

deepmatter™

**HALF YEAR REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2018**

DEEPMATTER GROUP PLC
DIRECTORS, OFFICERS AND ADVISERS

Directors

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

Non-Executive Chairman
Chief Executive Officer
Finance Director
Scientific Founder and Non-Executive Director
Non-Executive Director
Non-Executive Director

Company Secretary

Michael Bretherton

Registered Office

The Walbrook Building
25 Walbrook
London EC4N 8AF

Nominated Adviser and Broker

Stockdale Securities Limited
100 Wood Street
London EC2V 7AN

Auditor

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

Registrar

Neville Registrars Limited
Neville House
Steelpark Road
Halesowen B62 8HD

Company Number

05845469 (England and Wales)

DEEPMATTER GROUP PLC
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DEEPMATTER GROUP PLC
CHAIRMAN AND CHIEF EXECUTIVE'S JOINT STATEMENT

The year to date has seen important corporate and operational developments at DeepMatter Group Plc ("DeepMatter", the "Group" or the "Company") DeepMatter, as the Company has moved from a focus on R&D activity to its first corporate engagements. We are pleased to report that the Group remains on track in progressing its strategic roadmap to digitize chemistry.

In May 2018, to better represent its vision and strategy, the Company rebranded as DeepMatter, and concurrently launched a new website (www.deepmatter.io). This has been received well by the Group's stakeholders, commercial partners and the wider industry. The Group announced in June 2018 that Mark Warne would join the Company full time as Chief Executive Officer, while James Ede-Golightly, then a Non-Executive Director of the Company, would become Non-Executive Chairman on an interim basis whilst the search for a new Non-Executive Chairman was undertaken. This search is now in process and we anticipate making a further announcement on this appointment in due course.

The Group has steadily progressed adoption of its DigitalGlassware™ big data and analysis platform, which helps people involved across research and process development sectors to perform and work together, addressing the industry need for reproducibility in chemistry. The Company's vision is to ultimately enable an autonomous synthesis engine, the Chemputer™. DigitalGlassware™ comprises a powerful and easy-to-use software interface with a unique, low footprint sensor array, which collects, stores and processes data generated from chemical experiments and allows access to reproducible chemistry via internet protocols.

Shortly after the end of the period, the Group announced that it had entered into agreements with a total of five organisations for its DigitalGlassware™ Pioneer Programme (the "Pioneers"), representing the Company's minimum target for the whole of 2018. The Pioneers include two leading international life science reagent and chemicals manufacturers, a world-renowned US-headquartered research centre and two universities - one in the UK and one in North America. Entering into agreements with this range of target users reflects the Company's previously described plan to select a range of companies and institutions to trial its technology, allowing observation of technology performance in different operating environments and locations worldwide. The Group anticipates entering into further pioneer agreements during the remainder of this year.

Experiments and tests using DigitalGlassware™ as part of the Pioneer Programme are contributing towards context rich data content, capable of being interrogated with artificial intelligence and machine learning algorithms, helping to provide the chemistry community an understanding of how it can help to improve the outcomes of chemical processes, including precision and reproducibility, while also discovering/enabling new synthetic routes and chemical entities.

Scientific credibility of the Group's approach, ultimately an important factor in the Group's industry engagements, has been underpinned by relevant high-profile publications and Nature, Science and PNAS by the Group's Academic Scientific Founder, Professor Lee Cronin FRSE FRSC, and the granting of patents assigned to the Group under its agreement with the University of Glasgow.

Financial Review

For the half year ended 30 June 2018, the Group incurred a loss before tax of £905,000 (2017: loss £573,000) which less a tax credit of £98,000 (2017: tax credit £68,000) and coupled with a loss of £173,000 from discontinued operations of the Scanning Ion Conductance Microscope ("SICM") business (2017: loss from discontinued operations £nil), resulted in an overall loss after tax of £980,000 (2017: loss £505,000).

The Group continues to benefit from a sound balance sheet with a cash balance at 30 June 2018 of £2.07 million (30 June 2017: £4.28 million) compared to £3.27 million at 31 December 2017. The £1.2 million decrease in cash during the half year is mainly attributable to the continuing operations of the

DEEPMATTER GROUP PLC
CHAIRMAN AND CHIEF EXECUTIVE'S JOINT STATEMENT (CONTINUED)

Group, in particular research and development and overhead expenditure costs, together with funding SICM's losses ahead of our planned exit from this business.

Outlook

Our DigitalGlassware™ platform brings code, structure and order into the chemistry lab environment and enables recordable, shareable, reproduceable chemistry whilst also championing speed, simplicity and unhindered discovery.

The Group is progressing well with its DigitalGlassware™ Pioneer Programme and moving forward, we keenly anticipate further deployments with key innovators. We remain focused on building credibility, awareness and understanding of the DigitalGlassware™ platform, before rolling out the platform to the broader community.

James Ede-Golightly (Non-Executive Chairman) and **Mark Warne** (Chief Executive Officer)

6 September 2018

DEEPMATTER GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS TO 30 JUNE 2018

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Revenue	-	-	-
Research and development costs	(628)	(502)	(1,224)
Share based payments	(3)	-	(1)
Administrative costs	(280)	(82)	(356)
Operating loss	(911)	(584)	(1,581)
Finance income	6	11	22
Loss before tax	(905)	(573)	(1,559)
Income tax credit	98	68	137
Loss from continuing operations	(807)	(505)	(1,422)
Loss from discontinued operations	(173)	-	(42)
Loss and total comprehensive loss for the period	(980)	(505)	(1,464)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share (pence) on continuing operations	(0.15)	(0.10)	(0.27)
Basic and diluted loss per share (pence) on total operations	(0.18)	(0.10)	(0.28)

DEEPMATTER GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share equity £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Shares to be issued reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2016	53	3,287	4,880	-	-	696	8,916
Total comprehensive loss for the six months to 30 June 2017	-	-	-	-	-	(505)	(505)
Balance at 30 June 2017	53	3,287	4,880	-	-	191	8,411
Total comprehensive loss for the six months to 31 December 2017	-	-	-	-	-	(959)	(959)
<i>Transactions with owners</i>							
Shares to be 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	1	204	(768)	8,113
Total comprehensive loss for the six months to 30 June 2018	-	-	-	-	-	(980)	(980)
<i>Transactions with owners</i>							
Share based payment charge	-	-	-	3	-	-	3
Balance at 30 June 2018	55	3,287	5,334	4	204	(1,748)	7,136

DEEPMATTER GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	As at 30 June 2018 (Unaudited) £'000	As at 30 June 2017 (Unaudited) £'000	As at 31 December 2017 (Audited) £'000
Assets			
Non-current assets			
Intangible assets and goodwill	4,938	4,213	4,958
Investments	3	3	3
Plant and equipment	32	29	31
	4,973	4,245	4,992
Current assets			
Inventories	27	-	10
Trade and other receivables	149	66	127
Taxation recoverable	98	68	-
Cash and cash equivalents	2,066	4,285	3,265
	2,340	4,419	3,402
Liabilities			
Current liabilities			
Trade and other payables	(177)	(253)	(281)
Net current assets	2,163	4,166	3,121
Total net assets	7,136	8,411	8,113
Equity and liabilities			
Shareholders' equity			
Called up share capital	55	53	55
Share premium	3,287	3,287	3,287
Merger reserve	5,334	4,880	5,334
Shares to be issued reserve	204	-	204
Share based payments reserve	4	-	1
Retained (deficit) / earnings	(1,748)	191	(768)
Total equity attributable to shareholders of the Company	7,136	8,411	8,113

The condensed interim financial statements were approved by the Board of Directors and authorised for issue on 6 September 2018 and were signed on its behalf by:

Michael Bretherton
Director

Company number: 05845469

DEEPMATTER GROUP PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	6 months ended 30 June 2018 (Unaudited) £'000	6 months ended 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 (Audited) £'000
Cash flows from operating activities			
Operating loss from continuing operations	(911)	(584)	(1,581)
Loss from discontinued operations	(173)	-	(42)
Adjustments for:			
Depreciation and amortisation charges	28	6	14
Share based payments charge	3	-	1
Operating cash outflows before movement in working capital	(1,053)	(578)	(1,608)
(Increase)/decrease in inventories	(17)	-	(1)
(Increase)/decrease in trade and other receivables	(22)	(36)	(80)
(Decrease)/increase in trade and other payables	(104)	116	27
Cash used in operations	(1,196)	(498)	(1,660)
Interest received	6	11	22
Taxation received	-	-	137
Net cash used in operating activities	(1,190)	(487)	(1,503)
Cash flows from investing activities			
Purchase of property, plant and equipment	(9)	(17)	(24)
Cash and bank in subsidiary at acquisition	-	-	3
Net cash used in investing activities	(9)	(17)	(21)
Net decrease in cash and cash equivalents	(1,199)	(504)	(1,524)
Cash and cash equivalents at beginning of period	3,265	4,789	4,789
Cash and cash equivalents at end of period	2,066	4,285	3,265

DEEPMATTER GROUP PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

1) BASIS OF PREPARATION

The condensed interim financial statements of DeepMatter Group Plc are unaudited condensed consolidated financial statements for the six months ended 30 June 2018. These include unaudited comparatives for the six months ended 30 June 2017 together with audited comparatives for the year ended 31 December 2017.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS.

The financial information for the year ended 31 December 2017 does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. A copy of the audited financial statements for that year has been delivered to the Registrar of Companies. The Auditors' opinion on those financial statements was unqualified, did not draw attention to any matters by way of an emphasis of matter paragraph, and it contained no statement under section 498(2) or section 498(3) of the Companies Act 2006.

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 2017. As at 1 January 2018 there are no new standards or interpretations that resulted in any impact on the accounting policies, financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Going concern

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

2) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the consolidated annual financial statements of Cronin Group Plc for the year ended 31 December 2017.

3) SEGMENTAL REPORTING

The Board is of the opinion that the business operates only one reportable operating segment, being that of the digitization of chemical space and of innovative chemical discovery.

No operating segments have been aggregated to form the above reportable operating 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.

DEEPMATTER GROUP PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

4) LOSS PER SHARE (BASIC AND DILUTED)

Basic earnings or loss per share is calculated by dividing the gain or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted earnings or loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

	6 months ended 30 June 2018 (Unaudited)	6 months ended 30 June 2017 (Unaudited)	Year ended 31 December 2017 (Audited)
Continuing operations			
Loss attributable to equity holders of the Group (£'000)	(807)	(505)	(1,422)
Weighted average number of shares in issue ('000)	550,740	525,740	529,370
Basic and diluted loss per share (pence)	(0.15)	(0.10)	(0.27)
Total operations			
Loss attributable to equity holders of the Group (£'000)	(980)	(505)	(1,464)
Weighted average number of dilutive shares in issue	550,740	525,740	529,370
Basic and diluted loss per share (pence)	(0.18)	(0.10)	(0.28)

Basic loss per share is based on the loss after tax for the period and the weighted average number of ordinary shares of £0.0001 each in issue during the period. 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 23,873,334 potentially issuable dilutive ordinary shares in existence at the 30 June 2018 period end; (31 December 2017: 23,936,667; 30 June 2017: nil), comprised of 1,873,334 share options and 22,000,000 deferred consideration shares issued in relation to the acquisition of OpenIOLabs Limited. The 23,873,334 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.

5) RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemptions contained within IAS 24 – ‘Related Party Disclosures’ from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation.

In addition, during the period the Company paid remuneration to the Directors’ in accordance with their service contracts and letters of appointment.

6) HALF YEAR FINANCIAL REPORT

A copy of this half year report, as well as the prior year annual statutory accounts, is available on the Company’s website at www.deepmatter.io