observe the principles of the UK Corporate Governance Code 2014, to the extent that they consider them appropriate for the nature and size of the Group.

The Board

The Board currently comprises a Chairman, a Founding Scientific Director, a Finance Director and three Non-executive Directors.

Audit committee

The Audit Committee's primary responsibilities are to monitor the integrity of the financial affairs and statements of the Company, to ensure that the financial performance of the Company and any subsidiary of the Company is properly measured and reported on, to review reports from the Company's auditors relating to the accounting and internal controls and to make recommendations relating to the appointment of the external auditors.

The Audit Committee comprises James Ede-Golightly, who acts as chairman, and Laurence Ede.

Remuneration committee

The Remuneration Committee's primary responsibilities are to review the performance of the executive directors of the Company and to determine the broad policy and framework for their remuneration and the terms and conditions of their service and that of senior management (including the remuneration of and grant of options to such persons under any share scheme adopted by the Company). The remuneration committee comprises Laurence Ede, who acts as chairman, Lee Cronin and James Ede-Golightly.

The remuneration of Non-executive Directors is set by the Board as a whole.

Internal Control

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, but not eliminate, risk and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

(i) Management accounts information, budgets, forecasts and business risk issues are regularly reviewed by the Board which meets at least four times per year;

(ii) The Company has operational, accounting and employment policies in place;

(iii) The Board actively evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and

(iv) There is a clearly defined organisational structure and well-established operational and financial reporting and control systems.

Going Concern

At 31 December 2017, the Group had £3.27m (2016: £4.79m) of cash available to it. The Directors have considered their obligation in relation to the assessment of the going concern of the Group and each statutory entity within it and have reviewed the current budget cash forecasts and assumptions as well as the main risk factors facing the Group.

After due enquiry, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Risk management

The Group's risk management objectives and exposure are detailed in the Strategic Report on pages 4 to 6 and in note 22 of the financial statements.

Employment policy

When applicable, the Directors are committed to continuing involvement and communication with employees on matters affecting both the employees and the Company.

The Group supports employment of disabled people wherever possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

Creditor payment policy

The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a standard code of conduct that deals specifically with the payment of suppliers.

At the end of the year outstanding invoices for the Group and Company represented 60 days purchases (2016: 36 days).

DIRECTORS' REPORT (CONTINUED)

Annual General Meeting

The next Annual General Meeting will take place on 16 May 2018 at 11.00 am in The Auditorium, The Walbrook Building, 25 Walbrook, London EC4N 8AH.

Voting rights

On a show of hands at a general meeting of the Company every holder of shares present in person and entitled to vote, and every proxy duly appointed by a member entitled to vote, has one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every share held. Further details regarding voting at the Annual General Meeting can be found in the Notice of Annual General Meeting at the back of this document. None of the shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's transfer agent not later than 48 hours (not counting non-working days) before the meeting.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and parent company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 the affairs of the Company and of the Group and of the profit or loss of the Group for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, 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 Group 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 the Directors to ensure that any financial statements comply with the requirements of the Companies Act 2006. They are also responsible, as a matter of general law, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the company's website (www.croningroupplc.com), and legislation in the UK governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

Independent Auditors

A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the Annual General Meeting.

Disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by order of the Board

Michael Bretherton
28 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRONIN GROUP PLC

Opinion

We have audited the financial statements of Cronin Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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 as applied to listed entities, 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter – valuation of goodwill, intangible asset platform and parent company's investments in subsidiaries

We draw attention to the disclosures made in note 14 to the group financial statements concerning the valuation of goodwill, the disclosures made in note 15 to the group financial statements concerning the valuation of the intangible technology asset platform arising on the acquisition of the new subsidiary and the disclosures made in note C2 to the parent company financial statements concerning the valuation of investments in subsidiaries. The valuation of £4.1 million goodwill, £0.7 million intangible asset platform and £5.6 million investments is dependent on future sales within the group, which are dependent on the timing of products, obtaining regulatory approval and being taken to market, including their successful commercialisation.

The ultimate outcome of these matters cannot presently be determined, and the financial statements do not reflect any provision that may be required if the £4.1 million goodwill, £0.7 million intangible asset platform and £5.6 million investments cannot be recovered in full. Our opinion is not modified in respect of these matters.

Key audit matters

In addition to the matters emphasised above which were also considered to be key audit matters, we have identified the following other key audit matters described below. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Going concern

Key audit matter description

Management and the Board have prepared a budget and cash flow forecast indicating that the group and parent company can operate as a going concern for at least 12 months from the date the financial statements are approved. However, these forecasts suggest that at the current cash burn rate, an additional fund raise will be required within 17 months of the date of approval of the financial statements. Cash flow projections are inherently judgemental and subject to fluctuation with expenditure requirements. As a result, the ability of the group and parent company to operate as a going concern for 12 months from the date of approval of the financial statements was a key area of audit focus.

Response to key audit matter

We discussed the detailed cash flow forecasts and budgets prepared by management in their model. The main procedures performed on the model and areas where we challenged management were as follows:

- testing the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes;
- verifying the consistency of forecasts used in the going concern assessment with those used for impairment calculations;
- testing the appropriateness of the assumptions that had the most material impact. In challenging these assumptions actual results, external data and market conditions were taken into account;
- performing sensitivity calculations to test the adequacy of the available headroom; and
- considering the appropriateness of the disclosures made in the financial statements in respect of going concern.

Business combinations – assessment of the fair value of the consideration paid in respect of the acquisition of OpenIOLabs Limited

Key audit matter description

The group completed the acquisition of 100% of the issued share capital of OpenIOLabs Limited for a maximum consideration of £0.7 million, of which £0.2 million has been calculated with reference to deferred shares which can be conditionally issued within 4 years of completion (the "deferred shares contingent consideration"). Management are required to apply judgement to determine the fair value of the consideration payable, in accordance with IFRS 3. Whilst the consideration paid through the issue of ordinary shares has been determined as being done at fair value because of the use of market available share price, the consideration paid in respect of the contingent shares to be issued has required the use of a binomial model to determine its fair value. The model requires the use of subjective assumptions and management's judgement (see Note 15 to the financial statements). This key audit matter is also relevant to the parent company investment balance and is disclosed in note C2.

Response to key audit matter

We tested management's accounting and associated valuation of the contingent consideration by performing the following work in conjunction with our valuation specialists:

- Comparing the consideration to the signed sale and purchase agreement and shares issued.
- Assessing management's calculation of the contingent consideration with reference to the model utilised, and assumptions used therein, including risk free and volatility rates.
- Considering the assumptions used within the valuation model by including sensitivity analysis and determining the impact of different outcomes.

Business combinations – assessment of the recognition of other identifiable assets in respect of the acquisition of OpenIOLabs Limited

Key audit matter description

In accordance with IFRS 3, as of the acquisition date, the acquirer shall recognise, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Recognition of identifiable assets acquired and liabilities assumed is subject to certain conditions being met. In respect of the acquisition of OpenIOLabs Limited, management determined that the full consideration paid net of the value of the assets and liabilities of the subsidiary at the acquisition date, was recognised as the intangible asset platform (see Note 15 to the financial statements).

Response to key audit matter

We assessed management's conclusion to recognise only the intangible asset platform following the acquisition OpenIOLabs Limited by performing the following work in conjunction with our valuation specialists:

- Holding discussions with management around the reasons for the acquisition of the subsidiary and challenging the conclusions reached with reference to our knowledge of the business acquired.
- Making inquiries of management as to what the future plans for the new subsidiary are and determining the impact of these plans on the potential other intangible assets arising from the acquisition.
- Considering based on our knowledge of the industry and the business acquired, whether management had identified all potential intangible assets.

Materiality

The materiality for the group financial statements as a whole was set at £405,000. This has been determined with reference to the benchmark of the group's net assets, which we consider to be an appropriate measure for a group of companies with significant value in investments and research and development activities which are fundamental to the future trading of the group. Materiality represents 5% of net assets as presented on the face of the Consolidated Statement of Financial Position.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £20,300 (1.3% of group loss before taxation), in addition to other identified misstatements that warrant reporting on qualitative grounds.

The Consolidated Statement of Comprehensive Income is underpinned by the activity of the two main subsidiaries, Cronin 3D Limited and OpenIOLabs Limited. The key risks in these companies are considered to centre on the research and development activities they perform and accordingly, materiality for them has been determined in relation to threshold of reporting to the Audit Committee (being set at £20,300). Thus, a lower level of trading materiality has been factored into our overall conclusions on the consolidated statement of comprehensive income.

The materiality for the parent company financial statements as a whole was set at £324,000. This has been determined with reference to group materiality.

An overview of the scope of our audit

We subjected all of the Group's reporting components to audits for group reporting purposes.

Other information

The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Opinion 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 the parent company and their 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 where 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.

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 the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRONIN GROUP PLC (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Carl Deane
Senior Statutory Auditor, for and on behalf of

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date 28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**Year to 31 December 2017 £'000**	Year to 31 December 2016 £'000
Continuing operations			
Revenue		–	–
Research and development costs		**(1,224)**	(640)
Share based payments		**(1)**	–
Administrative costs		**(356)**	(176)
Operating loss	11	**(1,581)**	(816)
Finance income	9	**22**	27
Loss before tax		**(1,559)**	(789)
Income tax credit	10	**137**	75
Loss from continuing operations		**(1,422)**	(714)
Discontinued operations			
Loss from discontinued operations	15	**(42)**	–
Loss and total comprehensive loss for the year		**(1,464)**	(714)
Loss and total comprehensive loss for the year attributable to:			
The Company's equity shareholders		**(1,464)**	(714)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share (pence) on continuing operations	20	**(0.27)**	(0.14)
Basic and diluted loss per share (pence) on total operations	20	**(0.28)**	(0.14)

The notes on pages 19 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	At 31 December 2017 £'000	At 31 December 2016 £'000
Assets			
Non-current assets			
Intangible assets and goodwill	14,15	**4,958**	4,216
Investments		**3**	3
Plant and equipment	13	**31**	15
		4,992	4,234
Current assets			
Inventories		**10**	–
Trade and other receivables	16	**127**	30
Cash and cash equivalents	17	**3,265**	4,789
		3,402	4,819
Liabilities			
Current liabilities			
Trade and other payables	18	**(281)**	(137)
Net current assets		**3,121**	4,682
Net assets		**8,113**	8,916
Equity and liabilities			
Shareholder's equity			
Called up share capital	19	**55**	53
Share premium	21	**3,287**	3,287
Merger reserve	21	**5,334**	4,880
Shares to be issued reserve	21	**204**	–
Share based payments reserve	23	**1**	–
Retained (deficit) / earnings		**(768)**	696
Total equity attributable to shareholders of the Company		**8,113**	8,916

The financial statements were approved by the Board of Directors on 28 March 2018 and were signed on its behalf by:

Michael Bretherton
Director

Company Number: 05845469

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share equity £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Share based payment reserve £'000	Shares to be issued reserve £'000	Total equity £'000
Balance at 31 December 2015	53	3,287	4,880	1,410	–	–	9,630
Total comprehensive loss for the year to 31 December 2016	–	–	–	(714)	–	–	(714)
Balance at 31 December 2016	53	3,287	4,880	696	–	–	8,916
Total comprehensive loss for the year to 31 December 2017	–	–	–	(1,464)	–	–	(1,464)
Transactions with owners:							
Shares issued and issuable on acquisition of subsidiary	2	–	454	–	–	204	660
Share based payment charge	–	–	–	–	1	–	1
Balance at 31 December 2017	**55**	**3,287**	**5,334**	**(768)**	**1**	**204**	**8,113**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	**Year to 31 December 2017 £'000**	Year to 31 December 2016 £'000
Cash flows from operating activities			
Operating loss from continuing operations		**(1,581)**	(816)
Loss from discontinued operations	15	**(42)**	–
Depreciation and amortisation charges		**14**	6
Share based payments charge		**1**	–
Operating cash outflows before movement in working capital		**(1,608)**	(810)
Increase in inventories		**(1)**	–
(Increase)/decrease in trade and other receivables		**(80)**	5
Increase in trade and other payables		**27**	84
Cash used in operations		**(1,660)**	(721)
Interest received		**22**	27
Taxation received		**137**	75
Net cash used in operating activities		**(1,503)**	(619)
Cash flows from investing activities			
Purchases of property, plant and equipment	13	**(24)**	(16)
Cash and bank in subsidiary at acquisition	15	**3**	–
Net cash used in investing activities		**(21)**	(16)
Net decrease in cash and cash equivalents		**(1,524)**	(635)
Cash and cash equivalents at beginning of year		**4,789**	5,424
Cash and cash equivalents at end of year		**3,265**	4,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Corporate information

Cronin Group plc ("the Company") is a public limited company incorporated, registered and domiciled in England and Wales and its shares are publicly traded on AIM, a market operated by the London Stock Exchange. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") for the year ended 31 December 2017.

2. Basis of preparation

These consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and all values have been rounded to the nearest thousand, except where otherwise indicated. The functional currency of the Group is Sterling.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements are disclosed in note 6.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations, none of which resulted in any impact on the accounting policies, financial position or performance of the Group.

3. Basis of consolidation

The Consolidated Financial Statements incorporate the results of the Company and its subsidiaries. Control is achieved where the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

4. Going concern

Information on the business environment and the factors underpinning the Group's future prospects and product portfolio are included in the Chairman's Statement, Strategic Report and the Directors' Report. The Directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future, based on the current cash resources available. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

5. Summary of significant accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when the significant rights and rewards of ownership of the goods have passed to the buyer, normally on despatch of the goods.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Sales tax

Revenues, expenses and assets and liabilities are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or goods or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Research and development

Research costs are charged against income as they are incurred. Certain development costs are capitalised as intangible assets, when it is probable that future economic benefits will flow to the Group. Such intangible assets are amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit, and are reviewed for impairment at each balance sheet date. Other development costs are charged against income as incurred since the criteria for their recognition as an asset are not met.

The criteria for recognising development expenditure as an asset are:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among many other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- That the Group has available to it adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- That the Group can reliably measure the expenditure attributable to the intangible asset during its development.

No development costs have been capitalised as intangible assets to date.

Patents and licenses

Patent costs and licensing rights are amortised over their estimated useful economic life of 20 years. Amortisation is included within administrative expenses.

Plant and equipment

Plant and equipment are stated at cost, net of depreciation and any provision for any impairment. Depreciation is calculated to write off the cost of all plant and equipment to estimated residual value on a straight-line basis over their expected useful lives as follows:

- Plant and machinery 4 years
- Fixtures and fittings 4 years
- Computer and IT equipment 3 years

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. An impairment loss is recognised as an expense immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess of fair value of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities at the date of acquisition. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. Any impairment is charged to the consolidated statement of comprehensive income.

Investments

Investments in subsidiaries are stated at cost less any impairment in value. Any impairment is charged to the Company income statement.

Other Investment assets are accounted for as available-for-sale investments. Gains or losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised directly in equity, is included in the profit or loss for the period.

Financial assets and liabilities

- Trade and other receivables. Trade and other receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment.
- Trade and other payables. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.
- Cash and cash equivalents. Cash and cash equivalents comprise cash at hand, bank balances and short-term deposits of less than three months. The Group's funds are held for the purpose of funding the future growth of the business. Deposits are placed with banks and financial institutions with a sound credit rating, and such investments are regularly reviewed by the Board.

Leases

Leases in which a significant portion of the risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment share option transactions, whereby employees rendered services as consideration for equity instruments (equity-settled transactions).

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee.

Share options are valued at the date of grant using the Black-Scholes Merton model and are charged to operating profit over the overall vesting period of the award with a corresponding credit to the share-based payment reserve.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate, share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

New Standards and interpretations

(a) New and amended Standards and Interpretations adopted by the Group

There were a number of Amendments to Standards adopted in the current year, but none of these had a material impact on the Group in the current period.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2017

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9 "Financial instruments" will be effective for the year ending December 2018 onwards, the main impact being the impairment assessment methodology used to value trade receivables. This is not expected to have a significant impact in the financial statements.

IFRS 15 "Revenue from contracts with customers" will be effective for the year ending December 2018 onwards. The transition from IAS 18 to IFRS 15 is not expected to have a significant impact on the financial statements.

IFRS 16 "Leases" will be effective for the year ending December 2019 onwards and the impact on the financial statements is not expected to be significant.

6. Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of tangible and intangible assets

The Group tests tangible and intangible assets with definite lives for impairment if and when indicators of impairment arise. Where such an indication exists the Group estimates the value in use of the assets based on the net present value of future cash flows.

The directors have considered whether there are any indicators of impairment to the goodwill figure of £4,123,000 which arose on the acquisition of Cronin 3D in 2015 and concluded that no impairment charge is required.

The directors have also considered whether there are any indicators of impairment to the goodwill figure of £723,000 attributed in full to the intangible technology asset platform developed by OpenIOLabs and which arose on the acquisition that company in 2017. That one point of control technology asset platform is being used by the Cronin 3D to advance its digitalization of chemistry strategy by capturing information during chemical reactions from sensors not developed by Cronin. The directors have concluded that no impairment charge is required.

The directors acknowledge, however, that whilst Cronin 3D is still at an early stage of development, there is considerable uncertainty regarding the valuation of the above goodwill of £4,123,000 and the further £723,000 attributed to the intangible technology asset platform being used by the Cronin 3D, based on any estimate of the net present value of Cronin 3D's future cash flows.

Valuation of consideration and resultant goodwill arising on business combination

The Company completed the acquisition of 100% of the issued share capital of OpenIOLabs in November 2017 for a consideration which included 22 million ordinary shares that may be conditionally issued within 4 years of completion (the "Deferred Share Contingent Consideration") if (a) at any time before the fourth anniversary of Completion, (i) the middle market quotation for the Company's ordinary shares on AIM is at a price equal to or above 5 pence for a continuous period of 60 business days; or (ii) the whole of the ordinary share capital of the Company is acquired on arm's length terms by a third party purchaser (who is not a connected party to Cronin Group or any of its shareholders) at a price equal to or above 5 pence per share; and (b) provided that David Cleevely has not voluntarily resigned from or has not otherwise decided to leave the board of Cronin Group within 24 months of the 8 November 2017 acquisition date.

The fair value of the Deferred Share Contingent Consideration has been determined as £204,000 and is based on the acquisition date fair value of the shares of 1.825 pence and incorporates the probability, estimated as 50.76 % using a Cox-Ross-Rubeinstein binomial option pricing model, that Cronin's share price will have exceeded 5 pence within 4 years. The principal input assumptions used in the model are (i) underlying share price of 1.825 pence and strike price of nil pence (ii) share price volatility rate of 68%; (iii) risk free interest rate of 2%; (iv) dividend yield nil; and (v) duration period 4 years. It has been assumed that David Cleevely does not voluntarily leave the board with 2 years.

The directors acknowledge, however, that the input assumptions necessary for the above valuation model may be different to the actual outcomes.

7. Segmental Reporting

The Board has determined that there is only one reportable operating segment, being that of the digitization of chemical space and of innovative chemical discovery, and as such management information is reviewed at a group level on that basis.

Within the core digitization of chemistry segment, individual projects do not meet the definition of segments, and as such the revenues and costs of individual projects are not formally separated. In addition, due to the research and development nature of the business, many projects are transitory, depending on success, and thus no meaningful data can be provided through such analysis.

All non-current assets are held in the UK.

8. Employee Benefit Expense

	2017 £'000	2016 £'000
Salaries and fees	**611**	217
Social security costs	**60**	17
Pension costs	**9**	–
Share based payments (note 23)	**1**	–
	681	234

The average monthly number of employees of the Group was:

	2017 No.	2016 No.
Directors	**5**	4
Technical, scientific and administrative staff	**12**	4
	17	8

Directors' emoluments

The following disclosures are in respect of the emoluments paid to the Directors of the Company:

	2017 £'000	2016 £'000
Salaries and fees	**74**	48
Social security costs	**2**	2
Key management personnel remuneration	**76**	50

9. Finance Income

	2017 £'000	2016 £'000
Bank interest receivable	**22**	27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

10. Income Tax Credit

a) Tax credited in the consolidated statement of comprehensive income

	2017 £'000	2016 £'000
UK corporation tax credit	**137**	75

b) Current tax

The current tax credit in the consolidated statement of comprehensive income for the year is detailed below. Current tax credit is lower than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017 £'000	2016 £'000
Loss before tax	**(1,601)**	(789)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.25% (2016: 20%)	**(308)**	(158)
Effects of:		
Expenses not deductible for tax	**14**	–
R&D tax credits received in respect of prior periods	**(137)**	(75)
Deferred tax not recognised on losses carried forward	**294**	158
Total tax credit	**(137)**	(75)

The losses available for carry forward at 31 December 2017 comprise those of the Company and its two subsidiaries, Cronin 3D and OpenIOLabs and amount to £7,726,000 at 31 December 2017, (2016: £4,038,000). No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

c) Deferred Tax

	2017 £'000	2016 £'000
Tax losses carried forward	**1,313**	686
Deferred tax assets (unrecognised)	**1,313**	686

d) Change in Corporation Tax rate

The Finance Act 2016, which received Royal Assent on 15 September 2016, includes legislation to reduce the main rate of corporation tax to 17% from 1 April 2020. Accordingly, unrecognised deferred tax assets and liabilities have been calculated at the tax rate of 17% (2016: 17%).

11. Operating Costs

Operations	2017 £'000	2016 £'000
Employee benefit expense (see note 8)	**681**	234
Depreciation of property, plant and equipment	**9**	1
Amortisation of intangible assets – patents and licences	**5**	5
Other costs	**886**	576
	1,581	816

12. Auditors' Remuneration

During the year the Company obtained the following services from the Company's auditors.

Continuing operations	2017 £'000	2016 £'000
Fees payable to the Company's auditors:		
– The audit of the Company and consolidated accounts	**20**	13
– The audit of the Company's subsidiaries	**10**	5

13. Plant and Equipment

	Notes	Plant & machinery £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 31 December 2015		–	–	–	–
Additions		8	2	6	16
At 31 December 2016		8	2	6	16
Additions		2	–	22	24
Acquisition of subsidiary	15	–	–	1	1
At 31 December 2017		**10**	**2**	**29**	**41**
Depreciation					
At 31 December 2015		–	–	–	–
Charge for year		–	–	1	1
At 31 December 2016		–	–	1	1
Charge for year		3	–	6	9
At 31 December 2017		**3**	**–**	**7**	**10**
Net Book Value					
At 31 December 2016		8	2	5	15
At 31 December 2017		**7**	**2**	**22**	**31**

14. Intangible Assets – Goodwill and Patents & Licences

	Notes	Patents & Licences £'000	Goodwill £'000	Total £'000
Cost				
At 31 December 2015		98	4,123	4,221
Additions		–	–	–
At 31 December 2016		98	4,123	4,221
Acquisition of subsidiary	15	747	–	747
At 31 December 2017		**845**	**4,123**	**4,968**
Amortisation and Impairment				
At 31 December 2015		–	–	–
Amortisation for year		5	–	5
At 31 December 2016		5	–	5
Amortisation for year		5	–	5
At 31 December 2017		**10**	**–**	**10**
Net Book Value				
At 31 December 2016		93	4,123	4,221
At 31 December 2017		**835**	**4,123**	**4,958**

The only licence assets held at 31 December 2017 are that of a technology licence agreement with the University of Glasgow, which is being amortised over a 20 year useful economic life, together with licences relating to a one-point-of-control technology asset platform developed by OpenIOLabs, (see note 15 for more details), which are also being amortised over a 20 year useful economic life.

The Group tests goodwill and intangible technology assets allocated to cash generating units annually by comparing the recoverable amount of the unit with the carrying amount of the unit. The recoverable amount is determined based on estimated value in use calculated using a discounted cash flow model which is dependent on the timing and amount of forecast sales and when relevant regulatory approvals are achieved. Where practical, forecasts are prepared over the expected life cycle of the Group's proposed products and which are longer than five years due to the long term nature of the development cycle. Forecasts are prepared based on management's current project plans for the next five years and expectations for the subsequent five years thereafter and owing to the early stage development of the project, the forecasts are not based on past experience. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model (a discount rate of 12% has been used) as well as the expected future cash flows and the multiple of year ten cash flows used in determining the estimated terminal value at that date (a multiple of 10 has been used).

The directors acknowledge that whilst both Cronin 3D and OpenIOLabs are still at an early stage of development, there is material uncertainty regarding the valuation of this goodwill based on any estimate of the net present value of the subsidiary entities future cash flows. This material uncertainty arises because of the unpredictability of the timing and amount of any revenue cash flow receipts or the full cost base cash outflows required to generate such revenues.

The directors will continue to review the progress of the subsidiary entities in following the Group roadmap to the digitization of chemistry and the pursuit of opportunities to commercialise its platform technology. In the event that any impairment to this goodwill is in fact required in the future, this would result in a non cash impairment charge through the consolidated statement of comprehensive income and with a corresponding reduction to intangible assets and goodwill in the statement of financial position.

15. Purchase of Subsidiary Undertaking

Acquisition of OpenIOLabs Limited ("OpenIOLabs")

On the 8 November 2017, the Company completed the acquisition of 100% of the issued share capital of OpenIOLabs for a maximum consideration of 47 million of the Company's ordinary shares, of which 25 million ordinary shares were issued on completion at 1.825 pence share for a value of £456,000. The balance of 22 million ordinary shares may be conditionally issued within 4 years of completion (the "Deferred Share Contingent Consideration") if (a) at any time before the fourth anniversary of Completion, (i) the middle market quotation for the Company's ordinary shares on AIM is at a price equal to or above 5 pence for a continuous period of 60 business days; or (ii) the whole of the ordinary share capital of the Company is acquired on arm's length terms by a third party purchaser (who is not a connected party to Cronin Group or any of its shareholders) at a price equal to or above 5 pence per share; and (b) provided that David Cleevely has not voluntarily resigned from or has not otherwise decided to leave the board of Cronin Group within 24 months of the 8 November 2017 acquisition date.

The 1.825 pence price of the Company's ordinary shares on the 8 November 2017 used to calculate the acquisition value reflects an AIM quoted market opening mid price of 1.82 pence and closing mid price of 1.83 pence on that day.

The fair value of the Deferred Share Contingent Consideration has been determined as £204,000 and is based on the acquisition date fair value of the shares of 1.825 pence and incorporates the probability, estimated as 50.76% using a Cox-Ross-Rubinstein binomial option pricing model, that Cronin's share price will have exceeded 5 pence within 4 years. The principal input assumptions used in the model are; (i) underlying share price at 1.825 pence and strike price at nil pence; (ii) share price volatility rate of 68%; (iii) risk free interest rate of 2%; (iv) dividend yield nil; and (v) duration period 4 years. It has been assumed that David Cleevely does not voluntarily leave the board with 2 years.

The acquisition OpenIOLabs has been accounted for by the purchase method of accounting as summarised below:

Net assets/(liabilities) acquired (100%):	**£'000**
Intangible technology patents	*25
Fixed assets	1
Stock	9
Debtors	17
Cash	3
Other liabilities	(117)
Net liabilities acquired	(62)
Goodwill attributed to intangible technology asset platform	*722
Fair value of consideration transferred	660
Satisfied by:	
Ordinary shares issued on completion	456
Deferred share contingent consideration	204
Total consideration	**660**

* Total intangible technology assets on acquisition were £747,000

The above values of net assets and liabilities on acquisition of the subsidiary comprise book value carrying amounts which the Directors estimated to be the same as their fair value amount. Goodwill arising on the acquisition of OpenIOLabs has been attributed in full to the intangible technology asset platform that the company developed to bridge the language and compatibility gap between various hardware and software, bringing different systems together to create one point of control. That one point of control system is being used by the Cronin Group to advance its digitalization of chemistry strategy by capturing information during chemical reactions from sensors not developed by Cronin.

No allowance has been made to recognise a potential deferred tax liability on the goodwill uplift attributed to the intangible technology asset platform because OpenIOLabs has taxation losses carried forward of in excess of the goodwill uplift.

Other acquisition related professional fee costs of £67,000 incurred by the Company have been charged to professional fees within administrative costs in the consolidated statement of comprehensive income.

The acquisition of OpenIOLabs was made to complement the strategic digitization of chemistry operations of the Group by securing the one point of control system referred to above. However, the principal business of OpenIOLabs is an activity segment involved in the Scanning Ion Conductance Microscope ("SICM") business which will not form part of the continuing operations of the Cronin Group and the post acquisition losses attributable to this business have, therefore, been treated as a discontinued operation. For the period between the date of acquisition and 31 December 2017, OpenIOLabs and its SICM business had revenues of £60,000 and contributed an overall loss before tax of £42,000. If this acquisition had been consolidated for the full period from 1 January 2017, the revenue contributed by OpenIOLabs in 2017 would have been £144,000 and the loss before tax contributed by OpenIOLabs in 2017 would have been £595,000.

16. Trade and other Receivables

	2017 £'000	2016 £'000
Current:		
Other receivables	**68**	21
Prepayments	**59**	9
	127	30

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. There was no provision for impairment at 31 December 2017 or 31 December 2016 and all trade receivables are not past due.

17. Cash and Cash Equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	**3,265**	4,789

18. Trade and other Payables

	2017 £'000	2016 £'000
Current:		
Trade payables	**163**	57
Social security and other taxes	**21**	11
Accrued expenses and other creditors	**97**	69
	281	137

The Directors consider that the carrying amounts of trade and other payables approximates to their fair values.

19. Called-up Share Capital

Allotted, issued and fully paid ordinary shares of £0.0001:	**No. of Shares**	**£'000**
At 31 December 2014	197,740,641	1,977
Subdivision of shares and capital reduction	–	(1,957)
Issue of consideration shares on acquisition of Cronin 3D Limited	195,999,292	20
Issue of placing shares	132,000,000	13
At 31 December 2015 and 31 December 2016	525,739,933	53
Issue of consideration shares on acquisition of OpenIOLabs Limited	25,000,000	22
At 31 December 2017	**550,739,933**	**55**

Completion of the acquisition of OpenIOLabs was executed by issuance of 25,000,000 Initial Consideration Shares at 1.825 pence per share for a value of £456,000 which took place on 8 November 2017 (see note 15).

20. Loss per share

Basic loss per share is based on the loss after tax for the year and the weighted average number of ordinary shares of £0.0001 each in issue during the year. Diluted loss per share is calculated by adjusting the average number of ordinary shares in issue during the period to assume conversion of all dilutive potential ordinary shares. The Company had a total of 23,936,667 potentially issuable dilutive ordinary shares in existence at the 31 December 2017 period end, (2016: nil), comprised of 1,936,667 share options (see note 23) and 22,000,000 deferred consideration shares issued in relation to the acquisition of OpenIOLabs Limited (see note 15). The 23,936,667 potentially issuable dilutive shares have not been included in the calculations below due to their potential issuance having an effect to reduce loss per share attributable to equity holders.

	2017	2016
Continuing operations		
Loss attributable to equity holders of the Group (£'000)	**(1,422)**	(714)
Weighted average number of shares in issue	**529,370,079**	525,739,933
Basic and diluted loss per share (pence)	**(0.27)**	(0.14)
Total operations		
Loss attributable to equity holders of the Group (£'000)	**(1,464)**	(714)
Weighted average number of dilutive shares in issue	**529,370,079**	525,739,933
Basic and diluted loss per share (pence)	**(0.28)**	(0.14)

21. Reserves

Details of the movements in reserves are given in the Statement of Changes in Equity. A description of each reserve is set out below.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium.

Merger Reserve

The merger reserve arose on the acquisition of Cronin 3D Limited under section 602 of the Companies Act 2006 as shares with a nominal value of £0.02m were issued for a total of £4.9m as consideration. The reserve was further increased in November 2017 upon the acquisition of OpenIOLabs as shares with a nominal value of £0.02m were issued for a total of £0.4m as consideration.

Share based payment reserve

The share based payment reserve relates to the Group Share Option Scheme. Additional details are disclosed in note 23 to the financial statements.

Shares to be issued reserve

The Shares to be issued reserve arose on the acquisition of OpenIOLabs and has been used to record the fair value of the 22 million potentially issuable deferred consideration shares in connection with that acquisition, see note 15 for more details.

22. Financial Risk Management

Objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies, as laid out in the Strategic Report. The following information lays out the exposure the Group has to financial instruments.

Capital risk management

The Group's capital is comprised of issued ordinary shares of £0.0001 per share and reserves. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders. This is achieved through careful investment of surplus cash balances and tight budgetary control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2017

Significant accounting policies

Details of significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 5 to the financial statements.

Categories of financial instrument

	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Financial assets at fair value through profit and loss £'000	Total £'000
At 31 December 2016				
Investments	–	–	3	3
Trade and other receivables	21	–	–	21
Cash and cash equivalents	4,789	–	–	4,789
Trade and other payables	–	(137)	–	(137)
Net Total	**4,810**	**(137)**	**3**	**4,676**
At 31 December 2017				
Investments	–	–	3	3
Trade and other receivables	68	–	–	68
Cash and cash equivalents	3,265	–	–	3,265
Trade and other payables	–	(281)	–	(281)
Net Total	**3,333**	**(281)**	**3**	**3,055**

All financial liabilities for both the Group and the Company are payable on demand. The amounts reflected above represent the Group's maximum exposure to credit risk for such loans and receivables. There were no out of term financial assets or liabilities. Currently the Group does not undertake any material transactions denominated in foreign currencies.

Liquidity risk

The Group does not consider that it carries any significant liquidity risk at the present time.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. For banks and financial institutions only independently rated parties with sound credit ratings are used. For credit exposures to customers the Group assesses the likelihood of payment from various factors including external credit ratings, financial records and other relevant factors.

Interest Rate Sensitivity

The interest rate sensitivity of the consolidated loss for the year and equity to a reasonably possible change in interest rates of 1% with effect from the beginning of the year is illustrated below. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's cash and cash equivalents held at the balance sheet date. All other variables are held constant. Note that the impact of a fall in rates for 2017 is limited to the amount of interest earnt during the year.

	Year to 31 December2017		Year to 31 December 2016	
	+1%	**-1%**	+1%	-1%
Interest Rate Sensitivity	**£'000**	**£'000**	£'000	£'000
Loss for year	**40**	**(22)**	51	(27)
Equity	**40**	**(22)**	51	(27)

23. Share-based payments

The company operates a share option scheme for the benefit of employees and share options are granted to all employees. The exercise price of the options is equal to the market price of the shares on the date of grant. All options are equity settled and vest over a period of up to 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. The options are accounted for as equity settled share based payment transactions.

On 1 December 2017, the Board granted an initial award of options to employees over 1,936,667 ordinary shares at an exercise price of 2.13 pence (being the closing price on 30 November 2017, the business day preceding the date of grant).

Of those 1,936,667 share options granted, 677,871 vested on the date of grant. The balance vest in one monthly instalments until either three years from the date of grant or in the case of certain longer serving employees, from the earlier date of three years from the end of each of the employees' respective historic probation periods.

At 31 December 2017, there were 1,936,667 share options in issue at a weighted average exercise price ("WAEP") of 2.13 pence as illustrated in the following table of movements in share options during the year:

	2017	
	Number	**WAEP pence**
Outstanding at 1 January	–	–
Granted during the year	**1,936,667**	**2.13**
Exercised during the year	–	–
Outstanding at 31 December	**1,936,667**	**2.13**

Of the 1,936,667 share options outstanding, 677,870 are exercisable as at 31 December 2017 (2016: £Nil).

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted and expected payment of the dividends by the Company.

The following table lists the inputs to the model used for the year ended 31 December 2017:

	2017
Expected share price volatility	**68.0%**
Risk free interest rate	**2.0%**
Dividend yield	**0.0%**
Weighted average exercise price (pence)	**2.13**
Weighted average share price at date of grant (pence)	**2.13**

The expected life of the options up to the point of exercise allows for options that vest to be exercised annually on each subsequent 12 month anniversary from the date of grant. The expected life of the options is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

An expected employee leaver rate per annum of 4.8% was also incorporated into the estimate of the number of options expected to vest. No other features of options granted were incorporated into the measurement of fair value.

The fair value of equity-settled share options granted are recognised as an expense in the statement of comprehensive income over the assumed period to exercise of the award, with a corresponding credit to the share based payment reserve. The expense so recognised in the year ended 31 December 2017 amounted to £1,000 and reflects a charge for only 1 month post the date of grant on1 December 2017.

24. Related Parties and Directors' Transactions

Group

The Cronin Group has paid companies that are part of IP Group, a significant shareholder, £2,350 in respect of the provision of administrative services. (2016: £9,000). There were no amounts outstanding at the end of the year (2016: £nil).

Key employees

At the year end the Board did not consider any employees to be key management to the Group other than the Directors. The remuneration of the directors is disclosed in the Directors' Report on page 7.

25. Ultimate Controlling Party

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

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	At 31 December 2017 £'000	At 31 December 2016 £'000
Assets			
Non-current assets			
Investments	C2	**5,563**	4,903
		5,563	4,903
Current assets			
Trade and other receivables	C3	**1,501**	124
Cash and cash equivalents		**3,135**	4,685
		4,636	4,809
Liabilities			
Current liabilities			
Trade and other payables	C4	**(60)**	(47)
Net current assets		**4,576**	4,762
Net assets		**10,139**	9,665
Equity and liabilities			
Shareholder's equity			
Called up share capital	19	**55**	53
Share premium	22	**3,287**	3,287
Merger reserve	22	**5,334**	4,880
Shares to be issued reserve	22	**204**	–
Share based payments reserve	23	**1**	–
Retained earnings		**1,258**	1,445
Total equity attributable to shareholders of the Company		**10,139**	9,665

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The parent Company's loss for the year to 31 December 2017 was £187,000 (2016: £95,000).

The financial statements were approved by the Board of Directors on 28 March 2018 and were signed on its behalf by:

Michael Bretherton
Director

Company Number: 05845469

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share equity £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Shares to be issued reserve £'000	Share based payment reserve £'000	Total equity £'000
Balance at 31 December 2015	53	3,287	4,880	1,540	–	–	9,760
Total comprehensive loss for the year to 31 December 2016	–	–	–	(95)	–	–	(95)
Balance at 31 December 2016	53	3,287	4,880	1,445	–	–	9,665
Total comprehensive loss for the year to 31 December 2017	–	–	–	(187)	–	–	(187)
Transactions with owners:							
Share based payment charge	–	–	–	–	–	1	1
Shares issued on acquisition of OpenIOLabs Limited	2	–	454	–	204	–	660
Balance at 31 December 2017	**55**	**3,287**	**5,334**	**1,258**	**204**	**1**	**10,139**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Loss before tax		**(187)**	(95)
Share based payment charge		**1**	–
Finance Income		**(22)**	(27)
Operating cash outflows before movements in working capital		**(208)**	(122)
Increase in trade and other receivables		**(1,377)**	(86)
(Decrease)/increase in trade and other payables		**13**	(2)
Cash used in operations		**(1,572)**	(210)
Interest received		**22**	27
Net cash used in operating activities		**(1,550)**	(183)
(Decrease)/increase in cash and cash equivalents		**(1,550)**	(183)
Cash and cash equivalents at beginning of year		**4,685**	4,868
Cash and cash equivalents at end of year		**3,135**	4,685

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2017

C1 Basis of preparation

The Company separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and all values have been rounded to the nearest thousand, except where otherwise indicated. The Company's functional currency is Sterling.

The principal accounting policies adopted are the same as for those set out in the Group financial statements.

Investments in subsidiaries

Investments in subsidiaries are stated in the Company statement of financial position at cost less provision for any impairment. Any impairment is charged to the Company income statement.

C2 Investments

	Notes	**Shares in subsidiary undertakings £'000**	**Other Investments £'000**	**Total £'000**
Cost				
At 31 December 2015		4,900	3	4,903
Additions/disposals		–	–	–
At 31 December 2016		4,900	3	4,903
Additions	15	660	–	–
At 31 December 2017		**5,560**	**3**	**4,903**
Impairment				
At 31 December 2015		–	–	–
Impairment		–	–	–
At 31 December 2016		–	–	–
Impairment		–	–	–
At 31 December 2017		–	**–**	**–**
Net book value				
At 31 December 2016		4,900	3	4,903
At 31 December 2017		**5,560**	**3**	**5,563**

The directors have considered whether there are any indicators of impairment to the Shares in Subsidiary Undertakings investment figure of £5,560,000 and concluded that no impairment charge is required.

The directors acknowledge, however, that whilst the operations of the subsidiary entities are still at an early stage of development, there is considerable uncertainty regarding the valuation of this investment balance based on any estimate of the net present value of the subsidiaries future cash flows. See note 15 to the Group financial statements for further details.

As at 31 December 2017, details of the Company's subsidiaries are as follows:

Name of Company	**Holding**	**% of shares held**	**Nature of business**
Cronin 3D Limited (incorporated in Scotland)	Ordinary	100	Digitization of chemical space and chemical discovery
OpenIOLabs Limited (incorporated in England & Wales)	Ordinary	100	Open source one point of control systems

C3 Trade and Other Receivables

	2017 £'000	2016 £'000
Current:		
Intercompany receivables	**1,464**	100
Other receivables	**16**	2
Prepayments	**21**	22
	1,501	124

C4 Trade and Other Payables

	2017 £'000	2016 £'000
Current:		
Trade payables	**18**	13
Social security and other taxes	**1**	1
Accrued expenses	**41**	33
	60	47

The Directors consider that the carrying amounts of trade and other payables approximates to their fair values.

C5 Share Capital

The movement in share capital for the Company is detailed in note 19 to the Group financial statements.

C6 Other Reserves

The movement on all other company reserves is detailed in the statement of changes in equity.

C7 Related Party Transactions

Details of the related party transactions and balances are included in note 24 to the Group financial statements.

C8. Financial Risk and Capital Management

Financial risk and capital management is managed at a Group level, which is considered appropriate given the similar nature of both the Group and Company statements of financial position. Please refer to note 22 to the Group financial statements.

Categories of financial instrument

	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Financial assets at fair value through profit and loss £'000	Total £'000
At 31 December 2016				
Investments	–	–	3	3
Trade and other receivables	102	–	–	102
Cash and cash equivalents	4,685	–	–	4,685
Trade and other payables	–	(47)	–	(47)
Net Total	4,787	(47)	3	4,743
At 31 December 2017				
Investments	–	–	3	3
Trade and other receivables	1,480	–	–	1,480
Cash and cash equivalents	3,135	–	–	3,135
Trade and other payables	–	(60)	–	(60)
Net Total	**4,615**	**(60)**	**3**	**4,558**

All financial liabilities for the Company are payable on demand. The amounts reflected above represent the Company's maximum exposure to credit risk for such loans and receivables. There were no out of term financial assets or liabilities. Currently the Company does not undertake any material transactions denominated in foreign currencies.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("Meeting") of Cronin Group Plc (the "Company") will be held in The Auditorium, The Walbrook Building, 25 Walbrook, London EC4N 8AH. on the 16 May 2018 at 11:00 a.m. for the following purposes:

ORDINARY BUSINESS

1 Report and accounts

To receive and consider the Directors' Report, the audited consolidated Financial Statements and Independent Auditors' Report for the year ended 31 December 2017.

2 Re-appointment of a director

To consider and, if thought fit, to approve the re-appointment of Laurence Ede as a director of the Company, who retires pursuant to the Article 123 of the Articles of Association of the Company (the "**Articles**") and who is recommended by the board of directors of the Company (the "**Board**") for re-appointment.

3 Re-appointment of a director

To consider and, if thought fit, to approve the re-appointment of David Cleevely as a director of the Company, who retires pursuant to the Article 123 of the Articles and who is recommended by the Board of directors of the Company for re-appointment.

4 Re-appointment of auditors

To consider and, if thought fit, to approve the re-appointment of Nexia Smith & Williamson as independent auditors of the Company and to authorise the Board to determine their remuneration.

SPECIAL BUSINESS

As special business to consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

5 Directors' authority to allot shares

5.1 That the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to exercise all the powers of the Company to allot and make offers to allot Relevant Securities (as defined below):

5.1.1 comprising equity securities (as defined by section 560 of the 2006 Act) up to an aggregate nominal amount of £36,716.00 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 5.1.2 below) in connection with an offer by way of a rights issue:

(i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

5.1.2 in any other case, up to an aggregate nominal amount of £18,358.00 (such amount to be reduced by the nominal amount of any equity securities allotted under paragraph 5.1.1 above in excess of £18,358.00), provided that (unless previously revoked, varied or renewed) this authority shall expire 15 months from the date of passing this resolution, or, if earlier, the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution save that the Company may before such expiry make an offer or enter into an agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

5.2 This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

5.3 For the purposes of this resolution, a "Relevant Security" is:

5.3.1 a share in the Company other than a share allotted pursuant to:

(i) an employee share scheme (as defined by section 1166 of the 2006 Act);

(ii) a right to subscribe for a share or shares in the Company where the grant of the right itself constituted a Relevant Security under paragraph 5.3.2 below; or

(iii) a right to convert securities into a share or shares in the Company where the grant of the right itself constituted a Relevant Security under paragraph 5.3.2 below.

5.3.2 any right to subscribe for or to convert any security into a share or shares in the Company other than a right to subscribe for or convert any security into a share or shares allotted pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act).

5.4 References to the allotment of "Relevant Securities" in this resolution shall be construed accordingly.

6 Disapplication of statutory pre-emption rights

6.1 That subject to the passing of resolution 5 above, the Directors of the Company be authorised and empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined by section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by resolution 5 or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that such power is limited to:

6.1.1 the allotment of equity securities in connection with an offer by way of a rights issue:

(i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

6.1.2 the allotment of equity securities (otherwise than pursuant to paragraph 6.1.1 above) up to a maximum aggregate nominal amount of £18,358.00.

6.2 This authority shall expire 15 months from the date of passing this resolution, or, if earlier, the conclusion of the next Annual General Meeting of the Company held after the passing of this resolution, provided that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

6.3 This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of equity securities already made, offered or agreed to be made pursuant to such authorities.

7 Change of name

7.1 That the Company name be changed to "DeepMatter Group Plc".

On behalf of the Board

Michael Bretherton
Company secretary
28 March 2018

Cronin Group Plc
The Walbrook Building
25 Walbrook
London EC4N 8AF

EXPLANATORY NOTES

Entitlement to attend and vote

1 The Company specifies that only those members registered on the Company's register of members at:

- 11.00 a.m. on 14 May 2018; or,
- if this Meeting is adjourned, at 11.00 a.m. on the day two working days prior to the adjourned meeting (not counting non-working days),

shall be entitled to attend and vote at the Annual General Meeting (the "**Meeting**").

Appointment of proxies

2 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the chairman of the Meeting (the "**Chairman**") or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4 A vote withheld will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy may vote or abstain from voting at his or her discretion. Your proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

5 The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed (although no voting indication need be given if you wish your proxy to exercise their discretion) and signed;
- sent or delivered to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA; and received by Neville Registrars no later than 11.00 a.m. on 14 May 2018.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a copy of such power or authority certified notarially or in some other way approved by the board of directors of the Company) must be included with the proxy form.

Appointment of proxy by joint members

6 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

7 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, but have not retained a copy of the blank proxy form, please contact Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

EXPLANATORY NOTES
(CONTINUED)

Termination of proxy appointments

8 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment as above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a copy of such power or authority certified notarially or in some other way approved by the board of directors of the Company) must be included with the revocation notice.

The revocation notice must be received by Neville Registrars no later than 11.00 a.m. on 14 May 2018. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

9 As at 6 p.m. on 27 March 2018, the Company's issued ordinary share capital comprised 550,739,933 ordinary shares of 0.0001p each. Each ordinary share carries the right to one vote at a general meeting of the Company.

Quorum

10 The quorum for the Meeting is not less than two shareholders present either in person or by proxy. The majority required for the passing of each of the ordinary resolutions is a simple majority of the total number of votes cast on each such ordinary resolution. The majority required for the passing of each of the special resolutions is three-quarters of the total number of votes cast on each such special resolution.

11 At the Meeting the votes may be taken on the resolutions by a show of hands or on a poll. On a show of hands every shareholder whether present in person or by proxy has one vote. On a poll every shareholder who is present, in person or by proxy, shall have one vote for every ordinary share held. A shareholder entitled to more than one vote need not use all of their votes or cast all of their votes in the same way.

12 To allow effective constitution of the meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.

Documents on display

13 The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (weekends excepted) from the date of this notice until and for 15 minutes prior to and during the Meeting:

a. copies of the service contracts of executive directors of the Company; and

b. copies of letters of appointment of the non-executive directors of the Company.

Perivan Financial Print 249085

Registered Office:
Cronin Group Plc
05845469
The Walbrook Building
25 Walbrook
London EC4N 8AF