

ANNUAL REPORT 2021

DEEPMATTER GROUP PLC

deepmatter®



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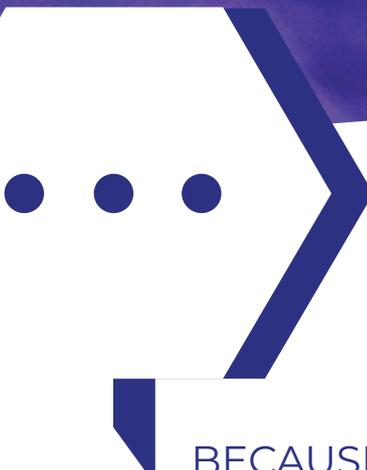
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BECAUSE MOLECULES
MATTER

OVERVIEW

DeepMatter is building and commercialising the most powerful cloud based platform enabling scientists to capture chemical reaction data, easily perform and optimise laboratory experiments, reactions, and analyse scientific outcomes using machine learning. This will allow the greater use of artificial intelligence, to a stage where chemicals can be autonomously synthesised with robotics.

At the heart of this strategy is a unique perspective and approach to collecting data. DeepMatter has developed data rich technologies used by today's expert users, early adopters and futurists. This includes bringing together cloud-based software, with routinely used laboratory hardware and unique sensor feeds that collect unique data throughout the time-course of a chemical reaction. This novel data collected in a clean and structured manner means that machine learning analysis can be applied with confidence to enable actionable knowledge – thereby increasing productivity, discovery and compliance gains.

Being cloud-based, our platforms enable chemists to work together effectively; sharing the details of their experiments from anywhere and in real-time, so that work is not needlessly duplicated, time and money wasted, and ultimately so new discoveries may be made faster and more safely.

Visit: www.deepmatter.io and follow [@deepmattergroup](https://twitter.com/deepmattergroup)

CHAIR'S STATEMENT

I am satisfied with the progress DeepMatter has made in 2021. We made good inroads, signing up a number of important new customers, hiring key opinion leaders into the Group, and progressing our SmartChemistry™ platform. Overall revenue progress was behind the Board's initial expectations in 2021, but the progress made in the second half of 2021 in signing new partnerships provides a solid base for 2022.

The pharmaceutical and chemistry industries are focused on delivering world class products through substantial discovery and development programmes. This now routinely includes the extraction and use of vast amounts of data from laboratory experiments and instruments which requires a move towards automated data capture and integrity, analysis and reporting, which is accessible by machine learning.

DeepMatter's technology platform is being increasingly recognised in the market as a means to enable this move. The SmartChemistry™ platform enables the vast amounts of proprietary data to be combined with proprietary algorithms. Our investment in our technology over the last few years, which continues at pace ensures a great user experience and a product with sustainable competitive advantage, providing unique insights and productivity gain.

Much of our effort in 2021 was as a direct result of feedback from customers, telling us what matters to them. We ended the year with a platform that addresses an increasing market need and which has been enhanced by the guiding feedback of industry users.

Science is at the core of everything we do. Our team and advisors are comprised of high-quality science and technologists that shape and implement our vision. We continue to seek to secure the best talent in our sector and are focused in combining scientific excellence with a unwavering commercial outlook.

We are aware that our people are our most valuable asset. As we have moved through the phases of the Covid-19 pandemic, our team has shown particular resilience. From enforced remote working in early 2021, the opportunity to now adopt hybrid working has been embraced reinvigorating collaboration between colleagues. The Group continues to prioritise communication and flexibility for staff whilst we help them adapt to a combined physical and virtual environment. The Group also is increasing its focus on providing continuous professional development for the staff, and increasing opportunities to spend time with our user and customer base.

CURRENT TRADING AND OUTLOOK

Although the Group made good progress in developing some new partnerships, the overall commercial progress was behind the Board's initial expectations in 2021, as a result of deals slipping from H2 2021 to 2022.

Over the last few months, the Group has launched its SmartChemistry platform and signed up new partnerships.

For example, since the year end, the Group entered into a multiyear licensing and collaboration agreement with AI-driven drug discovery company Standigm. DeepMatter provides access to its proprietary data and algorithms via its SmartChemistry™ platform. This will enable Standigm to be more efficient and productive in its drug discovery programmes through deeper data insights and analysis.

Karen Bach
Non-Executive Chair

26th April 2022

CEO STATEMENT

DeepMatter brings together proprietary chemistry data and algorithms in order to significantly improve productivity, discovery and sustainability of chemical reactions.

STRATEGIC OVERVIEW

Chemistry touches every aspect of all of our lives. Not just medicines and the hydrocarbon sectors, but also across the food, cosmetics and home products industry. Molecules generated from chemical reactions underpin the biggest industries in the world: 96% of all manufactured goods are touched by chemistry with \$10 Bn invested in R&D alone.

Despite the huge scale of chemistry in one form or another, the sector's infrastructure is not geared towards improving productivity, discovery and sustainability. The processes employed, and the equipment used in chemical reactions discovery to make molecules, resembles approaches from the 19th Century. However, the ability to generate vast quantities of data from the experiments a scientist performs has exponentially changed, beyond all recognition, over the last few years.

Despite the ability to generate this huge amount of data, the industry has failed to make it readily available to scientists in a useful, cost effective and manageable form. Scientists labour the view there are lots of "new" ideas for chemistry. However, most are not new. Many chemical reactions that are assumed to be new, are actually already known with records lost or inaccessible, regardless of whether the reaction has any useful purpose nor not.

Our vision is to build the capabilities for scientists to easily produce, access and use vast amount of data. Our SmartChemistry™ platform is structured to enable easy access and exploitation of the data in order to make chemical reaction discovery and design faster, safer, more efficient and increasingly sustainable.

With this data and software, DeepMatter is capitalising on cloud technology, low cost-sensors, connectivity to routinely used laboratory hardware and high-performance computing trends such as artificial intelligence (AI).



OPERATIONAL REVIEW

Markets

The Group's customer base encompasses enterprises and research operations from a wide range of industries including Pharma, Biotech, Agri Science, Fine Chemicals, Scientific Publishers and Contract Research Organisations (CROs).

SmartChemistry platform

Our SmartChemistry™ platform is structured to encompass:

- A user interface to enable analysis and control
- An algorithm layer to enable data cleansing, monitoring, modelling and prediction
- A data layer made up of digitalised proprietary and unique content along with published scientific research.

Our SmartChemistry™ platform enables discovery and design with speed and sustainable delivery. By linking the cloud with the laboratory we bring together all the key components a scientist needs including:

- Protocols and recipes
 - Integration of literature and electronic laboratory notebook content
 - Data clean-up

- Hardware integration
 - API linkage
 - Proprietary sensors
- Data analysis, machine learning and AI insights, in-situ
 - Retrosynthesis and forward reaction
 - Speed and reproducible outcome optimisation
- Control and automation

Commercial highlights

The CRO market was a focus in 2021 and we moved to trial with Dr Reddy's, a major Indian headquartered global CRO. Dr Reddy's manufactures and markets a wide range of pharmaceuticals worldwide, making it a good partner of choice in contract research, development, and manufacturing services. Dr Reddy's are using the platform to enhance reproducibility, which is paramount to accelerate the discovery of new drugs.

Aurigene Pharmaceutical Services is a fully integrated Contract Research, Development and Manufacturing Organization (CRO/CDMO) and it is using our platform to help screen, develop and scale up chemistry procedures and to accelerate custom drug discovery and development projects.

CEO STATEMENT CONTINUED

Other highlights in 2021 from the Group's customer base, included entering into a multi-year, data licensing agreement with the Life Science business of Merck, to provide proprietary chemical structure and reaction data content to Merck's selected applications. This demonstrated the ability to monetise the data we hold and continue to enrich. In addition to the upfront payment, trailing royalties with a minimum start from 2022.

Post year end, the Group entered into a multiyear licensing and collaboration agreement with AI-driven drug discovery company Standigm. DeepMatter provides access to its proprietary data and algorithms via its SmartChemistry™ platform. This will enable Standigm to be more efficient and productive in its drug discovery programmes through deeper data insights and analysis.

Building Intellectual Property through academic engagement

The Group has continued to reinforce strong links with leading academic institutions and have deployments of our cloud based platform in active use.

- DeepMatter partnered with University of Leeds, in collaboration with University of Sheffield, AstraZeneca, Somaserve and Samsung to successfully win an EPSRC grant which has commenced in 2022. SmartChemistry™ is being used to share data in real-time and develop digitally enabled scale-up of advanced nanoparticle products. Nanoparticles are an important component in ensuring safe and effective drug delivery of new-generation (mRNA) vaccines and certain anti-cancer drugs.
- The agreement with the University of Nottingham's Centre of Sustainable chemistry is focused on the development of machine learning models of sustainable chemistry for researchers in the pharmaceutical sector, and related chemical-based industries. SmartChemistry™ is being used to build interactive machine learning models of sustainability.
- At The University of Cambridge's Innovation Centre in Digital Molecular Technologies (iDMT), an open innovation research centre co-funded by the University of Cambridge, AstraZeneca, Shionogi, and the European Regional Development Fund. The SmartChemistry™ platform is being used as part of the development of a fully digital workflow in the discovery and development of new molecules, materials, reactions and processes.

Our industry and academic partners are increasingly adopting our SmartChemistry™ platform as they join us in enabling our vision - *'because molecules matter'*.

Position DeepMatter as a Key Opinion Leader

We have also strengthened the Board of Directors to further building our industrial knowledge and experience. Dr Bryn Roberts joined the board as Non-executive Director in summer 2021, bringing a wealth of experience in the pharmaceutical sector having spent 15 years at Roche. He is currently Senior Vice President and Head of Data Services at Roche Information Solutions and until recently was Global Head of Operations, Pharmaceutical Research & Early Development. As a member of the Pharmaceutical Research & Early Development Leadership Team he led innovation in disciplines such as Data Science and Laboratory Automation, including diverse applications of Digital and Artificial Intelligence (AI) technologies.

We have also refreshed and strengthened our Scientific Advisory Board to ensure we continue to benefit from external verification of our strategy, priorities and direction of travel. The Board is led by Dr Richard Bourne, Professor of Digital Chemical Manufacturing at the University of Leeds. Working with Richard are:

- Dr Nessa Carson, Principal Automation Scientist at Syngenta.
- Dr Natalie Fey, an expert in computational approaches as Associate Professor at the Centre for Computational Chemistry, University of Bristol.
- Dr David Parry, Head of Research at DeepMatter.
- Dr Bryn Roberts, SVP and Head of Data Services at Roche Information Solutions and non-executive director at DeepMatter.

Dr Mark Warne was invited to chair the Industrial Advisory Board (IAB) at Imperial College's EPSRC Centre for Doctoral Training in Next Generation Synthesis & Reaction Technology (CDT). In 2022 he was also invited to join the Industrial Advisory Board of University of Leeds Process Chemistry and Chemical Engineering school.

All these appointments cement DeepMatter as a thought leader in the space, enabling close relationships with a number of multinational pharma companies and Key Opinion Leaders - all of whom are committed to integrating chemistry with technology and sharing their expertise and experience with the chemists of the future.

Mark Warne
Chief Executive Officer

26th April 2022

CFO STATEMENT

The Group's results reflect the stage of the business as it continues to invest in developing key products while building out a team consisting of capability and expertise, to deliver the service customers expect.

REVENUE

Revenue for the year was £1.0m (2020: £1.3m) as we continued to renew profitable business while trialling products with new customers and exploring cross selling opportunities with existing customers. The number of new paid evaluations of platform, retrosynthesis and data capabilities during the year provides a route to conversion and new contracted revenues in 2022.

OPERATING PERFORMANCE

As a group, enhancing our products in line with market trends and customer feedback have been the key drivers during 2021.

R&D costs were £1.8m in 2021 (2020: £1.6m) in addition to which, £0.1m of ICSynth development was capitalised. This demonstrates the focus of the business in enhancing our products and continuing to add functionality.

General and administrative expenses were unchanged at £2.0m (2020: £2.0m) as we continued to tightly control costs.

In addition to these variances, the business claimed Furlough/COVID scheme support in 2020 which reduced costs by £0.2m in the prior year.

CAPITALISED SOFTWARE

In addition to further significant development of the SmartChemistry™ platform, our retrosynthesis capability was also invested in, adding further capability. This development work on ICSynth has been capitalised. A total of £0.1m was capitalised which will be amortised over two years in line with our accounting policy.

RESULT

The Group incurred a total loss after tax for the year ended 31 December 2021 of £3.03 million (2020: loss £2.41 million) reflecting our larger R&D spend and reduced revenue.

CASH

The Group's overall cash position at 31 December 2021 was £0.3 million (2020: £2.6 million) which reflects the continued investment in products and the necessary funding to support a controlled level of operating costs. In December 2021 the Group announced a fundraise of £2.75m net of costs which was completed in January 2022.

NET ASSETS

The reduction in cash balance at the end of December 2021 translated to a decline in net assets. At 31 December 2021, net assets were £5.95 million (2020: £8.90 million).

POST BALANCE SHEET FINANCING ACTIVITIES

The Group raised gross proceeds of £2.8m after placing shares at a price 0.1p in January 2022 from new and existing investors. This discount to its quoted price on the day of placing, was required to secure the future of the business both in terms of cash runway and introducing new investors to the register who are supportive of the business' strategy at this early stage of development.

The Consolidated Financial Statements have been prepared for the year to 31 December 2021.

Key Group financial performance indicators are set out below:

	31 Dec 2021	31 Dec 2020
Net assets (£ million)	5.95	8.90
Net asset value per share (pence)	0.64	0.96
Total loss after tax (£ million)	(3.03)	(2.41)
Basic loss per share from continuing operations (pence)	(0.33)	(0.30)
Cash and short-term deposits with banks (£ million)	0.30	2.61

Non-financial objectives are considered on page 18 of the Directors' Report.

Fraser Benson
Chief Financial Officer

26th April 2022

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's risk management objectives and exposure to various financial 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.

TECHNOLOGY & DEVELOPMENT RISK

There is a risk that the technology development of SmartChemistry™ 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 OF TECHNOLOGICAL DEVELOPMENT

There can be no assurance that any current or future technology programmes of DeepMatter Limited and InfoChem GmbH 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 uses 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 foreign exchange risk, credit risk, interest rate risk and liquidity risk. 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, lease liabilities, equity investments and trade and other payables. The main purpose of these financial instruments is the funding of the Group's activities.

FOREIGN EXCHANGE RISK

The Group's exchange risk is limited to cash balances held within InfoChem GmbH and transactions denominated in foreign currencies. The Group seeks to reduce exposure to foreign exchange risk by maintaining the principal cash balances of the Group in Sterling. Exposure to foreign exchange is monitored and kept under review.

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 and timely receipts from customers. The Group performs credit checks on potential new customers to mitigate this risk and 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.

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 £0.30 million as at 31 December 2021 (2020: £2.61 million).

In order to minimise risk to the Group'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.

Based on the current cash balance at the 31 December 2021 and the fundraise announced on the 24 December 2021 and completed on the 21 January 2022 (see post balance sheet events), the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern. The Directors may look to raise capital over the next 12 months to further supplement current liquidity or to accelerate the pace of progress along its product development roadmap.

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

SECTION 172(1) STATEMENT

From the perspective of the Board, and as a result of the governance structure for the Group, the matters that it is responsible for considering under Section 172 of the Companies Act 2006 ("s172") have been considered to an appropriate extent by the senior management in relation to the Company.

Such consideration is included in the statements set out below, noting the Directors' duty under s172 to act in good faith to promote the success of the Group for the benefit of its shareholders but having regard amongst other matters to the following:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Group.

The key stakeholders have been identified as customers, employees, shareholders, and our communities.

(i) Customers

DeepMatter has customers and partners across multiple continents. These relationships include multinational life science companies, research institutions and leading academic institutions. The customer's and partner's feedback, all guides the enhancement of our technology for use in both commercial and academic settings. This has provided us with valuable insights, expert feedback and continues to reinforce not only the pull we see from these organisations but also lends a greater understanding of the priorities and workflows used in these settings. Much of the academic use of the platform is also pushing the boundaries of research into areas such as Sustainable Chemistry.

On an ongoing basis, DeepMatter and Infochem, through their Product Management functions, continue to solicit feedback from all their customers and the wider scientific community, with features and capabilities identified by its customers contributing to the Group's technical and commercial roadmap as deemed appropriate based on resourcing capabilities.

(ii) Employees

Good two-way communication with staff is a key requirement for high levels of engagement, fostering a culture of innovation and helping deliver the Group's operations. We engage with staff by ensuring regular all staff meetings take place, we have started management 1-2-1's, giving individuals time with members of management. The Group has a flat management structure and clear reporting lines, with attendance of key staff at certain Board meetings. We also conduct periodic engagement surveys.

(iii) Shareholders

The Group wishes to engage with investors and potential investors to keep them informed of the Group's results and progress and ensure a congruence of objectives between the shareholders and the Board. The company ensures sufficient maintenance of the Group's website is completed and responds to any shareholder enquiries. Periodic investor information and news releases are circulated, and the publishing and posting of the Annual and half-year reports are on time. The Board works to ensure there is engagement with shareholders at the AGM.

(iv) Communities

The Group seeks to minimise the impact of our operations on the environment through the pursuit of good business practices and is committed to:

- continually making improvements by designing and implementing environment management systems in its offices to reduce, reuse and recycle general waste.
- prioritise sourcing sustainable office space, including the use of renewable energy, appropriate choices in our fit outs, and re-using office furniture where possible;
- working collaboratively with contractors and local suppliers to reduce emissions and sourcing locally across our offices and address any issues, such as use of plastic packaging and where possible implement the best sustainable solution.
- continuing to highlight that one of the major benefits of our SmartChemistry™ product is its ability to reduce customers power needs, through data collection resulting in early highlighting of failed reactions and clearer identification of completed reactions.



Mark Warne
26th April 2022

CORPORATE GOVERNANCE

The following paragraphs set out the Group's compliance with the 10 principles of the QCA Code for the year ended 31 December 2021:-

1. ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTE LONG-TERM VALUE FOR SHAREHOLDERS

The Group's business model is the digitisation of chemistry. As part of this process, DeepMatter has successfully developed and operates SmartChemistry™, a big data analysis platform focused on enabling reproducibility in chemistry. SmartChemistry™ comprises an easy-to-use software interface and sensor array to collect, store and process data generated from chemical experiments. The InfoChem products complement and strengthens the SmartChemistry™ platform, bringing strong cheminformatic capabilities to the Group.

The key challenges and risks faced by the Group are set out on in the Strategic Report within the Group's Annual Report and include early-stage operations, technology and development, commercial success and market acceptance, intellectual property and the attraction and retention of key employees.

The Board believes that it has the right team and strategy in place that is appropriate to the current size and complexity of the Group, in order to deliver the strategic aims of the Group over the medium to long term.

DeepMatter is a well-managed business with a robust growth strategy and growing market opportunity. It is evident the opportunity for the Group's technology is significant and long-term. Our priority during 2021 and the continuation of COVID-19 disruption has been to ensure the well-being of our teams, and we have continued remote working across our sites. The Board is confident sufficient measures have been put in place to ensure the progression of the Group and maintains a vigilant focus on costs and the end market.

2. SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position.

Responsibility for investor relations rests with the Chair and Chief Executive, supported by the Board.

The Board has made efforts to ensure effective engagement with both institutional and private shareholders and believes that it has been successful in doing so. The Board encourages shareholders to attend the Company's AGM as a forum to present to and meet with investors and ensures that timely and useful information is included on the Group's website to keep shareholders abreast of corporate developments.

The Group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through the interim results statement and the Annual Report and Accounts, trading updates, shareholder circulars, announcements as required by regulation and the annual general meeting (AGM). A range of corporate information (including all DeepMatter announcements) is also available to all stakeholders on our website www.deepmatter.io.

The Chair and Board has ultimate responsibility for reviewing and approving the Company's Annual Report and Accounts and has considered and endorsed the arrangements for their preparation, under the guidance of its Audit Committee. The Directors confirm that the Company's Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders and investors to assess the Group's position and performance, business model and strategy.

The Group maintains a dedicated email address, investor_relations@deepmatter.io, which investors can use to contact the Group, and which is prominently displayed on the Group's website together with the Group's address. The size of the Group does not warrant a dedicated investor relations department, however, all communications received are reviewed and responded to promptly.

3. TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG TERM SUCCESS

Long term success relies upon good relations with a range of different stakeholder groups, both internal (staff) and external (suppliers, customers, regulators and others). The Board aims to understand the needs and expectations of each of the stakeholder groups and engages with them in the manner set out below:

Stakeholder	Reason for engagement	How we engage
Staff	Good two-way communication with staff is a key requirement for high levels of engagement, fostering a culture of innovation and helping deliver the Group's operations.	Regular staff meetings. Flat management structure and clear reporting lines. Attendance of key staff at certain Board meetings. Periodic engagement surveys.
Customers and users	Our success and competitive advantage are dependent on fulfilling customer and user requirements, particularly in relation to quality of service, simplicity and speed of use.	Seek feedback on services and software systems. Obtain fulfilment metrics to measure performance and encourage requests for service enhancements.
Suppliers	Rely on suppliers for a variety of goods and services that are incorporated into our suite of products at InfoChem and our SmartChemistry™ platform	Provide feedback on the quality of goods and services supplied. We operate systems to ensure that supplier invoices are processed and paid properly.
Advisers	The Group's key advisers and suppliers, including the NOMAD, legal advisers and registrar, assist the Group in its operations.	The Group's key advisers attend Board meetings where considered appropriate. Input regarding important transactions and public information is run past key advisers prior to release. DeepMatter has regular contact with its advisers and makes them aware of any relevant developments at the Group as deemed appropriate.
Regulators	The Group recognises the need for regulation and rules for AIM quoted companies in order to maintain markets in which investors can trust and ensure that the Company acts in accordance with best practice.	All appropriate DeepMatter releases and disclosures are filed with and notified to the relevant authorities as required. Any enquiries from regulators are responded to in a complete and timely fashion.
Shareholders	The Group wishes to engage with investors and potential investors in order to keep them informed of the Group's results and progress and ensure a congruence of objectives between the shareholders and the Board.	Maintenance of the Group's website and responding to any shareholder enquiries. Periodic investor information and news releases. Publishing and posting of the Annual and half-year reports and circulars. Engagement with shareholders at the AGM.

CORPORATE GOVERNANCE CONTINUED

4. EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

Risk management at DeepMatter is an integral part of decision making and is embedded in normal business operations. It exists to help protect and safeguard volunteers, employees, clients, Company assets and reputation and to help achieve business objectives. The Group's Board of Directors is responsible for ensuring that the Group maintains an appropriate system of internal control. The system of control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board has prepared a risk register for the Group that identifies key risks in the areas of operational strategy, financial, regulatory, environmental, research and development and the wider macro-economic considerations. All Directors are provided with a copy of this register, which is reviewed periodically and updated as and when necessary. The Board considers the risk register when assessing the current status of the Group and its operations as well as the intended strategic aims and progress of the Group. Given the stage of development the Group is currently at, an internal audit function is not deemed required. This will be monitored as the company evolves.

In accordance with the AIM Rules, the Group has adopted a Share Dealing Code in relation to the securities of DeepMatter Group Plc. As such all Board members, PDMRs, and their families are required to gain clearance prior to any dealings in DeepMatter's shares. The Group's staff have been briefed in relation to their responsibilities in this area.

The monitoring and escalation of risks is a company-wide responsibility:

Board of Directors

Determines risk tolerance and ensures the Group maintains appropriate risk management and internal control systems. Oversees the implementation and operation of the risk management procedures and internal control infrastructure.

Audit Committee

Monitors and reviews risk management and internal control systems, ensuring adherence to financial reporting standards. During the year, the Company's Audit Committee, which comprises of Laurence Ede (Chair) and Karen Bach, has continued to focus on the audit of the financial statements and the effectiveness of the controls throughout the Group.

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 Mirko Walter (Chair) and Laurence Ede.

Management Team

Implements and manages the risk procedures, policies and controls. Supports the development and maintenance of effective compliance and risk management systems.

Employees

Understands, accepts and executes the risk management procedures. Expected to be alert to risks associated with the activities they perform and report inefficiencies, unnecessary or ineffective controls. Encouraged to report, anonymously or otherwise, any security risks or threats they perceive in the operations of the business. On receipt of any such information, the Board shall assess and take remedial action as appropriate in the circumstance.

5. MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The members of the Board have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chair of the Board.

For the year ending 31 December 2021, the Board consisted of six Directors of whom two are executive and four are non-executive. Three non-executive directors are independent directors.

On 9 March 2021 Bettina Goerner stepped down from the board at the same time as she resigned from her operational role at Springer Nature and was replaced by Mirko Walter, also an employee of Springer Nature.

On 1 August 2021 Dr Bryn Roberts joined the Board as Non-Executive Director.

The Board may appoint additional Directors as its business expands. Under the Articles of Association, all Directors must offer themselves for re-election at least once every three years. One third of the Directors retire by rotation at every Annual General Meeting and are eligible for re appointment.

The Board is supported by two committees: audit and remuneration. The Board does not consider that it is of a size at present to require a separate nominations committee, and all members of the Board would be involved in the appointment of any new Directors.

All Directors are required to attend Board and relevant Board Committee meetings and, where possible, the AGM each year and to be available at other times as required for face-to-face and telephone meetings with the executive team and investors as reasonable.

The Board considers Karen Bach, Laurence Ede and Bryn Roberts to be independent Non-Executive Directors and reviews their independence on a regular basis. The Board have not identified any points that potentially impacts this independence.

The Board has a schedule of regular business, financial and operational matters, and each Board committee ensures that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Chief Executive is responsible for ensuring that, to inform decision-making, the Directors receive accurate, sufficient and timely information. Board and committee papers are compiled and circulated to Directors prior to meetings. Minutes of each meeting are provided to the Board and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

6. ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

All members of the Board bring significant and varied sector experience, and many have board and public markets experience. The Board's members have chemical, technological, financial, regulatory, and venture stage operational experience and two members, Fraser Benson and Karen Bach, are chartered accountants. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities are sufficient to enable it to successfully execute its current strategy. Directors attend seminars and other regulatory and trade events as considered appropriate to ensure that their knowledge remains current.

All Directors have access to the advice and services of the Company Secretary and in the course of their duties, if necessary, are able to take independent professional advice at the Company's expense. Committees have access to such resources as are required to fulfil their duties.

The Board comprises the following directors who are all considered suitable for their roles given their backgrounds and experience as set out in the Company's Annual Report and Accounts.

Karen Bach, Independent Non-Executive Chair

Term of office: Appointed as a Non-Executive Chair in November 2020.

Current external appointments: IX Acquisition Corp, Dem Dx, Red Embedded Consulting Limited, Red Embedded Holdings Limited, XP Factory PLC, Purnoma Ltd

Time commitment: 4 days per month.

Mark Warne, Chief Executive

Term of office: Appointed as a Non-Executive Director in September 2015, subsequently took on the role of Executive Chairman in April 2017 and appointed Chief Executive in July 2018.

Current external appointments: Ixico Plc

Time commitment: Full time.

Fraser Benson, Chief Financial Officer

Term of office: Fraser Benson was appointed as Chief Financial Officer in November 2020.

Current external appointments: None

Time commitment: Full time.

Laurence Ede, Independent Non-Executive Director

Term of office: Laurence Ede was appointed as a Non-Executive Director in April 2017. He is Chair of the Audit Committee and is also a member of the Remuneration Committee.

Current external appointments: Rosa Biotech Limited, Ubiquigent Limited, Manor Road Lettings Limited

Time commitment: 1 to 2 days per month

Mirko Walter, Non-Executive Director (appointed 9th March 2021)

Term of office: Mirko Walter was appointed as a Non-Executive Director in March 2021 and chair of the Remuneration Committee.

Current external appointments: None

Time commitment: 1 to 2 days per month

Bryn Roberts, Independent Non-Executive Director (appointed 1st August 2021)

Term of office: Bryn Roberts was appointed as a Non-Executive Director on 1 August 2021.

Current external appointments: None

Time commitment: 1 to 2 days per month

Directors who served on the Board during the year ending 31 December 2021 and stepped down are:

Bettina Goerner, Non-Executive Director (resigned 9 March 2021)

Term of Office: Appointed as Non-Executive Director on 15 March 2019.

CORPORATE GOVERNANCE CONTINUED

7. EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

Whilst the Group does not currently have an externally facilitated appraisal process for Directors, the Chair engages with all Directors to ensure that their individual contribution is relevant and effective and that they are committed members of the Board.

Furthermore, at the end of each Board meeting the Chair and Non-Executive Directors meet to identify areas to provide constructive feedback to the Executive Directors as part of continuous improvement. This process of evaluation will be kept under review and the Board will consider whether formal evaluations are appropriate in the future.

8. PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

Our long-term growth is underpinned by our core values, which are considered to be:

1. We place our customer users first and ensure that we understand the current and future needs of those who use our products and services, and always strive to exceed their expectations.
2. We are committed to innovation in what we do and how we do it, by being creative, pragmatic and different.
3. We focus on creating an environment where people want to work and give their best and feel empowered to make a difference.
4. We expect all our directors and employees to respect each other, to act honourably, to follow the law and to conduct business with the highest professional and ethical standards.

We aim for the culture of the Group to be characterised by these values. The Board believes that a culture that is based on these values provides competitive advantage and is consistent with fulfilment of the Group's mission and execution of its strategy.

Our staff handbook and standard operating procedures outline the fundamentals of our values to all staff (including business integrity, anti-bribery, gifts, intellectual property, etc). The Group is committed to providing equal opportunities in employment and the creation of a work environment where everyone is treated with dignity and respect. The Group has developed and implemented policies and processes to ensure that all job applicants and employees receive equal treatment regardless of gender, race, age, disability, sexual orientation, religion or belief, nationality or ethnic origin.

An open culture of discussion is fostered and, given the size of the Group, it is not considered necessary to monitor stakeholder satisfaction through the use of satisfaction or engagement surveys at this stage, other than for staff engagement surveys which are undertaken periodically. A staff performance appraisal and CPD process was implemented in 2019 which encompasses the Group's core values and business model goals, embedding them across the Company laying the foundation for the planned growth and commercialisation of our Digital Glassware™ platform.

9. MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

The Board provides strategic leadership for the Group and operates within the scope of our chosen corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans. The Board defines a series of matters reserved for its decision and has approved terms of reference for its Audit and Remuneration Committees to which certain responsibilities are delegated. The chair of each committee reports to the Board on the activities of that committee.

The Audit Committee monitors the integrity of financial statements, oversees risk management and control and reviews external auditor independence.

The Remuneration Committee sets and reviews the compensation of the Board and reviews proposals regarding employee remuneration.

The Independent Non-Executive Chair has overall responsibility for corporate governance and in promoting high standards throughout the Group. She leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, leads in the development of strategy and setting objectives, and oversees communication between the Group and its shareholders.

The Chief Executive reviews operational matters and the performance of the business and is responsible for significant management decisions. The Chief Executive provides coherent leadership and management of the Group, leads the development of objectives, strategies and performance standards as agreed by the Board, monitors, reviews and manages key risks and strategies with the Board, ensures that the assets of the Group

are maintained and safeguarded, leads on investor relations activities to ensure communications and the Group's standing with shareholders and financial institutions is maintained, and ensures that the Board is aware of the views and opinions of stakeholders where relevant.

The Chief Executive is responsible for implementing and delivering the strategy and operational decisions agreed by the Board, making operational and financial decisions required in the day-to-day operation of the Group, providing executive leadership and championing the Group's values.

The Non-Executive Directors contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the Non-Executive Chair and ensure that the Company is operating within the governance and risk framework approved by the Board.

The Chief Executive is responsible for providing clear and timely information to the Board and its committees and supports the Board on matters of corporate governance and risk.

The matters reserved for the full Board include:

- Setting long-term objectives and commercial strategy;
- Approving annual operating and capital expenditure budgets;
- Changing the share capital or corporate structure of the Group;
- Approving half year and full year results and reports;
- Approving dividend policy and the declaration of dividends;
- Approving major investments, disposals, capital projects or contracts;
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars; and
- Approving changes to the board structure.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this Code on an annual basis and revise its governance framework as appropriate as the Group evolves.

10. COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

In addition to the investor relations activities described above under the principles item number 2, the Group encourages two-way communication with both its institutional and private investors and respond quickly to all queries received. The Chair and Chief Executive talk regularly with the Group's major shareholders and ensure their views are communicated fully to the Board.

THE BOARD

MARK WARNE CHIEF EXECUTIVE

Mark Warne was appointed Chief Executive 2 July 201 having joined as a Non-Executive Director in September 2015, before becoming Executive Chairman between April 2017 and July 2018. Previously, Mark spent almost 10 years at IP Group Plc, where he led the Healthcare team. He managed a substantial portfolio of assets, representing IP Group on the boards of numerous listed and private companies. He joined IP Group from pre-clinical drug discovery CRO, Exelgen, where he was Managing Director. Mark spent eight years at Exelgen (formerly Tripos Discovery Research) where he 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. He is also a Chartered Chemist, member of the Royal Society of Chemistry and a Non-Executive Director of Ixico Plc.

FRASER BENSON CHIEF FINANCIAL OFFICER

Fraser Benson was appointed as Chief Financial Officer of the Company in November 2020. Fraser has over 18 years of accounting experience and significant exposure to fast-growing software businesses having worked at Tradeweb Markets Inc., a NASDAQ listed electronic fixed income and derivatives trading platform, for eight years, latterly as Finance Director, Europe and Asia, supporting the Group's international growth. Previous experience includes working with a range of organisations from FTSE 100 companies through to Venture Capital backed businesses across multiple sectors.

KAREN BACH NON-EXECUTIVE CHAIR

Karen brings significant public and private technology expertise, particularly focused on helping young technology businesses deliver on their growth potential, with an understanding of the life sciences through her tenure as a Non-Executive Director at Datapharm Ltd. This is coupled with a strong financial background, having held the CFO role at growing technology businesses; IXEurope Plc, ACS Plc and Kewill Plc; and with blue chip multi-nationals including EDS France, MCI WorldCom, General Motors and Ernst & Young. Karen is currently CEO of IX Acquisition Corp, Non Exec Chair of Dem DX Limited and Red Embedded Consulting Limited and a Non-Executive Director of XP Factory PLC. As well as advising businesses, Karen is a member of the 30% Club, which supports boards to appoint more female directors and increase the pipeline of upcoming female talent at board and senior management levels.

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 and Rosa Biotech Ltd, a biosensor development business. He has a BSc in Chemistry from Reading University and an MBA from the University of Bath.

BRYN ROBERTS**NON-EXECUTIVE DIRECTOR**

Bryn brings a wealth of experience in the pharmaceutical sector having spent 15 years at Roche, the Swiss multinational healthcare company. He is currently Senior Vice President and Head of Data Services at Roche Information Solutions and until recently was Global Head of Operations, Pharmaceutical Research & Early Development. As a member of the Pharmaceutical Research & Early Development Leadership Team he led innovation in disciplines such as Data Science and Laboratory Automation, including diverse applications of Digital and Artificial Intelligence (AI) technologies.

MIRKO WALTER**NON-EXECUTIVE DIRECTOR**

Mirko Walter is Vice President Sales at Springer Nature, a research, educational and professional publisher. Mirko oversees a global sales team of account managers and new business specialists with a focus on workflow and data solutions. His team's focus centres on business model and product innovation to optimize R&D workflows together with clients in areas like drug discovery and material sciences. Before joining Springer Nature, Mirko held various business development positions including at McKesson, a S&P 500 company and global leader in healthcare supply chain management solutions.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for DeepMatter Group Plc ("the Company") and its subsidiaries ("the Group") for the year to 31 December 2021. The Company has four wholly owned subsidiaries, three of which are active trading entities, InfoChem GmbH ("InfoChem"), DeepMatter Limited ("DML") and OpenIOLabs Limited ("OpenIOLabs"). DeepMatter Tech Limited ("DTL") is a dormant subsidiary.

PRINCIPAL ACTIVITIES

The Group's ongoing business activity, undertaken by DML and InfoChem, is that of the digitisation of the chemical space coupled with innovative chemical discovery. The Group continues to make progress in deploying its SmartChemistry™ technology platform, comprising an easy-to-use software interface and a unique, low footprint sensor array, which allows an individual to access reproducible chemistry via internet protocols. An additional summary of the Group's activities is included in the Overview section on page 1.

Our objectives for 2021, as outlined in our 2020 report and accounts were based around further development of SmartChemistry™ through:

- Organic growth of the User Base, Data Repository and Revenues
- Strategic Partnerships with influencers, sector adjacent hardware and data providers
- Commercial validation of the aggregate data proposition
- Signing more revenue-generating contracts with large pharma
- Enhancing the Platform's capabilities in Research and Process Chemistry and Teaching

We are pleased to report good progress against all these non-financial measures, which is evidenced throughout the report.

BUSINESS REVIEW

A review of Group performance and future prospects is given in the CFO's statement on page 7 and the CEO's Statement on page 4.

SHARE CAPITAL

The share capital of the Company did not change during 2021 remaining at 922,397,281.

RESULTS AND DIVIDENDS

The audited consolidated financial statements have been prepared for the year to 31 December 2021. The loss before tax for the year was £3.27 million (2020: £2.66 million). The Directors do not recommend a dividend in respect of the year to 31 December 2021 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 31 December 2021:

Name	No. of ordinary shares	% holding
IP Group and controlled undertakings	260,159,497	28.21%
Springer Nature	68,400,000	7.42%
Hargreaves Landsdown Stockbrokers	64,290,002	6.97%
Prof Lee Cronin	57,074,746	6.19%
Interactive Investor	43,306,725	4.70%
Robert Qusted	41,285,369	4.48%
GU Holdings	39,373,994	4.27%
HSLD, Stockbrokers	28,127,243	3.05%

Post the fundraising on the 21 January 2022, the table below details the notifications the company has received of interest in the ordinary shares of the Company in respect of holdings exceeding the 3% threshold.

Name	No. of ordinary shares	% holding
Richard Griffiths and controlled undertakings	1,042,925,550	27.37%
David Norwood	414,380,771	10.88%
IP Group and controlled undertakings	260,159,497	6.83%
Trillian Limited	225,000,000	5.91%
Robert Qusted	218,497,630	5.74%
Springer Nature	218,400,000	5.73%
Downing	136,791,172	3.59%

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
- Fraser Benson
- Karen Bach
- Laurence Ede
- Bettina Goerner (resigned 9 March 2021)
- Mirko Walter (appointed 9 March 2021)
- Bryn Roberts (appointed 1 August 2021)

DIRECTORS' REMUNERATION REPORT

The remuneration of the Directors from all Group companies for the year under review is shown below:

DIRECTORS' REMUNERATION

Name of Director	Salaries and fees £'000	Pension Contributions £'000	Total December 2021 £'000	Total December 2020 £'000
Mark Warne	150	8	158	182
Fraser Benson	138	-	138	22
Karen Bach	60	-	60	10
Laurence Ede	24	-	24	28
Bettina Goerner	-	-	-	-
Mirko Walter	-	-	-	-
Bryn Roberts	10	-	10	-
Lauren Lees	-	-	-	77
James Ede-Golightly	-	-	-	13
	382	8	390	332

All Directors have service contracts with one month's notice with the exception of the Chief Executive Officer whose service contract is for six months' notice and Chief Financial Officer whose service contract is for three months' 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. During the year, one Executive Director benefitted from pension payment contributions of £7,500 (2020: £10,205). At the present time, none of the Executive Directors receive any other benefits and nor do they receive a bonus from the discretionary bonus scheme.

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.

DIRECTORS' SHARE OPTIONS

On 11 March 2019, the Board granted an award of options to Mark Warne over 25,000,000 ordinary shares at an exercise price of 2.5 pence. Provided Mark remains an employee, his options vest over 36 months starting from the 11 March 2019 but subject to specific share price triggers being reached. All unexercised options lapse after 10 years from the date of grant.

The share option charge recognised in respect of the options granted to Mark Warne was £84,000 (2020: £145,000) for the year ending 31 December 2021.

On 18 December 2020, the Board granted an initial award of options to Fraser Benson over 5,000,000 ordinary shares at an exercise price of 2.5 pence. Provided Fraser remains an employee, his options vest over 36 months starting from the 1 March 2021 but subject to specific share price triggers being reached as set out in note 23. All unexercised options lapse after 10 years from the date of grant.

The share option charge recognised in respect of the options granted to Fraser Benson was £14,000 (2020: £2,000) for the year ending 31 December 2021.

In late January 2022 both Mark Warne and Fraser Benson surrendered their existing share options prior to the admission of new fundraise shares to trading, with replacement options issued on the 21 January 2022 once the new shares were admitted.

DIRECTORS' INTERESTS AND INDEMNITY ARRANGEMENTS

Directors' interests in the shares of the Company, including family interests, are disclosed in the section below. No Director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business except in respect of service agreements and share options and as disclosed above and in note 23.

As permitted by the Articles of Association, in accordance with the provisions of the Companies Act 2006 the Company has maintained insurance throughout the year for its Directors and officers against the consequences of actions brought against them in relation to their duties for the Company. The Company has granted no indemnities to any of its Directors against liability in respect of proceedings brought by third parties.

DIRECTOR DEALINGS IN SHARES OF THE COMPANY

The Company 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 REMUNERATION 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 2021 are given below:

	Ordinary shares of £0.0001 each			
	31 December 2021		31 December 2020	
	Number	Percent	Number	Percent
Mark Warne	3,874,808	0.42%	3,874,808	0.42%
Laurence Ede	1,601,586	0.18%	1,601,586	0.18%
Karen Bach	500,000	0.05%	500,000	0.05%

Following from the fundraise and directors dealing soon after the share issue, the current Directors shareholdings are:

	Ordinary shares of £0.0001 each			
	9 February 2022		31 December 2021	
	Number	Percent	Number	Percent
Mark Warne	14,737,762	0.39%	3,874,808	0.42%
Laurence Ede	1,601,586	0.04%	1,601,586	0.18%
Karen Bach	7,152,015	0.19%	500,000	0.05%
Fraser Benson	3,250,000	0.09%	-	-
Bryn Roberts	4,000,000	0.10%	-	-

On behalf of the Board



Mark Warne
Chief Executive Officer
26th April 2022

Company Number: 05845469

AUDIT AND RISK COMMITTEE REPORT

THE BOARD

The Board currently comprises a Non-Executive Chair, a Chief Executive Officer, a Chief Financial Officer and three Non-Executive Directors.

For the year ending 31 December 2021, the Board consisted of six directors of whom two are executive and four are non-executive.

All Directors are required to attend Board and relevant Board Committee meetings and, where possible, the AGM each year and to be available at other times as required for face-to-face and telephone meetings with the executive team and investors as reasonable. Each Director is required to keep their skill set up to date by attendance at webinars, CPD training and attending relevant corporate update sessions where appropriate.

Meetings held in the 12 months to 31 December 2021 and the attendance of the Directors at these meetings is summarised below:

Position	Independence	Board (8)	Audit (1)	Remuneration (1)	Total	Attendance
Executive Directors						
Mark Warne	No	8/8	-	-	8/8	100%
Fraser Benson	No	8/8	-	-	8/8	100%
Independent Non-Executive Directors/Committee Members						
Karen Bach	Yes	8/8	1/1	1/1	10/10	100%
Laurence Ede	Yes	8/8	1/1	1/1	10/10	100%
Bettina Goerner (resigned 9 th March 2021)	No	2/2	-	-	2/2	100%
Mirko Walter (Appointed 9 th March 2021)	No	6/6	1/1	1/1	8/8	100%
Bryn Roberts (Appointed 1 st August 2021)	Yes	2/2	-	-	2/2	100%

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 Laurence Ede, who acts as Chair, Karen Bach and Mirko Walter. The Chair of the Audit Committee is provided with a comprehensive guide for review of the company's Financial Reporting Cycle by the CFO, which includes advice on nurturing a culture of improvement, timing, planning, reporting on skillset and experience and the use of auditors and follows guidance suitable for Audit committees of AIM quoted companies issued by the FRC and ICAEW(2019).

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 Mirko Walter, who acts as Chair, and Laurence Ede. The remuneration of Non-Executive Directors is set by the Board as a whole.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

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 Group 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

As in previous years, the Group has continued to utilise its cash resources to fund losses whilst the SmartChemistry™ platform is commercialised and the sales pipeline is being established.

The Group continues to actively seek new business opportunities and progress discussions with our existing partners. At the year end, the timing and value of new revenue contracts remains uncertain. However, discussions are progressing and are expected to result in additional new revenues for the Group.

The cash balance at the 31 December 2021 was £0.3m. The group raised £2.75m net of costs in early January (see post balance sheet event below). Based on its current expenditure, the Directors have a reasonable expectation that the Group has adequate resources to be a going concern.

The Directors consider that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, the financial statements do not include any adjustments which would be required if the going concern basis of preparation was deemed to be inappropriate. However, if the Group is unable to deliver upon its proposed revenue projections, or alternatively proposed cost reductions, there is limited headroom in the current forecasts and as such there is considered a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

Post Balance Sheet Event

The group announced on the 24 December 2021 a placing, subscription and open offer to raise proceeds of £2.55m via the placing and subscription and a maximum of £0.25m by way of open offer. Shares were priced at 0.1p, a significant discount to the prevailing share price. This was successfully approved at General Meeting on the 20 January 2022 and 2,800,000,000 shares were admitted to trading at 8am on the 21 January 2022. This raised £2.75m net of costs.

Risk management

The Group's risk management objectives and exposure are detailed in the Strategic Report on page 8 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 Group.

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 7 days purchases (2020: 11 days).

Annual General Meeting

The next Annual General Meeting will take place at 13:00 on the 27th May 2022 at the offices of Canaccord Genuity Limited, 88 Wood Street, London, UK, EC2V 7QR.

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 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

AUDIT AND RISK COMMITTEE REPORT CONTINUED

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 UK-adopted international accounting standards.

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 international accounting standards 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 also responsible for ensuring that they meet their responsibilities under the AIM rules.

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

Independent Auditors

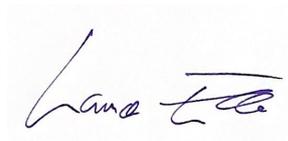
The independent auditors, Nexia Smith & Williamson, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the AGM.

Disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information of which the Company and the Group's auditor was unaware. Each Director has taken all the steps that the director ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company and the Group's auditor was aware of that information.

This information is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Approved by order of the Board



Laurence Ede
26th April 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DEEPMATTER GROUP PLC

OPINION

We have audited the financial statements of Deepmatter Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

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 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 and parent company 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 4 to the financial statements concerning the group and parent company's ability to continue as a going concern.

The group reported a loss of £3.0 million for the year. Whilst the company has raised net funds through a further share offer of £2.75 million since the year end in January 2022, further funding arrangements may be required to allow the group and parent company to continue to meet its liabilities as they fall due for the next 12 months if the forecast revenues and proposed future cost reductions are not achieved. Uncertainties exist over the quantum

and timing of future revenue streams and the level and timing of future cost reductions.

These conditions, as further explained in note 4 to the group financial statements, indicates the existence of a material uncertainty which may cast significant doubt upon the parent company and group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Notwithstanding the above, in auditing the financial statements we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Challenging and assessing the appropriateness of significant assumptions used in the detailed budgets and forecasts prepared by management for the period ended 30 April 2023;
- Comparing the forecast results to those actually achieved in the 2022 financial period so far;
- Reviewing bank statements to monitor the cash position of the group post year end;
- Considering the sensitivity of the assumptions and re-assessing headroom after sensitivity; and
- Reviewing the disclosures made by the directors in the financial statements in respect of the application of the going concern basis.

We note that the most significant assumptions used by management in their cash flow forecasts prepared to support the going concern basis were the timing and quantum of future revenue streams, along with the costs incurred to achieve such revenues. It is noted that as the group is at a relatively early stage in the development of its products, there are inherent uncertainties associated with the accurate forecasting of future cash flows.

EMPHASIS OF MATTER – VALUATION OF GOODWILL, INTANGIBLE ASSETS AND PARENT COMPANY'S INVESTMENTS IN SUBSIDIARIES AND INTERCOMPANY RECEIVABLES

We draw attention to the disclosures made in note 15 to the group financial statements concerning the valuation of goodwill and intangible assets and the disclosures made in notes C2 and C4 to the parent company financial statements concerning the

INDEPENDENT AUDITOR'S REPORT CONTINUED

valuation of investments in subsidiaries and of the intercompany receivables respectively.

In the group financial statements, the valuation of £4.8 million of goodwill and £1.3 million of intangible assets are dependent upon the future cash flows generated by the subsidiary companies, which are themselves dependent on the value and timing of product sales and products being taken to market, including their successful commercialisation.

Similarly, the carrying value of investments in subsidiary companies of £7.6 million and intercompany receivables of £7.8 million are also dependent on these future cash flows.

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 cash flows generated by the subsidiary companies is not as forecast.

Our opinion is not modified in respect of these matters.

OUR APPROACH TO THE AUDIT

Of the group's five reporting components, we subjected two to audits for group reporting purposes and two to specific audit procedures where the extent of our audit work was based on

our assessment of the risk of material misstatement and of the materiality of that component.

The remaining component was a dormant company.

The components within the scope of our work covered 100% of group revenue, 100% of group loss before tax, and 100% of group net assets.

All of the accounting records of components of the group are located in the UK and the audit work was undertaken solely by the group engagement team.

KEY AUDIT MATTERS

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

Key audit matter	Description of risk	How the matter was addressed in the audit
Goodwill and intangible asset impairment – group only	<p>As explained further in note 15, the group recognises goodwill and other intangible assets in respect of its acquisitions.</p> <p>Management are required to undertake impairment reviews on an annual basis, in line with accounting standards.</p> <p>This presents an area of audit risk, given the uncertainty over the value and timing of future cash flows and the amortisation period assigned. For this reason, we have considered this an area of key audit focus.</p>	<p>We discussed the cash flow forecasts prepared by management in their impairment calculation for each CGU. The main procedures performed on the calculations, the intangible assets workings and areas where we challenged management were as follows:</p> <ul style="list-style-type: none"> assessed the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes, and understanding why prior year forecasts had not been met; in conjunction with our internal valuation specialists, we assessed the appropriateness of the assumptions that had the most material impact. The main focus was on forecast costs and the discount factor used as the assumptions made by management regarding revenue were deemed more uncertain, as referred to above in the Emphasis of Matter paragraph; reviewed the value of the intangible assets against the impairment reviews undertaken by management and determining whether there is any indication that the assets might be impaired; and considered the appropriateness of the disclosures made in the financial statements in respect of these assets and the impairment reviews undertaken.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key audit matter	Description of risk	How the matter was addressed in the audit
Parent company investment in subsidiaries and intercompany receivables – parent company only	<p>As explained further in notes C2 and C4 to the parent company financial statements, the valuation of the investment balance related to subsidiary companies and intercompany receivables are linked to the assessment of goodwill and the intangible assets on consolidation. This presents an area of audit risk, given the uncertainty and value of future sales used to determine the cash flow projections upon which conclusion was reached that the values are deemed recoverable. For this reason, we have considered this an area of key audit focus.</p>	<p>We discussed the cash flow forecasts and budgets prepared by management in their impairment calculation. The main procedures performed on the calculation and areas where we challenged management were as follows:</p> <ul style="list-style-type: none"> ● assessed the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes and understanding why prior year forecasts had not been met; ● in conjunction with our internal valuation specialists, we assessed the appropriateness of the assumptions that had the most material impact. The main focus was on forecast costs and the discount factor used as the assumptions made by management regarding revenue were deemed more uncertain, as referred to above in the Emphasis of Matter paragraph; ● reviewed management's assessment of the value of the investments against the impairment indicators of IAS 36 and determining whether there is any indication that the investments might be impaired. ● reviewed the expected credit loss assessment made of the intercompany receivables under IFRS 9; and ● considered the appropriateness of the disclosures made in the financial statements in respect of these investments and intercompany receivable balances.
Revenue recognition – group only	<p>The group's revenues are required to be recognised in accordance with the requirements of IFRS 15. Due to the nature of revenue recognition of the group in respect of the various performance obligations within contracts, and the estimates and judgement involved in determining the amount of revenue to recognise each year, we have considered this an area of key audit focus.</p>	<p>The main procedures performed on the revenue recognised and areas where we challenged management were as follows:</p> <ul style="list-style-type: none"> ● a sample of contracts with customers were obtained and reviewed against the steps referenced by IFRS 15. Assessment of management's accounting treatment were performed on each contract sampled in respect of: <ul style="list-style-type: none"> ● contracts identified; ● performance obligations identified; ● determination and allocation of transaction price for each of those; and ● determination of revenue recognition method for satisfying those performance obligations. <p>Our work included an assessment of management's judgement over the performance obligations identified and their basis for recognition.</p> <p>The revenue recognised in the year was assessed against the criteria specified in the standard that demonstrates control has passed to the customer:</p> <ul style="list-style-type: none"> ● performed tests of detail on revenue to ensure the correct amount is recognised in the correct period; and ● considered the appropriateness and completeness of the disclosures made in the group financial statements in relation to this matter.
Going concern – parent and group	<p>Details of the work undertaken, and conclusions reached in respect of this matter are included in the 'Material uncertainty related to going concern' section above.</p>	

INDEPENDENT AUDITOR'S REPORT CONTINUED

OUR APPLICATION OF MATERIALITY

The materiality for the group financial statements as a whole ("group FS materiality") was set at £297,000. This has been determined with reference to the benchmark of the group's net assets, which we consider to be one of the principal considerations for members of the company in assessing the group's performance. Group FS materiality represents 5% of the group's net assets as presented on the face of the Consolidated Statement of Financial Position. It was set at 5% to reflect the fact that few misstatements were expected in the current period but acknowledged that there is an element of judgement and estimation required in the preparation of the financial statements.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £193,000. This has been determined with reference to the benchmark of the parent company's net assets, which we consider to be one of the principal considerations for members of the company in assessing the parent company's performance. Parent FS materiality represents 1% of net assets as presented on the face of the Company Statement of Financial Position, reflecting the fact that few misstatements were expected in the current period but acknowledged that there is an element of judgement and estimation required in the preparation of the financial statements.

Performance materiality for the group financial statements was set at £193,000, being 65% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 65% to reflect the fact that few misstatements were expected in the current period but acknowledged that there is an element of judgement and estimation required in the preparation of the financial statements.

Performance materiality for the parent company financial statements was set at £125,000, being 65% of parent FS materiality. We judged this level to be appropriate based on our understanding of the company and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 65% to reflect the fact that few misstatements were expected in the current period but acknowledged that there is an element of judgement and

estimation required in the preparation of the parent company financial statements.

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 contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

INDEPENDENT AUDITOR'S REPORT CONTINUED

- 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 23, 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.

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.

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

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management concerning their understanding of the relevant laws and regulations. We also drew on our existing understanding of the group's industry and regulation.

We understand that the group complies with the framework through:

- Outsourcing payroll and tax compliance to external experts for certain components.
- Subscribing to relevant updates from external experts to ensure internal procedures and controls are up to date and making changes as necessary.
- The Executive Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements; and
- AIM rules and the Market Abuse Regulations.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- Manipulation of the financial statements through the use of manual journal entries; and
- Key areas of judgement and estimation required in relation to the capitalisation of development costs, the amortisation of intangible assets, revenue recognition and the key inputs for impairment reviews.

These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing a sample of journal entries, selected through applying specific risk assessments based on the processes and controls surrounding journal entries;
- Testing a sample of revenue transactions to underlying documentation;
- Challenging management regarding the assumptions used in the estimates identified above, with consultation with internal specialists, as appropriate (see also the Key Audit Matters above).

INDEPENDENT AUDITOR'S REPORT CONTINUED

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

USE OF OUR REPORT

This report is made solely to the 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.



Kelly Jones

Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants

Portwall Place
Portwall Lane
Bristol
BS1 6NA

26 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year to 31 December 2021 £'000	Year to 31 December 2020 £'000
Continuing operations			
Revenue	7	1,011	1,319
Cost of sales		(377)	(433)
Gross profit		634	886
Research and development costs	11	(1,773)	(1,596)
Share based payments	23	(121)	(167)
Administrative expenses		(2,010)	(1,980)
Other income	11	-	187
Operating loss		(3,270)	(2,670)
Finance income - net	9	3	13
Loss before tax		(3,267)	(2,657)
Taxation	10	241	244
Loss for the financial period		(3,026)	(2,413)
Other comprehensive income			
Amounts which may be reclassified to profit or loss			
Currency translation differences on foreign operation		(48)	53
Total comprehensive loss for the year attributable to:			
The Company's equity shareholders		(3,074)	(2,360)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share from continuing operations (pence)	20	(0.33)	(0.30)

The notes on pages 34 to 54 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	At 31 December 2021 £'000	At 31 December 2020 £'000
Assets			
Non-current assets			
Intangible assets and goodwill	15	6,155	6,517
Investments		3	3
Plant and equipment	13	29	25
Right-of-use assets	14	-	61
		6,187	6,606
Current assets			
Trade and other receivables	16	186	454
Income tax asset	10	158	214
Cash and cash equivalents	17	302	2,606
		646	3,274
Liabilities			
Current liabilities			
Trade and other payables	18	(670)	(598)
Lease liabilities	14	-	(64)
		(670)	(662)
Net current (liabilities)/assets		(24)	2,612
Non-current liabilities			
Deferred tax	10	(216)	(318)
Total non-current liabilities		(216)	(318)
Total net assets		5,947	8,900
Shareholders equity			
Called up share capital	19	92	92
Share premium	21	9,134	10,200
Merger reserve	21	7,037	5,971
Shares to be issued reserve	21	-	204
Foreign currency translation reserve	21	12	60
Retained deficit	21	(10,328)	(7,627)
Total equity attributable to shareholders of the Company		5,947	8,900

The notes on pages 34 to 54 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 26th April 2022 and were signed on its behalf by:



Fraser Benson
Chief Financial Officer

Company Number: 05845469

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained deficit £'000	Shares to be issued reserve £'000	Foreign currency translation reserve £'000	Total equity £'000
Balance at 31 December 2019	74	7,136	5,971	(5,381)	1,274	7	9,081
Loss for the year to 31 December 2020	-	-	-	(2,413)	-	-	(2,413)
Currency translation differences	-	-	-	-	-	53	53
Total comprehensive loss for the year to 31 December 2020	-	-	-	(2,413)	-	53	(2,360)
<i>Transactions with owners:</i>							
Issue of shares for cash	14	1,998	-	-	-	-	2,012
Deferred consideration shares issued	4	1,066	-	-	(1,070)	-	-
Share based payment charge	-	-	-	167	-	-	167
Balance at 31 December 2020	92	10,200	5,971	(7,627)	204	60	8,900
Loss for the year to 31 December 2021	-	-	-	(3,026)	-	-	(3,026)
Currency translation differences	-	-	-	-	-	(48)	(48)
Total comprehensive loss for the year to 31 December 2021	-	-	-	(3,026)	-	(48)	(3,074)
<i>Transactions with owners:</i>							
Share based payment charge	-	-	-	121	-	-	121
Transfer (note 21)	-	(1,066)	1,066	-	-	-	-
Release of shares not issued	-	-	-	204	(204)	-	-
Balance at 31 December 2021	92	9,134	7,037	(10,328)	-	12	5,947

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year to 31 December 2021 £'000	Year to 31 December 2020 £'000
Cash flows from operating activities			
Operating loss from continuing operations		(3,270)	(2,670)
Depreciation and amortisation charges	11	449	580
Share based payments charge	23	121	167
Operating cash outflows before movement in working capital		(2,700)	(1,923)
Decrease / (Increase) in trade and other receivables		268	(22)
Increase in trade and other payables		72	134
Cash used in operations		(2,360)	(1,811)
Taxation received	10	214	172
Interest received	9	3	17
Net cash used in operating activities		(2,143)	(1,622)
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(25)	(6)
Capitalisation of intangible assets	15	(74)	(277)
Net cash used in investing activities		(99)	(283)
Cash flows from financing activities			
Proceeds from the issue of share capital		-	2,151
Transaction costs arising from issue of share capital		-	(138)
Payment of lease liabilities	14	(65)	(129)
Net cash (used in) / generated by financing activities		(65)	1,884
Net decrease in cash and cash equivalents		(2,307)	(21)
Cash and cash equivalents at beginning of year		2,606	2,607
Effects of exchange rate changes on cash and cash equivalents		3	20
Cash and cash equivalents at end of year		302	2,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

DeepMatter 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 2021. The Company has four wholly owned subsidiaries, three of which are active trading entities, InfoChem GmbH ("InfoChem"), DeepMatter Limited ("DML") and OpenIOLabs Limited ("OpenIOLabs"). DeepMatter Tech Limited ("DTL") is a dormant subsidiary.

The address of the registered office is given on the inside front cover of this report. The nature of the Group's activities is set out in the About Us section, Strategic Report and Directors' Report.

2. BASIS OF PREPARATION

These consolidated and Company financial statements have been prepared in accordance with UK-adopted international accounting standards. 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 accordance with UK-adopted international accounting standards 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 2020, except for the adoption of new standards and interpretations noted below.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Amendments have been made to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to the definition of material. The amendments clarify the definition of what is material to the financial statements and how to apply the definition.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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. All intra-group transactions and balances arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

4. GOING CONCERN

Information on the business environment and the factors underpinning the Group's future prospects and product portfolio are included in the CEO's Statement, Strategic Report and the Directors' Report. The cash balance at the 31 December 2021 was £0.3m and the group had announced on the 24th December a placing, direct subscription and open offer, which successfully closed in January 2022 raising £2.75m net of costs. The group have performed prudent scenario analysis on revenue and cost performance. These demonstrate that the Group can meet its liabilities as they fall due without further funding.

After making appropriate enquiries, the Directors consider that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. Accordingly, the financial statements do not include any adjustments which would be required if the going concern basis of preparation was deemed to be inappropriate. However, if the Group is unable to deliver upon its proposed revenue projections, or alternatively proposed cost reductions, there is limited headroom in the current forecasts and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

as such there is considered a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE FROM CONTRACTS WITH CUSTOMERS

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services.

Revenue is recognised at the fair value of the consideration received or receivable for the sale of services in the ordinary course of business and is shown net of Value Added Tax. The Group primarily earns revenues from the sales of software licenses and software consulting services.

A proportion of the contracts consist of multiple performance obligations and are bundled contracts. The performance obligations in bundled contracts were identified and an estimate was made of the fair value of the transaction price. Details of the estimates made, and obligations identified is included within critical estimates and judgements in note 6.

The following revenue recognition policies are used for InfoChem;

- Software licenses are recognised immediately where the performance obligation is satisfied upon the delivery of the license to the customer.
- Hosted software licenses are recognised in line with the satisfaction of the performance obligation over the license term under the output method and revenue not yet earned is accounted for within deferred income.
- Post contract support and maintenance contracts are deferred over the contractual term. Revenue is recognised using the output method based on the passage of the contractual term.
- Consulting projects are recognised on completion of the relevant performance obligations. Applying the output method, revenue is recognised as the performance obligation is met.

Deepmatter Limited's sales of SmartChemistry™ consist of a bundled monthly software license and hardware fee (which is currently trivial). Revenue is invoiced and recognised monthly using the output method over the contractual term.

Amounts included in deferred income are expected to be recognised within one year and are included within current liabilities.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Foreign currency translation

As required by IAS 21, the results and financial position of all Group entities that have a functional currency different from the presentation currency are translated in the presentation currency as follows;

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

Leases

A right of use asset and a lease liability has been recognized for all leases except leases of low value assets (deemed to be those with a value less than £5,000) and those with a duration of 12 months or less. These are further explained in note 14. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

Deferred Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Value Added Tax (VAT)

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

- Where the VAT incurred on a purchase of assets or goods or services is not recoverable from the taxation authority, in which case the VAT 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 VAT included.

The net amount of VAT 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.

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.

Development costs relating to ICSynth have been capitalised in the year ending 31 December 2021 as a result of the above criteria being met. Amortisation is calculated to write down the value of the intangible development on a straight-line basis over the useful life of the functionality:

- Software Development Intangible 2 years

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

Intangible assets

Intangible assets which arise on consolidation are stated at their fair value, net of amortisation and any provision for impairment. Amortisation is calculated to write off the value of all intangible assets to estimated residual value on a straight-line basis over their expected useful lives as follows:

- Patent costs and licensing rights 20 years
- Customer relationships 10 years
- Technology platform 1-2 years
- Technology database 5 years

Amortisation is included within administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED**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 4-5 years
- Computer and IT equipment 3 years
- Right-of-use assets Over the term of the lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

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.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

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 fair value through other comprehensive income. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Financial assets and liabilities

IFRS 9 states the requirements for the classification and measurement of financial assets and financial liabilities, the impairment of financial assets, and general hedge accounting.

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Subsequent to initial recognition, assets are measured at either amortised cost, fair value through other comprehensive income or fair value through profit or loss.

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.

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 Monte Carlo model or by applying Binomial probability modelling and are charged to operating profit over the overall vesting period of the award with a corresponding credit to retained earnings.

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. Where an equity-settled award is cancelled and replaced, it is treated as a modification and the incremental options charge recognised over the revised vesting period.

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

Government Grants (Furlough & Kurzarbeit)

The use of the UK Government Coronavirus Job Retention Scheme (Furlough) and German Government Kurzarbeit (short work scheme) leads to income being received from government bodies. The payments are accounted for on an accruals basis and amounts receivable were reported in Other Income, in the prior year.

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.

CRITICAL ACCOUNTING ESTIMATES

Impairment of tangible and intangible assets

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions.

As a result of the acquisition of InfoChem, goodwill is monitored by the Directors at the level of the two operating segments of DeepMatter and InfoChem.

DeepMatter

It is Management's assessment that the CGU of DeepMatter includes both the Group's investment in DeepMatter Limited and in OpenIOLabs as the technology platform acquired upon acquisition of OpenIOLabs in 2017 is used within the DeepMatter CGU.

The value-in-use calculations in respect of DeepMatter use cash flow projections based on financial budgets approved by the Directors covering a five-year period. Cash flows beyond the five year periods are extrapolated using a multiplier of 10. The pre-tax discount rate applied was 12.0%.

Based on the CGU calculation for DeepMatter, the directors have considered whether there are any indicators of impairment to the goodwill figure of £4,123,000 (2020: £4,123,000) which arose on the acquisition of DML in 2015 and the carrying amount of the intangible of £578,000 (2020: £614,000) related to the intangible technology license agreement held by OpenIOLabs and which arose on the acquisition of that company in 2017. The Directors concluded that no impairment charge is required at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

The directors acknowledge, however, that whilst the CGU of DeepMatter is still at an early stage of development, there is considerable uncertainty regarding the valuation of the above goodwill of £4,123,000 (2020: £4,123,000) and the further £578,000 (2020: £614,000) attributed to the intangible technology asset platform being used by DeepMatter, based on an estimate of the net present value of DeepMatter's future cash flows.

InfoChem

The CGU of InfoChem encompasses the trade of InfoChem which was acquired on the 15 March 2019.

The value-in-use calculations in respect of InfoChem use cash flow projections based on financial budgets approved by the Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using a multiplier of 10. The pre-tax discount rate applied was 12%.

Based on the CGU calculation for InfoChem, the directors have considered whether there are any indicators of impairment to the goodwill figure of £720,000 (which arose on the acquisition of InfoChem and the carrying amount of the intangibles of £655,000 (2020: £974,000) related to the intangible technology assets and customer relationship asset which arose upon acquisition. The Directors concluded that no impairment charge is required at 31 December 2021.

The directors acknowledge, however, that there is considerable uncertainty regarding the valuation of the above goodwill of £720,000 and the further £655,000 (2020: £974,000) attributed to the intangible technology assets being used by Infochem, based on an estimate of the net present value of Infochem's future cash flows.

Revenues - InfoChem

A proportion of the contracts with customers include bundled performance obligations. In allocating the transaction price to the relevant performance obligations, the following estimates were made:

- Post Contract Support (PCS) includes bug fixing and minor compatibility updates. The transaction price allocated to PCS was estimated to be 15% of the contract value. This is consistent with the transaction price in contracts where PCS is sold as a single performance obligation.
- Service warranty obligations reflect service level agreements (SLAs) agreed with customers. The transaction price allocated to service warranty obligations was estimated to be 15% of the contract value. This is consistent with the transaction price in contracts where a service warranty obligation is sold as a single performance obligation.

INTER-COMPANY BALANCES

To support working capital requirements, loans are provided to Group subsidiary companies. The Directors consider these inter-company balances to be recovered through the on-going trade of the subsidiaries which is based on the forecast underlying cashflows of these companies for which uncertainty remains over whether these will be achieved.

Inter-company loans are considered repayable on demand and no interest is payable on these loans.

JUDGEMENTS**Going Concern**

The Directors have modelled a number of different outcomes for the year ahead. In line with this, cost run rates have been modelled and discretionary costs have been quantified and different cost scenarios established. Based on the year end cash balance of £0.3m and the subsequent fundraise of £2.75m in January 2022, and the scenarios considered, the Directors have a reasonable expectation that the Group will have sufficient funding to meet its commitments and are of the opinion it is a going concern. However, if the Group is unable to deliver upon its proposed revenue projections, or alternatively proposed cost reductions, there is limited headroom in the current forecasts and as such there is considered a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

Revenues

In adopting IFRS 15 'Contracts with Customers', judgements were made by the Directors as to the timing of the satisfaction of performance obligations and the amounts allocated to performance obligations.

The following judgements were made in respect of the timing of the satisfaction of performance obligations:

- Software licenses which are delivered by a license key are determined to satisfy the performance obligation at the point of delivery and revenue is recognised immediately;
- Hosted Software licenses are determined to satisfy the performance obligation over the contractual license term;
- Post contract support and maintenance is delivered throughout the license term and is determined to satisfy the performance obligation over the contractual license term; and
- Consulting work is recognised on completion of the relevant performance obligation as agreed with the customer.

Short term evaluation trials of software products by customers are recognised as one performance obligation as it is determined that the customer is required to experience all aspects of the evaluation to fully assess the software.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The Directors have determined that minor warranty obligations are not a separate performance obligation and are a quality guarantee. The term of the guarantee is one year and is effective throughout the license term which is 12 months. As a result, no warranty provision under IAS 37 has been calculated as the license term end dates are concurrent with the 31 December 2021.

There are no customer contracts in the Group which are determined to contain a significant financing component.

Estimate of useful life of acquired intangible assets

Upon acquisition of InfoChem on the 15 March 2019, intangible assets were identified and restated to their fair values. The Directors made a judgement in respect of the expected useful lives of the intangible assets acquired and an appropriate amortisation charge is made. The useful economic life of the intangibles was estimated as follows:

- Customer relationships 10 years
- Technology platform 1-2 years
- Technology database 5 years

The Directors acknowledge, however, the actual useful life may be shorter or longer than the estimates made, depending on technical innovations and competitor actions.

Capitalisation of internally developed software

Distinguishing the research and development phases of a software product and determining whether the requirements for the capitalisation of development costs are met requires judgement. The Directors will assess whether a project meets the recognition criteria as set out in IAS 38 based on an individual project. Where the criteria are not met, the research and development expenditure will be expensed in the Consolidated Statement of Comprehensive Income. Where the recognition criteria are met, the items will be capitalised as an intangible asset. The Directors' judgment was that development of ICSynth met the criteria in 2020 and Amortisation for ICSynth started from July 2020 with the intangible amortised over 2 years. In 2021 the Director's judgment was that the development of ICSynth again met the capitalisation criteria and amortisation started in September 2021.

The Directors' judgment was that development of SmartChemistry™ did not currently meet the criteria for capitalisation. While feedback and engagements with academic and corporate customers continue to be positive, the directors consider the confirmation of a market will be more clearly demonstrable later in early 2022 when some further development milestones have been achieved and commercial agreements are signed.

Leasing

In determining the lease term under IFRS 16, the Directors consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lessee's incremental borrowing rate applied to the lease liabilities was 3.5% (2020 3.5%)

7. SEGMENTAL REPORTING

The Chief Operating Decision Maker has been identified as the Chief Executive Officer ("CEO") of the company. The Group has two operating segments and the CEO reviews the Group's internal reporting which recognises these two segments in order to assess performance and allocate resources. The Group has determined its reportable segments which are also its operating segments based on these reports. The Group currently has two operating and reportable segments being DeepMatter and InfoChem;

- DeepMatter – this segment owns, develops and is in the early stage of commercially exploiting intellectual property, software, hardware and data analysis capabilities (including machine learning) combined as a visionary, disruptive platform called SmartChemistry™, enabling step changes in productivity and discovery for scientists in the pharma and life science sectors.
- InfoChem – this segment develops and commercialises cheminformatics software to handle, store and retrieve chemical structures and reactions for application in pharma, life sciences and scientific publications. The segment has industry established market leading tools for the production of synthesis planning and reaction prediction solutions and the automatic extraction of scientific information from text and images.

Information regarding the operation of the reportable segments is included below. The CEO assesses the performance of the operating segments based on revenue and a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) before any allocation of Group overheads, charges for share based payment and costs associated with acquisitions. This segment EBITDA is used to measure performance as the CEO believes such information is most relevant in evaluating the results of the segment.

The Group's EBITDA for the year has been calculated after deducting the Group overheads from the EBITDA of the two segments as reported internally. Group overheads include the cost of the Board, listing costs, all the costs of running the premises in Glasgow and Munich, Group marketing, finance and legal and professional fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

The segment information is prepared using accounting policies consistent with those of the Group as a whole.

The non-current assets are reviewed by the chief operating decision-maker in reviewing the carrying value of goodwill and intangibles for indicators of impairment. Segment non-current assets are measured in the same way as in the financial statements and the assets are allocated based on the operations of the segment and the related business activity.

The current assets and non-current and current liabilities of the Group are not reviewed by the chief operating decision-maker on a segment basis and therefore none of the Group's current assets and current and non-current liabilities are segmental assets and liabilities and are all unallocated for segmental disclosure purposes. For that reason, the Group has not disclosed details of these segmental assets and liabilities.

In the year to 31 December 2021, the Group had 4 customers that exceeded 10% of total revenue, being 14%, 13%, 13% and 12% (2020: 2 customers that exceeded 10% of total revenue, being 18% and 13%).

All segments are continuing operations.

REVENUE FROM CONTRACTS WITH CUSTOMERS BY GEOGRAPHIC LOCATION

	Year ended 31 December 2021			Year ended 31 December 2020		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Germany	586	-	586	692	-	692
Switzerland	103	-	103	171	-	171
United Kingdom	156	-	156	162	-	162
USA	96	-	96	174	-	174
Rest of the world	70	-	70	120	-	120
Revenue for the period	1,011	-	1,011	1,319	-	1,319

The revenues reported above are both by destination and origin.

REVENUE FROM CONTRACTS WITH CUSTOMERS BY OPERATING SEGMENT

	Year ended 31 December 2021			Year ended 31 December 2020		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
DeepMatter	6	-	6	83	-	83
InfoChem	1,005	-	1,005	1,236	-	1,236
Revenue from contracts with customers	1,011	-	1,011	1,319	-	1,319

PROFIT / (LOSS) BY OPERATING SEGMENT

	Year ended 31 December 2021			Year ended 31 December 2020		
	EBITDA before share based payments and acquisition costs £'000	Depreciation, amortisation, acquisition costs & share based payments £'000	Operating Profit/(loss) £'000	EBITDA before share based payments and acquisition costs £'000	Depreciation, amortisation, acquisition costs & share based payments £'000	Operating Profit/(loss) £'000
DeepMatter	(1,274)	(86)	(1,360)	(993)	(101)	(1,094)
InfoChem	84	(360)	(276)	213	(511)	(298)
Group overheads	(1,513)	-	(1,513)	(1,299)	-	(1,299)
Acquisition costs	-	-	-	-	-	-
Other income	-	-	-	-	-	187
Share based payments	-	(121)	(121)	-	(167)	(167)
Loss before tax and interest	(2,703)	(567)	(3,270)	(2,079)	(779)	(2,670)
Group interest and tax	-	-	244	-	-	257
Loss for the period	-	-	(3,026)	-	-	(2,413)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

NON-CURRENT ASSETS BY SEGMENT

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
DeepMatter		
UK	5,520	5,585
Germany	-	-
InfoChem		
UK	-	-
Germany	664	1,018
Total non-current segment assets	6,184	6,603
Unallocated:		
Financial assets at fair value through other comprehensive income	3	3
Total non-current assets as per the statement of financial position	6,187	6,606

8. EMPLOYEE BENEFIT EXPENSE

	2021 £'000	2020 £'000
Salaries and fees	2,195	2,136
Social security costs	295	365
Pension costs	46	50
Share based payments (note 23)	121	167
	2,657	2,718

The average monthly number of employees of the Group was:

	2021 No.	2020 No.
Directors	5	5
Technical, scientific and administrative staff	32	36
	37	41

DIRECTORS' EMOLUMENTS

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

	2021 £'000	2020 £'000
Salaries and fees	382	322
Pension contributions	8	10
Share based payments	98	147
Directors remuneration	488	479
Social security costs	47	39
Key Management personnel remuneration	535	518

9. FINANCE INCOME AND EXPENSE

	2021 £'000	2020 £'000
Finance income		
Bank interest receivable	3	17
Finance expense		
Interest charge for lease liabilities	-	(4)
Net finance income	3	13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

10. TAXATION

	2021 £'000	2020 £'000
<i>Current Tax</i>		
UK Corporation tax credit	158	214
Total UK Corporation tax credit	158	214
<i>Deferred income tax</i>		
Deferred tax credit	83	30
Total deferred tax credit	83	30
Total tax credit	241	244

The 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% (2020: 19%). The differences are reconciled below:

	2021 £'000	2020 £'000
Loss before tax	(3,267)	(2,657)
Loss multiplied by the average standard rate of corporation tax in the UK of 19% (2020: 19%)	(621)	(505)
Effects of:		
Expenses not deductible for tax	35	39
R&D tax credits receivable in respect of prior periods *	(158)	(214)
Utilisation of tax losses	-	2
Difference in overseas tax rates	(25)	(42)
Deferred tax not recognised on losses carried forward	528	477
Total tax credit	(241)	(244)

*The R&D tax credit accounted for in 2020 was received in January 2021 and is shown as an income tax asset at the 31 December 2020 year end. The R&D tax credit accounted for in 2021 is yet to be received.

DEFERRED TAX

Deferred Tax Liabilities

The balance comprises temporary timing difference attributable to:

	2021 £'000	2020 £'000
Intangible assets	(216)	(318)
Deferred tax liabilities	(216)	(318)
Net deferred tax liabilities	(216)	(318)

The movement in the deferred tax liability reflects the deferred tax credit recognised above and foreign exchange translation differences.

Deferred Tax Losses

The losses available for carry forward at 31 December 2021 comprise those of the Company and its four subsidiaries, DeepMatter, DeepMatter Technology, InfoChem, and OpenIOLabs and amount to £15,277,000 at 31 December 2021 (2020: £12,435,000). No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain and there are currently no time limits on the use of these losses.

	2021 £'000	2020 £'000
Tax losses carried forward	3,922	2,439
Share based payment charge	142	85
Deferred tax assets (unrecognised)	4,064	2,524

Change in Corporation Tax rate

The Finance Bill 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. Accordingly, unrecognised deferred tax assets and liabilities have been calculated at the tax rate of 25% (2020: 19%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. OPERATING COSTS

	2021 £'000	2020 £'000
Employee benefit expense (see note 8)	2,657	2,718
Depreciation of property, plant and equipment (See note 13)	17	23
Depreciation of right-of-use assets (see note 14)	61	121
Amortisation of intangible assets (See note 15)	371	436
Operating lease costs	10	-
Research and development costs	1,773	1,596
Foreign exchange gains and losses	1	1
Other income (see below)	-	187

In 2020, the Group made use of COVID schemes to help reduce costs in the early stage of the COVID 19 pandemic. In the UK the Government Furlough scheme contributed towards the salaries of employees not working by £77,000. In Germany the Kurtzarbeit scheme allowed employees to work less hours flexibly and the Group was reimbursed for the time not working by £110,000. No claims were made in 2021.

12. AUDITORS' REMUNERATION

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

	2021 £'000	2020 £'000
Fees payable to the Company's auditor:		
- The audit of the Company and consolidated accounts	29	28
- The audit of the Company's subsidiaries	29	28
- The provision of non-audit services	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

13. PLANT AND EQUIPMENT

	Plant & machinery £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost				
At 31 December 2019	127	48	66	241
Additions	-	6	-	6
Foreign currency translation	8	-	4	12
At 31 December 2020	135	54	70	259
Additions	4	-	21	25
Foreign currency translation	(10)	(4)	(1)	(15)
At 31 December 2021	129	50	90	269
Depreciation				
At 31 December 2019	120	34	46	200
Charge for the year	7	4	12	23
Foreign currency translation	8	-	3	11
At 31 December 2020	135	38	61	234
Charge for the year	3	3	11	17
Foreign currency translation	(9)	(1)	(1)	(11)
At 31 December 2021	129	40	71	240
Net Book Value				
At 31 December 2019	7	14	20	41
At 31 December 2020	-	16	9	25
At 31 December 2021	-	10	19	29

14. LEASES

This note provides information where the Group is a lessee.

14(A) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Right-of-use assets		
Buildings	-	34
Hardware	-	20
Vehicles	-	7
Total	-	61
Lease liabilities		
Current	-	64
Non-Current	-	-
Total	-	64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14(B) AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Consolidated Statement of Comprehensive Income shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Depreciation charge for right-of-use assets		
Buildings	34	91
Hardware	20	22
Vehicles	7	8
Total	61	121
Interest expenses (included in finance cost)	-	4

The total cash outflow for leases in 2021 was £65,000 (2020: £129,000).

14(C) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases the following assets;

- **UK office** – The Group leased an office in the UK for the operations of DML. The lease commenced on the 1 October 2019 and had a fixed term of 24 months, ending in September 2021. The office is now used on a rolling short term agreement.
- **German office** – An office is leased in Munich for the operations of InfoChem. The lease commenced on the 15 March 2019 and had a fixed term of 16 months, ending in July 2020. The office is now used on a rolling short term agreement.
- **Servers** – Hardware servers are leased to support operational activity. The lease term commenced on the 1 November 2017 ran for an initial 36 months, renewing for an additional 12 months in November 2020. The term auto renewed for a period of 12 months in November 2021 and will continue to auto renew if notice of termination is not served.
- **Vehicles** – Vehicles are leased over 3-year contractual terms. Vehicles leases were acquired on the acquisition of InfoChem. The final vehicle under this agreement was handed back in 2021.

The lease agreements above do not impose any covenants and leased assets may not be used as security for borrowing purposes.

Under IFRS 16 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentive receivable; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's weighted average incremental borrowing rate of 3.5% is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments in respect of the offices based on rent reviews which are not included in the lease liability until they take effect. When adjustments to lease payments take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of hardware equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

15. INTANGIBLE ASSETS

	Patents & Licences £'000	Customer Relationships £'000	Technology Assets £'000	Goodwill £'000	Total £'000
Cost					
At 31 December 2019	845	377	1,025	4,840	7,087
Capitalisation of development	-	-	277	-	277
Foreign currency translation	-	22	44	-	66
At 31 December 2020	845	399	1,346	4,840	7,430
Capitalisation of development	-	-	74	-	74
Foreign currency translation	-	(28)	(86)	-	(114)
At 31 December 2021	845	371	1,334	4,840	7,390
Amortisation					
At 31 December 2019	98	30	326	-	454
Amortisation for year	44	37	355	-	436
Foreign currency translation	-	2	21	-	23
At 31 December 2020	142	69	702	-	913
Amortisation for year	44	38	289	-	371
Foreign currency translation	-	(5)	(44)	-	(49)
At 31 December 2021	186	102	947	-	1,235
Net Book Value					
At 31 December 2019	747	347	699	4,840	6,633
At 31 December 2020	703	330	644	4,840	6,517
At 31 December 2021	659	269	387	4,840	6,155

Intangible assets were recognised on the acquisition of InfoChem in 2019. They include:

- Technology which extracts chemical meta-data from papers and patents
- License rights for a chemical reaction database
- Customer relationships due to recurring software license sales

In 2020 two releases of ICSynth development have been capitalised totalling £277,000. In 2021 a release of ICSynth has been capitalised totalling £74,000. These will all be amortised over a 2-year economic life.

The only other licence assets held at 31 December 2021 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, which are also being amortised over a 20 year useful economic life.

CASH GENERATING UNITS (CGUs)

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.

For the year ending 31 December 2021, the Group has identified two cash generating units within the Group. The CGU of DeepMatter encompasses the trade of DML and the remaining technology assets of OpenIOLabs. The CGU of InfoChem encompasses the trade of InfoChem.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

DeepMatter CGU

Where practical, forecasts are prepared over the expected life cycle of the Group's proposed products based on management's current project plans for the next five years. The forecasts are not based on past experience owing to the early stage development of the project. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model (a pre-tax discount rate of 12% has been used) as well as the expected future cash flows and the multiple of year five cash flows used in determining the estimated terminal value at that date (a multiple of 10 has been used). The Group have considered sensitivities in regard to the assumptions used and have reviewed both the discount factor and terminal multiple. A variation in the discount rate of 34.8% or a drop of 8 in the terminal exit multiplier would be required to indicate an impairment on the carrying value of goodwill and intangible asset of £4,701,000.

The Directors acknowledge that whilst both DML 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.

InfoChem CGU

Forecasts are prepared covering the next five years and are prepared based on management's current project plans for the next five years. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model (a pre-tax discount rate of 12% has been used) as well as the expected future cash flows and the multiple of year five cash flows used in determining the estimated terminal value at that date (a multiple of 10 has been used). The Group have considered sensitivities in regard to the assumptions used and have reviewed both the discount factor and terminal multiple. A variation in the discount rate of 16.0% or a drop of 6 in the terminal exit multiplier would be required to indicate an impairment on the carrying value of goodwill and intangible asset of £1,404,000.

The Directors acknowledge that whilst InfoChem is an established company with recurring revenue streams, there is material uncertainty regarding the valuation of this goodwill based on any estimate of the net present value of the subsidiary entity's future cashflows. This material uncertainty arises due to the unpredictability of the timing of revenues and uncertainty regarding the commercialisation of the technologies acquired.

The Directors will continue to review the progress of the subsidiary entities in following the Group roadmap to the digitisation of chemistry and the pursuit of opportunities to commercialise its platform technology. In the event that any impairment to 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.

16. TRADE AND OTHER RECEIVABLES

	2021 £'000	2020 £'000
Current:		
Trade receivables	68	387
Other receivables	45	38
Prepayments	73	29
	186	454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

AGEING OF TRADE RECEIVABLES

31 December 2021	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Gross carrying amount of trade receivables	14	52	3	3	72
Impairment provision	-	(4)	-	-	(4)
Net carrying value of trade receivables	14	48	3	3	68

31 December 2020	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Gross carrying amount of trade receivables	302	77	12	16	407
Impairment provision	-	-	(10)	(10)	(20)
Net carrying value of trade receivables	302	77	2	6	387

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values. There was a provision of £4,000 (2020: £20,000) for impairment in respect of trade receivables at the 31 December 2021. The credit quality of those trade receivables not past due and not impaired is considered good.

17. CASH AND CASH EQUIVALENTS

	2021 £'000	2020 £'000
Cash at bank and in hand	302	2,606
Denominated in UK Sterling	257	2,374
Denominated in Euros	45	232
Cash at bank and in hand	302	2,606

18. TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Current:		
Trade payables	137	37
Social security and other taxes	115	81
Accrued expenses and other creditors	256	253
Deferred Income	162	227
	670	598

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30-45 day terms.

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 2019	736,533,946	74
Issue of placing shares on 17 th July 2020	142,563,335	14
Issue of deferred revenue shares on 15 th September 2020	42,800,000	4
Issue of subscription shares on 27 th October 2020	500,000	0
At 31 December 2020	922,397,281	92
At 31 December 2021	922,397,281	92

The deferred consideration shares issued to Springer Nature on the 15 September 2020 and admitted to trading on 21 September 2020, relate to the acquisition of Infochem GmbH on 15 March 2019.

No share options were exercised in the year ending 31 December 2021 (2020 Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 9,748,728 potentially issuable dilutive ordinary shares in existence at the 31 December 2021 period end, (2020: 31,814,821), comprised of 9,748,728 share options.

	2021	2020
Loss per share		
Loss attributable to equity holders of the Group (£'000)	(3,026)	(2,413)
Weighted average number of dilutive shares in issue	922,397,281	814,397,444
Basic and diluted loss per share (pence)	(0.33)	(0.30)

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.

During the prior year, the reserve increased by £2.0m following a placing of shares with a nominal value of £0.01m. The increase to the share premium account was offset by £0.1m of costs incurred in raising the proceeds of £2.1m.

The reserve also increased by £1.1m in the prior year as a result of the issue of 42.8m shares as deferred consideration relating to the acquisition of InfoChem in 2019. This increase has subsequently been transferred to the merger reserve in the year ended 31 December 2021 to more correctly reflect the accounting treatment for this share issue.

MERGER RESERVE

The merger reserve arose on the acquisition of DML under section 612 of the Companies Act 2006 as shares with a nominal value of £0.002m 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 £0.002m were issued for a total of £0.46m as consideration.

In 2019, the reserve increased further upon the acquisition of InfoChem as shares with a nominal value of £0.003m were issued for a total consideration of £0.64m.

A transfer of £1.066m from the share premium reserve was made in the year to 31 December 2021 to more correctly reflect the premium arising on the issue of deferred consideration shares in the year ended 31 December 2020.

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 at the acquisition date of the 22 million potentially issuable deferred consideration shares in connection with that acquisition.

The reserve increased further in 2019 to record the fair value of the 42.8 million potentially issuable deferred consideration shares in connection with the acquisition of InfoChem. These shares were issued in September 2020 again reducing the reserve.

In November 2021 the 22 million potentially issuable deferred consideration shares in relation to the acquisition of Openiolabs were reversed as the criteria for issue were not achieved.

RETAINED DEFICIT RESERVE

The reserve relates to the cumulative results made by the Group in the current and prior periods.

In the current period the reserve decreased by the Group's loss for the year offset by the credit arising from the share based payment charge for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve arose on the acquisition of InfoChem. The results and financial position of InfoChem are translated into the Group's presentation currency as follows;

- Assets and liabilities are translated at the closing rate at the date of the statement of financial position; and
- Income and expenses are translated at average exchange rates.

All resulting exchange differences are recognised in the foreign currency translation reserve.

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.

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

	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial assets at fair value through OCI £'000	Total £'000
At 31 December 2020				
Investments	-	-	3	3
Trade and other receivables	454	-	-	454
Cash and cash equivalents	2,606	-	-	2,606
Trade and other payables	-	(598)	-	(598)
Current lease liabilities	-	(64)	-	(64)
Non-current lease liabilities	-	-	-	-
Net Total	3,060	(662)	3	2,401
At 31 December 2021				
Investments	-	-	3	3
Trade and other receivables	186	-	-	186
Cash and cash equivalents	302	-	-	302
Trade and other payables	-	(670)	-	(670)
Current lease liabilities	-	-	-	-
Non-current lease liabilities	-	-	-	-
Net Total	488	(670)	3	(179)

All financial liabilities for both the Group and the Company are payable on standard business terms. 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 except for trade receivables as disclosed in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due through having insufficient resources. The Group has a cash balance of £0.3m at 31 December 2021 and had announced a fundraising which was completed on the 21 January 2022 raising £2.75m net of costs. The Directors are confident that through management and monitoring of working capital levels, it will be able to meet its liabilities as they fall due.

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 is limited to the amount of interest earned during the year.

Interest Rate Sensitivity	Year to 31 December 2021		Year to 31 December 2020	
	+1% £'000	-1% £'000	+1% £'000	-1% £'000
Loss for year	3	(3)	26	(17)
Equity	3	(3)	26	(17)

23. SHARE-BASED PAYMENTS

The company operates a share option scheme for the benefit of employees and share options are granted to certain eligible 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 usually 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. Options are forfeited if the employee leaves the Group before the options vest.

The table below shows the current active options holders and the date and number of options issued.

Option Holder	Date of issue	Number of Options
Mark Warne	11 th March 2019	25,000,000
Fraser Benson	18 th December 2020	5,000,000
Alan Dunn	30 th September 2020	5,000,000
6 Employees	6 th October 2021	16,000,000

On 11 March 2019, options were granted to Mark Warne over 25,000,000 ordinary shares at an exercise price of 2.5 pence, reflecting the 2.5 pence issue price of the placing of shares issued between the 12 and 13 March 2019 to raise gross cash proceeds of £4 million. Provided Mark remains an employee, his options vest over 36 months starting from the 11 March 2019 but subject to specific share price triggers being reached.

On 30 September 2020, options were granted to Alan Dunn, COO, over 5,000,000 ordinary shares at an exercise price of 2.5 pence, in line with the scheme approved in 2019 for Mark Warne. Provided Alan remains an employee, his options vest over 36 months starting from 30 September 2020 but subject to specific share price triggers being reached.

On 18 December 2020, options were granted to Fraser Benson, CFO, over 5,000,000 ordinary shares at an exercise price of 2.5 pence, in line with the scheme approved in 2019 for Mark Warne. Provided Fraser remains an employee, his options vest over 36 months starting from 1 March 2021 but subject to specific share price triggers being reached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

Share Price Trigger (£)	Number of plan shares in respect of which the options may be exercised		
	Mark Warne	Fraser Benson	Alan Dunn
None	3,750,000	1,666,667	1,666,667
0.04	3,750,000	1,111,112	1,111,112
0.06	3,750,000	277,778	277,778
0.08	3,750,000	277,778	277,778
0.10	3,750,000	277,778	277,778
0.12	1,250,000	277,778	277,778
0.14	1,250,000	277,778	277,778
0.16	1,250,000	277,778	277,778
0.18	1,250,000	277,778	277,778
0.20	1,250,000	277,775	277,775

All unexercised options lapse after 10 years from the date of grant.

6 other employees were granted a total of 16,000,000 share options in October 2021. These were granted at an exercise price of 1.5 pence. Provided they remain employees, the options vest over 36 months starting from 6 October 2021 but subject to share price triggers between £0.04 and £0.20 being reached.

At the start of 2021, one other employee held options over 1,666,667 shares (which were fully vested at the end of October 2019) granted as part of the 2017 scheme. The employee left the company and their rights were forfeited by the end of the year. These were granted at an exercise price of 2.13 pence.

At 31 December 2021, there were 51,000,000 (2020: 36,666,667) share options in issue at a weighted average exercise price ("WAEP") of 2.19 pence as illustrated in the following table of movements in share options during the year:

	2021		2020	
	Number	WAEP pence	Number	WAEP pence
Outstanding at 1 January	36,666,667	2.48	26,736,667	2.48
Granted during the year	16,000,000	1.50	10,000,000	2.50
Exercised during the year	-	-	-	-
Forfeited	(1,666,667)	2.13	(70,000)	2.13
Lapsed	-	-	-	-
Outstanding at 31 December	51,000,000	2.19	36,666,667	2.48

Of the 51,000,000 share options outstanding, 9,748,728 were exercisable as at 31 December 2021 (2020: 9,814,821).

The fair value at grant date has been determined using a binomial tree or Monte Carlo approach that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk-free interest rate for the term of the option. The model inputs for options granted are as follows:

	Granted on 6 October 2021	Granted on 18 December 2020	Granted on 30 September 2020	Granted on 11 March 2019	Granted on 1 December 2017
Expected share price volatility	70%	71%	71%	62%	68%
Risk free interest rate	0.3%	0.4%	0.3%	1.4%	2.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted average exercise price (pence)	1.5	2.5	2.5	2.5	2.13
Weighted average share price at date of grant (pence)	1.4	1.8	1.6	3.7	3.7

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.

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 retained earnings. The expense so recognised in the year ended 31 December 2021 amounted to £121,000 (2020: £167,000).

In January 2022, all of the existing share options were surrendered and new replacement options were issued as part of a wider all staff share options grant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. RELATED PARTIES AND DIRECTORS' TRANSACTIONS

GROUP

Bettina Goerner served on the Board of the Company as a Non-Executive Director until she stepped down on 9 March 2021. Bettina Goerner was a Managing Director of Springer Nature and no amounts were paid to Springer Nature in respect of Bettina Goerner's services in the year ending 31 December 2021.

Mirko Walter served on the Board of the Company as a Non-Executive Director from appointment to the board on 9 March 2021. Mirko Walter serves as a Senior Vice President of Springer Nature and no amounts were paid to Springer Nature in respect of Mirko Walter's services in the year ending 31 December 2021.

The Group recognised sales of £64,000 (2020: £166,000) in respect of the 'Services Agreement' between InfoChem and Springer Group companies. There was £nil outstanding at the end of the year (2020: £nil.)

The Group has paid companies that are part of IP Group, a significant shareholder, £18,000 in respect of the provision of recruitment/administrative services (2020: £50,000). There were no amounts outstanding at the end of the year (2020: £nil).

KEY EMPLOYEES

At the year-end, the Directors did not consider any employees to be key management to the Group other than the Chair, Executive Directors and Non-Executive Directors who served during the period. Details of the remuneration paid to key management is disclosed in note 8.

25. POST BALANCE SHEET EVENT

The group announced on the 24 December 2021 a placing, subscription and open offer to raise proceeds of £2.55m via the placing and subscription and a maximum of £0.25m by way of open offer. Shares were priced at 0.1p, a significant discount to the prevailing share price. This was successfully approved at General Meeting on the 20 January 2022 and 2,800,000,000 shares were admitted to trading at 8am on the 21 January 2022. This raised £2.75m net of costs. At the time of the fundraise, all share options in issue were surrendered by the holders and these were re-issued on the day the new shares were admitted to trading, as part of an all staff share option grant.

26. ULTIMATE CONTROLLING PARTY

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	At 31 December 2021 £'000	Restated At 31 December 2020 £'000
Assets			
Non-current assets			
Investments	C2	7,649	7,626
Trade and other receivables	C4	7,753	6,505
		15,402	14,131
Current assets			
Trade and other receivables	C4	29	26
Cash and cash equivalents		237	2,266
		266	2,292
Liabilities			
Current liabilities			
Trade and other payables	C5	(164)	(89)
Net current assets		102	2,203
Net assets		15,504	16,334
Shareholders equity			
Called up share capital	19	92	92
Share premium	21	9,134	10,200
Merger reserve	21	7,037	5,971
Shares to be issued reserve	21	-	204
Retained earnings		(759)	(133)
Total equity attributable to shareholders of the Company		15,504	16,334

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 2021 was £951,000 (2020: £654,000).

The financial statements were approved by the Board of Directors on 26th April 2022 and were signed on its behalf by:



Fraser Benson
Director

Company Number: 05845469

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Shares to be issued reserve £'000	Total equity £'000
Balance at 31 December 2019	74	7,136	5,971	354	1,274	14,809
Total comprehensive loss for the year to 31 December 2020	-	-	-	(654)	-	(654)
Transactions with owners:						
Share based payment charge	-	-	-	167	-	167
Issue of shares for cash	14	1,998	-	-	-	2,012
Deferred consideration issued	4	1,066	-	-	(1,070)	-
Balance at 31 December 2020	92	10,200	5,971	(133)	204	16,334
Total comprehensive loss for the year to 31 December 2021	-	-	-	(951)	-	(951)
Transactions with owners:						
Share based payment charge	-	-	-	121	-	121
Release of shares not issued	-	-	-	204	(204)	-
Transfer	-	(1,066)	1,066	-	-	-
Balance at 31 December 2021	92	9,134	7,037	(759)	-	15,504

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £'000	2020 £'000
Loss before tax	(951)	(654)
Share based payment charge	98	147
Finance Income	(3)	(6)
Net impairment losses on financial assets	316	-
Operating cash outflows before movements in working capital	(540)	(513)
Increase in trade and other receivables	(1,585)	(1,556)
Increase/(decrease) in trade and other payables	93	(1)
Cash used in operations	(2,032)	(2,070)
Interest received	3	6
Net cash used in operating activities	(2,029)	(2,064)
Cash used in investing activities	-	-
Proceeds from the issue of share capital	-	2,150
Transaction costs arising from issue of share capital	-	(138)
Cash from financing activities	-	2,012
Decrease in cash and cash equivalents	(2,029)	(52)
Cash and cash equivalents at beginning of year	2,266	2,318
Cash and cash equivalents at end of year	237	2,266

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

C1. BASIS OF PREPARATION

The Company separate financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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.

The comparatives have been restated to reflect that following FRC guidance, intercompany receivables that are not expected to be recovered within one year should be disclosed as non-current assets.

C2. INVESTMENTS

	Notes	Shares in subsidiary undertakings £'000	Other Investments £'000	Total £'000
Cost				
At 31 December 2019		7,602	3	7,605
Share options charges in subsidiaries		21	-	21
At 31 December 2020		7,623	3	7,626
Additions				
Share options charges in subsidiaries		23	-	23
At 31 December 2021		7,646	3	7,649
Impairment				
At 31 December 2019		-	-	-
Impairment		-	-	-
At 31 December 2020		-	-	-
Impairment		-	-	-
At 31 December 2021		-	-	-
Net Book Value				
At 31 December 2019		7,602	3	7,605
At 31 December 2020		7,623	3	7,626
At 31 December 2021		7,646	3	7,649

The directors have considered whether there are any indicators of impairment to the Shares in Subsidiary Undertakings investment figure of £7,646,000 and concluded that no impairment charge is required. As a result the impairment review of the InfoChem subsidiary, intercompany balances have been reduced by £316,000, see note C4.

The directors acknowledge, however, that there is considerable uncertainty regarding the valuation of this investment balance based on any estimate of the net present value of the future cash flows of the two Cash Generating Units of DeepMatter and InfoChem. See note 15 to the Group financial statements for further details.

As at 31 December 2021, details of the Company's subsidiaries are as follows:

Name of Company	Holding	% of shares held	Nature of business	Registered Office Address
Deepmatter Limited (incorporated in Scotland)	Ordinary	100	Digitisation of chemical space and chemical discovery	38 Queen Street, Glasgow, Scotland, G1 3DX
OpenOLabs Limited (incorporated in England & Wales)	Ordinary	100	Open source one point of control systems	St Brandon's House, 29 Great George Street, Bristol, BS1 5QT
InfoChem GmbH (incorporated in Munich, Germany)	Ordinary	100	Digitisation of chemical space and chemical discovery	Aschauer Str. 30, 81549 München, Germany
Deepmatter Tech Limited (incorporated in England & Wales)	Ordinary	100	Dormant subsidiary	St Brandon's House, 29 Great George Street, Bristol, BS1 5QT

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED**C3. INFORMATION REGARDING PARENT COMPANY EMPLOYEES**

The only employees of the parent company are 6 (2020: 5) of the 7 Directors who served during the year. Details of the Directors' emoluments paid to those Directors is as follows:

	2021 £'000	2020 £'000
Salaries and fees	382	253
Pension contributions	8	8
Share based payments	98	147
Directors remuneration	488	408
Social security costs	47	30
Key Management remuneration	535	438

C4. TRADE AND OTHER RECEIVABLES

	2021 £'000	Restated 2020 £'000
Non-Current:		
Intercompany receivables	7,753	6,505
Total Trade and Other Receivables	7,753	6,505

	2021 £'000	Restated 2020 £'000
Current:		
Other receivables	9	13
Prepayments	20	13
Total Trade and Other Receivables	29	26

The Directors acknowledge that there is uncertainty over recoverability of the intercompany receivables balance, as it relies upon the underlying future trading performance of the subsidiaries, which cannot be forecast with a high degree of accuracy. As a result of impairment review of the InfoChem CGU, intercompany balances have been reduced by £316,000.

As detailed in Note C1, following FRC guidance, intercompany receivables which are not expected to be recovered within one year are now required to be classified as non-current assets.

C5. TRADE AND OTHER PAYABLES

	2021 £'000	2020 £'000
Current:		
Trade payables	9	25
Social security and other taxes	35	16
Accrued expenses	119	47
Other payables	1	1
Total Trade and Other Payables	164	89

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

C6. SHARE CAPITAL

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

C7. OTHER RESERVES

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

C8. RELATED PARTY TRANSACTIONS

For the period ending 31 December 2021, the intercompany receivable increased by £1.6m to £8.1m (2020: £6.5m). This increase is reflective of the investment made in progressing the SmartChemistry™ platform. The amount disclosed in note C4 is after a £0.3m impairment of the balance in the year.

£289,000 (2020: £152,000) was recognised by the Company in respect recharges to Group entities. £118,000 was outstanding from Group entities at the end of the year (2020: £68,000).

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

C9. 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

	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial assets at fair value through OCI £'000	Total £'000
At 31 December 2021				
Investments	-	-	3	3
Trade and other receivables	7,782	-	-	7,782
Cash and cash equivalents	237	-	-	237
Trade and other payables	-	(164)	-	(164)
Net Total	8,019	(164)	3	7,858
At 31 December 2020				
Investments	-	-	3	3
Trade and other receivables	6,531	-	-	6,531
Cash and cash equivalents	2,266	-	-	2,266
Trade and other payables	-	(89)	-	(89)
Net Total	8,797	(89)	3	8,711

All financial liabilities for the Company are payable within one year.

IMPAIRMENT OF FINANCIAL ASSETS

The Company applies IFRS 9 to measuring expected credit losses relating to intercompany loans advanced to Group Companies.

The loss allowance recognised in the year was £316,000 (2020: £nil)

Impairment losses on receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

DIRECTORS, OFFICERS AND ADVISORS

DIRECTORS

Karen Bach	Non-Executive Chair
Mark Warne	Chief Executive Officer
Fraser Benson	Chief Financial Officer
Laurence Ede	Non-Executive Director
Mirko Walter	Non-Executive Director
Bryn Roberts	Non-Executive Director

SECRETARY

Fraser Benson

REGISTERED OFFICE

St Brandon's House
29 Great George Street
Bristol BS1 5QT

BROKER AND NOMINATED ADVISOR

Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

AUDITOR

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

REGISTRAR AND TRANSFER AGENT

Neville Registrars
Neville House
Steelpark Road
Halesowen B62 8HD

COMPANY NUMBER

05845469 (England and Wales)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“Meeting”) of DeepMatter Group Plc (the “company”) will be held at the offices of Canaccord Genuity Limited, 88 Wood Street, London, UK, EC2V 7QR at 13.00 p.m. on Friday 29 May 2022.

Shareholders may ask questions in advance of the meeting by emailing AGM@deepmatter.io, with responses to be set out on the Company’s investor website at www.deepmattergroup.com following the publication of the results of the AGM. Questions must be received no later than 13.00 p.m. on Wednesday 25 May 2022.

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 2021.

2. Re-appointment of a director

To consider and, if thought fit, to approve the re-appointment of Bryn Roberts as a director of the Company, who retires pursuant to the Article 134 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 Mark Warne as a director of the Company, who retires pursuant to the Article 129 of the Articles and who is recommended by the Board of directors of the Company for re-appointment.

4. 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 129 of the Articles and who is recommended by the Board of directors of the Company for re-appointment.

5. 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 6 will be proposed as an ordinary resolution and resolution 7 will be proposed as special resolution:

6. Directors’ authority to allot shares

6.1. 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):

- 6.1.1. comprising equity securities (as defined by section 560 of the 2006 Act) up to an aggregate nominal amount of £253,993.15 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under paragraph 6.1.2 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
- 6.1.2. in any other case, up to an aggregate nominal amount of £87,014.06 such amount to be reduced by the nominal amount of any equity securities allotted under paragraph 6.1.1 above in excess of £166,979.09, 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.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

- 6.2. 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.
- 6.3. For the purposes of this resolution, a “Relevant Security” is:
- 6.3.1. 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 6.3.2 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 6.3.2 below.
- 6.3.2. 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).
- 6.4. References to the allotment of “Relevant Securities” in this resolution shall be construed accordingly.
- 7. Disapplication of statutory pre-emption rights**
- 7.1. That subject to the passing of resolution 6 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 6 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:
- 7.1.1. 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
- 7.1.2. the allotment of equity securities (otherwise than pursuant to paragraph 6.1.1 above) up to a maximum aggregate nominal amount of £57,148.46.
- 7.2. 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.
- 7.3. 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.

On behalf of the Board

Fraser Benson
29 April 2022

DeepMatter Group Plc
St Brandon's House
29 Great George Street
Bristol
BS1 5QT

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

EXPLANATORY NOTES

Entitlement to attend and vote

- The Company specifies that only those members registered on the Company's register of members at:
 - 13.00 p.m. on 25 May 2022; or,
 - if this Meeting is adjourned, at 13.00 p.m. on the day two working days prior to the adjourned meeting (not counting non-working days),
 shall be entitled to vote at the Annual General Meeting (the "Meeting").

Appointment of proxies

- 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.
- A proxy must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting (the "Chairman") or another member of the Company who will be in attendance at the Meeting 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 another member of the Company that will be in attendance at the Meeting (not the Chairman) and give your instructions directly to them.
- 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

- 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, Steelpark Road, Halesowen, B62 8HD; and received by Neville Registrars no later than 13.00 p.m. on 25 May 2022.

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

- 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).

Appointment of proxy through CREST

- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must, in order to be valid, be transmitted so as to be received by Neville Registrars (ID 7RA11) no later than 48 hours before the time fixed for the AGM (not counting non-working days). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Neville Registrars is able

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Changing proxy instructions

8. 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, Steelpark Road, Halesowen, B62 8HD.

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.

Termination of proxy appointments

9. 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 13.00 p.m. on 25 May 2022. 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.

Issued shares and total voting rights

10. As at 6.00 p.m. on 19 April 2022, the Company's issued ordinary share capital comprised 3,809,897,281 ordinary shares of £0.0001 each. Each ordinary share carries the right to one vote at a general meeting of the Company.

Quorum

11. 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 the special resolution is three-quarters of the total number of votes cast on the special resolution.
12. 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.
13. 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

14. 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:
- copies of the service contracts of executive directors of the Company
 - copies of letters of appointment of the non-executive directors of the Company



deepmatter®

REGISTERED OFFICE

St Brandon's House
29 Great George Street
Bristol BS1 5QT

COMPANY NUMBER

05845469 (England and Wales)