

# Thought Machine Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

Company Registration No. 11114277 (England and Wales)



# Thought Machine Group Limited

## Company Information

<b>Directors</b>	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	(Appointed 1 February 2019) (Appointed 29 March 2019) (Appointed 11 May 2020) (Appointed 10 August 2020)
<b>Company number</b>	11114277	
<b>Registered office</b>	5 New Street Square London United Kingdom EC4A 3TW	
<b>Auditor</b>	Grant Thornton UK LLP 30 Finsbury Square London United Kingdom EC2A 1AG	
<b>Accountants</b>	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London United Kingdom EC1M 7AD	
<b>Bankers</b>	Silicon Valley Bank Alphabeta 14 - 18 Finsbury Square London United Kingdom EC2A 1BR	
<b>Lawyers</b>	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 2019

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The directors present the Strategic Report for the year ended 31 December 2019.

### **Principal activity**

Thought Machine Group Limited's ("Thought Machine") principal business activity is the development of Vault, a cloud-native, core banking system. Vault is licensed to retail banking clients.

### **Fair review of the business**

In the year Thought Machine has continued to invest in its core technology and infrastructure. Revenue has reached £14.4m in 2019 (2018: £5.5m), which includes contracted Vault licences with clients including Lloyds Banking Group, Standard Chartered, SEB and Atom.

Administrative expenses in the year were £34.6m (2018: £16.5m) driven by significant hiring and the related costs of a growing team. The organisation has more than doubled in size over the year with a team of 272 (2018: 100) full-time employees at year end. In line with this team growth, the company continues to build out the support functions and ensure the successful onboarding of new team members with an internal training programme. There is continuous investment in the culture of the company, which is key in recruiting and building a first-class team.

At year end, the directors report net assets sit at £9.2m (2018: £2.9m) with a loss for the financial year of £20.4m (2018: £19.6m)

During the year, there was a final settlement of an ongoing litigation, which is described in Note 18 of the accounts.

Since the year end, Thought Machine has raised a total of £98.2m of equity in a Series B funding round from existing and new investors.

### **Key performance indicators**

The company monitors performance using the following metrics:

- Turnover - £14,404,508 (2018: £5,466,154)
- Operating Loss - £25,646,969 (2018: £19,557,726)

The KPIs are monitored through review of management accounts, which at the Balance Sheet date were consistent with management's expectations.

# Thought Machine Group Limited

## Strategic Report (Continued)

For the year ended 31 December 2019

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### Principal risks

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

- **Strategic / Macro Risks:** events in its market and political environment.
- **Information Security Risks:** events impacting the confidentiality, availability and integrity of Thought Machine's and its client's, data, systems & processes.
- **Product Quality & Performance Risks:** events impacting the quality, functionality, reliability and performance of our products.
- **Client Delivery & Services Risks:** events impacting our ability to deploy our products to our clients and to provide ongoing services to support them.
- **IT & Operations Risks:** inadequate or failed internal processes, systems, or policies, for example privileged access controls to our technology infrastructure or facilities, resulting in loss or dilution of our intellectual property
- **Legal & Compliance Risks:** non-compliance with our contractual, regulatory and other legal obligations.
- **Commercial & Financial Risks:** events impacting our commercial and financial position including loss of revenue, gross & net margin, liquidity and funding

### Future developments

Thought Machine's plans for 2020 and future periods include:

- Continued investment in its core technology and infrastructure
- Execution of its long-term business plan
- Establishment of additional operations globally

### Research and Development activities

Thought Machine invests in the development of its own products, which the company elects not to capitalise in these accounts. The company claims Research and Development tax relief from HMRC and received a tax credit of £1.55m in relation to the 2018 financial year, which has been recognised as a corporation tax credit in this year's accounts.

On behalf of the board

*Paul Taylor*

.....  
Dr P A Taylor  
Director 17/09/2020  
.....

# Thought Machine Group Limited

## Directors' Report

For the year ended 31 December 2019

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The directors present their annual report and financial statements for the year ended 31 December 2019.

### **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

(Appointed 1 February 2019)

Mr P J Hayes

(Appointed 29 March 2019)

Mr V Jayakumar

(Appointed 11 May 2020)

Ms Z Fabian

(Appointed 10 August 2020)

### **Results and dividends**

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

# Thought Machine Group Limited

## Directors' Report (Continued)

For the year ended 31 December 2019

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### Post reporting date events

The directors have deemed it appropriate to disclose three post balance sheet events that have occurred after the year end:

#### 1. Covid-19 Impact

In March 2020 the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a global health pandemic, which has spread throughout the world. Global markets and economies have experienced a significant amount of volatility as a result of the pandemic. While the disruption is currently expected to be temporary, there is uncertainty around the duration or the long term impact.

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. The company has ambitious growth plans and since the year end has completed its Series B, raising capital of £98.2m to continue the company's investment in core engineering capability and drive global expansion and growth. This demonstrates strong investor confidence in the company's business plan and the core platform, Vault. On this basis the directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

#### 2. Fundraising

On 10 August 2020 the company completed its Series B funding round with a total of £98.2m raised through the issue of equity.

#### 3. Incorporation of International Subsidiaries

Thought Machine has incorporated additional international subsidiaries for the purpose of expanding its trade internationally and to better service its existing customer base.

- On 29 January 2020, Thought Machine incorporated an entity in Singapore, Thought Machine Pte Ltd, with a registered address of Distrii, Level 6, 9 Raffles Place, 1 Republic Plaza, Singapore 048619.
- On 12 February 2020, Thought Machine incorporated an entity in the United States, Thought Machine Inc, with a registered address of 16192 Coastal Highway, Lewes, Delaware 19958, County of Sussex.
- On 11 August 2020, Thought Machine incorporated an entity in Australia, Thought Machine Pty Ltd, with a registered address of Level 16, 201 Elizabeth Street. Sydney NSW 2000.

#### Auditor

Grant Thornton LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

# Thought Machine Group Limited

## Directors' Report (Continued)

For the year ended 31 December 2019

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

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all 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 S418 of the Companies Act 2006.

### **Disclosures included in the strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of principal activities, future developments and research and development activities.

### **Going Concern**

The directors continue to adopt going concern basis of accounting as described in more detail in note 1.2 of the accounting policies.

On behalf of the board

*Paul Taylor*

.....  
Dr P A Taylor

**Director**

17 September 2020

Date: .....

# Thought Machine Group Limited

## Directors' Responsibilities Statement

For the year ended 31 December 2019

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 and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# 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 non-statutory financial statements (the 'financial statements') of Thought Machine Group Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, 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 company's affairs as at 31 December 2019 and of its 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 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.

### **The impact of macro-economic uncertainties on our audit**

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

# Thought Machine Group Limited

## Independent Auditor's Report (Continued)

To the Members of Thought Machine Group Limited

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **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 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.

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# Thought Machine Group Limited

## Independent Auditor's Report (Continued)

To the Members of Thought Machine Group Limited

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, 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 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 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.

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.

### **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*

17 September 2020

**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

## Statement of Comprehensive Income

For the year ended 31 December 2019

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		Year ended 31 December 2019 £	Period ended 31 December 2018 £
	Notes		
<b>Turnover</b>	<b>3</b>	14,404,508	5,466,154
Administrative expenses		(34,589,706)	(16,485,651)
Exceptional item	<b>4</b>	(5,461,771)	(8,538,229)
<b>Operating loss</b>	<b>5</b>	(25,646,969)	(19,557,726)
Interest receivable and similar income	<b>9</b>	919	-
Interest payable and similar expenses	<b>10</b>	(2,286)	(12)
<b>Loss before taxation</b>		(25,648,336)	(19,557,738)
Taxation	<b>11</b>	5,273,113	-
<b>Loss for the financial year</b>	<b>24</b>	(20,375,223)	(19,557,738)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The comparative period runs from 15<sup>th</sup> December 2017 to 31<sup>st</sup> December 2018.

# Thought Machine Group Limited

## Balance Sheet

As at 31 December 2019

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	12		(212,358)		(249,716)
Intellectual property	12		705,829		332,991
Total intangible assets			493,471		83,275
Tangible assets	13		633,879		216,722
			1,127,350		299,997
<b>Current assets</b>					
Debtors	15	10,359,022		8,666,074	
Cash at bank and in hand		7,055,878		8,361,394	
		17,414,900		17,027,468	
<b>Creditors: amounts falling due within one year</b>	16	(9,300,120)		(8,431,569)	
<b>Net current assets</b>			8,114,780		8,595,899
<b>Total assets less current liabilities</b>			9,242,130		8,895,896
<b>Provisions for liabilities</b>	18		-		(6,038,229)
<b>Net assets</b>			9,242,130		2,857,667
<b>Capital and reserves</b>					
Called up share capital	21		11		11
Share premium account	22		18,279,294		18,279,294
Equity reserve	23		23,750,000		-
Profit and loss account	24		(32,787,175)		(15,421,638)
<b>Total equity</b>			9,242,130		2,857,667

The financial statements were approved by the board of directors and authorised for issue on 17/09/2020 and are signed on its behalf by:

*Paul Taylor*

Dr P A Taylor  
Director

Company Registration No. 11114277

# Thought Machine Group Limited

## Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital £	Share premium account £	Equity reserve £	Profit and loss reserves £	Total £
<b>Balance at 15 December 2017</b>		-	-	-	-	-
<b>Period ended 31 December 2018:</b>						
Loss and total comprehensive income for the period		-	-	-	(19,557,738)	(19,557,738)
Issue of share capital	21	11	18,279,294	-	-	18,279,305
Credit to equity for equity settled share-based payments	20	-	-	-	4,136,100	4,136,100
<b>Balance at 31 December 2018</b>		11	18,279,294	-	(15,421,638)	2,857,667
<b>Period ended 31 December 2019:</b>						
Loss and total comprehensive income for the period		-	-	-	(20,375,223)	(20,375,223)
Issue of convertible loan		-	-	23,750,000	-	23,750,000
Credit to equity for equity settled share-based payments	20	-	-	-	3,009,686	3,009,686
<b>Balance at 31 December 2019</b>		11	18,279,294	23,750,000	(32,787,175)	9,242,130

# Thought Machine Group Limited

## Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019		2018	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	29	(24,050,739)		(10,365,172)	
Interest paid		(2,286)		(12)	
<b>Net cash outflow from operating activities</b>		<b>(24,053,025)</b>		<b>(10,365,184)</b>	
<b>Investing activities</b>					
Purchase of business		-		(9)	
Purchase of intangible assets		(397,838)		(107,991)	
Purchase of tangible fixed assets		(605,572)		(212,276)	
Cash acquired on business combinations		-		767,549	
Interest received		919		-	
<b>Net cash (used in)/generated from investing activities</b>		<b>(1,002,491)</b>		<b>447,273</b>	
<b>Financing activities</b>					
Proceeds from issue of shares		-		18,279,305	
Issue of convertible loans		23,750,000		-	
<b>Net cash generated from financing activities</b>		<b>23,750,000</b>		<b>18,279,305</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,305,516)</b>		<b>8,361,394</b>	
Cash and cash equivalents at beginning of year		8,361,394		-	
<b>Cash and cash equivalents at end of year</b>		<b>7,055,878</b>		<b>8,361,394</b>	

# Thought Machine Group Limited

## Notes to the Financial Statements

For the year ended 31 December 2019

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### **1 Accounting policies**

#### **Company information**

Thought Machine Group Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The registered office is 5 New Street Square, London, EC4A 3TW. The principal activity of the company is detailed in the Strategic Report.

#### **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.

#### **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 Directors' Report and note 26 to these financial statements.

The material support for the going concern assumption is the successful fundraising at Series B of £98.2m subsequent to the financial year end. This demonstrates strong investor confidence and commitment to the company's technology and its business plan.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### **1 Accounting policies**

#### **1.3 Turnover**

Revenue includes the provision of a licence to use Vault software. Provided the amount of revenue can be measured reliably and it is probable that the Group will receive consideration, revenue 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 revenues 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 revenues 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 revenues are recognized on a straight-line basis, over the dates specified in signed statements of work, as the outcome can be reliably measured but the services are performed by an indeterminate number of acts over the specified period of time.

#### **1.4 Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Negative goodwill that arose on the business combination has been recognised separately on the balance sheet and is written off in line with the useful lives of the assets acquired. As part of this acquisition, the company has chosen to recognise an intangible asset separately from goodwill as the recognition criteria is met and the intellectual property is separable from the other assets.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### 1 Accounting policies

#### 1.5 Intangible fixed assets other than goodwill

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

Amortisation 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:

Intellectual Property	5 to 10 years straight-line
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Amortisation of intellectual property starts when development of the intangible asset has finished and the asset is in use. An amortisation policy of between 5 and 10 years has been applied to the intellectual property in line with the useful life of the asset.

Amortisation of intangible assets has been included within administrative expenses in the Statement of Comprehensive Income.

Development costs have been capitalised where they meet the recognition criteria, being that the project is technically feasible, the intention is to sell or use the intangible asset, the asset is expected to generate future economic benefits and the costs of development can be reliably measured.

#### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of accumulated 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 credited or charged to profit or loss.

#### 1.7 Impairment of fixed assets

At each reporting period end date, the company 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.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### 1 Accounting policies

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.

#### 1.8 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 and other short-term liquid investments with original maturities of three months or less.

#### 1.9 Financial instruments

The company 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 company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### 1 Accounting policies

#### ***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 company 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 company after deducting all of its liabilities.

#### ***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 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 company's contractual obligations expire or are discharged or cancelled.

#### **1.10 Equity instruments**

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

#### **1.11 Taxation**

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

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### 1 Accounting policies

#### **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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax 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 when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.12 Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company 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.

#### **1.13 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.

#### **1.14 Retirement benefits**

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

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### **1 Accounting policies**

#### **1.15 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. Any corresponding adjustment is made to equity.

#### **1.16 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

#### **1.17 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 are included in the profit and loss account for the period.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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.

#### Convertible Loan Notes

The directors have disclosed these instruments as equity. It is the directors' view that the substance of the agreements was to provide a temporary funding bridge to equity conversion shortly after year end, and it was commonly understood at the year end date by all parties that this was the case.

#### Revenue Recognition

Revenue recognition policy is detailed in note 1.3.

There were no additional critical judgements or estimates which the directors have made in the process of applying the company's accounting policies and which would have a significant effect on the amounts recognised in the financial statements.

### 3 Turnover and other revenue

	2019 £	2018 £
Turnover	14,404,508	5,466,154
	<u>                    </u>	<u>                    </u>
	2019 £	2018 £
Interest income	919	-
	<u>                    </u>	<u>                    </u>

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### Turnover and other revenue (continued)

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 Exceptional costs

	2019	2018
	£	£
Settlement costs	5,461,771	8,538,229

The exceptional item relates to the settlement of a legal case that arose in a prior period. The amount in 2018 was considered to be the best estimate of total settlement costs. The amount in 2019 represents the final balancing payment above what was provided for in relation to the settlement.

#### 5 Operating loss

	2019	2018
	£	£
Operating loss for the period is stated after charging/(crediting):		
Exchange losses	26,690	9,363
Depreciation of owned tangible fixed assets	188,415	32,629
Amortisation of intangible assets	(12,358)	(320,960)
Share-based payments	3,009,686	4,136,100
Operating lease charges	2,603,195	1,061,978

#### 6 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	35,100	32,000
<b>For other services</b>		
Taxation compliance services	31,724	-
Other taxation services	36,308	-
All other non-audit services	52,648	-
	120,680	-

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 7 Employees

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

	2019 Number	2018 Number
C-suite	7	7
Commercial	10	4
Delivery	32	5
Engineering	127	53
Finance & Operations	22	-
People Operations	6	-
	<u>204</u>	<u>69</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	20,502,841	10,030,885
Social security costs	2,030,578	696,465
Pension costs	856,129	243,803
	<u>23,389,548</u>	<u>10,971,153</u>

### 8 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	150,000	251,000
Company pension contributions to defined contribution schemes	5,625	4,375
	<u>155,625</u>	<u>255,375</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018: 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	150,000	251,000
Company pension contributions to defined contribution schemes	5,625	4,375
	<u>155,625</u>	<u>255,375</u>

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### 9 Interest receivable and similar income

	2019	2018
	£	£
<b>Interest income</b>		
Other interest income	919	-
	<u>          </u>	<u>          </u>

### 10 Interest payable and similar expenses

	2019	2018
	£	£
<b>Other finance costs:</b>		
Other interest	2,286	12
	<u>          </u>	<u>          </u>

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 11 Taxation

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	(3,725,147)	-
Adjustments in respect of prior periods	(1,547,966)	-
Total current tax	<u>(5,273,113)</u>	<u>-</u>

The actual (credit)/charge 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:

	2019 £	2018 £
Loss before taxation	<u>(25,648,336)</u>	<u>(19,557,738)</u>
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)</i>	(4,873,184)	(3,715,970)
Tax effect of expenses that are not deductible in determining taxable	24,683	826,305
Movement on unrecognised deferred tax	2,766,502	2,928,085
Difference between standard rate of corporation tax and rate of tax	1,117,176	-
Capital allowances	-	(38,420)
Enhanced deduction for expenditure on research and development	(2,706,599)	-
Enhanced deduction for creative industries expenditure	(53,725)	-
R&D tax credits and creative industry scheme tax credits in respect of prior year	<u>(1,547,966)</u>	<u>-</u>
Taxation credit for the period	<u>(5,273,113)</u>	<u>-</u>

As at 31 December 2019 the company 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 £29,948,609 (2018: 15,388,074) of which unutilised tax losses amounted to £22,545,839 (2018: 15,388,074). Had deferred tax been recognised on these amounts the maximum net deferred tax asset would have been £5,690,236 (2018: £2,615,973). The directors have chosen not to recognise a deferred tax asset in respect of these amounts due to the uncertainty of the timing of the reversal of these timing differences.

Unutilised tax losses carried forward have no expiry date.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 12 Intangible fixed assets

	Goodwill	Intellectual Property	Total
	£	£	£
<b>Cost</b>			
At 1 January 2019	(595,676)	357,991	(237,685)
Additions	-	397,838	397,838
At 31 December 2019	<u>(595,676)</u>	<u>755,829</u>	<u>160,153</u>
<b>Amortisation and impairment</b>			
At 1 January 2019	(345,960)	25,000	(320,960)
Amortisation charged for the year	(37,358)	25,000	(12,358)
At 31 December 2019	<u>(383,318)</u>	<u>50,000</u>	<u>(333,318)</u>
<b>Carrying amount</b>			
At 31 December 2019	<u>(212,358)</u>	<u>705,829</u>	<u>493,471</u>
At 31 December 2018	<u>(249,716)</u>	<u>332,991</u>	<u>83,275</u>

### 13 Tangible fixed assets

	Fixtures and fittings	Computers	Total
	£	£	£
<b>Cost</b>			
At 1 January 2019	41,459	207,892	249,351
Additions	127,396	478,176	605,572
At 31 December 2019	<u>168,855</u>	<u>686,068</u>	<u>854,923</u>
<b>Depreciation and impairment</b>			
At 1 January 2019	3,963	28,666	32,629
Depreciation charged in the year	43,763	144,652	188,415
At 31 December 2019	<u>47,726</u>	<u>173,318</u>	<u>221,044</u>
<b>Carrying amount</b>			
At 31 December 2019	<u>121,129</u>	<u>512,750</u>	<u>633,879</u>
At 31 December 2018	<u>37,496</u>	<u>179,226</u>	<u>216,722</u>

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 14 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	5,044,838	8,666,074
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	2,054,621	2,486,401

Financial instruments represent balances payable to or receivable from another party which arise as a result of a contract. As at 31 December 2019 financial assets include trade and other debtors. Financial liabilities include accruals and trade and other creditors.

### 15 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	4,194,893	7,813,198
Corporation tax recoverable	5,273,113	-
Other debtors	849,945	436,806
Prepayments and accrued income	41,071	416,070
	<u>10,359,022</u>	<u>8,666,074</u>

### 16 Creditors: amounts falling due within one year

	2019 £	2018 £
	Notes	
Trade creditors	754,360	759,350
Settlement costs	-	1,250,000
Other taxation and social security	1,064,144	980,784
Deferred revenue	17 6,181,355	4,964,384
Other creditors	215,746	64,802
Accruals	1,084,515	412,249
	<u>9,300,120</u>	<u>8,431,569</u>

### 17 Deferred revenue

	2019 £	2018 £
Deferred revenue	<u>6,181,355</u>	<u>4,964,384</u>

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

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### 18 Provisions for liabilities

	2019 £	2018 £
Settlement costs	-	6,038,229

During the year, following the amicable settlement in full of a third party dispute in 2018, the company elected to pre-pay amounts due in respect of such settlement. The corresponding outstanding charge secured over certain intangible assets of the company was satisfied in full at the time of such pre-payment. As at the balance sheet date there were no other outstanding claims or disputes with any parties of which the company was aware.

### 19 Retirement benefit schemes

	2019 £	2018 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	856,129	243,803

The company 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, £215,746 is included within other creditors due within one year in respect of costs incurred but not yet paid.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 20 Share-based payment transactions

	Number of share options		Weighted average exercise price (abbreviated)	
	2019 Number	2018 Number	2019 £	2018 £
Outstanding at 1 January 2019	2,229,876	-	0.01	0.01
Granted	1,033,536	2,266,908	1.12	0.01
Forfeited	(40,253)	(37,032)	1.25	0.01
Outstanding at 31 December 2019	<u>3,223,159</u>	<u>2,229,876</u>	<u>0.34</u>	<u>0.01</u>
Exercisable at 31 December 2019	<u>1,569,559</u>	<u>1,390,473</u>	<u>0.01</u>	<u>0.01</u>

All options granted and forfeited during the period were at an exercise price ranging from £0.000001 to £8.037 (2018: £0.000001). The options outstanding at 31 December 2019 had an exercise price of £0.000001, vesting over four years with further vesting on a potential future exit event. Options shall not be exercisable on or after the tenth anniversary of the date 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.

Inputs were as follows:

	2019	2018
Weighted average share price	8.04	2.97
Weighted average exercise price	1.12	0.01
Expected volatility (%)	30.00	30.00
Expected life (years)	10.00	10.00
Risk free rate (%)	<u>0.55</u>	<u>0.64</u>

During the year, the company recognised total share-based payment expenses of £3,009,686 (2018: £4,136,100) which related to equity-settled share-based payment transactions vesting during the period.

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 21 Share capital

	2019	2018
	£	£
<b>Ordinary share capital</b>		
<b>Authorised, issued and fully paid</b>		
5,744,193 ordinary shares of £0.000001 each	6	6
4,831,467 preference shares of £0.000001 each	5	5
	<u>11</u>	<u>11</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.

### 22 Share premium account

	2019	2018
	£	£
At beginning of year	18,279,294	-
Issue of new shares	-	18,279,294
	<u>18,279,294</u>	<u>18,279,294</u>

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 23 Equity reserve

	2019 £	2018 £
At beginning of year	-	-
Arising in the year	23,750,000	-
At end of year	<u>23,750,000</u>	<u>-</u>

In November 2019 the company created unsecured convertible loan notes of £11,000,000, with interest payable on any outstanding notes at a rate of 5% per annum. Any outstanding notes shall be redeemed in full upon the earlier of the occurrence of an event of default; the date specified in a redemption notice by the company; the Longstop Date, being 10 months after the date of the instrument.

In December 2019 the company created non-interesting bearing and unsecured convertible loan notes of £12,750,000. Any outstanding notes shall be redeemed in full upon the earlier of the occurrence of an event of default; a change of control; the date specified in a redemption notice; the Longstop Date, being 31 December 2022. Convertible loan notes totalling £12,750,000 were purchased during the period under this instrument.

Since the balance sheet date loan notes totalling £11,000,000 and loan notes totalling £10,798,644 under the instruments dated November 2019 and December 2019 respectively have been converted into ordinary share capital.

### 24 Profit and loss reserves

	2019 £	2018 £
At the beginning of the year	(15,421,638)	-
Loss for the year	(20,375,223)	(19,557,738)
Share-based payment transactions	3,009,686	4,136,100
At the end of the year	<u>(32,787,175)</u>	<u>(15,421,638)</u>

### 25 Operating lease commitments

#### Lessee

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

	2019 £	2018 £
Within one year	<u>2,785,850</u>	<u>898,800</u>

# Thought Machine Group Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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### 26 Post balance sheet events

Since the balance sheet date the following significant events are noted.

In March 2020 the World Health Organisation declared the outbreak of a novel coronavirus (COVID-19) as a global health pandemic, which has spread throughout the world. 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.

This is evidenced by the raising of significant capital of £98.2m during 2020 through the issue of equity, with the funding round closed on 10 August 2020.

Thought Machine has incorporated additional international subsidiaries for the purpose of expanding its trade internationally and to better service its existing customer base.

On 29 January 2020, Thought Machine incorporated an entity in Singapore, Thought Machine Pte Ltd, with a registered address of Distrii, Level 6, 9 Raffles Place, 1 Republic Plaza, Singapore 048619.

On 12 February 2020, Thought Machine incorporated an entity in the United States, Thought Machine Inc, with a registered address of 16192 Coastal Highway, Lewes, Delaware 19958, County of Sussex.

On 11 August 2020, Thought Machine incorporated an entity in Australia, Thought Machine Pty Ltd, with a registered address of Level 16, 201 Elizabeth Street. Sydney NSW 2000.

### 27 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019	2018
	£	£
Aggregate compensation	155,625	255,375

Share options were granted to one director during the year totalling 410,000 with an exercise price of £0.000001.

#### Other related party transactions

At the balance sheet date the company was owed amounts totalling £2,482 from companies in which a director has significant control. The company was also owed amounts totalling £18,051 from a director at the balance sheet date.

### 28 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 2019

### 29 Cash generated from operations

	2019 £	2018 £
Loss for the year after tax	(20,375,223)	(19,557,738)
<b>Adjustments for:</b>		
Taxation credited	(5,273,113)	-
Finance costs	2,286	12
Investment income	(919)	-
Amortisation and impairment of intangible assets	(12,358)	(320,960)
Depreciation and impairment of tangible fixed assets	188,415	32,629
Equity settled share-based payment expense	3,009,686	4,136,100
(Decrease)/increase in provisions	(6,038,229)	6,038,229
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	3,580,165	(8,666,074)
Debtors arising on acquisition	-	432,365
(Decrease)/increase in creditors	(348,420)	3,467,185
Creditors arising on acquisition	-	(891,304)
Increase in deferred income	1,216,971	4,964,384
<b>Cash absorbed by operations</b>	<u>(24,050,739)</u>	<u>(10,365,172)</u>