

# Thought Machine Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2021



# Thought Machine Group Limited

## Company Information

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**Directors** Mr R P Little  
Dr P A Taylor  
IQ Capital Directors Nominees  
Limited  
Dr A J Phillipps  
Mr P J Hayes  
Mr V Jayakumar  
Ms Z Fabian  
Mr A Maguire  
Mr H Morris (Appointed 1 September 2021)

**Company number** 11114277

**Registered office** 5 New Street Square  
London  
United Kingdom  
EC4A 3TW

**Auditor** Grant Thornton UK LLP  
30 Finsbury Square  
London  
United Kingdom  
EC2A 1AG

**Accountants** Moore Kingston Smith LLP  
9 Appold Street  
London  
United Kingdom  
EC2A 2AP

**Bankers** Silicon Valley Bank  
Alphabeta  
14 - 18 Finsbury Square  
London  
United Kingdom  
EC2A 1BR

**Lawyers** Taylor Wessing LLP  
5 New Street Square  
Holborn  
London  
United Kingdom  
EC4A 3TW

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# Thought Machine Group Limited

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# Thought Machine Group Limited

## Strategic Report

For the year ended 31 December 2021

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The Directors present the strategic report for the year ended 31 December 2021.

### Principal activity

Thought Machine Group Limited's ("Thought Machine" or "the Company") principal business activity is the development of Vault, a cloud-native, core banking system. The Company expects this to continue for the foreseeable future.

Vault is licensed to retail banking clients.

### Review of the business

Revenue has decreased to £24.1m in 2021 (2020: £28.0m). This is due to lower non-recurring engineering revenue from a major customer in 2020.

During the year, Thought Machine has continued to invest in its core technology and infrastructure. The organisation has increased in size with a team of 471 (2020: 465) full-time employees as of 31 December 2021.

Administrative expenses in the year were £105.2m (2020: £56.5m) primarily due to higher headcount as the company continues to build out its functions to scale up the business.

At 31 December 2021, the Group's net assets were £133.4m (2020: £49.1m) with a loss for the financial year of £75.3m (2020: £22.9m).

During the year, Thought Machine raised a total of £150m of equity in a Series C funding round from existing and new investors. As noted in the Directors' Report, the Company closed Series D funding round and received proceeds of £95m subsequent to year-end.

### Key performance indicators

The Company monitors performance using the following financial metrics:

- Turnover - £24.1m (2020: £28.0m)
- Operating Loss - £81.1m (2020: £28.5m)

The financial key performance indicators together with non-financial key performance indicators are monitored by management on a regular basis.

### Section 172 statement - Duty to promote the success of the company

The directors are aware of their duty under s172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

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

# Thought Machine Group Limited

## Strategic Report (Continued)

For the year ended 31 December 2021

### Stakeholder Engagement

Our key stakeholders include our people, customers, suppliers, investors and our wider communities. Doing the right thing, and caring about the success of all our stakeholders, has always been a focus, and it is firmly rooted in our core purpose and values. We actively engage with, and listen to, our stakeholders to understand their views, seek opportunities to learn and improve.

We are committed to effective engagement with all of our stakeholders. Our success depends on this engagement. Direct engagement by the Board with its stakeholders, where possible, enables the Board to deepen their understanding of how the Company's purpose, values and strategy are embedded across the organisation.

Where direct engagement is not possible, engagement takes place at the operational level and the Directors are kept fully informed by Senior Management of all matters on a regular basis, for use in the Board's decision making.

The table below, and the following pages of our Strategic report, describes how the Board engages with its key stakeholders, and how it considers their interests when making its decisions. It also demonstrates how the Board takes into consideration the long-term impact of its decisions, and its desire to maintain a reputation for high standards of business conduct and ethics.

<b>Our People</b>	
<b>Why we engage</b>	Our people are our greatest asset. As a product-first, high growth software development Fintech headquartered in London, we compete with global technology, financial services and professional services companies to attract and retain the best talent. We not only engage with our people because of the efforts required to recruit them, but because our people have been instrumental in the success of Thought Machine and their continued contribution will deliver our company's vision and strategy. We are committed to investing in the development of our people.
<b>Engagement and influence on decision-making</b>	<p>The Board and Senior Management are committed to engaging with our people and we ensure that all of our people have a voice.</p> <p>We use various platforms and channels to engage with our people and take their views into consideration in decision-making. Our employee engagement in 2021 include the following activities:</p> <ul style="list-style-type: none"> <li>• New employees are invited to a lunch with the Chief Executive Officer;</li> <li>• We hold weekly company meetings in all our offices, employees can attend in person or virtually and recordings are available for employees who cannot attend.</li> <li>• The Chief Executive Officer answers anonymised questions from our people at a company meeting every 6 weeks;</li> <li>• We have a number of company-wide tools where our people can communicate and collaborate with each other and the leadership; and</li> <li>• We arrange annual company-wide away days, as well as off-sites for each division throughout the year.</li> </ul> <p>Thought Machine believes in the benefits of, and has taken measures to enhance, diversity and inclusion through working groups and transparent reporting.</p>

## Thought Machine Group Limited

## Strategic Report (Continued)

For the year ended 31 December 2021

<b>Our Customers</b>	
<b>Why we engage</b>	<p>We believe in developing long term relationships with all of our customers; our core product is software that we expect our clients will use for the long term. Thought Machine is usually classified by its clients as a critical service provider because we supply core banking services to regulated financial services institutions.</p> <p>We believe that Thought Machine and its clients mutually benefit in having a transparent and open dialogue to ensure we meet our client's, and their stakeholders', needs.</p>
<b>Engagement and influence on decision-making</b>	<p>Thought Machine regularly engages with its clients through it client satisfaction work which includes surveys related to:</p> <ul style="list-style-type: none"> <li>• Support Services;</li> <li>• Delivery;</li> <li>• Quarterly Business Reviews; and</li> <li>• Senior Executive feedback.</li> </ul> <p>Thought Machine also collaborates with, and seeks advice from, clients on strategic products and features to enhance its existing product and for future product developments via its Client Advisory Board.</p>
<b>Our Investors</b>	
<b>Why we engage</b>	Thought Machine is a UK FinTech unicorn and we would not have been able to achieve our success without the support and trust of investors. Our investors include clients, venture capital investment funds and angels. Our investors are critical in enabling investment in our product and the growth of our company, including our global expansion.
<b>Engagement and influence on decision-making</b>	A number of our investors are represented on our Board and advisory groups. Thought Machine's Finance, Risk and Compliance and Legal Team provide its investors with regular updates and provide prompt responses to investor questions. In addition, there is a dedicated investors relations function within Thought Machine's finance team.
<b>Our Suppliers</b>	
<b>Why we engage</b>	<p>Thought Machine values its relationship with its suppliers which range from independent sole traders to global cloud providers.</p> <p>It is important for us and our other stakeholders that we work with suppliers who operate sustainably, respect human rights and operate with the highest standards of ethical conduct and professional integrity.</p>
<b>Engagement and influence on decision-making</b>	<p>Thought Machine has third party risk management policies and minimum ESG (Environmental, Social and Governance) principles that we expect all our third parties, suppliers, vendors, software and service providers and partners to follow. Our suppliers are required to commit to these principles or demonstrate they have equivalent principles. The principles relate to:</p> <ul style="list-style-type: none"> <li>• Modern Slavery and Human Trafficking;</li> <li>• Anti-bribery and Corruption;</li> <li>• Money Laundering;</li> <li>• Child Labour Laws;</li> <li>• Diversity &amp; Inclusion;</li> <li>• Health &amp; Safety Standards;</li> <li>• Environmental Sustainability; and</li> <li>• Codes of Conduct.</li> </ul>

# Thought Machine Group Limited

## Strategic Report (Continued)

For the year ended 31 December 2021

Our Wider Communities	
<b>Why we engage</b>	Thought Machine has a responsibility to make positive enhancements to the local community, including the communities and countries in which it has physical presence as well as the global and engineering community.
<b>Engagement and influence on decision-making</b>	Thought Machine's direct contribution the wider community includes: <ul style="list-style-type: none"> <li>• Matched charitable giving;</li> <li>• Paid volunteer days;</li> <li>• Community group projects; and</li> <li>• Engineering events (e.g. hackathons).</li> </ul>

### Principal risks

The principal risks for Thought Machine are financial losses or other material adverse impacts arising from:

- **Competition** - We face competitive pressures from other Cloud Based Banking Platform providers and other Challenger Banks and Fintech companies. We are a product-first company and if we do not continue to innovate and enhance our products and services to retain our market-leading position, we may not remain competitive which could harm our business.
- **Changes in Market Cloud Adoption / Usage** - The appeal of our core products is based on widespread market adoption of cloud-based technology solutions. Should current trends change and our products and services become less relevant to the market this could harm our business.
- **Critical Supplier Dependencies** - Interruption to, or failure of our complex third-party infrastructure (e.g. a cloud provider) could hurt our ability to effectively provide our products and services, which could harm our reputation and operating results.
- **Data protection regulations** - Due to the global nature of our business we face a number of different regulations relating to the processing and storage of data. Not being able to comply with these regulations could harm our reputation and finances.
- **Privacy & Security** - Privacy and security concerns relating to our products, services or internal controls could harm our reputation, operating results and business operations.
- **Recruitment & Retention of Talent** - We rely on highly specialised Engineering personnel and if we are unable to recruit and retain them this could harm our business.
- **Intellectual Property** - We face risks related to the protection of our intellectual property rights and being accused of infringement of intellectual property rights of third parties. Both scenarios could harm our business operations and finance.
- **Regulation** - As our products and services are based in a highly regulated environment there is a risk that future changes to regulation and associated oversight in our major markets could harm our business operations and reputation.

### Research and Development activities

Thought Machine invests in the development of its own products, which the company elects not to capitalise in these financial statements. The Company claims research and development tax relief from the UK tax authority based on qualifying expenditures.

# Thought Machine Group Limited

Strategic Report (Continued)

For the year ended 31 December 2021

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This report was approved by the Board and signed on its behalf by:

*Paul Taylor*

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Dr P A Taylor

Director

2/11/2022

Date: .....

# Thought Machine Group Limited

## Directors' Report

For the year ended 31 December 2021

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The directors present their Annual Report and financial statements for the year ended 31 December 2021.

### Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R P Little

Dr P A Taylor

IQ Capital Directors Nominees Limited

Dr A J Phillipps

Mr P J Hayes

Mr V Jayakumar

Ms Z Fabian

Mr A Maguire

Mr H Morris

(Appointed 1 September 2021)

### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of the Company's directors.

### Review of the business

A fair review of the business including an analysis of the performance and financial position of the Company, together with the details of dividends and future developments are included in the Strategic Report.

### Results and dividends

No ordinary dividends were paid during the year. The Directors do not recommend payment of a final dividend.

### Political donations

The company did not make any political donations, or incur any political expenditure in the year ended 31 December 2021.

### Post reporting date events

In May 2022, Thought Machine raised a total of £95m of equity in a Series D funding round from existing and new investors.

### Auditor

In accordance with the company's articles, a resolution proposing that Grant Thornton UK LLP be reappointed as auditor of the group will be put at a General Meeting.

### Diversity, Equity and Inclusion

Thought Machine recognises the importance of embracing diversity, equity and inclusion as being essential to our continued success. We have various established to promote these values, and these groups aim to bring together a broad and varied group of people from across Thought Machine to drive and deliver sustainable organisational inclusion, champion inclusion initiatives, and help position Thought Machine as an employer that is representative of the societies we live and serve in.

We are an employer that believes in equal opportunities for both our people and job applicants. We consider it vital that we attract, develop and retain a diverse workforce at all levels, and help people progress throughout their careers. Our commitment to continue identifying and eliminating unfair biases, stereotypes, or barriers that may limit people's full participation at work and their access to the opportunity to succeed is covered in our Diversity and Inclusion policy. Our Code of Conduct outlines the standards we expect from our people.

# Thought Machine Group Limited

## Directors' Report (Continued)

For the year ended 31 December 2021

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### **Energy and carbon report**

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

### **Going Concern**

At 31 December 2021, the Company had net assets of £133.4m (2020: £49.1m) and net current assets of £150.1m (2020: £48.1m).

As described in Note 1.2, the Directors have prepared the financial statements on a going concern basis as they believe the Company has adequate resources to continue to grow the client bases and revenues from Vault Core. There are no significant changes in business activities expected in the foreseeable future.

### **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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and Company, and of the profit or loss of the Company and 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and Company will continue in business.

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

### **Statement of disclosure to auditor**

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

# Thought Machine Group Limited

Directors' Report (Continued)

For the year ended 31 December 2021

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On behalf of the board

*Paul Taylor*

.....  
Dr P A Taylor  
**Director**

2/11/2022

Date: .....

# Thought Machine Group Limited

## Independent Auditor's Report

### To the Members of Thought Machine Group Limited

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#### Opinion

We have audited the financial statements of Thought Machine Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 United Kingdom Generally Accepted Accounting Practice; and
- 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 the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

# Thought Machine Group Limited

## Independent Auditor's Report (Continued)

### To the Members of Thought Machine Group Limited

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#### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matter on which we are required to report under the Companies Act 2006**

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

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement, 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.

# Thought Machine Group Limited

## Independent Auditor's Report (Continued)

### To the Members of Thought Machine Group Limited

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#### **Auditor's responsibilities for the audit of the financial statements**

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We enquired of management and the Board of Directors about the Group's and the parent company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the parent company. We determined that the most significant laws and regulations are those related to financial reporting and taxation, Financial Reporting Standard 102, the Companies Act 2006 and the relevant tax compliance regulations in the jurisdictions in which the company operates;
- We enquired of management and the Board of Directors whether they were aware of any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud;
- We assessed the susceptibility of the Group's and the parent company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
  - Enquiring of management, the finance team and the Board of Directors about the risks of fraud at the Group and the parent company and the controls implemented to address those risks. Assessing the design and implementation of controls relevant to the audit that management has in place to prevent and detect fraud, including updating our understanding of the internal controls over journal entries, including those related to the posting of entries used to record non-recurring, unusual transactions or other non-routine adjustments;
  - Making specific inquiries of each member of the finance team to ascertain whether they had been subject to undue pressure or had been asked to make any unusual postings or modifications to reports used in financial reporting;
  - Identifying and testing journal entries, with selection based on risk profiling;
  - Running specific keyword searches (including to related parties and of those previously connected to related entities) over the journal entry population to identify descriptions that could indicate fraudulent activity or management override of controls. Unusual entries noted from these searches were agreed to supporting documentation to verify the validity of the posting;
  - Planning specific procedures responding to the risk of fraudulent recognition of revenue;
  - Assessing the disclosures within the annual report; and
  - Challenging assumptions and judgements made by management in its significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of the Group's and the parent company's operations, including the nature of income sources and of their objectives and strategies in order to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;

# Thought Machine Group Limited

## Independent Auditor's Report (Continued)

To the Members of Thought Machine Group Limited

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- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation.

### Use of our report

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

*Grant Thornton UK LLP*

2/11/2022

**Anthony Thomas**  
**Senior Statutory Auditor**  
**for and on behalf of Grant Thornton LLP**  
**Statutory Auditor, Chartered Accountants**  
**London, United Kingdom**

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## Thought Machine Group Limited

## Group Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 £	2020 £
<b>Turnover</b>	<b>3</b>	24,051,553	27,976,478
Administrative expenses		(105,196,272)	(56,493,565)
<b>Operating loss</b>	<b>4</b>	(81,144,719)	(28,517,087)
Operating loss before fair value of warrants		(56,185,195)	(28,517,087)
Fair value of warrants		(24,959,524)	-
Operating loss after fair value of warrants		(81,144,719)	(28,517,087)
Interest receivable and similar income		18,094	1,411
Interest payable and similar expenses		(1,088)	(2,306)
<b>Loss before taxation</b>		(81,127,713)	(28,517,982)
Tax on loss	<b>8</b>	5,870,866	5,608,368
<b>Loss for the financial year</b>		(75,256,847)	(22,909,614)

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

## Thought Machine Group Limited

## Group Balance Sheet

As at 31 December 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Tangible assets	9	1,949,191		1,008,241	
<b>Current assets</b>					
Debtors	12	23,525,499		17,732,265	
Cash at bank and in hand		146,045,759		42,976,157	
		<u>169,571,258</u>		<u>60,708,422</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(19,513,195)</u>		<u>(12,654,945)</u>	
<b>Net current assets</b>		<u>150,058,063</u>		<u>48,053,477</u>	
<b>Total assets less current liabilities</b>		<u>152,007,254</u>		<u>49,061,718</u>	
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(18,593,356)</u>		<u>-</u>	
<b>Net assets</b>		<u>133,413,898</u>		<u>49,061,718</u>	
<b>Capital and reserves</b>					
Called up share capital	18		22		17
Share premium account		254,541,739		102,549,775	
Equity reserve			-	1,951,356	
Profit and loss reserves		<u>(121,127,863)</u>		<u>(55,439,430)</u>	
<b>Total equity</b>		<u>133,413,898</u>		<u>49,061,718</u>	

The notes on pages 19 to 36 are an integral part of these financial statements

2/11/2022

The financial statements were approved by the board of directors and authorised for issue on .....  
and are signed on its behalf by:*Paul Taylor*.....  
Dr P A Taylor  
Director

## Thought Machine Group Limited

## Company Balance Sheet

As at 31 December 2021

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		1,818,567		960,324
Investments	10		29,592		29,592
			<u>1,848,159</u>		<u>989,916</u>
<b>Current assets</b>					
Debtors	12	29,652,582		19,840,436	
Cash at bank and in hand		145,229,686		42,976,157	
		<u>174,882,268</u>		<u>62,816,593</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(25,322,940)</u>		<u>(14,874,628)</u>	
<b>Net current assets</b>			<u>149,559,328</u>		<u>47,941,965</u>
<b>Total assets less current liabilities</b>			<u>151,407,487</u>		<u>48,931,881</u>
<b>Creditors: amounts falling due after more than one year</b>	14		<u>(18,593,356)</u>		-
<b>Net assets</b>			<u>132,814,131</u>		<u>48,931,881</u>
<b>Capital and reserves</b>					
Called up share capital	18		22		17
Share premium account			254,541,739		102,549,775
Equity reserve			-		1,951,356
Profit and loss reserves			<u>(121,727,630)</u>		<u>(55,569,267)</u>
<b>Total equity</b>			<u>132,814,131</u>		<u>48,931,881</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £75,125,307 (2020 - £23,039,451 loss).

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

2/11/2022

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

*Paul Taylor*

.....  
Dr P A Taylor  
Director

Company Registration No. 11114277

## Thought Machine Group Limited

Group Statement of Changes in Equity  
For the year ended 31 December 2021

	Notes	Share capital £	Share premium account £	Equity reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2020</b>		11	18,279,294	23,750,000	(33,280,646)	8,748,659
<b>Year ended 31 December 2020:</b>						
Loss and total comprehensive income for the year		-	-	-	(22,909,614)	(22,909,614)
Issue of share capital	18	6	62,471,837	-	-	62,471,843
Conversion of loan to shares	19	-	21,798,644	(21,798,644)	-	-
Credit to equity for equity settled share-based payments	17	-	-	-	750,830	750,830
<b>Balance at 31 December 2020</b>		17	102,549,775	1,951,356	(55,439,430)	49,061,718
<b>Year ended 31 December 2021:</b>						
Loss and total comprehensive income for the year		-	-	-	(75,256,847)	(75,256,847)
Issue of share capital	18	5	150,040,608	-	-	150,040,613
Conversion of loan to shares	19	-	1,951,356	(1,951,356)	-	-
Credit to equity for equity settled share-based payments	17	-	-	-	3,202,247	3,202,247
Other movements	4	-	-	-	6,366,167	6,366,167
<b>Balance at 31 December 2021</b>		22	254,541,739	-	(121,127,863)	133,413,898

## Thought Machine Group Limited

Company Statement of Changes in Equity  
For the year ended 31 December 2021

	Notes	Share capital £	Share premium account £	Equity reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2020</b>		11	18,279,294	23,750,000	(33,280,646)	8,748,659
<b>Year ended 31 December 2020:</b>						
Loss and total comprehensive income for the year		-	-	-	(23,039,451)	(23,039,451)
Issue of share capital	18	6	62,471,837	-	-	62,471,843
Conversion of loan to shares	19	-	21,798,644	(21,798,644)	-	-
Credit to equity for equity settled share-based payments	17	-	-	-	750,830	750,830
<b>Balance at 31 December 2020</b>		17	102,549,775	1,951,356	(55,569,267)	48,931,881
<b>Year ended 31 December 2021:</b>						
Loss and total comprehensive income for the year		-	-	-	(75,125,307)	(75,125,307)
Issue of share capital	18	5	150,040,608	-	-	150,040,613
Conversion of loan to shares	19	-	1,951,356	(1,951,356)	-	-
Credit to equity for equity settled share-based payments	17	-	-	-	2,600,777	2,600,777
Other movements	4	-	-	-	6,366,167	6,366,167
<b>Balance at 31 December 2021</b>		22	254,541,739	-	(121,727,630)	132,814,131

## Thought Machine Group Limited

## Group Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021		2020	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	23	(49,124,353)		(27,333,427)	
Interest paid		(1,088)		(2,306)	
Income taxes refunded		3,695,929		1,547,966	
<b>Net cash outflow from operating activities</b>		<b>(45,429,512)</b>		<b>(25,787,767)</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets	9	(1,663,420)		(765,208)	
Gain on disposal of subsidiary	10	104,746		-	
Movement in other loans		(919)		-	
Interest received	3	18,094		1,411	
<b>Net cash used in investing activities</b>		<b>(1,541,499)</b>		<b>(763,797)</b>	
<b>Financing activities</b>					
Proceeds from issue of shares	19	150,040,613		62,471,843	
<b>Net cash generated from financing activities</b>		<b>150,040,613</b>		<b>62,471,843</b>	
<b>Net increase in cash and cash equivalents</b>	24		103,069,602		35,920,279
Cash and cash equivalents at beginning of year			42,976,157		7,055,878
<b>Cash and cash equivalents at end of year</b>	24		<b>146,045,759</b>		<b>42,976,157</b>

# Thought Machine Group Limited

## Notes to the Financial Statements

For the year ended 31 December 2021

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### 1 Accounting policies

#### Company information

Thought Machine Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 5 New Street Square, London, EC4A 3TW.

The group consists of Thought Machine Group Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

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

#### Basis of Consolidation

The consolidated financial statements incorporate those of Thought Machine Group Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2021. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

#### 1.2 Going concern

The uncertainty as to the future impact on the Group is considered as part of the Group's adoption of the going concern basis. Further consideration of this is disclosed in the Director's Report and note 26 to these financial statements. Accordingly, the Directors consider that it is still appropriate to adopt the going concern basis in preparing the financial statements. As such, the Directors have a reasonable expectation that the Company is well placed to manage its business risks and to continue in operational existence for a period of 12 months from the approval of the balance sheet.

#### 1.3 Turnover

Turnover includes the provision of a licence to use Vault software. Provided the amount of turnover can be measured reliably and it is probable that the Group will receive consideration, turnover from the provision of a licence and follow up services is recognised from the licence start date over the period of the licence, which is also the period in which the services are rendered, on a straight-line basis.

Licence turnover recognised on an accruals basis; when invoiced in advance, the income is deferred in the statement of financial position and recognised in the income statement over the length of the licence period. This policy is consistently applied across all customers and contracts.

Professional Services turnover related to the delivery and implementation of software, are recognised on an accruals basis, through time and materials recorded as the services are delivered.

Client Sponsored Development turnover are recognized on a straight-line basis, over the dates specified in signed statement of work, as the outcome can be reliably measured but the services are performed by an intermediate number of acts over the specified period of time.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	3 years straight-line
Computers	3 years straight-line

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

#### 1.5 Impairment of fixed assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

#### 1.6 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### 1.7 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including warrants, interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.8 Equity instruments

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

### 1.9 Taxation

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

#### **Current tax**

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

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

#### **1.10 Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### **1.11 Employee benefits**

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

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

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

#### **1.12 Retirement benefits**

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

#### **1.13 Share-based payments**

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

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

---

### 1 Accounting policies (Continued)

#### 1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 1.15 Foreign exchange

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

### 2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements made by management over the period include:

#### Share Based Payments

Variables influencing equity-settled share-based payment, which are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. Judgements in this area include the expected time to achieve an exit.

#### Warrants

Variables influencing warrants issued to customers to acquire preference shares at a discount in the future based on customer spend. The forecast spend for these customers is estimated and expected conversion of the preference shares to ordinary shares is assumed in calculating the fair value of these warrants at year end.

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**3 Turnover and other revenue**

	2021	2020
	£	£
<b>Turnover analysed by class of business</b>		
Turnover	24,051,553	27,976,478
	<u>24,051,553</u>	<u>27,976,478</u>
<b>Other significant revenue</b>		
Interest income	18,094	1,411
	<u>18,094</u>	<u>1,411</u>

The company provides services to an international client base located in various geographical areas worldwide. In the opinion of the directors, the geographical location of the markets into which the company supplies services has no material impact on the commercial interests of the company. As such the markets are not deemed to differ substantially to each other and therefore no analysis of turnover attributable to each such market is required in the financial statements.

**4 Operating loss**

	2021	2020
	£	£
Operating loss for the year is stated after charging:		
Exchange losses	109,832	81,716
Depreciation of owned tangible fixed assets	721,944	390,846
Loss on disposal of tangible fixed assets	526	-
Share-based payments	3,202,247	750,830
Operating lease charges	5,697,147	3,944,130
Fair Value of warrants	24,959,523	-
	<u>24,959,523</u>	<u>-</u>

Fair value of warrants represents the value of warrants granted to customers in November 2021. Some of the warrants were exercised on completion of the Series C funding round. Accordingly, £6m was recognised in the Profit and Loss Reserves account.

**5 Auditor's remuneration**

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	116,390	53,992
Audit of the financial statements of the company's subsidiaries	10,992	8,250
	<u>127,382</u>	<u>62,242</u>

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**5 Auditor's remuneration (Continued)****For other services**

Taxation compliance services	88,165	65,616
Other taxation services	149,734	72,100
All other non-audit services	57,119	26,270
	<u>295,018</u>	<u>163,986</u>

**6 Employees**

The average monthly number of persons (including directors) employed by the group and company during the year was:

	<b>Group 2021 Number</b>	<b>2020 Number</b>	<b>Company 2021 Number</b>	<b>2020 Number</b>
C-suite	6	9	6	9
Commercial	43	27	26	21
Client Services	97	61	65	51
Engineering	276	215	271	214
Finance & Operations	36	36	33	35
People Operations	18	15	17	14
Total	<u>476</u>	<u>363</u>	<u>418</u>	<u>344</u>

Their aggregate remuneration comprised:

	<b>Group 2021 £</b>	<b>2020 £</b>	<b>Company 2021 £</b>	<b>2020 £</b>
Wages and salaries	47,705,178	31,178,188	39,997,385	29,554,578
Social security costs	4,637,005	3,515,369	4,500,511	3,505,109
Pension costs	2,558,164	1,770,210	2,048,911	1,651,973
	<u>54,900,347</u>	<u>36,463,767</u>	<u>46,546,807</u>	<u>34,711,660</u>

**7 Directors' remuneration**

	<b>2021 £</b>	<b>2020 £</b>
Remuneration for qualifying services	150,000	194,522
Company pension contributions to defined contribution schemes	6,000	6,000
	<u>156,000</u>	<u>200,522</u>

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**7 Directors' remuneration (Continued)**

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

**8 Taxation**

	2021 £	2020 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	(6,560,911)	(5,480,580)
Adjustments in respect of prior periods	569,385	(127,788)
Total UK current tax	<u>(5,991,526)</u>	<u>(5,608,368)</u>
Foreign current tax on profits for the current period	120,660	-
Total current tax	<u><u>(5,870,866)</u></u>	<u><u>(5,608,368)</u></u>

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Loss before taxation	<u>(81,127,713)</u>	<u>(28,517,982)</u>
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)</i>	(15,414,265)	(5,418,417)
Tax effect of expenses that are not deductible in determining taxable profit	51,601	186,768
Change in unrecognised deferred tax assets	11,876,208	3,535,628
Permanent capital allowances in excess of depreciation	(29,285)	-
Research and development tax credit (difference in tax rate)	2,036,145	1,646,730
Share based payment charge	(88,887)	(1,343,956)
Effect of overseas tax rates	(1,859)	(663)
Partial tax exemption on profits of overseas subsidiaries	(10,703)	(10,798)
Enhanced deduction for expenditure on research and development	(4,859,206)	(3,992,619)
Enhanced deduction for creative industries expenditure	-	(83,253)
R&D tax credits and creative industry scheme tax credits in respect of prior year	569,385	(127,788)
Taxation credit	<u><u>(5,870,866)</u></u>	<u><u>(5,608,368)</u></u>

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**8 Taxation****(Continued)**

As at 31 December 2021 the company and group had unrecognised deferred tax in respect of a number of timing differences. The total net timing differences on which deferred tax has not been recognised amounted to £110,904,894 (2020: £48,703,741) of which unutilised tax losses amounted to £102,866,711 (2020: £40,857,025). Had deferred tax been recognised on these amount the maximum net deferred tax asset would have been £27,726,224 (2020: £9,253,711). The directors have determined that no deferred tax asset should be recognised in respect of these amounts due to the uncertainty of the timing of the reversal of these timing differences. Unrecognised deferred tax amounts relate wholly to the Company.

Unutilised tax losses carried forward have no expiry date.

Following announcements made in the 2021 Budget the main rate of corporation tax in the UK is expected to rise to 25% from 1 April 2023. Deferred tax, to the extent recognised, is recognised by the Company at rates which have been substantively enacted by the relevant reporting dates.

**9 Tangible fixed assets**

<b>Group</b>	<b>Fixtures and fittings</b>	<b>Computers</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2021	323,514	1,296,617	1,620,131
Additions	754,946	908,474	1,663,420
Disposals	-	(5,677)	(5,677)
At 31 December 2021	<u>1,078,460</u>	<u>2,199,414</u>	<u>3,277,874</u>
<b>Depreciation and impairment</b>			
At 1 January 2021	117,655	494,235	611,890
Depreciation charged in the year	156,085	565,859	721,944
Eliminated in respect of disposals	-	(5,151)	(5,151)
At 31 December 2021	<u>273,740</u>	<u>1,054,943</u>	<u>1,328,683</u>
<b>Carrying amount</b>			
At 31 December 2021	<u>804,720</u>	<u>1,144,471</u>	<u>1,949,191</u>
At 31 December 2020	<u>205,859</u>	<u>802,382</u>	<u>1,008,241</u>

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**9 Tangible fixed assets** (Continued)

Company	Fixtures and fittings	Computers	Total
	£	£	£
<b>Cost</b>			
At 1 January 2021	315,503	1,252,098	1,567,601
Additions	695,408	836,969	1,532,377
Disposals	-	(5,677)	(5,677)
At 31 December 2021	1,010,911	2,083,390	3,094,301
<b>Depreciation and impairment</b>			
At 1 January 2021	116,880	490,397	607,277
Depreciation charged in the year	134,954	538,654	673,608
Eliminated in respect of disposals	-	(5,151)	(5,151)
At 31 December 2021	251,834	1,023,900	1,275,734
<b>Carrying amount</b>			
At 31 December 2021	759,077	1,059,490	1,818,567
At 31 December 2020	198,623	761,701	960,324

**10 Fixed asset investments**

	Notes	Group	2020	Company	2020
		2021	2021	2021	2020
		£	£	£	£
Investments in subsidiaries	11	-	-	29,592	29,592

Investments in subsidiary undertakings are stated at historical cost, less any provision for impairment. The carrying amounts of the Company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the statement of comprehensive income and reflected in an allowance against the carrying value. Where an event results in the asset's recoverable amount being higher than the previously impaired carrying value, the original impairment may be reversed through the statement of comprehensive income in subsequent periods.

During the year, the Company incorporated TMG Shelfco 001 Limited (subsequently renamed Cauldron Arts Limited) and sold part of the business to this subsidiary. This subsidiary was subsequently sold to Cauldron Entertainment Limited and the company retained a minority investment in Cauldron Entertainment Limited. This minority investment in Cauldron Entertainment Limited was immediately sold to third parties, of which a majority were also shareholders of the Company.

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

<b>10 Fixed asset investments</b>	<b>(Continued)</b>
<b>Movements in fixed asset investments Company</b>	<b>Shares in subsidiaries and associates £</b>
<b>Cost or valuation</b>	
At 1 January 2021	29,592
Additions	175,000
Disposals	(175,000)
At 31 December 2021	<u>29,592</u>
<b>Carrying amount</b>	
At 31 December 2021	<u>29,592</u>
At 31 December 2020	<u><u>29,592</u></u>

**11 Subsidiaries**

Details of the company's subsidiaries at 31 December 2021 are as follows:

<b>Name of undertaking</b>	<b>Registered office</b>	<b>Class of shares held</b>	<b>% Held Direct</b>
Thought Machine Pte Ltd	Singapore	Ordinary	100.00
Thought Machine Inc	USA	Ordinary	100.00
Thought Machine Pty Ltd	Australia	Ordinary	100.00

The registered offices for each subsidiary are as follows:

**Thought Machine Pte Ltd** - 61 Robinson Road, #19-02, Robinson Centre, Singapore 068893

**Thought Machine Inc** - 16192 Coastal Highway, Lewes, Delaware 19958, County of Sussex

**Thought Machine Pty Ltd** - Level 16, 201 Elizabeth Street. Sydney NSW 2000

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**12 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Amounts falling due within one year:</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	6,141,259	2,487,241	6,141,259	2,487,241
Corporation tax recoverable	11,617,122	9,353,322	11,617,122	9,353,322
Amounts owed by group undertakings	-	-	6,285,113	2,230,759
Other debtors	2,505,210	625,807	2,422,471	554,150
Prepayments and accrued income	3,261,908	5,265,895	3,186,617	5,214,964
	<u>23,525,499</u>	<u>17,732,265</u>	<u>29,652,582</u>	<u>19,840,436</u>

**13 Creditors: amounts falling due within one year**

		<b>Group</b>		<b>Company</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors		4,062,037	761,644	4,047,048	739,640
Amounts due to group undertakings		-	-	7,184,062	2,634,797
Corporation tax payable		108,670	19,807	-	-
Other taxation and social security		1,997,431	2,966,282	2,000,266	2,950,761
Deferred income	15	8,005,284	5,740,095	8,005,284	5,740,095
Other creditors		492,920	545,491	445,645	513,980
Accruals		4,846,853	2,621,626	3,640,635	2,295,355
		<u>19,513,195</u>	<u>12,654,945</u>	<u>25,322,940</u>	<u>14,874,628</u>

**14 Creditors: amounts falling due after more than one year**

		<b>Group</b>		<b>Company</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Warrant liability		18,593,356	-	18,593,356	-
		<u>18,593,356</u>	<u>-</u>	<u>18,593,356</u>	<u>-</u>

The company entered into warrants with customers during the year which entitles them to acquire shares in the company at a set price in the future based on certain performance obligations. The company has used the Monte Carlo simulation to estimate the fair value of these warrants at the end of the financial year. The key assumptions used were annualised volatility of 17.8%, continuous risk-free rate of return of 0.82%, dividend yield of 0.00% and a length of time in proportion to the expected satisfaction of performance obligations. Warrants that were satisfied in the year have been transferred to equity.

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**15 Deferred income**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deferred income	8,005,284	5,740,095	8,005,284	5,740,095

Deferred revenue relates to amounts received from customers for work that has not yet been delivered.

**16 Retirement benefit schemes**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	2,558,164	1,770,210

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At balance sheet date, £469,640 (2020: £426,763) is included within other creditors due within one year in respect of costs incurred but not yet paid.

**17 Share-based payment transactions**

<b>Group</b>	<b>Number of share options</b>		<b>Weighted average exercise price</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
Outstanding at 1 January 2021	2,950,441	3,223,159	0.63	0.34
Granted	1,132,459	300,500	10.90	2.95
Forfeited	(233,905)	(68,088)	2.29	1.72
Exercised	(28,860)	(504,630)	1.77	0.01
Outstanding at 31 December 2021	3,820,135	2,950,941	3.42	0.63
Exercisable at 31 December 2021	2,189,498	1,569,599	0.67	0.07

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**17 Share-based payment transactions (Continued)**

Company	Number of share options		Weighted average exercise price	
	2021 Number	2020 Number	2021 £	2020 £
Outstanding at 1 January 2021	2,950,441	3,223,159	0.63	0.34
Granted	895,709	300,000	10.70	2.95
Forfeited	(228,379)	(68,088)	2.21	1.72
Exercised	(28,860)	(504,630)	1.77	0.01
Outstanding at 31 December 2021	<u>3,588,911</u>	<u>2,950,441</u>	<u>3.05</u>	<u>0.63</u>
Exercisable at 31 December 2021	<u>2,163,862</u>	<u>1,569,599</u>	<u>0.63</u>	<u>0.07</u>

Option holders have the right to purchase an ordinary share at the exercise price. The exercise price of options range from £0.000001 to £13.16 per share with a vesting period of up to 5 years. Where the option holder is an employee, the vesting will cease upon termination of employment. Options cannot be exercised on or after the 10th anniversary of the grant of the option.

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date. Service conditions and non-market performance conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

	2021	2020
Weighted average share price	18.81	16.26
Weighted average exercise price	10.49	2.95
Expected volatility	45.00	30.00
Expected life	4.00	10.00
Risk free rate	<u>1.10</u>	<u>0.15</u>

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**18 Share capital**

	Group and company	
	2021	2020
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
5,279,976 Ordinary shares of 0.0001p each	5	5
4,881,813 Ordinary B1 shares of 0.0001p each	5	5
1,577,029 Ordinary B2 shares of 0.0001p each	2	2
4,526,319 Series A shares of 0.0001p each	5	5
3,752,128 C1 shares of 0.0001p each	4	-
512,225 C3 shares of 0.0001p each	1	-
	<u>22</u>	<u>17</u>

Ordinary shares have full voting rights attached to them. They give shareholders full dividend rights and capital distribution rights (including on winding up), subject to the rights of the preference shares. They do not confer any rights of redemption.

**19 Share premium account**

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
At beginning of year	102,549,775	18,279,294	102,549,775	18,279,294
Issue of new shares	150,040,608	62,471,837	150,040,608	62,471,837
On conversion	1,951,356	21,798,644	1,951,356	21,798,644
At end of year	<u>254,541,739</u>	<u>102,549,775</u>	<u>254,541,739</u>	<u>102,549,775</u>

**20 Operating lease commitments****Lessee**

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Within one year	4,667,889	4,220,509	4,567,017	3,885,984
Between two and five years	16,995,077	2,249,047	16,995,077	1,942,992
	<u>21,662,966</u>	<u>6,469,556</u>	<u>21,562,094</u>	<u>5,828,976</u>

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

### 21 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2021 £	2020 £
Aggregate compensation	156,000	200,522

In prior years, 410,000 share options were granted to one director deemed to be key management personnel. During the prior year, 82,000 of these options were exercised.

#### Other related party transactions

At the balance sheet date the company was owed amounts totalling £2,482 (2020: £3,401) from companies in which a director has significant control.

During the financial year the company made an aggregate turnover of £19,050,900 (2020: £23,636,870) to customers which were part of the same group as our shareholders at the balance sheet date. These customers owed the company an aggregate amount of £3,556,336 (2020: £1,918,779) at the balance sheet date.

At the year end a balance of £19,874 (2020: nil) was due from shareholders of the company.

### 22 Controlling party

The directors are of the opinion that there is no one ultimate controlling party.

## Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

**23 Cash absorbed by group operations**

	2021 £	2020 £
Loss for the year after tax	(75,256,847)	(22,909,614)
<b>Adjustments for:</b>		
Taxation credited	(5,870,866)	(5,608,368)
Finance costs	1,088	2,306
Investment income	(18,094)	(1,411)
Loss on disposal of tangible fixed assets	526	-
Gain on disposal of subsidiary	(129,746)	-
Depreciation of tangible fixed assets	721,944	390,846
Change in fair value of warrants	24,959,523	-
Equity settled share based payment expense	3,202,247	750,830
<b>Movements in working capital:</b>		
Increase in debtors	(3,503,515)	(3,293,034)
Increase in creditors	4,504,198	3,776,278
Increase/(decrease) in deferred income	2,265,189	(441,260)
<b>Cash absorbed by operations</b>	<b>(49,124,353)</b>	<b>(27,333,427)</b>

**24 Analysis of changes in net funds - group**

	1 January 2021 £	Cash flows	31 December 2021 £
Cash at bank and in hand	42,976,157	103,069,602	146,045,759

**25 Events after the reporting date**

Since the balance sheet date the following significant events are noted

The company closed Series D funding in May 2022 with £95m in funding received. At the time of approving the financial statements the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.