Thought Machine Group Limited

Annual Report and Consolidated Financial Statements

Year ended 31 December 2025

Company Number 11114277

Thought Machine Group Limited

Company Information

Directors	A M Maguire E Manor G Krupetsky H F Fadel H Morris P J Hayes P A Taylor IQ Capital Nominees Limited M J Ashworth - Appointed on 5 December 2025 V Jayakumar - Resigned on 10 December 2025 J R Marsh - Appointed on 10 December 2025
Registered number	11114277
Registered office	5 New Street Square London EC4A 3TW
Independent auditor	Ernst & Young LLP Bedford House 16-22 Bedford Street Belfast BT2 7DT

Thought Machine Group Limited

Contents

Thought Machine Group Limited

Group Strategic Report
For the year ended 31 December 2025

The Directors present the Group Strategic Report for Thought Machine Group Limited ("Thought Machine" or the "Group") for the year ended 31 December 2025.

Principal activity

The Group's principal business activity is the development of Vault, a cloud-native, core banking system. The Group expects this to continue for the foreseeable future. Vault is licensed to retail and business banking clients.

Review of the business

The Group generated revenue of £74.8 million in 2025 (2024: £47.6 million), with operating losses of £42.0 million (2024: £69.4 million), and total loss for the financial year of £45.1 million (2024: £71.2 million). The decrease in total loss is primarily driven by new license agreements and client sponsored development projects, with improved cost management.

At 31 December 2025, the Group's total assets were £165.6 million (2024: £116.8 million). The increase in total assets is primarily attributable to additional cash balance driven by increasing sales and Series E fundraising, which raised £51 million through a combination of equity and Convertible Loan Notes, and increase in Right of use asset.

The Group has a team of 497 full-time employees as of 31 December 2025 (2024: 518 full-time employees).

Key performance indicators

The Group monitors performance on a regular basis using the following financial and non-financial key performance indicators:

- Revenue: £74.8 million (2024: £47.6 million)
- Operating Loss: £42.0 million (2024: £69.4 million loss)
- Headcount: 497 employees (2024: 518 employees)

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

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.

Below 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.

<table>
<tr><th colspan="2">Our People</th></tr>
<tr><td>Why we engage</td><td>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.</td></tr>
<tr><td>Engagement and influence on decision-making</td><td>The Board and Senior Management are committed to engaging with our people and we ensure that all of our people have a voice. We use various platforms and channels to engage with our people and take their views into consideration in decision-making. Our employee engagement includes the following activities:

● New employees are invited to a lunch with the Chief Executive Officer;
● 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.
● The Chief Executive Officer answers anonymised questions from our people at a company meeting every 6 weeks;
● We have a number of company-wide tools where our people can communicate and collaborate with each other and the leadership; and
● We arrange annual company-wide away days, as well as off-sites for each division throughout the year.
● We undertake periodic anonymised employee engagement surveys.

Thought Machine believes in the benefits of, and has taken measures to enhance, diversity and inclusion through working groups and transparent reporting.</td></tr>
</table>

Thought Machine Group Limited

Group Strategic Report (continued)
For the year ended 31 December 2025

<table>
<tr><th colspan="2">Our Customers</th></tr>
<tr><td>Why we engage</td><td>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.

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.</td></tr>
<tr><td>Engagement and influence on decision-making</td><td>Thought Machine regularly engages with its clients through its client satisfaction work which includes surveys related to:
● Support Services;
● Delivery;
● Quarterly Business Reviews; and
● Senior Executive feedback.

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.</td></tr>
<tr><th colspan="2">Our Investors</th></tr>
<tr><td>Why we engage</td><td>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.</td></tr>
<tr><td>Engagement and influence on decision-making</td><td>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 investor relations function within Thought Machine’s finance team.</td></tr>
<tr><th colspan="2">Our Suppliers</th></tr>
<tr><td>Why we engage</td><td>Thought Machine values its relationship with its suppliers which range from independent sole traders to global cloud providers. 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 and data protection.</td></tr>
<tr><td>Engagement and influence on decision-making</td><td>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:

● Modern Slavery and Human Trafficking;
● Anti-bribery and Corruption;
● Money Laundering;
● Child Labour Laws;
● Diversity and Inclusion;
● Health and Safety Standards;
● Environmental Sustainability;
● Codes of Conduct; and
● Data Protection.</td></tr>
</table>

Our Wider Communities	
Why we engage	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.
Engagement and influence on decision-making	Thought Machine's direct contribution to the wider community includes: ● Matched charitable giving; ● Paid volunteer days; ● Community group projects; and ● Engineering events (e.g. hackathons).

Principal risks

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

- **Macroeconomic Conditions** - Our business could be affected by wider economic trends in the markets in which we operate and include factors like significant recessions, inflationary pressures and reduction in business investment.

- **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 and Security** - Privacy and security concerns relating to our products, services or internal controls could harm our reputation, operating results and business operations.

- **Recruitment and 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.

- **Financial Risks -** The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Refer to Note 24 in the Notes to the Financial Statements for more information.

Future developments

Thought Machine's plans for 2026 and future periods include:

- Continued investment in its core technology and infrastructure
- Investment in customer acquisition
- Execution of its long-term business plan

Research and development activities

Thought Machine invests in the development of its own products, which the Group elects to capitalise in these financial statements. The Group claims research and development tax relief from the UK tax authority based on qualifying expenditures.

Approved by the board and signed on its behalf by:

DocuSigned by:
Paul Taylor
2AC44B6CB101AB5...................................

P A Taylor
Director

Date: 12 June 2026 | 10:26 BST

Thought Machine Group Limited

Group Directors' Report
For the Year Ended 31 December 2025

The Directors present their Annual Report and Consolidated Financial Statements for the year ended 31 December 2025.

Company Register Number: 11114277

Directors

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

A M Maguire

E Manor

G Krupetsky

H F Fadel

H Morris

P J Hayes

P A Taylor

IQ Capital Nominees Limited

M J Ashworth - Appointed on 5 December 2025

V Jayakumar - Resigned on 10 December 2025

J R Marsh - Appointed on 10 December 2025

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 Group Strategic Report.

Results and dividends

The loss for the year, after taxation, amounted to £45.1 million (2024: £71.2 million).

No ordinary dividends were paid during the year. The Directors do not recommend payment of a final dividend (2024: £Nil).

During the year Thought Machine Group Limited engaged in a Series E fundraising, raising £51m in total from existing shareholders. Of this amount raised, £9.7m represents 1,072,709 for equity shares.

Stakeholder engagement

Refer to the "Stakeholder engagement" section of Group Strategic Report for the summary of how Directors' have had regard to the need to foster the Company's business relationships with suppliers, customers and others.

Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Refer to Note 24 in the notes to the consolidated financial statements for more information.

Political donations

The company did not make any political donations or incur any political expenditure in the year ended 31 December 2025 (2024: £Nil).

Diversity, Equity and Inclusion

Thought Machine recognises the importance of embracing diversity, equity and inclusion as being essential to our continued success. The Group have various groups 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.

Thought Machine is an employer that believes in equal opportunities for both our people and job applicants. The Group considers it vital that it attract, develop and retain a diverse workforce at all levels, and help people progress throughout their careers. The Group's 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 the Diversity and Inclusion policy. The Group's Code of Conduct outlines the standards it expects from its people.

Policy on employing people living with disabilities

Thought Machine is committed to providing reasonable accommodations to enable qualified individuals with disabilities to apply for a position and perform the essential functions of their jobs. Depending on the circumstances, reasonable accommodations may include modifying the work environment, making facilities accessible, restructuring a job, adjusting work schedules, granting leave, or other measures.

Greenhouse gas emissions

As an unquoted company incorporated in the UK the Company is required to report its energy and emissions data in accordance with the Companies (Directors Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The Group used the main requirements of Greenhouse Gas Protocol and the UK government conversion factors to calculate its emissions.

The table below represents the activities in the year to 31 December 2025.

Energy consumption	2025	2024	Unit	Source
Scope 1 - Emissions from activities for which the company own or control	95.74	74.91	tCO2e/kWh	N/A
Scope 2 - Emissions from purchase of electricity - UK energy use	153.81	187.12	tCO2e/kWh	Meter reading (Herbrand St)
Scope 3 - purchased goods and services, and business travel	1,716.69	1,437.83	tCO2e/kWh	Supplier Reporting Dashboards
Total gross Scope 1, 2 and 3 emissions / tCO2e	**1,966.24**	**1,699.86**	**tCO2e/kWh**	
Intensity ratio (per FTE)	3.7	3.28	tCO2e/kWh (gross Scope 1 + 2 + 3) / FTEs	Company Report
Methodology used	GHG Protocol			

The EPC rating is used to identify initiatives to improve the energy performance of the building. In 2023, an assessment was conducted for the London Headquarter office, Herbrand St. The Company received the EPC Certificate with a C(74) rating valid until 19 January 2033. During 2025, no re-assessments were performed, and there were no events indicating a change in the EPC rating.

Going Concern

In preparing the Group and Company's financial statements on a going concern basis, the Directors have considered the financial position and circumstances of the Group and Company. The Directors' assessment covers the period to 30 June 2027.

The Directors' assessment includes cash flow forecasts that cover the period to 30 June 2027. These forecasts have also been stress tested to allow for the cash impact of reductions in revenue against current operating projections. The Directors' assessment has been mindful of both the impact of significant inflation, global conflicts and tougher global macro-environment driven by higher interest rates which are having an impact on the Group.

The results of the sensitivity analysis demonstrated that because of the Group's strong cash position as a result of raising £51 million of funding from existing investors in July 2025, supplemented by an additional £9m of primary funding secured in May 2026, and highly secure existing and future revenue streams, it is expected to maintain sufficient cash headroom to accommodate the above scenario. This result is supported by the fact that the Group has a secure long term customer base who have invested heavily in the solutions being supported and serviced, and the services the Group's software solutions provide, ensure that critical customer requirements are met.

Should the Group face the reduced revenue scenarios as indicated above the Directors will be able to take cost reduction actions, which are all under the control of the Directors. The Directors consider that under the various scenarios these actions would be sufficient to ensure the continued viability of the Group.

The Group's financial forecasts and sensitives show the Group, and the Company, will operate with positive cash positions and meet their obligations as they fall due. As a result, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Events after the reporting period

On 27 May 2026, the Company completed a £30 million transaction with a new investor. This comprised £9 million of primary funding via the issuance of Convertible Loan Notes (on identical terms to the 2025 CLN instruments) and a £21million secondary market transaction facilitating the exercise and sale of vested employee share options. The primary funding supplements the Company's cash position and will be used to finance continued growth and product development. There have been no other significant reportable events affecting the Group and Company since year-end

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the Consolidated Financial Statements in accordance with applicable United Kingdom 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 Group financial statements in accordance with UK-adopted international accounting standards ("IFRSs") and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent Company financial statements, state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business.

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

Thought Machine Group Limited

Group Directors' Report
For the Year Ended 31 December 2025

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and Directors' Report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The Directors confirm, to the best of their knowledge:

- that the Consolidated Financial Statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the parent Company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Ernst & Young LLP have been reappointed pursuant to section 487(2) of the Companies Act 2006 unless the members or directors resolve otherwise.

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

DocuSigned by:
Paul Taylor
2AC44B6CB1014B5...
....

P A Taylor
Director

Date: 12 June 2026 | 10:26 BST

Thought Machine Group Limited

Independent Auditor's Report to the Members of Thought Machine Group Limited

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 2025 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 29, including material accounting policy information. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and the UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group’s and of the parent company’s affairs as at 31 December 2025 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, 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

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.

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 and parent company’s ability to continue as a going concern for a period to 30 June 2027.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group’s ability to continue as a going concern.

Thought Machine Group Limited

Independent Auditor's Report to the Members of Thought Machine Group Limited

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.
Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- 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 12, 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 to the Members of Thought Machine Group Limited

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

- We understood how Thought Machine Group Limited is complying with those frameworks by making enquiries of senior management, in house counsel, and those charged with governance, obtaining an understanding of policies and procedures in place regarding compliance with laws and regulations, including how compliance with such policies is monitored and enforced; obtaining an understanding of management's process for identifying and responding to fraud risk, including programs and controls established to address risk identified, or otherwise prevent, deter and detect fraud, and how senior management monitors those programs and controls. We corroborated our enquiries through our review of Board minutes and reviewing correspondence with relevant regulatory authorities.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with senior management and in-house counsel to understand where it considered there was susceptibility to fraud and how it assessed whistleblowing incidences for those with a potential financial reporting impact. We considered the procedures and controls that the company has established to address risks identified or that otherwise prevent, deter and detect fraud and how senior management monitors these controls. Where the risk was considered to be higher, including areas impacting key performance indicators we performed audit procedures to address each identified fraud risk.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiring of senior management and in house counsel regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements; enquiring about the policies that have been established to prevent noncompliance with laws and regulations by officers and employees, and whether such policies are formalized in a code of conduct, conflict-of-interests statement or similar standard; enquiring about the entity's methods of enforcing and monitoring compliance with such policies, if any; and inspecting correspondence, if any, with the relevant licensing or regulatory authorities. In addition our procedures involved testing of journal entries, with focus on manual journals, large or unusual transactions, or journals meeting our defined risk criteria based on our understanding of the business; reviewing accounting estimates for evidence of management bias; enquiring of members of senior management and those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the 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 https://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.

Signed by:
Mark Lawther
4D5B60557A4B4C1...

Mark Lawther (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date: 12 June 2026

Thought Machine Group Limited

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2025

	Note	2025 £000	2024 £000
Revenue	4	74,775	47,608
Cost of sales	6	(26,021)	(27,168)
Gross Profit		**48,754**	**20,440**
Product development expenses	6	(43,896)	(36,858)
Sales and marketing expenses	6	(23,045)	(26,114)
General and administrative expenses	6	(23,859)	(26,831)
Operating loss		**(42,046)**	**(69,363)**
Finance income	8	7,472	15,103
Finance expenses	9	(9,232)	(15,115)
Loss before taxation		**(43,806)**	**(69,375)**
Income tax (expense)/credit	10	(1,284)	(1,841)
Loss after taxation		**(45,090)**	**(71,216)**
Exchange gains arising on translation of foreign operations		128	20
Other comprehensive income for the year		128	20
Total comprehensive loss for the year		**(44,962)**	**(71,196)**

The notes on pages 24 to 60 form part of these financial statements.

Thought Machine Group Limited

Consolidated Statement of Financial Position
As at 31 December 2025

	Note	2025 £000	2024 £000
Current assets			
Trade and other receivables	15	18,678	14,827
Cash and cash equivalents	16	81,846	50,506
		100,524	**65,333**
Non-current assets			
Trade and other receivables	15	10,580	8,285
Intangible assets	11	31,012	31,321
Property, plant and equipment	12	1,273	1,971
Right of use assets	14	22,193	9,900
		65,058	51,477
Total assets		**165,582**	**116,810**
Current liabilities			
Trade and other payables	17	39,165	24,904
Derivative financial liabilities	18	8,546	5,513
Corporation tax	10	294	391
Lease liabilities	14	-	7,208
		48,005	38,016
Non-current liabilities			
Trade and other payables	17	6,785	1,620
Lease liabilities	14	23,186	3,279
Convertible Loan	19	37,020	
Provisions	21	-	996
		66,991	5,895
Total liabilities		**114,996**	**43,911**
Equity			
Share capital	20	-	-
Share premium	23	364,395	350,713
Foreign currency translation reserve	23	187	59
Share-based payments reserve	25	52,607	43,640
Retained losses	23	(366,603)	(321,513)
Total equity		**50,586**	**72,899**
Total equity and liabilities		**165,582**	**116,810**

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

DocuSigned by:
Paul Taylor
2AC44B6CB1014B5...

P A Taylor
Director

Date: 12 June 2026 | 10:26 BST

The notes on pages 24 to 60 form part of these financial statements.

Thought Machine Group Limited

Company Statement of Financial Position
As at 31 December 2025

	Note	2025 £000	2024 £000
Current assets			
Trade and other receivables	15	18,381	14,466
Cash and cash equivalents	16	78,329	48,655
		96,710	**63,121**
Non-current assets			
Trade and other receivables	15	10,551	8,285
Intangible assets	11	31,012	31,321
Property, plant and equipment	12	1,021	1,813
Right of use assets	14	22,193	9,900
Investment in subsidiaries	13	8,485	7,165
		73,262	58,484
Total assets		**169,972**	**121,605**
Current liabilities			
Trade and other payables	17	43,437	30,580
Derivative financial liabilities	18	8,546	5,513
Lease liabilities	14	-	7,208
		51,983	**43,301**
Non-current liabilities			
Trade and other payables	17	6,863	1,619
Convertible Loan	19	37,020	-
Lease liabilities	14	23,186	3,279
Provisions	21	-	996
		67,069	5,894
Total liabilities		**119,052**	**49,195**
Equity			
Share capital	19	-	-
Share premium	23	364,395	350,713
Share-based payments reserve	22	52,667	43,674
Retained losses	22	(366,142)	(321,977)
Total equity		**50,920**	**72,410**
Total equity and liabilities		**169,972**	**121,605**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss of the Parent Company for the year was £44.2 million (2024: £72.2 million loss).

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

DocuSigned by:

Paul Taylor
....
2A64B6CB1014B5...

P A Taylor
Director

Date: 12 June 2026 | 10:26 BST

The notes on pages 24 to 60 form part of these financial statements.

Thought Machine Group Limited

Consolidated Statement of Changes in Equity
For the year ended 31 December 2025

	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Share based payment reserve £000	Retained losses £000	Total equity £000
As at 1 January 2025	**-**	350,713	59	43,640	(321,513)	72,899
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(45,090)	(45,090)
Exchange gains arising on translation of foreign operations	-	-	128	-	-	128
Total comprehensive loss for the year	**-**	**-**	**128**	**-**	**(45,090)**	**(44,962)**
Contributions by and distributions to owners						
Shares issued during the year (Note 20)	-	9,692	-	-	-	9,692
Equity-settled share-based payment transactions (Note 25)	-	3,990	-	8,967	-	12,957
Total transactions with owners	-	13,682	-	8,967	-	22,649
As at 31 December 2025	**-**	**364,395**	**187**	**52,607**	**(366,603)**	**50,586**
As at 1 January 2024	**-**	**350,713**	**39**	**31,908**	**(250,297)**	**132,363**
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(71,216)	(71,216)
Exchange gains arising on translation of foreign operations	-	-	20	-	-	20
Total comprehensive loss for the year	**-**	**-**	**20**	**-**	**(71,216)**	**(71,196)**
Contributions by and distributions to owners						
Equity-settled share-based payment transactions (Note 25)	-	-	-	11,732	-	11,732
Total transactions with owners	**-**	**-**	**-**	**11,732**	**-**	**11,732**
As at 31 December 2024	**-**	**350,713**	**59**	**43,640**	**(321,513)**	**72,899**

The notes on pages 24 to 60 form part of these financial statements.

Thought Machine Group Limited

Company Statement of Changes in Equity
For the year ended 31 December 2025

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained losses £000	Total equity £000
As at 1 January 2025	-	350,713	43,674	(321,977)	**72,410**
Comprehensive loss for the year					
Loss for the year	-	-	-	(44,165)	(44,165)
Total comprehensive loss for the year	-	-	-	(44,165)	(44,165)
Contributions by and distributions to owners					
Shares issued during the year (Note 20)	-	9,692	-	-	9,692
Equity-settled share-based payment transactions (Note 25)	-	3,990	8,992	-	12,923
Total transactions with owners	-	13,682	8,992	-	22,615
As at 31 December 2025	**-**	**364,395**	**52,666**	**(366,142)**	**50,861**
As at 1 January 2024	-	350,713	31,888	(249,734)	132,867
Comprehensive loss for the year					
Loss for the year	-	-	-	(72,243)	**(72,243)**
Total comprehensive loss for the year (Restated Note 29)	-	-	-	(72,243)	(72,243)
Contributions by and distributions to owners					
Equity-settled share-based payment transactions (Note 25)	-	-	11,786	-	11,786
Total transactions with owners	**-**	**-**	11,786	-	11,786
As at 31 December 2024	**-**	**350,713**	**43,674**	**(321,977)**	**72,410**

The notes on pages 24 to 60 form part of these financial statements.

Thought Machine Group Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2025

	Note	2025 £000	2024 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss after tax		(45,090)	(71,216)
Adjustments for:			
Amortisation of intangible assets	11	14,393	9,531
Depreciation of plant and equipment	12	1,161	1,381
Depreciation of right of use assets	14	10,964	5,758
Depreciation of contract costs	4	1,824	1,112
Interest expense	9	3,768	522
Interest income	8	(1,959)	(3,166)
Equity-settled share-based payments expense	24	11,569	10,067
Movement in provisions	20	(996)	-
Tax expense	10	1,275	1,753
Research and development expenditure/tax credit	10	(3,540)	(4,666)
Change in fair value of warrants	8, 18	(5,513)	(11,937)
Change in fair value of CLN	8, 18	1,426	-
Impairment of contract assets	4, 9, 15	33	14,592
Unrealised exchange gains/losses		313	391
Modification of Lease	14	(6,807)	-
Other non-cash items		(9)	(7)
Operating loss before working capital changes		**(17,188)**	**(45,885)**
Changes in trade and other receivables	15	(8,942)	(1,298)
Changes in trade and other payables	17	19,048	4,776
Cash used in operations		**(7,082)**	**(42,407)**
UK research and development tax credit received	10	3,499	4,972
Tax paid	10	(690)	(969)
Net cash used in operating activities		**(4,273)**	**(38,404)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalised development expenditures	11	(12,696)	(15,249)
Purchase of property, plant and equipment	12	(330)	(525)
Sale of property, plant and equipment	12	9	8
Interest received	8	1,959	3,166
Net cash used in investing activities		**(11,058)**	**(12,600)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	20	9,691	-
Proceeds from issuance of Convertible Loan	19	41,365	-
Transaction costs on issuance of Convertible Loan	19	(258)	-
Interest paid	9	(735)	(522)
Repayment of lease liabilities	14	(3,751)	(4,189)
Net cash (used in) financing activities		**46,312**	**(4,711)**
Net increase in cash flows		**30,981**	**(55,715)**
Effect of exchange rate change		359	(69)
Cash and cash equivalents at beginning of year	16	**50,506**	**106,290**
Cash and cash equivalents at end of year	16	**81,846**	**50,506**

The notes on pages 24 to 60 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. General information

Thought Machine Group Limited ("the Company" and together with its subsidiaries, the "Group") is a private company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company Information page and the nature of the Company's operations, and its principal activity are set out in the Group Strategic Report.

2. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of financial statements

The Consolidated Financial Statements have been prepared in accordance with UK-adopted international accounting standards ("IFRS"). The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The Group and Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Historical cost convention
The Consolidated Financial Statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Parent company exemptions

The parent company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements in paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of: - paragraph 79(a)(iv) of IAS 1; - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
- The requirements of paragraphs of IAS 1, 'Presentation of financial statements': - 10(d) (statement of cash flows); - 16 (statement of compliance with all IFRS); - 38A (requirement for minimum of two primary statements, including cash flow statements); - 38B-D (additional comparative information); - 111 (statement of cash flows information); and - 134-136 (capital management disclosures);
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors';

2.1 Basis of preparation of financial statements (continued)

- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures'; and
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

2.2 Basis of consolidation

The Consolidated Financial Statements present the results of the Company and its own subsidiaries as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. The results of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from, or up to the date control passes.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Control exists when the Group is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. The Group has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management).

2.3 New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2025:

- IAS 21 The Effects of Changes in Foreign Exchange Rates (Amendment - Lack of Exchangeability)

The following amendments are effective for the period beginning 1 January 2026:

- Annual Improvements to IFRS Accounting Standards — Volume 11
- IFRS 9 and IFRS 7 (Amendment - classification and measurement of financial instruments)
- IFRS 9 and IFRS 7 (Amendment - contracts referencing nature dependent electricity)

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

2.4 Going concern

In preparing the Group and Company's financial statements on a going concern basis, the Directors have considered the financial position and circumstances of the Group and Company. The Directors' assessment covers the period to 30 June 2027.

The Directors' assessment includes cash flow forecasts that cover the period to 30 June 2027. These forecasts have also been stress tested to allow for the cash impact of reductions in revenue against current operating projections. The Directors' assessment has been mindful of both the impact of significant inflation, global conflicts and tougher global macro-environment driven by higher interest rates which are having an impact on the Group.

The results of the sensitivity analysis demonstrated that because of the Group's strong cash position as a result of raising £51 million of funding from existing investors in July 2025 and highly secure existing and future revenue streams, it is expected to maintain sufficient cash headroom to accommodate the above scenario. This result is supported by the fact that the Group has a secure long term customer base who have invested heavily in the solutions being supported and serviced, and the services the Group's software solutions provide, ensure that critical customer requirements are met.

Should the Group face the reduced revenue scenarios as indicated above the Directors will be able to take cost reduction actions, which are all under the control of the Directors. The Directors consider that under the various scenarios these actions would be sufficient to ensure the continued viability of the Group.

The Group's financial forecasts and sensitives show the Group, and the Company, will operate with positive cash positions and meet their obligations as they fall due. As a result, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.5 Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled to in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 1) identifies the contract with a customer; 2) identifies the performance obligations in the contract; 3) determines the transaction price which takes into account estimates of variable consideration and the time value of money; 4) allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and 5) recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Determination of transaction pricing and selling prices
The Group determines the transaction price it is entitled to in return for providing the promised obligation to the customer based on the committed contractual amounts, net of sales taxes and discounts.

The transaction price is agreed upfront in the contract or as part of a statement of work. Where fees are fixed for future years of a set contract period, the transaction price is considered to be the total amount of consideration to which the entity expects to receive. This total value should be subsequently allocated based on the method of measurement.

Revenue earned on time and materials basis
Revenue earned on a time and materials basis are a form of variable consideration and management applies the most likely amount method as the most appropriate estimate. The most likely amount would be calculated based on terms and conversations with the customer, along with historic experience.

Service credits
Refund liabilities, where applicable, reflect service credits provided to the customers. This is measured as the amount of consideration to which the entity does not expect to be entitled.

Tiered pricing
Where customers exceed a specified level of ‘users’, usage-based royalties are applicable per user of this level. The Group shall recognise the associated revenue once measurement data has been received from the customer to establish any additional fees that may be due.

Contract costs
Costs that are incremental to obtaining a contract that are explicitly chargeable to the customer are capitalised as a contract asset. If the amortisation period is one year or less the incremental costs of obtaining a contract are recognised as an expense when incurred.

Timing of Recognition
Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

- Licence, support and maintenance services revenue is recognised over time as the licence grants a right to continuously access the platform and benefits to the customer are dependent on updates for ongoing functionality, and as such the customer simultaneously receives and consumes the benefits.
- Delivery and implementation services (Client Services) are recognised at a point in time, after performance obligations or milestones have been met. Milestones are clearly set out in contracts with the customer.
- Other consultancy services are recognised over time as the customer simultaneously receives and consumes the benefits of the consultancy services as the engineer provides these services.
- Client sponsored development services are recognised at a point in time, after performance obligations or milestones have been met. Milestones are clearly set out in contracts with the customer.

2.6 Administration expenses

All administration expenses of the Group are recognised on an accruals basis.

2.7 Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: a) it is expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; b) it is held primarily for the purpose of trading; c) it is expected to be realised within 12 months after the reporting period; or d) the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: a) it is either expected to be settled in the Group's normal operating cycle; b) it is held primarily for the purpose of trading; c) it is due to be settled within 12 months after the reporting period; or d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

2.8 Foreign currency translation

Functional and presentation currency

The Company's functional currency is pound sterling. The Company and Group's presentational currency is pound sterling, rounded to the nearest thousand, except where otherwise stated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss within general and administrative expenses.

On consolidation, the results of overseas operations are translated into pound sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.9 Finance income

Finance income is recognised in profit or loss using the effective interest method.

2.10 Finance expenses

Finance expenses are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in trade and other payables as a liability in the Consolidated Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.12 Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the reporting date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income 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.

Deferred tax is provided or recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax arising from (1) the initial recognition of assets or liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit, or (2) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future, is not provided for.

Deferred tax assets are recognised to the extent it is more likely than not that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting 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 assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply for the year when the asset is realised or the liability is settled based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax for the year

Current tax and deferred tax are recognised in the Statement of Comprehensive Income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.13 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets (development costs):

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The useful economic life of development expenditure is 3 years. The amortisation expense is included within the product development expenses line in the consolidated statement of comprehensive income. The Group carries out an annual impairment review of the capitalised development expenditure.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the Consolidated Statement of Comprehensive Income as incurred.

Trademark:

Expenditure incurred in registering the trademark of Thought Machine and associated logo, branding, name and titles are capitalised if, and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably

Capitalised trademark costs are amortised over the periods the Group expects to benefit from selling the products developed. The useful economic life of trademarks is 10 years. The amortisation expense is included within the general and administrative expenses line in the consolidated statement of comprehensive income. The Group carries out an annual impairment review of the capitalised trademark costs.

Trademark expenditure not satisfying the above criteria are recognised in the Consolidated Statement of Comprehensive Income as incurred.

2.14 Property, plant and equipment

Property, plant and equipment are stated at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the Statement of Comprehensive Income as incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- over the period of the lease
Fixtures and fittings	- 3 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income when the asset is de-recognised.

2.15 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

The Group has applied the practical expedient under IFRS 16.15 not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease component as a single lease component.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Low value-leases are considered to be all leases where the individual value of the underlying assets is below £5,000, or where the lease is equal to or shorter than one year.

The Group has classified a sublease agreement entered into as an operating lease, as it does not transfer substantially all the risks and rewards incidental to ownership of the right-of-use asset. As an operating lease, the Group recognises sublease payments in the profit or loss as income on a straight-line basis.

2.16 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying value of its non-financial assets or cash-generating units 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 to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the investment.

Recoverable amount is the higher of the fair value less costs to sell and the 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 been adjusted.

If the value in use of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its value in use. An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying value of the asset (or cash-generating unit) is increased to the revised estimate of its value in use, but so that the increased carrying value 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 the Statement of Comprehensive Income.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

2.18 Trade and other receivables

Trade and other receivables are recognised at amortised cost, less any allowance for expected credit losses. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables.

2.19 Financial instruments

(a) Financial assets
The Group uses two criteria to determine the classification of financial assets: a) the Group's business model and b) the contractual cash flow characteristics of the financial assets. Where appropriate the Group identifies three categories of financial assets: amortised cost, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI).

Financial assets held at amortised cost
A financial asset is classified as “amortised cost” only if both of the two classification criteria are met: a) the Group’s business model is to hold the asset to collect contractual cash flows, and b) the contractual cash flows give rise to cash flows that are solely principal and interest.

Financial assets held at amortised cost are initially measured at fair value except for trade debtors which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate (“EIR”) method, less impairment. The EIR amortisation is presented within finance income in the income statement.

Financial assets at fair value through other comprehensive income (“FVOCI”)
A financial asset is classified as “FVOCI” only if both of the two classification criteria are met: a) the Group’s business model is to both hold the asset to collect contractual cash flows, and to hold for trading, and b) the contractual cash flows give rise to cash flows that are solely principal and interest.

Financial assets held at FVOCI are initially measured at fair value. They are subsequently measured at fair value, but until derecognition the amounts recorded in the income statement are the interest income measured using the effective interest rate method less any impairment. The difference in fair value movements and the amounts recognised in the income statement are recognised in the statement of other comprehensive income. Upon derecognition the fair value gains or losses previously recognised as other comprehensive income are then recycled to the income statement.

Financial assets at fair value through profit or loss (“FVTPL”)
Financial assets not measured at amortised cost or at FVOCI are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in the income statement.

Impairment of financial assets
For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Derecognition
Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

(b) Financial liabilities
Financial liabilities are classified at initial recognition, as a financial liability at fair value through profit and loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Financial liabilities are subsequently measured at amortised cost.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(c) Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instruments are recognised within the Statement of Comprehensive Income.

2.20 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

2.21 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.23 Share-based payments

Equity-settled share-based payments

Equity-settled share-based compensation benefits are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. Expected volatility is based on historical volatility of peer companies.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

For equity-settled share-based payment transactions with parties other than employees, the Group measures the goods or services received, and the corresponding increase in equity, directly at the fair value of the goods or services received. If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity are measured indirectly by reference to the fair value of the equity instruments granted at the date the goods or services are received

Cash-settled share-based payments

Cash-settled share-based compensation benefits are provided to employees in exchange for the rendering of services. These cash-settled share-based transactions have the same terms as equity-settled share-based compensation transactions, but are settled instead with cash.

The liability for the transactions are measured, initially and at the end of each reporting period until settled, at the fair value of the cash-settled share-based transactions by applying the Option Pricing Model (as described in the equity-settled share-based payments section above), and the extent to which the employee have rendered services to date.

2.24 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.24 Convertible Loan Notes (Hybrid Financial Instruments)

Convertible loan notes issued by the Group are assessed upon issuance to determine whether they represent a compound financial instrument (containing both debt and equity components) or a hybrid financial instrument (containing a debt host and embedded derivative liabilities).

Where the conversion options do not meet the definition of an equity instrument (e.g., due to variable conversion prices, valuation caps, or return overrides), the conversion feature is separated from the host debt and classified as an embedded derivative financial liability. The embedded derivative is initially recognised at fair value and is subsequently measured at fair value through profit or loss.

The residual host debt component is initially recognised at fair value, which is calculated as the gross proceeds of the loan less the fair value of the embedded derivative and any directly attributable transaction costs. The host debt is subsequently measured at amortised cost using the effective interest method, with the interest expense recognised in the Statement of Comprehensive Income over the expected life of the instrument.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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.

Key sources of judgement and estimation in applying the Group's accounting policies

Share-based payments
Variables influencing equity-settled share-based payments and cash-settled share-based payments, which are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Monte Carlo simulation model. Judgements in this area include expected time to achieve an exit and employee exit rate.

Internally-generated software development
The Group is required to make an assessment for each project in order to determine how a project

meets the criteria outlined in the Group's accounting policies. Such an assessment may, in certain circumstances, require significant judgement. In making this judgement, the Group evaluates the stage at which a) technical feasibility has been achieved, b) management's intention to complete and use or sell the product, c) likelihood of success, d) availability of technical and financial resources to complete the development phase, and e) management's ability to reliably measure the expenditure attributable to the project.

Convertible Loan
During the year, the Group issued unsecured Convertible Loan Notes which are accounted for as hybrid financial instruments. Judgement is required in separating the embedded conversion options from the host debt; the embedded options are classified as derivative financial liabilities measured at fair value through profit and loss, while the residual host debt is measured at amortised cost using the effective interest method. Significant estimation uncertainty is involved in determining the fair value of the embedded derivative, which is classified as a Level 3 instrument within the fair value hierarchy. The fair value is determined using a Monte Carlo Simulation model to accurately capture complex conversion terms, including discounts, valuation caps, and return (MOIC) overrides. This valuation relies heavily on significant unobservable inputs, most notably the expected volatility (assessed at 45.0% as at 31 December 2025), as well as the expected timing and probability of mandatory conversion trigger events such as a Change of Control or an Initial Public Offering.

Incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the synthetic credit rating for the Group).

Provision for expected credit losses (“ECL”) of trade receivables
The Group applies a ‘simplified approach’ to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The Group performs this measurement and assessment on a customer by customer basis. Judgements in this area include collectibility of outstanding balances of each customer being assessed.

Thought Machine Group Limited

4. Revenue

	2025	2024
	£000	£000
Gross revenue	74,775	49,405
Amortisation of contract assets	-	(1,797)
Net revenue	74,775	47,608

In the prior year, the amortisation of contract assets (Note 15) relates to share warrants (Note 18) granted to customers with exercise conditions linked to revenue amounts between Thought Machine and the customer. The consideration payable to the customer when the warrants are exercised shall be accounted as a reduction in revenue over the period services are provided to the customer.

During the year, the underlying contract associated with these legacy warrants was renegotiated and replaced. Consequently the legacy warrant liability was extinguished and the associated contract asset was impaired and recognised within finance expenses (Note 9), resulting in £nil amortisation against revenue in the current year.

The Group provides services to an international client base located in various geographical areas worldwide.

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following tables which depicts the nature, amount, and timing of revenue:

	Over time	Point in time	Total 2025	Over time	Point in time	Total 2024
	£000	£000	£000	£000	£000	£000
Licence and support and maintenance	56,115	-	56,115	36,056	-	36,056
Client Services revenue	240	9,131	9,371	-	9,291	9,291
				36,056	9,291	45,347
Other revenue	-	9,289	9,289	-	2,261	2,261
Total revenue	56,355	18,420	74,775	36,056	11,552	47,608

Contract balances

	2025	2024
	£000	£000
Contract asset (Note 15)	-	33
Deferred revenue (Note 17)	(34,589)	(15,379)

Revenue of £13.4 million (2024: £11.5 million) was recognised during the year ended 31 December 2025 from the deferred revenue balance included at the beginning of the period.

Contract assets of nil (2024: £14.5 million) was released to the Statement of Comprehensive

Income as a reduction of transaction price against revenue from contract with customers. In addition, contract assets of nil were released to the P&L (2024: nil) as an impairment loss under finance expenses (Note 9). There was no revenue recognised from performance obligations satisfied in previous periods (2024: £Nil)

Contract costs

The Group has recognised an asset in relation to costs incurred to obtain contracts, which is presented in 'Trade and other receivables' (Note 15).

	2025	**2024**
Assets recognised from costs to obtain the contract	**£000**	**£000**
Current	144	57
Non-current	8,654	6,287
	8,798	6,344

The amount of incremental costs to obtain a contract which has been recognised as an asset is £3.5 million (2024: £3.6 million). Capitalised sales commission is amortised over the life of the contract with the customer, as commissions are driven by the contract period. During the year, the amount recognised in the profit or loss was £1.8 million (2024: £1.1 million). No amount has been impaired in 2025 or 2024.

The Group applies the practical expedient in IFRS 15, where the incremental costs of obtaining contract are recognised as an expense when incurred if the amortisation period of the asset, that the Group otherwise would have recognised, is one year or less.

Remaining performance obligations
The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

	2025			**2024**		
	Within one year	**More than one year**	**Total**	**Within one year**	**More than one year**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue expected to be recognised	78,972	191,744	270,716	57,810	162,677	220,487

The remaining performance obligations expected to be recognised within one year and more than one year relate to licence and support and maintenance contracts.

The Company applies a practical expedient and does not disclose the value of unsatisfied performance obligations for contracts for which it recognises revenues at the amount to which it has the right to invoice for services provided.

Thought Machine Group Limited

5. Auditor remuneration

Fees payable to the Group's auditor in respect of:	2025 £000	2024 £000
Audit fee	274	180
	274	180

6. Expenses by nature

Group	2025 £000	2024 £000
Employee benefit expenses	77,487	76,778
Hosting	8,985	8,347
Depreciation and amortisation	20,352	17,292
Rent and facilities	3,788	5,110
Other costs	6,207	9,444
	116,819	116,971

The Group incurred research and development costs during the year of £43.9 million (2024: £38.6 million) which have been recognised in the Statement of Comprehensive Income. Development expenditure of £14.1 million (2024: £16.9 million) was capitalised to the Balance Sheet and £14.4 million (2024: £9.5 million) was amortised to the Statement of Comprehensive Income.

7. Employee benefit expenses

Staff costs, including key management personnel compensation, were as follows:

	2025 Group £000	2024 Group £000	2025 Company £000	2024 Company £000
Wages and salaries	61,963	55,796	41,796	36,894
Social security costs	50	6,658	50	6,189
Pension costs	3,825	4,056	2,786	2,969
Share-based payment expense	11,649	10,268	10,367	9,003
Total	77,487	76,778	54,999	55,055

Included in the employee benefit expenses is an amount of £14.5 million (2024: £16.9 million) which has been capitalised as an intangible asset, and an amount of £3.5 million (2024: £3.6 million) which has been capitalised as contract costs.

The average monthly number of employees, including the Directors, during the year was as follows:

Thought Machine Group Limited

	Group 2025	Group 2024	Company 2025	Company 2024
Commercial	54	83	25	44
Client Services	82	105	29	49
Engineering	273	263	262	243
General and administrative	70	72	64	68
	479	523	380	404

8. Finance income

	2025 £000	2024 £000
Bank interest received	1,959	3,166
Fair value movement of warrant liability	5,513	11,937
	7,472	15,103

During the year the contract underlying the performance obligations for the warrant with customers had been renegotiated, resulting in an extinguishment of the warrant liability (Note 18).

9. Finance expenses

	2025 £000	2024 £000
Impairment of contract assets	(33)	(14,592)
Interest on lease liability	(735)	(522)
Interest on Convertible Loan	(3,033)	-
Fair value movement of Convertible Loan derivative	(1,426)	-
Investor Penny warrants	(3,990)	-
Other interest payable	(15)	(1)
	(9,232)	**(15,115)**

Contract assets in Note 15 relate to warrants granted to customers with exercise conditions linked to revenue amounts between Thought Machine and the customer. During the year, the contract was renegotiated which resulted in an impairment under IAS 36.

During the year, the Company issued a Convertible Loan Note. Further details regarding the terms, effective interest rate, and fair value valuation techniques of these instruments are disclosed in Note 18 and Note 19.

In association with the Convertible Loan, a lead investor was issued with Penny warrants, which were exercised in full and have been valued as share-based payments. Further details are disclosed in Note 25.

Thought Machine Group Limited

10. Taxation

	2025	2024
Corporation tax	**£000**	**£000**
Current year	673	1,166
Total current tax	**673**	**1,166**
Deferred tax (credit) expense		
Origination and reversal of timing differences	(216)	(860)
Deferred tax charge on RDEC	-	-
Adjustments in respect of deferred tax in prior period	(70)	860
Total deferred tax	**(286)**	**-**
Foreign tax		
Foreign tax on income for the year	859	618
Foreign tax in respect of prior periods	39	57
Total foreign tax	897	675
Total tax charge/(credit) for the year	**1,284**	**1,841**

Factors affecting tax expense for the year
The tax assessed for the year is lower than (2024: lower than) the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below:

	2025	2024
Reconciliation of tax expense	**£000**	**£000**
Loss on ordinary activities before tax	(43,806)	(69,375)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2024: 25%)	(10,952)	(17,344)
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	5,208	372
Change in unrecognised deferred tax assets	6,489	16,168
Adjustment in respect of prior years	(33)	916
Permanent capital allowances in excess of depreciation	-	232
Research and development tax credit (difference in tax rate)	-	-
Effect of overseas tax rates	(71)	(78)

Other movements in respect of overseas subsidiaries	-	-
Enhanced deduction for expenditure on research and development	-	-
Other differences	642	1,575
Total tax credit for the year	1,284	1,841

Factors that may affect future tax charges

As at 31 December 2025 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 £392 million (2024: £348 million) of which unutilised tax losses amounted to £288 million (2024: £262 million). Had deferred tax been recognised on these amounts the maximum net deferred tax asset would have been £98 million (2024: £87 million). 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.

Deferred tax, to the extent recognised, is recognised by the Company at rates which have been substantively enacted by the relevant reporting dates.

Unrecognised tax at 31 December 2025 and 31 December 2024:

	2025 Gross £000	2025 Tax £000	2024 Gross £000	2024 Tax £000
Unused tax losses - UK	287,609	71,902	261,836	65,459
Share-based payments	105,050	25,866	85,786	21,446
Total	392,658	97,768	347,622	86,905

Deferred tax assets have not been recognised because of uncertainty over the availability of future taxable profits.

Thought Machine Group Limited

11. Intangible assets

Internally generated intangible assets

The Group invests a substantial part of its revenue in research and development to enhance existing products and to develop new products. The costs associated with the development of new or substantially improved products are capitalised. Directly attributable development costs that are capitalised include employee costs. The remaining amortisation period is 1-3 years.

Trademark

The Group incurs costs associated with registering and protecting the trademark of Thought Machine and associated logo, branding, name and title. Directly attributable costs include registration costs. The amortisation period is 10 years.

Group and Company	**Internally generated intangible assets**	**Trademark**	**Total**	**Internally generated intangible assets**	**Trademark**	**Total**
	2025	**2025**	**2025**	**2024**	**2024**	**2024**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost						
At 1 January	45,553	41	45,594	28,680	-	28,680
Additions	13,966	118	14,084	16,873	41	16,914
At 31 December	59,519	159	59,678	45,553	41	45,594
Accumulated amortisation						
At 1 January	14,272	1	14,273	4,742	-	4,742
Amortisation charge	14,383	10	14,393	9,530	1	9,531
At 31 December	28,655	11	28,666	14,272	1	14,273
Net book value	30,864	148	31,012	31,281	40	31,321

12. Property, plant and equipment

Group

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	2025 Total £000
Cost				
At 1 January	2,431	1,060	3,399	6,890
Additions	13	30	287	330
Reclassification	-	-	-	-
Disposals	-	-	(512)	(512)
Foreign exchange movement	-	1	3	4
At 31 December	2,444	1,091	3,177	6,712
				-
Accumulated depreciation				
At 1 January	1,231	874	2,814	4,919
Charge for the year	662	104	395	1,161
Disposals	-	-	(503)	(503)
Foreign exchange movement	-	(12)	(126)	(138)
At 31 December	1,893	966	2,580	5,439
				-
Net book value 31 December 2025	551	125	597	1,273

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	2024 Total £000
Cost				
At 1 January	2,263	904	3,414	6,581
Additions	168	134	223	525
Reclassification	-	-	-	-
Disposals	-	-	(254)	(254)
Foreign exchange movement	-	22	16	38
At 31 December	2,431	1,060	3,399	6,890
				-
Accumulated depreciation				
At 1 January	588	701	2,504	3,793
Charge for the year	643	178	560	1,381
Disposals	-	-	(246)	(246)
Foreign exchange movement	-	(5)	(4)	(9)
At 31 December	1,231	874	2,814	4,919
				-
Net book value 31 December 2024	1,200	186	585	1,971

Thought Machine Group Limited

Company

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Total £000
				2025
Cost				
At 1 January	2,431	865	2,797	6,093
Additions	13	12	246	271
Reclassification	-	-	-	-
Disposals	-	-	(506)	(506)
Foreign exchange movement	-	6	(6)	-
At 31 December	2,444	883	2,531	5,858
				-
Accumulated depreciation				
At 1 January	1,231	712	2,337	4,280
Charge for the year	662	86	306	1,054
Disposals	-	-	(497)	(497)
Foreign exchange movement	-	-	-	-
At 31 December	1,893	798	2,146	4,837
				-
Net book value 31 December 2025	551	85	385	1,021

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Total £000
				2024
Cost				
At 1 January	2,263	732	2,843	5,838
Additions	168	134	206	508
Disposals			(252)	(252)
Foreign exchange movement	-	(1)	-	(1)
At 31 December	2,431	865	2,797	6,093
			-	
Accumulated depreciation				
At 1 January	588	581	2,179	3,348
Charge for the year	643	144	403	1,190
Disposals			(245)	(245)
Foreign exchange movement	-	(13)	-	(13)
At 31 December	1,231	712	2,337	4,280
			-	
Net book value 31 December 2024	1,200	153	460	1,813

Thought Machine Group Limited

13. Investments in subsidiaries

	2025	2025	2024	2024
	Cost	Carrying amount	Cost	Carrying amount
Company	**£000**	**£000**	**£000**	**£000**
At 1 January	7,165	7,165	5,905	5,905
Additions	1,320	1,319	1,260	1,260
At 31 December	8,485	8,484	7,165	7,165

Additions during the year relate to share-based compensation for equity-settled awards granted to participants employed by the Company's subsidiaries.

The following were subsidiaries of the Company:

Subsidiary	Registered address	Country of incorporation and principal place of business	Principal activity	Class of shares	2025 Shareholding
Thought Machine Pte Ltd	61 Robinson Road, #19-02, Robinson Centre, Singapore 068893	Singapore	Sales, marketing support services, and software implementation services	Ordinary	100%
Thought Machine Inc	16192 Coastal Highway, Lewes, Delaware 19958, County of Sussex	United States of America	Sales, marketing support services, and software implementation services	Ordinary	100%
Thought Machine Pty Ltd	Level 16, 201 Elizabeth Street. Sydney NSW 2000	Australia	Sales and business development, and software implementation services	Ordinary	100%
Thought Machine (India) Private Limited	3rd Floor, 8/10, Calcot House, M.S. Marg, Hutatma Chowk, Fort, Mumbai - 400001, Mumbai, Mumbai City, Maharashtra, India, 400001	India	Sales and business development	Ordinary	99.99%

No changes to subsidiaries during the year (2024: no changes).

14. Leases

Company and Group

The Group leases a number of properties (office spaces) in the jurisdictions from which it operates.

Sublease
The Group also subleases a small portion of the office space in its London headquarters and classified as an operating lease, as the risks and rewards incidental to the ownership of the right of use asset is retained by Thought Machine. Income generated from subleasing of nil (2024: £5,508) has been recognised as revenue in the Statement of Comprehensive Income.

Extension and termination options
Some property leases contain extension and termination options exercisable at a certain point-in-time of the contract period. The Group will assess at commencement of the lease whether it is reasonably certain to exercise the extension or termination options.

Right-of-use assets

	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Cost				
At 1 January	27,583	27,583	27,583	27,583
Additions	23,258	-	23,258	-
Modification	(27,583)	-	(27,583)	-
At 31 December	23,258	27,583	23,258	27,583
Accumulated depreciation				
At 1 January	17,683	12,152	17,683	12,152
Charge for the year	4,798	5,531	4,798	5,531
Modification	(21,416)	-	(21,416)	-
At 31 December	1,065	17,683	1,065	17,683
Net book value	22,193	9,900	22,193	9,900

Thought Machine Group Limited

14. Leases (continued)

Lease liability	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
At 1 January	10,487	14,677	10,487	14,440
Additions	22,668	-	22,668	-
Interest charged	735	522	735	519
Lease payments	(4,486)	(4,711)	(4,486)	(4,472)
Modification	(6,217)	-	(6,217)	-
Foreign exchange movement	-	-	-	-
At 31 December	23,186	10,487	23,186	10,487

Lease liabilities are presented in the Statement of Financial Position as follows:

	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Due within one year	-	7,208	-	7,208
Due within one to two years	3,521	3,279	3,521	3,279
Due within two to five years	19,665	-	19,665	-
	23,186	10,487	23,186	10,487
Current	-	7,208	-	7,208
Non-current	23,186	3,279	23,186	3,279
	-		-	

Amount recognised in the Statement of Comprehensive Income

	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Short-term lease expenses	(1,355)	(1,178)	-	-
Variable lease payments	(881)	(2,036)	(881)	(2,036)
Income from subleasing of property	-	6	-	6

Amount recognised in the Statement of Cash Flows

	Group 2025	Group 2024	Company 2025	Company 2024
Cash flows	£000	£000	£000	£000
Total cash outflow for leases	(6,722)	(7,919)	(5,367)	(6,502)
Total commitment on short-term leases (undiscounted)	(304)	(333)	-	-

Thought Machine Group Limited

15. Trade and other receivables

	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Current				
Trade receivables	9,692	4,618	9,692	4,618
Intercompany receivables	-	-	-	-
Prepayments and accrued income	5,381	5,747	5,310	5,664
Corporation tax receivable	2,868	3,657	2,868	3,657
Contract assets	-	33	-	33
Contract costs	144	57	144	43
Deposits	225	237	-	-
Other receivables	367	478	367	451
Total Current	18,678	14,827	18,381	14,466
Non-current				
Contract assets	-	-	-	-
Contract costs	8,654	6,287	8,640	6,287
Deposits	1,804	1,891	1,804	1,891
Prepayments and accrued income	122	107	107	107
Total non-current	10,580	8,285	10,551	8,285
Trade receivables	10,076	5,270	10,076	5,270
Expected credit loss provision	(384)	(652)	(384)	(652)
	9,692	4,618	9,692	4,618

Intercompany balances are non-interest bearing and repayable on demand.

16. Cash and cash equivalents

	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Cash at bank and in hand	81,846	50,506	78,329	48,655

17. Trade and other payables

	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Current				
Trade payables	1,345	1,922	1,227	1,827
Intercompany payables (Restated Note 29)	-	-	7,380	8,775
Accruals	6,314	5,894	3,478	3,272
Taxation and social security	1,832	1,813	1,832	1,813
Other payables	1,615	1,264	1,485	906
Deferred revenue	28,058	14,011	28,035	13,987
	39,165	24,904	43,437	30,580
Non-current				
Other payables	253	252	332	251
Deferred revenue	6,531	1,368	6,531	1,368
	6,784	1,620	6,863	1,619

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. Payables from related parties are unsecured, interest-free and repayable on demand.

18. Derivative financial liability

	Group 2025	Group 2024	Company 2025	Company 2024
Derivatives not designated as hedging instruments	**£000**	**£000**	**£000**	**£000**
Warrant liability	-	5,513	-	5,513
Convertible Loan Liability	8,546	-	8,546	-

Warrant Liability:
The Group previously held a derivative financial liability of £5.5 million as at 31 December 2024, relating to historical warrants granted to a customer. During the year ended 31 December 2025, in relation with the issuance of the Convertible Loan Notes, the terms of these historical customer warrants were replaced by a new warrant instrument signed in July 2025.

As a result of this modification and replacement, the legacy £5.5 million derivative liability was extinguished and derecognised in full, with the resulting impact recognised immediately in the Statement of Comprehensive Income within finance income/expense

Convertible Loan Liability:
During the year, the Group issued Convertible Loan Notes containing embedded conversion options. Under IFRS 9, these embedded conversion options have been separated from the host debt because their economic characteristics and risks are not closely related to the host debt instrument. Specifically, the conversion features are subject to complex terms, including conversions at a 25% discount to the relevant share price of a future triggering event, valuation caps, and return (MOIC) overrides.

Consequently, the conversion options have been separated from the host debt and are classified as derivative financial liabilities measured at fair value through profit and loss. Upon initial recognition the embedded conversion options were recorded at a fair value of £7.1 million. A subsequent fair value loss of £1.4 million was recognised within finance expenses in the Statement of Comprehensive Income, resulting in a closing fair value of £8.5 million as at 31 December 2025.

These are Level 3 instruments within the fair value hierarchy because their valuation relies on significant unobservable inputs. The fair value was determined using a Monte Carlo Simulation model, which is used to capture the complex conversion terms, including discounts, valuation caps, and return (MOIC) overrides.

The key unobservable inputs used in the valuation as at 31 December 2025 were:

Expected volatility: 45.0%
Risk-free rate: 3.76%
Dividend Yield: 0%

19. Convertible Loan

	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Opening Balance	-	-	-	-
Gross proceeds	41,365	-	41,365	-
Reclassification (note 18)	(7,120)	-	(7,120)	-
Incremental costs capitalised	(258)		(258)	
Interest	3,033	-	3,033	-
Closing balance	37,020	-	37,020	-

During the year ended 31 December 2025, the Group issued unsecured Convertible Loan Notes (CLNs) across multiple tranches in July and September 2025, raising total gross proceeds of £41.4 million. The CLNs accrue interest at a rate of 15% per annum, compounding annually. There are no scheduled cash interest payments prior to maturity. Accrued interest is capitalised and added to the principal balance to be settled upon either conversion or redemption

The CLNs are mandatorily convertible into the Group's most senior class of shares (or ordinary shares in the event of an IPO) upon specific trigger events, which include a Change of Control or Initial Public Offering. If no trigger event occurs the outstanding balance will automatically convert on the Longstop Date, being the sixth anniversary of the initial closing date (July 2031). Upon conversion the notes convert at a 25% discount to the relevant share price of the triggering event.

Because the conversion feature is settled by the exchange of a variable number of shares, the CLNs are accounted for as hybrid financial instruments. The embedded conversion option has been separated from the host debt and is accounted for as a derivative financial liability measured at fair value through profit and loss (see Note 18). The residual host debt presented in this note is classified as a financial liability and is measured at amortised cost using the effective interest method.

20. Share Capital

Ordinary share capital - issued and fully paid	Number	Number	£	£
	2025	2024	2025	2024
Ordinary shares	4,512,226	4,512,226	5	5
Series A shares	4,139,658	4,139,658	4	4
Ordinary B1 shares	4,881,813	4,881,813	5	5
Ordinary B2 shares	1,577,029	1,577,029	1	1
C1 preference shares	4,734,002	4,734,002	5	5
C2 preference shares	59,883	59,883	-	-
C3 preference shares	1,654,492	581,783	2	1
Series D shares	1,697,583	1,570,748	1	1
Total share capital	23,256,686	22,057,142	23	22

All shares have full voting rights attached to them, except the following share classes: non-voting C preference shares; non-voting C3 preference shares; and non-voting D preference shares. 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. All shares have a par value of £0.000001. Total authorised share capital of 29,300,005 shares.

During the year Thought Machine Group Limited engaged in a Series E fundraising, raising £41.4 million from existing shareholders in the form of a Convertible Loan. As part of the same funding, a further £9.7 million was raised in exchange for 1,072,709 for Series C3 equity shares.

Furthermore, 126,835 Series D shares were issued to an existing investor for a total cash consideration of £0.13. These shares were issued as part of a financing arrangement and have been accounted for as equity-settled share-based payments. Further details regarding the £3.99 million fair valuation of this transaction are disclosed in Note 25.

Issued and fully paid shares (number)

	2024	Movement	2025
Ordinary shares	4,512,226	-	4,512,226
Series A shares	4,139,658	-	4,139,658
Ordinary B1 shares	4,881,813	-	4,881,813
Ordinary B2 shares	1,577,029	-	1,577,029
C1 preference shares	4,734,002	-	4,734,002
C2 preference shares	59,883	-	59,883
C3 preference shares	581,783	1,072,709	1,654,492
Series D shares	1,570,748	126,835	1,697,583
	22,057,142	1,199,544	23,256,686

21. Provisions

	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
At 1 January	996	996	996	996
Provided/(released) in the year	(996)	-	(996)	-
At 31 December	-	996	-	996
Due within one year or less	-	-	-	-
Due within more than one year	-	996	-	996

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease, historically recognised within the corresponding right-of-use asset. During the year, the Group entered into a new lease agreement, which extinguished the liability under the previous lease terms. As a result, the provision of £996,000 was fully released.

Under the terms of the new lease agreement, a make-good obligation is only triggered by structural alterations to the property. As the Group had no major plans to alter the existing premises and no such alterations had been undertaken as of the reporting date, no present obligation exists and therefore no new dilapidations provision has been recognised

22. Capital risk management

The Group’s principal objective when managing capital is to protect the Group's cash flows and financial assets to provide greater financial certainty and to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

Capital is regarded as total equity, as recognised in the Statement of Financial Position.

The Group closely monitors its cash runway to ensure the Group has sufficient capital to support its business activities and to continue as a going concern, and additional funds raised as required.

The capital risk management policy remains unchanged from the previous period.

23. Reserves

Share premium

This reserve represents amounts received on the issue of share capital in excess of the nominal value of the shares issued.

Foreign currency translation reserve

This reserve represents the gains and losses arising on retranslating the net assets/liabilities of foreign operations into pound sterling.

Share-based payment reserve

This reserve represents cumulative share-based payment charges.

Retained earnings/losses

Retained earnings represent cumulative profits and losses.

24. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's risk management framework seeks to minimise the potential adverse effects of unpredictability of financial markets on the Group's performance.

Risk management is carried out by management under policies approved by the Board of Directors.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

All the balances in the tables below are classified as Level 3 fair value measurement (excluding those classified at amortised cost). There were no transfers between Level 1, Level 2 and Level 3 during the year. The carrying amounts of each category of financial assets and financial liabilities are as follows:

	Group	Group	Company	Company
	2025	2024	2025	2024
	£000	£000	£000	£000
Financial instruments				
Financial assets measured at amortised cost	108,830	67,195	113,458	65,222
Financial liabilities measured at amortised cost	11,361	11,145	23,964	16,844
Financial liabilities measured at fair value through profit and loss	8,546	5,513	8,546	5,513
Gain/(loss) recognised in the profit and loss	(3,179)	(3,179)	(3,179)	(3,179)

Financial assets that are measured at amortised cost comprise trade and other receivables, amounts owed by group undertakings, accrued income and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise trade and other payables, amounts owed to group undertakings, and accruals.

Thought Machine Group Limited

Financial liabilities measured at fair value through profit and loss comprise the warrant liabilities.

Foreign currency risk
Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency. The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The Group reviews its exposure to transactions denominated in other currencies and takes necessary action to minimise the exposure.

Interest rate risk
Interest rate risk primarily results from exposures to the volatility of interest rates. At the reporting date, there are no risks associated with the effects of fluctuations in the prevailing level of interest rates.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group

The table below analyses the maximum exposure to credit risk:

	Group	**Group**	**Company**	**Company**
	2025	**2024**	**2025**	**2024**
	£000	**£000**	**£000**	**£000**
Cash and cash equivalents	81,846	50,506	78,329	48,655
Trade receivables	9,692	4,618	9,692	4,618
Intercompany receivables	-	-	8,230	-
Corporation tax receivable	-	3,657	-	3,657
Deposits	2,029	2,128	1,804	1,891
Total	93,567	60,909	98,055	58,821

The Group monitors defaults of clients, identified either individually, or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on clients and other counterparties are obtained and used.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group's trade receivables are from a number of clients including Tier 1 banks. Based on historical information about client default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable Tier 1 banks with high quality external credit ratings.

Operational risk
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's operations either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

Fair values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying amounts	Fair value	Carrying amounts	Fair value
	2025	2025	2024	2024
	£000	£000	£000	£000
Financial liabilities				
Derivatives not designated as hedges	8,546	8,546	5,513	5,513

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2025 are shown below:

Sensitivity Analysis

	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the input of fair value £000
Convertible Loan Note	Monte Carlo Simulation Model	Equity Value	+10%	1,564
			-10%	(1,383)
	Monte Carlo Simulation Model	Volatility	+5%	986
			-5%	(964)

Liquidity risk
Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Contract maturities of financial liabilities

At 31 December 2025	Less than 1 year	Between 1 to 5 years	Over 5 years
Trade and other payables	42,833	3,117	-
Lease liabilities	641	22,545	-
Derivative financial liabilities	8,546	-	-
Convertible Loan	37,020	-	-
Total	**89,040**	**25,662**	**-**
At 31 December 2024			
Trade and other payables	24,904	1,620	-
Lease liabilities	7,208	3,279	-
Derivative financial liabilities	5,513	-	-
Total	**37,625**	**4,899**	**-**

25. Share based payments

The Group operates a share option plan whereby employees receive share options when they join the Company to incentivise and remunerate the Group's employees.

Group	No. of Share Options		W.A. exercise price	
	2025	2024	2025	2024
	Number	Number	£	£
Outstanding at beginning of the year	4,378,758	4,040,111	6.55	6.51
Granted	320,900	628,175	12.72	13.76
Forfeited	(258,669)	(289,528)	12.71	6.82
Exercised	-	-	-	-
Outstanding at end of year	4,440,989	4,378,758	8.24	6.55
Exercisable at end of year	3,090,695	2,775,921	4.74	4.07

Company	No. of Share Options		W.A. exercise price	
	2025	2024	2025	2024
	Number	Number	£	£
Outstanding at beginning of the year	4,016,015	3,712,491	5.83	5.67
Granted	276,950	530,875	11.49	12.63
Forfeited	(241,337)	(227,351)	12.22	6.31
Exercised	-	-	-	-
Outstanding at end of year	4,051,628	4,016,015	7.02	5.83
Exercisable at end of year	2,815,583	2,550,036	4.06	3.55

Option holders have the right to purchase an ordinary share at the exercise price. The exercise price of options ranges from £0.00 to £24.1 (2024: £0.000001 to £34.60) per share with a vesting period of up to 5 years (2024: 5 years). The weighted average remaining contractual life for the share options outstanding as at was 4.38 years (2024: 4.42 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 Option Pricing Model ("OPM") (2024: Monte Carlo Simulation 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.

	2025	**2024**
Weighted average share price	£22.39	£37.10
Weighted average exercise price	£12.72	£15.72
Expected volatility	40%	40%
Expected life	3.25 years	5.75 years
Risk free rate	4.00%	3.79%

The total expense recorded in the Statement of Comprehensive Income in respect of the equity-settled share based payments (net of capitalisation of development costs) for the Group is £7.6 million (2024: £10.1 million), and for the Company is £6.3 million (2024: £8.8 million).

The carrying amount of the liability relating to cash-settled share-based transactions at 31 December 2025 was £331,684 (2024: £252,341). There were 4,000 cash-settled share-based transactions issued during the year (2024: 5,000), with 4,976 being forfeited (2024: 1,281), 10,043 vested to date (2024: 5,154), and none were exercised during the year (2024: none).

Modification of share based payment

During the year ended, the Group modified the terms of 70,000 outstanding share options. The modification involved a reduction in the exercise price for two specific employee grants to £0.000000001. The original vesting conditions for these awards (25% vesting upon an exit event and 75% vesting over a four-year period) remained unchanged.

The total incremental fair value granted as a result of these modifications was £1,099,828. This incremental fair value was measured as the difference between the fair value of the modified options and the fair value of the original options, both determined at the modification date of 10 September 2025. The fair values were measured using an Option Pricing Model, utilising updated assumptions at the modification date. The key inputs used to calculate the incremental fair value included an expected volatility of 40.0%, a risk-free rate of 4.19%, an expected term of 3.25 years, and a marketability discount of 14.63% and 15.61% applied to the time-vested options. In accordance with IFRS 2, this incremental fair value is recognised as an additional expense prospectively over the remaining original vesting periods of 4 months and 17 months respectively.

Share based payments to non-employees

During the year, the Group issued 126,835 Series D shares to an existing investor in relation to leading Series E. Because the fair value of the services received could not be estimated reliably, the transaction was measured by reference to the fair value of the equity instruments granted.

The shares were fair valued at £31.46 per share, resulting in a total equity-settled share-based payment expense of £3,990,229 recognised during the year. This amount has been expensed to the Statement of Comprehensive Income within finance expenses.

26. Pension commitments

The Group operates a defined contribution workplace pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £3.8 million (2024: £4.1 million). Contributions totalling £0.7 million (2024: £0.7 million) were payable to the fund at the reporting date.

27. Related party transactions

The Parent Company has taken exemption under FRS 101.8(k) from the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the Group, on the basis that any subsidiary which is a party to the transaction is wholly owned within the Group.

Other related party transactions
At the reporting date the company was owed amounts totalling £Nil (2024: £Nil) from companies in which a director has significant control.

During the financial year the Company made an aggregate turnover of £36.1 million (2024: £22.9 million) to customers which were part of the same group as our shareholders at the reporting date. These customers owed the Company an aggregate amount of £0.8 million (2024: £2.5 million) at the reporting date.

At the year end a balance of £Nil (2024: £Nil) was due from shareholders of the Company.

Key management personnel and directors' remuneration

	2025	**2024**
	£000	**£000**
Short-term employee benefits	324	279
Post-employment pension and medical benefits	9	8
	333	287

The highest paid director received remuneration of £156,000 (2024: £156,000).

The number of directors for whom retirement benefits are accruing under defined contribution scheme was 2 (2024: 2 director). There were no directors who exercised stock options in 2025 (2024: none). Key management personnel for 2025 and 2024 comprise the directors.

28. Subsequent events

In May 2026, the Company closed its Series E round raising a total of £81.1 million of which £30.0 million was the investment raised in 2026. As part of this transaction, the Company facilitated a secondary share sale providing liquidity of £21.0m for early employees in May 2026.

29. Controlling party

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