

**Babylon Partners Limited**

**Annual report and financial statements**

Registered number 08493276

Year ended 31 December 2016



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## **Directors' report**

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

This directors' report has been prepared in accordance with the special provisions relating to small companies under s414 of the Companies Act 2006. As such a separate strategic report is not required.

### **Ultimate Parent Company**

The ultimate parent company is Babylon Holdings Limited, its registered address is 31 Esplanade, St Helier, Jersey, JE1 1FT.

### **Principal Activity**

The principle activity of the Company is the development and management of the Babylon iOS and Android applications for other group companies.

### **Results and other information**

The results of the Company are shown in the Profit and Loss Account and Other Comprehensive Income on page 6. In the year ended 31 December 2016, the Company made a loss of £12,934,684 (period to 31 December 2015: £3,928,324). The position of the Company at the year end can be found on page 7.

Since the year end, additional funding has been received to continue the development and management of the applications, and provision of healthcare services through the applications.

### **Comparatives**

The 2015 comparatives cover the period from 1 July 2015 to 31 December 2015.

### **Principle Risks and Uncertainties**

The type of risks that affect the management of the Company and the group are exposure to liquidity risk and cash flow risk. These risks are managed by accurate forward forecasting our cash requirements and planning in advance for the subsequent funding rounds held by the holding company.

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding terms in which the UK will exit, the directors are not able to assess the impact on the Company or what impact the wider regulatory and legal consequences of the UK leaving the EU would be on the Company.

### **Going concern**

The company is dependent on its working capital on funds provided to it by Babylon Holdings Limited, the company's ultimate parent. In April 2017 Babylon Holdings Limited issued B ordinary shares for £44,299,745 for which £33,503,879 of cash was received. The remaining £10,795,866 relates to shareholder loans converted to equity, this includes £4,000,000 of the £4,200,000 loan outstanding at 31 December 2016. The remaining £200,000 including interest of £15,959 was repaid using the cash received from the funding round.

## **Directors' report** (continued)

### **Going concern** (continued)

Having assessed the Company's financial position alongside the budgets and cash flow forecasts for the period ending 31 December 2018, including stress-testing these budgets, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for more than one year from the signing of these accounts. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2015: £nil).

### **Directors**

The directors who held office during the year were as follows:

Dr A Parsadoust

Mr C Bischoff (appointed on 15 January 2016)

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2015: £nil).

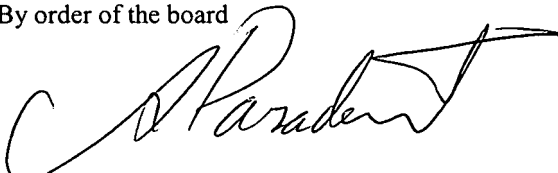
### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**Ali Parsadoust**  
Director

60 Sloane Avenue  
London  
SW3 3DD

19th September 2017

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of Babylon Partners Limited**

We have audited the financial statements of Babylon Partners Limited for the year ended 31 December 2016 set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.


## **Independent auditor's report to the members of Babylon Partners Limited**

(continued)

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

T.S. 

**Timothy Rush (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

21<sup>st</sup> September 2017

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2016*

	<i>Note</i>	<b>2016</b>	2015
		<b>£</b>	
<b>Turnover</b>	<b>2</b>	<b>797,042</b>	158,293
		<hr/>	<hr/>
<b>Gross profit</b>		<b>797,042</b>	158,293
Administrative expenses		<b>(13,941,568)</b>	(4,287,801)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(13,144,526)</b>	(4,129,508)
Interest payable and similar charges	<b>6</b>	<b>(11,935)</b>	(4,955)
		<hr/>	<hr/>
<b>Loss before taxation</b>		<b>(13,156,461)</b>	(4,134,463)
Tax on loss	<b>7</b>	<b>221,777</b>	206,139
		<hr/>	<hr/>
<b>Loss and total comprehensive income for the financial year</b>		<b>(12,934,684)</b>	(3,928,324)
		<hr/>	<hr/>

There were no recognised gains and losses for 2016 or 2015 other than those indicated in the statement of profit and loss and other comprehensive income.

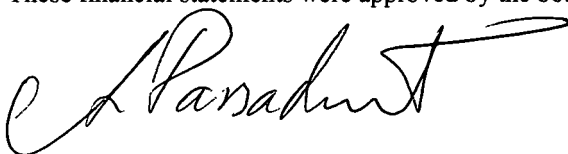
The notes on pages 10 to 18 form an integral part of the financial statements.



**Balance Sheet**  
*at 31 December 2016*

	<i>Note</i>	<b>2016</b>		<b>2015</b>
		£	£	£
<b>Current assets</b>				
Debtors	8	719,352		359,344
Cash at bank and in hand	9	77,894		64
			797,246	359,408
<b>Creditors: amounts falling due within one year</b>	10	(21,303,439)		(8,693,114)
<b>Net current liabilities</b>		(20,506,193)		(8,333,706)
<b>Total assets less current liabilities</b>		(20,506,193)		(8,333,706)
<b>Net liabilities</b>		(20,506,193)		(8,333,706)
<b>Capital and reserves</b>				
Called up share capital	12	1		1
Share reserve		1,136,560		374,363
Profit and loss account		(21,642,754)		(8,708,070)
<b>Shareholder's deficit</b>		(20,506,193)		(8,333,706)

These financial statements were approved by the board of directors on 19/9/17 and were signed on its behalf by:



**Ali Parsadoust**  
*Director*

The notes on pages 10 to 18 form an integral part of the financial statements.

Company registered number: 08493276

## Statement of Changes in Equity

	Called up Share capital	Share reserve	Profit and loss account	Total equity
	£		£	£
Balance at 1 July 2015	1		(4,779,746)	(4,779,745)
<b>Total comprehensive income for the period</b>				
Profit or loss	-		(3,928,324)	(3,928,324)
Equity-settled share based payment transactions	-	374,363	-	374,363
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>374,363</b>	<b>(8,708,070)</b>	<b>(8,333,706)</b>

	Called up Share capital	Share reserve	Profit and loss account	Total equity
	£		£	£
Balance at 1 January 2016	1	374,363	(8,708,070)	(8,333,706)
<b>Total comprehensive income for the period</b>				
Profit or loss	-		(12,934,684)	(12,934,684)
Equity-settled share based payment transactions	-	762,197	-	762,197
<b>Balance at 31 December 2016</b>	<b>1</b>	<b>1,136,560</b>	<b>(21,642,754)</b>	<b>(20,506,193)</b>

The notes on pages 10 to 18 form an integral part of the financial statements.

**Cash Flow Statement**  
*for year ended 31 December 2016*

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Loss for the year		(12,934,684)	(3,928,324)
Adjustments for:			
Interest payable and similar charges		11,935	4,955
Equity settled shares based payments	11	762,197	374,363
Taxation	7	(221,777)	(206,139)
		<hr/>	<hr/>
		(12,382,329)	(3,755,145)
(Increase)/decrease in trade and other debtors		(360,008)	383,577
Increase in trade and other creditors		512,945	773,791
		<hr/>	<hr/>
		(12,229,392)	(2,597,777)
Tax receivable	7	221,777	206,139
Interest paid		(11,935)	(4,955)
		<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>		<b>(12,019,550)</b>	<b>(2,396,593)</b>
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Increase in financing from Parent		12,097,380	1,619,406
		<hr/>	<hr/>
<b>Net cash inflow from financing activities</b>		<b>12,097,380</b>	<b>1,619,406</b>
		<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents		77,830	(777,187)
Cash and cash equivalents at 1 January		64	777,251
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December 2016</b>	9	<b>77,894</b>	<b>64</b>
		<hr/>	<hr/>

The notes on pages 10 to 18 form an integral part of the financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Babylon Partners Limited (the "Company") is a company limited by shares and is incorporated, registered and domiciled in the UK. The address of the registered office is 60 Sloane Avenue, London, SW3 3DD.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentational currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 17.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The company is dependent on its working capital on funds provided to it by Babylon Holdings Limited, the company's ultimate parent. In April 2017 Babylon Holdings Limited issued B ordinary shares for £44,299,745 for which £33,503,879 of cash was received. The remaining £10,795,866 relates to shareholder loans converted to equity, this includes £4,000,000 of the £4,200,000 loan outstanding at 31 December 2016. The remaining £200,000 including interest of £15,959 was repaid using the cash received from the funding round.

A letter of support has been obtained from Babylon Holdings Limited, which states that it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available for at least 12 months from the date of approval of these financial statements. Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Having assessed the Company's financial position alongside the budgets and cash flow forecasts for the period ending 31 December 2018, including stress-testing these budgets, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for more than one year from the signing of these accounts. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Debtors are assessed for impairment at each balance sheet date.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### 1.5 Employee benefits

##### *Share-based payment transactions*

The Company is part of a group share-based payment plan operated by its parent company, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The basis of such allocation is disclosed in note 11.

The grant date fair value of share-based payments awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the period in which the parties become unconditionally entitled to the awards. The fair value of the awards granted is measured based on funding rounds, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### 1.6 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest payable*

Interest payable and similar charges include interest payable, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.7 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### **1.8 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

### **2 Turnover**

The Company provide back office support to Babylon Healthcare Services Limited, a subsidiary of Babylon Holdings Limited, for which these services are to be charged at cost plus 5%.

### **3 Expenses and auditor's remuneration**

#### *Auditor's remuneration:*

	<b>2016</b>	2015
	<b>£</b>	£
Audit of these financial statements	<b>15,500</b>	8,000
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	<b>3,640</b>	3,500
R&D tax advisory services	<b>25,000</b>	25,501
	<u><u>          </u></u>	<u><u>          </u></u>

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Technology	61	25
Commercial	6	4
Marketing	8	5
Finance & HR	3	2
NHS	1	-
Administration	5	3
Clinical Operations	1	1
	<u>85</u>	<u>40</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	4,483,453	1,173,181
Share based payments (See note 11)	762,197	374,363
Social security costs	521,345	140,580
	<u>5,766,995</u>	<u>1,688,124</u>

### 5 Directors' remuneration

	2016	2015
	£	£
Directors' remuneration	<u>155,312</u>	<u>150,000</u>

The Directors' time is split between Babylon Holdings Limited and its two subsidiaries, with the majority of their time spent on Babylon Partners Limited (60%). The total cost to the Company is shown above.

## Notes (continued)

### 6 Interest payable and similar charges

	2016 £	2015 £
Bank charges	6,906	3,553
Net foreign exchange loss	4,907	911
Bank interest paid	-	272
Other interest charges	122	219
	<hr/>	<hr/>
Total other interest payable and similar charges	11,935	4,955
	<hr/>	<hr/>

### 7 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £	£	2015 £	£
<i>Current tax</i>				
Current tax on income for the period	-		-	
Adjustments in respect of prior periods	(221,777)		(206,139)	
		<hr/>		<hr/>
Total current tax		(221,777)		(206,139)
Origination and reversal of timing differences	-		-	
		<hr/>		<hr/>
Total tax		(221,777)		(206,139)
		<hr/>		<hr/>

#### Analysis of current tax recognised in profit and loss

	2016 £	2015 £
Loss for the year	(13,156,461)	(3,760,100)
Total tax expense	-	-
	<hr/>	<hr/>
Profit excluding tax	(13,156,461)	(3,760,100)
Tax using the UK corporation tax rate of 20.00% (2015: 20.00%)	(2,631,292)	(752,020)
Expenses not deductible for tax purposes	7,803	732
Group relief claimed	22,921	555
Adjustments to tax charge in respect of previous periods	(221,777)	(206,139)
Deferred tax asset not recognised	2,600,568	750,733
	<hr/>	<hr/>
Tax credit for the period	(221,777)	(206,139)
	<hr/>	<hr/>



## Notes (continued)

### 7 Taxation (continued)

The Company has unrelieved tax losses which can be recovered against tax profits in the future. A deferred tax asset has not been recognised as it is uncertain that the Company will generate suitable taxable profits in the future. The total unrecognised deferred tax asset as at 31 December 2016 was £3,453,816 (2015: £1,249,085)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax not recognised at balance sheet date has been calculated based on these rates.

### 8 Debtors

	2016 £	2015 £
Amounts owed by group undertakings	1,700	-
Other debtors	195,453	172,191
Prepayments and accrued income	522,199	187,153
	<u>719,352</u>	<u>359,344</u>

### 9 Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	77,894	64
	<u>77,894</u>	<u>64</u>

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

	2016 £	2015 £
Trade creditors	255,842	245,189
Amounts owed to group undertakings	20,520,159	7,955,747
Taxation and social security	239,940	247,329
Other creditors	13,796	244,849
Accruals and deferred income	273,702	-
	<u>21,303,439</u>	<u>8,693,114</u>

All intercompany creditors are repayable on demand and therefore have all been included within amounts falling due within one year.

## Notes (continued)

### 11 Employee benefits

#### *Share-based payments*

The parent company, Babylon Holdings Limited, issues equity settled share-based payments to employees and advisors of the group, whereby services are rendered in exchange for rights over shares in the parent company. Employees of the Company participate within this scheme.

Options are granted to employees at the start of their employment. Upon completion of the first year of employment, 25% of options will vest, and the remainder will vest monthly over the next three years. In certain circumstances, additional options are granted to employees to recognise performance. Such options vest in the same manner as those granted on joining.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price £ 2016	Number of options 2016	Weighted average exercise price £ 2015	Number of options 2015
Outstanding at the beginning of the year	0.01	12,195	-	-
Forfeited during the year	0.01	(2,834)	-	-
Exercised during the year	-	-	-	-
Granted during the year	0.01	13,153	0.01	12,195
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	0.01	22,514	0.01	12,195
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at the end of the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The fair value of employee share options is measured at each investment round, based on the price paid per share. Options are exercisable when an exit event has occurred, including in the event of a flotation of the Company's shares or a sale of the business.

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	2016 £	2015 £
Liability brought forward	374,363	-
Total share-based payment expense	762,197	374,363
	<hr/>	<hr/>
Total carrying amount of liabilities	1,136,560	374,363
	<hr/>	<hr/>

The Company is a member of a group share-based payment plan, and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The share-based payment expense for employees are allocated to the company they are employed by.

## Notes (continued)

### 12 Capital and reserves

#### Share capital

	2016	2015
	£	£
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1
	<hr/>	<hr/>

#### Profit and loss account

The profit and loss account represents retained profits or losses less amounts distributed to shareholders.

#### Share-based payment reserve

The share-based payment reserve represents amounts accruing for equity settled share options granted (see note 11).

### 13 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£	£
Less than one year	175,166	140,850
Between one and five years	226,432	428,419
More than five years	-	-
	<hr/>	<hr/>
	401,598	569,269
	<hr/>	<hr/>

During the year £169,390 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £71,004).

### 14 Related parties

Per FRS102 33.1A, the Company has taken the exemption that disclosures need not be given of 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.

#### *Transactions with key management personnel*

The Directors of the Company are key management, and their remuneration is shown in note 5.

### 15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Babylon Holdings Limited. The ultimate controlling party is Dr Ali Parsadoust. No other group financial statements include the results of the Company.

### 16 Subsequent events

There were no subsequent events for the Company. In April 2017 the Parent, Babylon Holdings Limited, issued B ordinary shares for £44,299,745 for which £33,503,879 of cash was received. The remaining £10,795,866 relates to shareholder loans converted to equity, this includes £4,000,000 of the £4,200,000 loan outstanding at 31 December 2016. The remaining £200,000 including interest of £15,959 was repaid using the cash received from the funding round.

## Notes (continued)

### 17 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2016 and the comparative information presented in these financial statements for the period ended 31 December 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

#### Reconciliation of equity for 31 December 2015

			1 July 2015			31 December 2015	
		UK GAAP	Effect of	FRS 102	UK GAAP	Effect of	FRS 102
	Note	£	to FRS 102	£	£	to FRS 102	£
<b>Capital and reserves</b>							
Called up share capital		1	-	1	1	-	1
Share reserve	17.1	-	-	-	-	374,363	374,363
Profit and loss account		(4,779,746)	-	(4,779,746)	(8,333,707)	(374,363)	(8,708,070)
<b>Shareholder's equity</b>		(4,779,745)	-	(4,779,745)	(8,333,706)	-	(8,333,706)

#### Reconciliation of loss for 31 December 2015

			2015	
	Note	UK GAAP	Effect of	FRS 102
		£	transition to	£
			FRS 102	
Administrative expenses	17.1	(3,913,438)	(374,363)	(4,287,801)
<b>Profit for the year</b>		(3,553,961)	(374,363)	(3,928,324)

#### Notes to the reconciliation of equity and loss

17.1 Adjustment relates to provision of group share-based payments scheme as required per FRS102.