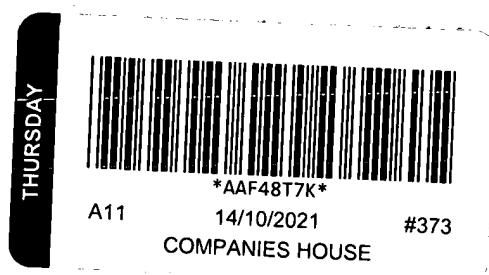


Babylon Partners Limited
Annual Report and Financial Statements
Registered number 08493276
Year ended 31 December 2020



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Strategic Report

The Directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

Results and other information

In the year ended 31 December 2020, the company made a loss of £106.6m (2019: £95.1m) and had net liabilities of £285.4m (2019: £189.0m).

The position of the company at 31 December 2020 can be found on page 11.

Principal Activity

The principal activity of the company is researching and developing Babylon's products, including its scientific capabilities and Artificial Intelligence ("AI") engine. It also operates Babylon Holdings Limited and its subsidiaries ("the Group's") technical systems and head office operations.

The company licenses its technology to a spectrum of customers, including healthcare providers and payers, for them to make the technology available in certain territories and/or on their platforms. Through licensing its technology, the company provides digital services to corporate entities and these corporate entities are considered the company's customer as the contracts are for services that represent its ordinary business.

Business Review

The Group continues on its mission to put an accessible and affordable healthcare service in the hands of everyone on earth.

For Babylon Partners Limited this has meant further investments in the development of the Artificial Intelligence engine and the company's people to support its activities.

During the year the company delivered on the build and provision of its artificial intelligence engine across the globe. This was through partnerships with international corporations, and with the applications going live across several locations.

The company has expanded in recent years into Asia whilst launching its agreement with Prudential in 2018 and since then have been rolling out the symptom checker and health assessment solutions across a number of countries. The agreement with Prudential is a six-year licensing contract to provide the company's digital suite of products for its customer to deliver care through their own medical networks. During the year ended December 31, 2020 licensing fee revenue increased by 664% to £13.0m (2019: £1.7m). This increase was largely due to the launch of our digital services in seven Asian countries during 2020, as well as in relation to the COVID-19 symptom checker that was utilized across the NHS trust in Wolverhampton that was not deployed in 2019.

Throughout the year-ended December 31, 2020 the company continued to act as a research and developing entity in relation to Babylon Holdings Limited and other entities within the group.

Key Performance Indicators

At a Group level, we review a number of operating and financial metrics, including key metrics and non-IFRS measures. To evaluate and measure Babylon Partners Limited's ("the Company") performance we measure the growth and the profitability of the company by looking at the movement in revenue and operating loss.

In the year ended 31 December 2020, the company increased revenues to £5.5m (2019: (£3.9m)) driven primarily by the growth of international revenue streams including the launch of our digital services in seven Asian countries during 2020. Operating Loss for the year was £99.2m (2019: £99.3m) following Group investment in developing artificial intelligence technology and global expansion.

Strategic Report (continued)

Future Developments

Babylon Partners Limited has signed a new 10-year partnership with Royal Wolverhampton NHS Trust to deliver its Babylon 360 Value-Based Care service offering. This deal will bring digital-first Value-Based Care services to an initial population of over 60,000 patients across the city of Wolverhampton in the UK.

In January 2021, the company has entered into a seven-year agreement to license our digital platform to TELUS Health, a healthcare provider, allowing TELUS to provide integrated clinical services to members through a TELUS-branded version of the Babylon digital platform.

Babylon Partners Limited have invested heavily in our technology platform since our founding and believe that it is vital to our continued success in the provision of digital-first care solutions. With this view, the company will continue to invest in our technology platform and seek to enhance our leadership position in clinically focused healthcare AI and other applications that can improve our member health and experience.

Principal Risks and Uncertainties

The type of risks that affect management of the Company are exposure to various financial risks: credit risk, liquidity risk and currency risk in cash flows. The company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the company's profits. The company uses derivatives to mitigate certain risks.

The company's financial department controls the management of liquidity risk and currency risk in accordance with the company's policies. This department centrally identifies, evaluates and makes decisions whether to hedge financial risks to which the company is exposed. As at the end of December 2020, the company has net liabilities of \$285.4m and cash and cash equivalents of \$2.4m.

The rapid spread of COVID-19 around the world ("Pandemic") has altered the behaviour of businesses and people, with significant negative effects on national, state and local economies, the duration of which remains unknown at this time. While several of the markets in which we operate are beginning to experience reductions in the effects of the Pandemic, it is not currently possible to predict the ultimate financial impact COVID-19 will have had on our business, results of operations and financial condition. Key factors will include the extent to which changes in the behaviour of people during the Pandemic result in a permanent change in their behaviour, a longer-term reversion back to pre-pandemic behaviours or a significant immediate change in behaviours as the impacts of the Pandemic become more manageable because of global vaccination programs.

Cyberattack and Data Protection

Protecting patient data is critical to the business. The company could face financial loss, disruption or damage to brand reputation arising from an attack on our systems by criminals, terrorists or foreign governments. If the company does not adequately protect our patient and employee data, the company could breach regulation and face penalties and loss of customer trust. The Group ensures that it is up to date with industry standards and address identified weaknesses.

General Data Protection Regulation (GDPR) regulations that came into effect in May 2018 have been incorporated into operating and compliance practices.

Going concern

Notwithstanding net liabilities of £285.4m as at 31 December 2020, a loss for the year then ended of £106.6m and operating cash outflows for the year of £131.1m, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate based on the conclusions reached at Group, as follows.

"At December 31, 2020, the Group incurred a loss for the year of \$184,451 thousand (2019: loss of \$149,980 thousand), and operating cash outflows of \$143,430 thousand (2019: \$143,614 thousand). As of December 31, 2020 the Group had a net asset position of \$48,359 thousand (2019: \$173,797 thousand). The Group has financed its operations principally through issuances of debt and equity securities and has a strong record of fundraising, evidenced by its successful Series C raise, execution of a \$200,000 thousand Convertible Loan Note agreement and

Strategic Report (continued)

the issuance of \$50,000 thousand in unsecured bonds in August 2021. The Group requires significant cash resources to, among other things, fund working capital requirements, increase headcount, make capital expenditures (including those related to product development), and expand our business through acquisitions.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds through injections of further investment capital in order to meet its liabilities as they fall due for that period (the going concern period). Based upon the forecasts, the directors are expecting to consummate the Merger and believe that the capital raised will be sufficient to provide adequate funding to service our obligations, meet liquidity needs and fund necessary capital expenditures through the going concern period. In the event that the Group is unable to consummate the Merger additional funding will be required to be sought through public or private equity or debt financings to continue our operations.

At December 31, 2020, the Group had cash and cash equivalents of \$101,757 thousand (2019: \$214,888 thousand). The Group has long term debt obligations that mature in August 2022 for \$50,000 thousand.

While there is no assurance that the Merger will be consummated or, in the event that the Merger is not consummated, that additional funds are available on acceptable terms, the directors believe that they will be successful in raising the additional capital needed to meet working capital and capital expenditure requirements during the going concern period. As noted in Note 28, the Group has entered into a definitive merger agreement with Alkuri Global Acquisition Corp. The Group expects the Merger will be consummated in the second half of 2021 to deliver a minimum amount of \$230,000 thousand, which would provide sufficient additional capital to continue operations over the going concern period. However, the above indicates that there are material uncertainties (ability to fund raise further capital in the short term) related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, to continue realizing its assets and discharging its liabilities in the normal course of business."

The Directors of the company have assessed the conclusions reached by the directors of the Group and agree with their conclusions. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Engaging with our Stakeholders (section 172(1) statement)

This section describes how we have engaged with and had regard to the interests of our key stakeholders when exercising our duty to promote the success of the company under section 172(1) of the Companies Act 2006. The principles underpinning section 172 are not something that are only considered at Board level, they are embedded throughout our company.

Our key stakeholders are our customers and people. Our suppliers and regulators are also important stakeholder groups. All key Board decisions take into account the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance from multiple areas including products and services, innovation, governance and workplace practices. The Board endeavours to gain an understanding of perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action that promotes the company's long-term success.

People

We founded Babylon with a single purpose. To put an accessible and affordable high-quality health service in the hands of every person on Earth. Everything else flows from this – our values and the way we behave, the people we seek, the way we recruit, what we expect, how we reward, and the way we work with each other to deliver our mission.

Strategic Report (continued)

The most important part of Babylon are the values we live by:

- Dream big
- Build fast
- Be brilliant

Our behaviours are born from these values. Because values are only words until you put them into action. That's why we are dedicated to recruiting like-minded Babylonians who embody these behaviours.

We know what is to be delivered, who owns it and when it is going to be done - we call it a WOW. And, we consistently review everything as we go, to push ourselves further and keep learning through regular employee feedback, and engagement surveys to ensure that Babylon, and every Babylonian is the best they can be.

Customers

Through our Babylon Cloud Services offering, we license our digital platform to a broad spectrum of customers, including healthcare providers and payors.

Prudential, a leading provider of health insurance in Asia, licensed our white-labelled digital platform to Prudential members through the Prudential-branded "Pulse" app. Since then, we have configured our digital platform to offer services across 11 countries in Southeast Asia, in 11 languages, and including 14 epidemiological models.

Suppliers

Babylon's supply chain is critical to delivering a high-quality service to both our clients and end customers (users). Babylon provides a Vendor Code of Conduct to its suppliers to set expectations on how we will mutually work together. Babylon manages its supply chain through a Supplier relationship programme (SRM) which aims to introduce a formal 'Best Practice' by complementing all Sourcing activity and creates a continuous improvement cycle. Through the SRM we undertake performance management and are fully equipped to be agile and proactive in relation to developing and improving the supply chain for mutual gain

Babylon deploys a collaborative approach to the adoption of governance and control measures to support the business and our end clients. This in turn will drive tangible continuous improvement of supplier services across all aspects of the business leading defined financial and non-financial returns.

By order of the board


Ali Parsa (Oct 8, 2021 11:42 CDT)

Ali Parsadoust
Director

1 Knightsbridge Green
London
SW1X 7QA
08 October 2021

Directors' Report

The Directors present their report and the audited financial statements of the Babylon Partners Limited for the year ended 31 December 2020.

Research and Development

The entity conducts research and development activities in relation to its Technology Platform, including scientific capabilities and its artificial intelligence engine.

Financial Instruments

Financial instruments held during the year ended 31 December 2020 include debtors and creditors. The company measures all financial instruments at fair value.

Proposed dividend

The directors do not recommend the payment of a dividend (2019: £nil).

Directors

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

Dr Ali Parsadoust

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Political contributions

The company made no political donations or incurred any political expenditure during the year (2019: £nil).

Greenhouse gas emissions and energy consumption

The company has not disclosed detailed energy and carbon information, as it is a low energy user with <40MWh energy use.

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 Group'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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

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.

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 Parsa (Oct 8, 2021 11:42 CDT)

Ali Parsadoust

Director

1 Knightsbridge Green

London

SW1X 7QA

08 October 2021

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' report and financial statements in accordance with applicable laws 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 International Financial Reporting Standards as issued by the International Accounting Standards Board and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the International Accounting Standards Board;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors² 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 (Jersey) Law 1991 (as amended). They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Babylon Partners Limited ("the company") for the year ended 31 December 2020 which comprise the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the Company is reliant on financial support from its immediate parent company, Babylon Holdings Limited. However, the ability of Babylon Holdings Limited to provide this support is uncertain and the financial statements of Babylon Holdings Limited contained a material uncertainty in relation to going concern. These events and conditions, along with other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that license fee revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BABYLON PARTNERS LIMITED (CONTINUED)

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's licence to operate in specific territories. We identified the following areas as those most likely to have such an effect: anti-bribery, healthcare provision conduct regulations, personal data (including specific data on health), and employment law recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BABYLON PARTNERS LIMITED (CONTINUED)

Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

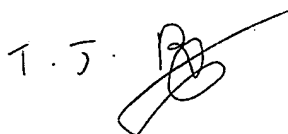
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Timothy Rush (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
11 October 2021

Statement of Profit and Loss and Other Comprehensive Income

for year ended 31 December 2020

		2020	2019
	<i>Note</i>	£	£
Revenue	5	5,463,969	(3,897,912)
Platform & application expenses	7	(26,430,780)	(15,379,058)
Research & development expenses	8	(31,274,535)	(27,008,739)
Sales, general & administration expenses	9	(46,950,829)	(53,011,936)
Operating loss		(99,192,175)	(99,297,645)
Finance costs	10	(3,073,962)	(146,164)
Finance income	10	-	6,073
Loss before taxation		(102,266,137)	(99,437,736)
Tax (expense) benefit	11	(4,360,918)	4,357,970
Loss for the financial year		(106,627,055)	(95,079,766)
Loss and total comprehensive loss for the year		(106,627,055)	(95,079,766)

All activities arise from continuing operations.

There were no recognised gains and losses for 2020 or 2019 other than those indicated in the statement of profit and loss and other comprehensive income.

The notes on pages 16 to 35 form an integral part of the financial statements.

Statement of Financial Position

At 31 December 2020

	Note	2020 £	2019 £
ASSETS			
Non-current assets			
Intangible assets	13	49,127,863	33,254,285
Amounts due from related parties		62,003,916	-
Property, plant and equipment	12	650,681	1,092,888
Total non-current assets		111,782,460	34,347,173
Current assets			
Right of use assets	18	950,649	963,903
Trade and other receivables	14	11,042,872	12,984,758
Amounts due from related parties	22	9,399,122	23,051,728
Cash and cash equivalents	17	2,442,888	706,403
Total current assets		23,835,531	37,706,792
Total Assets		135,617,991	72,053,965
EQUITY AND LIABILITIES			
EQUITY			
Ordinary share capital	20	1	1
Share based payment reserve	20	20,463,097	10,222,742
Retained earnings		(305,875,640)	(199,248,585)
Total equity		(285,412,542)	(189,025,842)
LIABILITIES			
Non-current liabilities			
Contract Liabilities	5	41,931,381	49,308,333
Deferred grant income – tax credit		6,242,378	-
Total non-current liabilities		48,173,759	49,308,333
Current Liabilities			
Trade and other payables	15	4,062,166	5,883,867
Accruals and provisions	16	6,685,772	5,172,262
Contract liabilities	5	10,599,831	10,989,570
Lease liabilities	18	1,491,328	717,856
Amounts due to related parties	22	350,017,677	189,007,919
Total current liabilities		372,856,774	211,771,474
Total liabilities		421,030,533	261,079,807
Total liabilities and equity		135,617,991	72,053,965

These financial statements were approved by the board of directors on 8 October 2021 and were signed on its behalf by:


Ali Parsadoust (Oct 8, 2021 11:42 CDT)

Ali Parsadoust
Director

The notes on pages 16 to 35 form an integral part of the financial statements.
Registered number: 08493276

Statement of Changes in Equity

	Called up Share Capital	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£
Balance at 1 January 2019	1	4,855,225	(104,168,819)	(99,313,593)
Total comprehensive income for the period				
Loss for the financial year	-	-	(95,079,766)	(95,079,766)
Equity-settled share-based payment transactions	-	5,367,517	-	5,367,517
Balance at 31 December 2019	1	10,222,742	(199,248,585)	(189,025,842)

	Called up Share Capital	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£
Balance at 1 January 2020	1	10,222,742	(199,248,585)	(189,025,842)
Total comprehensive income for the period				
Loss for the financial year	-	-	(106,627,055)	(106,627,055)
Equity-settled share-based payment transactions	-	10,240,355	-	10,240,355
Balance at 31 December 2020	1	20,463,097	(305,875,640)	(285,412,542)

The notes on pages 16 to 35 form an integral part of the financial statements.

Cashflow Statement

<i>for year ended 31 December 2020</i>	Note	2020 £	2019 £
Cash flows from operating activities			
Loss for the year		(106,627,055)	(95,079,766)
<i>Adjustments for:</i>			
Finance costs	10	3,073,962	126,604
Depreciation and amortisation	12, 13	9,612,291	1,775,374
Loss on disposal of fixed assets		59,950	24,347
Share based compensation	6	4,616,952	5,367,517
Taxation	11	4,360,918	(4,357,970)
Impairment expense	13	4,994,450	-
Other		(167,559)	-
		(80,076,091)	(92,143,894)
Working capital adjustments:			
(Increase)/Decrease in trade and other receivables	14	1,500,556	(3,317,643)
Increase/(Decrease) in trade and other payables	15	(1,821,701)	3,010,938
Amounts due to/(from) related parties	22	(46,744,414)	5,595,911
Increase/(Decrease) in accruals, provision and other liabilities	16	1,513,511	(110,752)
Increase/(Decrease) in tax credit		2,322,790	-
Increase/(Decrease) in contract liabilities	5	(7,766,691)	(1,368,597)
		(50,995,949)	3,809,857
Net cash flows from operating activities		(131,072,040)	(88,334,037)
Cash flows from investing activities			
Capital expenditure	12	(235,144)	(1,165,288)
Development costs capitalised	13	(22,752,190)	(27,452,518)
Net cash outflow from investing activities		(22,987,334)	(28,617,806)
Cash flows from financing activities			
Net lease liability and right of use asset additions	18	45,327	(256,165)
Principal payments on leases	18	(748,314)	(968,679)
Interest paid	10	(2,904,015)	-
Increase / (decrease) in intercompany payable	22	159,402,861	117,773,813
Net cash inflow/(outflow) from financing activities		155,795,859	116,548,969
Net increase/(decrease) in cash and cash equivalents		1,736,485	(402,874)
Cash and cash equivalents at 1 January		706,403	1,109,277
Cash and cash equivalents at 31 December		2,442,888	706,403

The notes on pages 16 to 35 form an integral part of the financial statements.

Notes

(forming part of the financial statements)

1 Corporate Information

Babylon Partners Limited (the “company”) is a private company limited by shares and is incorporated, registered and domiciled in England, UK. The address of the registered office is 1 Knightsbridge Green, London, England, SW1X 7QA.

2 Basis of Preparation

Measurement Convention

The financial statements have been prepared on the historical cost basis and approved by the Directors in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Note 3.

Going Concern

Notwithstanding net liabilities of £285.4m as at 31 December 2020, a loss for the year then ended of £106.6m and operating cash outflows for the year of £131.1m, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Babylon Holdings Limited (“the Group”), to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Babylon Holdings Limited providing additional financial support during that period. Babylon Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts.

In addition, the principal activity of the company is to act as a research and development entity for the other entities controlled by the Group. The company having a trade is entirely dependent on the Group continuing to trade. The company meets its day to day working capital requirements from cash resources and intercompany balances with Group companies. Therefore, the going concern assessment of the company is dependent on that of the Group as a whole. Below is the extract from the group financial statements detailing the going concern basis of preparation.

The Directors note that the ultimate parent entity of the Group has included in their financial statements which were approved on 27 September 2021 a material uncertainty regarding going concern. This uncertainty relates to the group requiring injections of further investment capital in order to meet its liabilities as they fall due for a period of 12 months from the date of approval of these financial statements. While the Group believes it will be successful in raising the additional capital needed to meet working capital and capital expenditure requirements there is no assurance that the Group will be able to do so. Based on the latest information available to the Directors this assessment remains appropriate. Consequently the Directors have concluded that there can be no certainty that the Group will be able to provide the financial support which the Company’s forecasts indicate is required.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern, and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2 Basis of Preparation (continued)

Reclassifications

In 2020, management reviewed the presentation of the Statement of Profit and Loss and considered whether it continued to provide relevant and reliable information to stakeholders. It was concluded that there should be an update to how certain expenses were classified and therefore the Company has changed its accounting policy for expense classifications. Previously, the Company had disclosed Depreciation and Amortization as a separate expense category, whereas now Depreciation and Amortization costs are allocated to their relevant function.

In addition, the Company elected to separately present costs relating its Platform and application expenses, including the amortization and impairment, and Research and development expenses, excluding the amortization and impairment, in its Statement of Profit and Loss. The elective disaggregated presentation of amounts previously classified as Research & development and technology expenses was applied retrospectively to the Company's Financial Statements.

With the exception of the change in presentation in the Statement of Profit and Loss, these elective changes had no impact on the Company's Loss for the period or to the financial statements as of and for the years ended December 31, 2020 and 2019.

Change in accounting policies

R&D tax credits claimed and reimbursed through the U.K. research and development expenditure credit scheme (the "RDEC Scheme") are recognized gross as a deferred income grant liability on the balance sheet and as a reduction to platform and application expenses over the period of expected benefit from the expenditure. The related tax charge on the credit is recognised in the year of the tax credit. This represents a change in accounting policy elected by the Group for the year ended 31 December 2020. The change in accounting policy did not have a material impact on the consolidated financial statements.

3 Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, the resulting accounting estimates may differ from actual results.

The areas involving significant estimates or judgements are:

Capitalization of development costs

The Company capitalizes expenditures for the development of technology to the extent that it is expected to meet the criteria in accordance with IAS 38, Intangible Assets ("IAS 38"). The decision to capitalize is based on significant judgments made by management, including the technical feasibility of completing the intangible asset so that it will be available for use or sale and assumptions used to demonstrate that the asset will generate probable future economic benefits (e.g., projected cash flow projections, discount rate). Development Costs of £28,543,151 (2019: £27,452,518) were capitalized in the year based on a model whereby a percentage is allocated to employee related expenses based on the time spent on the development of assets. All employee expenses included in this balance relate to employees in the technology departments, and the percentage attributable varies dependent on the nature of the work performed and the type of asset being developed.

Impairment of intangible assets

The carrying values of our long-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. If any indication exists, then the asset's recoverable amount is estimated. Determining the recoverable amount is subjective and requires management to estimate future growth, profitability, discount and terminal growth rates, and project future cash flows, among other factors. Future events and changing market conditions may impact our assumptions as to prices, costs or other factors that may result in changes to our estimates of future cash flows.

If we conclude that a definite or indefinite long-lived intangible asset is impaired, we recognize a loss in an amount equal to the excess of the carrying value of the asset over its fair value at the date of impairment. The fair value at the date of the impairment becomes the new cost basis and will result in a lower depreciation expense than for periods before the asset's impairment.

4 Accounting policies

The company has previously prepared the financial statements in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, however the company could have asserted it was in compliance with IFRS as issued by the International Accounting Standards Board for the previous period. There is no material difference noted on adoption and therefore, the company is not considered a first-time adopter.

The financial statements have been prepared under the historical cost basis, as modified by the recognition of certain financial instruments measured at fair value and are presented in Great British Pound (“GBP”) which is the company’s presentation currency.

Revenue recognition

Revenue is primarily derived from the following sources: (1) licence fees for the provision of AI services, (2) Management fees relate to fees payable to Babylon Singapore, and (3) risk transfer between the company, Babylon Healthcare Services Limited and Babylon Rwanda.

Revenue is recognized upon transfer of control of services to customers in an amount that reflects the consideration which the company expects to receive in exchange for those services.

Contract assets are recognized when there is an excess of revenue earned over billings on contracts where the rights are conditional on something other than passage of time. Contract assets are classified as unbilled receivables (i.e. only invoicing is pending) when there is an unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Income received in advance (“contract liability”) is recognized when there are billings in excess of revenues earned for services rendered.

The company’s contracts with customers could include promises to transfer multiple services to a customer. The company assesses the services promised in a contract and identifies distinct or bundled performance obligations in the contract. Identification of these performance obligations involves judgement to determine the promises and the ability of the customer to benefit independently from such promises. If multiple performance obligations are identified in the contract the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis based on observable prices, for which the company recognizes revenue as or when the performance obligations under the contract are satisfied. Transaction prices are adjusted for the effects of a significant financing component if we expect, at contract inception, that the period between the transfer of the promised goods or services to the customer and when the customer pays for that service will be more than one year.

The company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The company considers indicators such as how a customer consumes benefits as services are rendered, existence of enforceable rights to payment for performance to date, transfer of significant risks and rewards to the customer and acceptance of delivery of the service by the customer.

Licence fee revenue

Under IFRS 15, the company must determine whether the company’s promise to grant a licence provides its customer with either a right to access the company’s intellectual property (“IP”) or a right to use the company’s IP. A licence will provide a right to access the IP if there is significant development of the IP expected in the future, whereas for a right to use, the IP is to be used in the condition it is at the time the licence is signed. Our license fee revenue consists of AI services that are provided on a continuous basis for the contractual period. We have determined that the customer obtains a right to access our AI services and recognize revenue on a straight-line basis over the contractual term beginning when the customer has access to the service. Any contract specific revenue relating to localisation of services prior to the commencement of licence term is not deemed to be distinct from the licence contract and is consequently also recognized over the licence term. Efforts to satisfy performance obligations are expended evenly throughout the performance period and so the performance obligation is considered to be satisfied evenly over time.

In some cases, we have concluded that upfront payments included in licence contracts with customers have a significant financing component considering the period between the upfront payment and the services provided, when the contract term is more than one year. As a result, the transaction price must be adjusted to account for the time value of money by using an appropriate discount rate. The discount rate utilized is determined based on the rate that would be reflected in a separate financing transaction with the customer. When a significant financing component exists, we recognize a contract liability for the entire upfront cash payment received, excluding the

4 Accounting policies (continued)

amount relating to the financing component from the transaction price. Additionally, interest expense is recognized over the duration of the contract under the amortised interest method.

Payments to customer - risk transfer agreement

Revenue includes amounts incurred on a long-term risk transfer agreement between the company, Babylon Healthcare Services Limited and Babylon Rwanda, both wholly owned subsidiaries of the Group ("the companies"), whereby the company underwrites the entrepreneurial and commercial risk of the services provided by the companies and a transfer is made from the Company to the companies' such that an agreed profit margin is maintained by the companies. The expectation is that whilst payments will be made to the companies in the initial stages of the contract that payments will be received by the Company over the remaining period of contract when the companies are profit making.

Management fees

Management fees relate to a) fees payable to Babylon Singapore on a cost plus 5% basis for support services provided to the company in relation to winning new contracts in the Asia Pacific region; b) fees receivable relating to a recharge of 95% of revenue billed to Babylon International Limited to reflect the nature of such licensing agreements at an arm's length basis.

Management fees are recognised in the accounting period in which the services are received or provided.

Grant income

We recognize income related to grants on a systematic and rational basis when it becomes probable that we have complied with the terms and conditions of the grant and in the period in which the corresponding costs or income related to the grant are recognized. We receive grants in the form of cash contributions towards outreach projects and tax credits for certain qualifying research and development expenditures. These grants are recognised as non-current deferred grant income liability, released either over the period of the grant contract or over the same period that the related capitalized development costs are amortized.

The offset to the release of the long term deferred grant income liability is recognised as revenue for outreach grants and a reduction in platform and application expenses for tax credits.

Platform and application expenses

Platform and application expenses primarily include employee-related salaries, benefits, stock-based compensation, as well as contractor and consultant expenses, that are engaged in providing professional services related to support and maintenance of the digital healthcare platform, as well as third-party application costs, hosting services and other direct costs. The amortization of capitalized development costs are also included in Platform and application expenses. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and if the Company has sufficient resources to complete the development. Capitalized development costs are recorded as intangible assets and amortized from the point at which the development is complete, and the asset is available for use. Costs are capitalized based on a model whereby a percentage is allocated to employee related expenses based on the time spent on the development of assets. Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All employee expenses included in this balance relate to employees in the technology departments, and the percentage attributable varies dependent on the nature of the work performed and the type of asset being developed. Expenses that do not meet the criteria for capitalization are expensed as incurred.

The technical feasibility of a new product is determined by a management team consisting of technical and finance leads based on understanding the availability of adequate technical, financial and other resources required to develop the product. The commercial feasibility of a new product is determined by understanding how this product feeds into Babylon's current offering. Commercial leads ascertain market interest by evaluating against existing and potential customer requirements. Feasibility is challenged with input from finance leads to verify the underlying financial implications of development and assess viability. Once the technical and commercial feasibility has been established and the project has been approved for commencement, the project moves into the development phase.

4 Accounting policies (continued)

As described in Note 3, development costs of approximately £28,543,151 (2019: £27,452,518) were capitalized during the year for those development and technology expenses that were deemed technologically feasible and probable of generating future economic benefits. During the period of development, the asset is tested for impairment at least annually.

Research and development expenses

Research and development expenses primarily included employee-related salaries, benefits, stock-based compensation, as well as contractor and consultant expenses that are engaged in performing activities to develop and improve the Company's digital healthcare platform as well as third-party application costs, hosting services and other indirect costs. Research costs and development costs that do not meet the criteria for capitalization are expensed as incurred.

Sales, general & administration expense

Sales, general and administrative expenses include employee-related expenses, contractors and consultants expense, stock-based compensation, property and facility related expenses, IT and hosting, marketing, training and recruiting expenses. Enterprise IT and hosting costs are primarily software subscriptions, domain and hosting costs. Our sales, general and administrative expenses also include depreciation of property, fixtures and fittings and amortization of acquired intangible assets.

BPL to the company such that an agreed profit margin is maintained by the company. The expectation is that whilst amounts will be received by the company in the initial stages of the contract, that payments will be made to BPL over the remaining period of contract when the company is profit making.

Taxation

Tax on the Statement of Profit and Loss for the year comprises current and deferred tax. Tax is recognized in the Statement of Profit and Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Expenditures incurred for R&D activities have been claimed and will be reimbursed through the U.K. research and development expenditure credit scheme (the "RDEC Scheme"). Under the RDEC Scheme tax relief is given at 12.0% (up to 1 April 2020) and 13.0% (after 1 April 2020) of allowable R&D costs, which may result in a payable tax credit at an effective rate of approximately 10.3% of qualifying expenditure for the year ended 31 December 2020. The company recognizes the gross amount as a deferred income grant liability on the balance sheet and as a reduction to Platform and application expenses over the period of expected benefit from the expenditure. The related tax charge on the credit is recognised in the year of the tax credit.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Comprehensive loss

Comprehensive loss consists primarily of cumulative translation gains or losses. Unrealized gains or losses are net of any reclassification adjustments for realized gains and losses included in the Statement of Profit and Loss.

4 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at historical cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to Statement of Profit and Loss during the reporting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- | | |
|-------------------------|---------|
| - Computer equipment | 3 years |
| - Fixtures and fittings | 4 years |

At the end of each reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to the Statement of Profit and Loss.

Intangible assets

Intangible assets include capitalized development costs separately acquired in the normal course of business are recorded at historical cost, and intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized generally on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are at least reviewed at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in depreciation and amortization. The useful lives of the intangible assets are 1-10 years

An intangible asset is derecognized 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 upon 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 Profit and Loss.

Trade receivable

We use a forward-looking expected credit loss ("ECL") model in determining our allowance for doubtful accounts as it relates to trade receivables, contract assets, and other financial assets. Our allowance is based on historical experience, and includes consideration of the aging of the receivables, the economic environment, industry trend analysis, and the credit history and financial conditions of the customers among other factors. We measure an impairment loss as the excess of the carrying amount over the present value of the estimated future cash flows discounted using the financial asset's original discount rate, and we recognize this loss in our Statement of Profit and Loss. A financial asset is written-off or written-down to its net realizable value as soon as it is known to be impaired. We adjust previous write-downs to reflect changes in estimates or actual experience.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less from the date of purchase. The company had no restricted cash amounts as of 31 December 2020 or 31 December 2019.

4 Accounting policies (continued)

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the Statement of Profit and Loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Group operates a share option scheme. It issues equity settled share-based payments to within the Group, whereby services are rendered in exchange for rights to purchase shares of the company.

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions (if applicable) are expected to be met, such that the amount ultimately recognized 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. The forfeitures rate is estimated and revised at each reporting date based on historical actuals. 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.

Foreign currency

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting 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 recognized in the Statement of Profit and Loss.

Provisions

A provision is recognized in the Statement of Financial Position when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Leases

Our lease contracts primarily include real estate leases for buildings and are accounted for under IFRS 16, Leases ("IFRS 16").

We assess whether a contract is or contains a lease, at inception of a contract. We recognize a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, we recognize the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Financial Instruments

Derivatives

Derivatives are initially measured at fair value and are subsequently remeasured to fair value at each reporting date. Changes in fair value are recognized in finance income or finance costs as appropriate.

4 Accounting policies (continued)

Fair value measurements

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the company. The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the company determines whether transfers have occurred between levels in the fair value hierarchy by re-assessing categorisation at the end of each reporting period.

The carrying amounts reported in the Statement of Financial Position for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realisation and their current market rate of interest. The company does not have any other material assets or liabilities that are recognized at fair value on a recurring basis.

New standards and interpretations not yet adopted

The following Adopted IFRSs have been issued but have not been applied by the company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- Amendments to IFRS 9: Financial Instruments, IAS 39: Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021).
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract, Amendments to References to the Conceptual Framework in IFRS 3, Business Combinations, Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use, and Annual Improvements to IFRS Standards 2018-2020 (effective date 1 January 2022)
- IFRS 17: Insurance Contracts and Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date 1 January 2023).

5 Revenue

i) Disaggregation of revenue

	2020	2019
	£	£
Licencing revenue	12,979,155	1,697,999
Management fees	13,799,897	12,175,080
Risk transfer – payment to customers	(21,315,083)	(17,770,991)
	<u>5,463,969</u>	<u>(3,897,912)</u>

5 Revenue (continued)

ii) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020	2019
	£	£
Trade receivables (note 13)	904,688	53,322
Contract liabilities (current)	10,599,831	10,989,570
Contract liabilities (non-current)	41,931,381	49,308,333

iii) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020	2021	2022	2023	2024 and beyond	Total
	£	£	£	£	£	£
At 31 December 2020	-	10,599,831	10,164,346	10,377,283	21,389,752	52,531,212
At 31 December 2019	10,989,570	20,000,000	18,275,000	11,033,333	-	60,297,903

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £18,361,210.69 (2019: £1,368,597).

The company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of less than one year.

6 Employee benefit expenses

	2020	2019
	£	£
Wages and salaries	45,203,743	33,829,622
Share based compensation	4,616,952	5,367,517
Social security and pension contributions	7,011,219	5,372,955
	56,831,914	44,570,094

Of the total employee benefits expense, £40,400,572 (2019: £29,646,591) has been recognized in research & development and technology expenses and £16,431,342 (2019: £14,923,503) in sales, general and administration expenses.

During 2020, the company capitalized employee costs of £28,543,151 (2019: £27,452,517) as development costs.

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

6 Employee benefit expenses (continued)

Average Staff numbers:

	2020	2019
Engineers	440	504
Sales and Marketing	42	85
Admin, Finance, HR & Legal	96	97
Clinical Operations	56	12
Clinicians	1	0
	<u>635</u>	<u>698</u>

7 Platform and Application Expenses

	2020	2019
	£	£
Employee benefit expense	10,252,352	6,934,265
Contractors and consultants expense	2,871,618	7,362,134
Staffing, training and recruitment	19,836	144,546
Depreciation & amortisation	8,292,525	923,181
Impairment	4,994,450	-
Other	-	14,932
	<u>26,430,780</u>	<u>15,379,058</u>

Depreciation and amortization includes £7,675,123 (2019: £502,510) of amortization related capitalized development costs.

8 Research and Development Expenses

	2020	2019
	£	£
Employee benefit expense	30,148,220	22,712,325
Contractors and consultants expense	841,386	3,922,476
Staffing, training and recruitment	234,158	295,953
Other	50,771	77,985
	<u>31,274,535</u>	<u>27,008,739</u>

9 Sales, general and administrative expenses

	2020	2019
	£	£
Employee benefit expense	16,431,342	14,923,503
Property related expenses	5,387,619	6,476,132
Staffing, training and recruitment	1,243,552	3,540,323
Contractors and consultants expense	870,817	3,581,137
IT and hosting costs	13,604,839	12,117,696
Insurance	663,738	448,058
Travel and accommodation	539,382	1,525,907
Office and clinical supplies	459,683	1,041,513
Trademarks and patents	520,425	394,138
Marketing	1,222,770	5,657,916
Professional fees	2,115,024	2,088,923
Depreciation & amortisation	1,319,766	852,193
Unrealised and realised exchange differences	(93,930)	(252,453)
Other	2,665,802	616,950
	<u>46,950,829</u>	<u>53,011,936</u>

9 Sales, general and administrative expenses (continued)

	2020 £	2019 £
Auditor's remuneration		
Audit of these financial statements	<u>60,000</u>	<u>50,000</u>
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	-	5,750
R&D tax advisory services	<u>-</u>	<u>35,000</u>

Audit and taxation compliance fees were incurred and paid for on behalf of the entity by the Company's parent entity, Babylon Holdings Limited.

10 Finance income and costs

	2020 £	2019 £
Finance costs (i)	3,073,962	146,164
Finance income (ii)	<u>-</u>	<u>(6,073)</u>
Net finance (income)/charge	<u>3,073,962</u>	<u>140,091</u>

(i) The following items are included under finance costs:

	2020 £	2019 £
Interest payable	27,945	19,560
Interest on leases	169,947	126,604
Interest on contract liabilities	<u>2,876,070</u>	<u>-</u>
Total finance cost	<u>3,073,962</u>	<u>146,164</u>

(ii) In 2019 finance income related to interest received.

11 Taxation

Recognised in the income statement

	2020 £	2019 £
<i>Taxation</i>		
Current tax on loss for the period	441,330	(2,711,623)
Adjustments to tax in respect of previous periods	<u>3,919,588</u>	<u>(1,646,347)</u>
Tax provision (benefit)	<u>4,360,918</u>	<u>(4,357,970)</u>

11 Taxation (continued)

Provision for deferred tax

	2020	2019
	£	£
Fixed asset temporary differences	5,501,617	5,611,930
Losses and other deductions	<u>(5,501,617)</u>	<u>(5,611,930)</u>
Total deferred tax (asset)/liability	-	-

Analysis of tax recognized in the Statement of Profit and Loss

	2020	2019
	£	£
Loss before tax	(102,266,137)	(99,437,736)
Tax on profit on ordinary activities at standard CT rate (19.00%)	(19,430,566)	(18,893,170)
Expenses not deductible for tax purposes	2,975,536	111,359
Additional deduction for R&D expenditure	-	(2,008,308)
Surrender of tax losses for R&D tax credit refund	-	841,538
Group relief surrendered/(claimed)	2,111,308	41,560
Adjustments to tax charge in respect of previous periods	3,919,588	(1,646,347)
Deferred tax not recognised	<u>14,785,052</u>	<u>17,195,398</u>
Tax provision (benefit) for the period	<u>4,360,918</u>	<u>(4,357,970)</u>

A reduction in the UK corporation tax rate to 19.0% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17.0% (effective 1 April 2020) was substantively enacted on 6 September 2016. The government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19.0%. This will reduce the company's future current tax charge accordingly.

On 3 March 2021 it was announced that the UK tax rate will increase to 25.0% on 1 April 2023. This will have a consequential effect on the company's future tax charge.

Unrecognized deferred tax assets

Due to uncertainty over future profitability, a deferred tax asset of £49.2m (2019: £41.6m) relating to losses and other deductions, as well as intangible asset and short-term timing differences, has not been recognized. A tax rate of 19.0% was used to calculate the deferred tax asset.

12. Property, plant and equipment

	Computer equipment £	Fixtures & fittings £	Total £
Cost			
Balance at 1 January 2019	580,888	40,499	621,387
Additions	1,165,288	-	1,165,288
Disposals	(70,137)	-	(70,137)
Balance at 31 December 2019	1,676,039	40,499	1,716,538
 Balance at 1 January 2020	1,676,039	40,499	1,716,538
Additions	235,144	-	235,144
Disposals	(171,950)	(40,499)	(212,449)
Balance at 31 December 2020	1,739,233	-	1,739,233
Depreciation			
Balance at 1 January 2019	(232,568)	(16,201)	(248,769)
Depreciation charge for the year	(416,551)	(4,120)	(420,671)
Disposals	45,790	-	45,790
Balance at 31 December 2019	(603,329)	(20,321)	(623,650)
 Balance at 1 January 2020	(603,329)	(20,321)	(623,650)
Depreciation charge for the year	(611,779)	(5,622)	(617,401)
Disposals	126,556	25,943	152,499
Balance at 31 December 2020	(1,088,552)	-	(1,088,552)
Net Book Value			
Balance at 1 January 2019	348,320	24,298	372,618
At 31 December 2019 and 1 January 2020	1,072,710	20,178	1,092,888
Balance at 31 December 2020	650,681	-	650,681

13. Intangible Assets

	Development Costs £	Intangibles under Development £	Total £
Cost			
Balance at 1 January 2019	422,529	5,896,504	6,319,033
Additions	-	27,452,518	27,452,518
Transfers	11,369,910	(11,369,910)	-
Balance at 31 December 2019	11,792,439	21,979,112	33,771,551
 Balance at 1 January 2020	11,792,439	21,979,112	33,771,551
Additions	-	28,543,151	28,543,151
Transfers	37,576,254	(37,576,254)	-
Balance at 31 December 2020	49,368,693	12,946,009	62,314,702

13. Intangible Assets (continued)

Amortization and impairment			
Balance at 1 January 2019	(14,756)	-	(14,756)
Amortization for the year	(502,510)	-	(502,510)
Impairment charge			-
Balance at 31 December 2019	(517,266)	-	(517,266)
Balance at 1 January 2020	(517,266)	-	(517,266)
Amortization for the year	(7,675,123)	-	(7,675,123)
Impairment charge	(4,994,450)		(4,994,450)
Balance at 31 December 2020	(13,186,839)	-	(13,186,839)
Net book value			
At 1 January 2019	407,773	5,896,504	6,304,277
At 31 December 2019 and 1 January 2020	11,275,173	21,979,112	33,254,285
At 31 December 2020	36,181,854	12,946,009	49,127,863

All development costs, including intangibles under development, have been internally generated. During 2020, £37,576,254 of intangibles under development were transferred to development costs as these projects were completed. Intangibles under development are tested for impairment at least annually.

The total net book value is considered to be the recoverable amount, as this balance is reviewed annually and impaired as necessary (Note 4). All development costs are related to software and artificial intelligence development and there are no distinguishable individually material intangible assets within the capitalised development costs. Development costs were impaired by £4,994,450 in 2020, mainly as a result of projects no longer being viable.

14. Trade and other receivables

	2020	2019
	£	£
Trade receivables	904,688	53,322
Prepayments	3,581,756	2,906,221
VAT receivable	302,371	2,641,075
Other	6,254,057	7,384,140
	11,042,872	12,984,758

The company has assessed its expected credit loss estimate, in line with the requirements of IFRS 9, by taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. As part of this assessment, the company has performed a recoverability assessment of its outstanding trade and other receivables at the reporting date and concluded that the expected credit loss as of 31 December 2020 is immaterial (2019: £0).

15. Trade and other payables

	2020	2019
	£	£
Trade payables	1,806,138	3,268,190
Employee and social security liabilities	2,239,848	2,615,677
Other	16,180	-
	4,062,166	5,883,867

16. Accruals and provisions

	2020	2019
	£	£
Accruals	4,336,079	4,953,308
Provisions	2,349,693	218,954
	<u>6,685,772</u>	<u>5,172,262</u>

17. Cash and cash equivalents

	2020	2019
	£	£
Cash in hand and at bank	<u>2,442,888</u>	<u>706,403</u>

Cash in hand and at bank includes deposits and current accounts in financial institutions which earn interest at market rates. Current bank deposits also accrue interest at a market rate. Consequently, these assets are measured at an amount which is close to their fair value.

18. Leases

The company leases several assets which consist of buildings and IT equipment. The company recognizes right-of-use assets and lease liabilities for its building leases only, as the leases for IT equipment meet the exemption requirements as short-term leases and leases of low-value assets. Therefore, the disclosures below for the company's right-of-use assets relate only to buildings.

<i>Right of Use Asset</i>	£
Cost	
Balance at 1 January 2019	1,108,589
Additions to right-of-use-assets	707,507
Balance at 31 December 2019	<u>1,816,096</u>
Balance at 1 January 2020	1,816,096
Additions to right-of-use-assets	1,306,512
Balance at 31 December 2020	<u>3,122,608</u>
Amortization	
Balance at 1 January 2019	-
Amortization charge for the year	(852,193)
Balance at 31 December 2019	<u>(852,193)</u>
Balance at 1 January 2020	(852,193)
Amortization charge for the year	(1,319,766)
Balance at 31 December 2020	<u>(2,171,959)</u>
Net book value	
Balance at 1 January 2019	1,108,589
Balance at 31 December 2019 and 1 January 2020	963,903
Balance at 31 December 2020	<u>950,649</u>

18. Leases (continued)

	£
<i>Lease liability</i>	
Balance at 1 January 2019	893,894
Additions to lease liabilities	666,037
Interest expense on lease liabilities	126,604
Principal payments on leases	(968,679)
Balance at 31 December 2019	717,856
	717,856
Balance at 1 January 2020	
Additions to lease liabilities	1,351,839
Interest expense on lease liabilities (i)	169,947
Principal payments on leases	(748,314)
Balance at 31 December 2020	1,491,328

(i) Interest paid on lease liabilities are presented within cash flows from financing activities.

In March 2020 the company renewed its head office lease to December 2022 with intention to hand in notice and vacate in 2021. A lease modification has been applied as per IFRS 16 to extend the lease to the intended exit date.

When measuring the lease liabilities, the company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 12.5%.

The following amounts have been recognized in the Statement of Profit and Loss for which the company is a lessee:

	2020 £	2019 £
Depreciation expense on right-of-use assets	1,319,766	852,193
Interest expense on lease liabilities	169,947	126,604
Expenses relating to short term leases	2,183,594	3,235,072
Profit and loss impact	3,673,307	4,213,869

The following table provides the maturities of lease liabilities as of 31 December:

	2020 £	2019 £
Short term (less than 1 year)	1,491,328	717,856
Long term (between 1 – 10 years remaining)	-	-
Total	1,491,328	717,856

19. Employee benefits

Pension plans

The company operates a defined contribution plan, under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. During fiscal year 2020, the company paid fixed contributions totalling £2,262,669 (2019: £1,230,798).

Share-based payments

The parent company, Babylon Holdings Limited, issues equity settled share-based payments to employees of the Group and advisors, whereby services are rendered in exchange for rights over shares in the 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, 25.0% 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 recognize performance. Such options vest in the same manner as those granted on joining. Share options are accounted for using the graded vesting method.

The number and weighted average exercise price of share options for the company are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2020	2020	2019	2019
	£		£	
Outstanding at the beginning of the year	0.01	65,986,200	0.01	51,139,000
Forfeited during the year	0.01	(3,912,664)	0.01	(8,244,966)
Exercised during the year	-	-	-	-
Granted during the year	0.01	6,065,196	0.01	23,092,166
Outstanding at the end of the year	0.01	68,138,732	0.01	65,986,200
Exercisable at the end of the year	-	-	-	-

During the year, the exercise price updated from £0.01 to \$0.00001 as a result of the investment round. There was a stock split as a result of this update, whereby the number of options held by employees was multiplied by 100, with the net value remaining constant.

The total expenses recognised for the year from share-based payments for the company are as follows:

	2020	2019
	£	£
Total share-based payment expense	4,616,952	5,367,517

The company executes a group share-based payment plan, and it recognizes and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognized for the Group. The share-based payment expense for employees are allocated to the company they are employed by.

20. Capital and reserves

Share capital

	2020	2019
	£	£
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

Retained earnings

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

Share based payment reserve

The share-based payment reserve represents amounts accruing for equity-based share options granted.

21. Ultimate controlling party

The company is a subsidiary undertaking of Babylon Holdings Limited, whose registered address is 31 Esplanade St, Jersey, JE1 1FT. The ultimate controlling party is ALP Partners Limited. The smallest and largest group in which the results of the company are consolidated is headed by Babylon Holdings Limited.

22. Related parties

Transactions with related parties

	Sales to 2020 £	2019 £	Purchases from 2020 £	2019 £
Babylon Inc	1,804,293	2,088,436	-	-
Babylon Healthcare Services Limited	(11,573,866)	(8,987,669)	-	-
Babylon Singapore	-	-	1,439,359	400,848
Babylon International Limited	-	-	(3,693,746)	(221,679)
Babylon Health Canada Limited	-	1,269,811	-	-
Babylon Rwanda	-	212,679	-	-
	<u>(9,769,573)</u>	<u>(5,416,743)</u>	<u>(2,254,387)</u>	<u>179,169</u>

Amounts due from and due to related parties

	Amounts due from 2020 £	2019 £	Amounts due to 2020 £	2019 £
Babylon Holdings Limited	71,022	1,700	331,892,205	172,420,021
Babylon Inc	59,724,924	18,846,533	-	-
Babylon Singapore PTE Limited	-	-	235,348	73,859
Babylon Health Canada Limited	9,399,122	3,799,638	-	-
Babylon Healthcare Services Limited	-	-	17,890,124	16,514,039
Babylon International Limited	423,425	221,679	-	-
Babylon Rwanda	1,784,545	182,178	-	-
	<u>71,403,038</u>	<u>23,051,728</u>	<u>350,017,677</u>	<u>189,007,919</u>

22. Related parties (continued)

The amounts outstanding are unsecured, interest free and are repayable on demand. No guarantees have been given or received during the year ended December 31, 2020.

The amount due from Babylon Health Canada Limited is disclosed as current on the balance sheet due to being forgiven in the first month following the year ended December 31, 2020. Management have reviewed the remainder intercompany receivable balances outstanding and have concluded the amounts will not be settled in the twelve months following the date of signing and are therefore disclosed as non-current on the balance sheet.

Salary and company Pension Contributions

During 2020, the remuneration of directors and other members of key management including company pension contributions made to money purchase scheme on their behalf amounted to £681,483 (2019: £666,333). The remuneration of the highest paid Key Manager was £262,500 (2018: £262,083).

As at 31 December 2020, the aggregate nominal value of share options held by key management personnel amounted to £14,610 (2019: £14,610) at 31 December 2020.

23. Financial risk management, objectives and policies

The company's activities are exposed to various financial risks: credit risk, liquidity risk and currency risk in cash flows. The company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the company's profits. The company uses derivatives to mitigate certain risks.

The company's financial department controls the management of liquidity risk and currency risk in accordance with the company's policies. This department centrally identifies, evaluates and makes decisions whether to hedge financial risks to which the company is exposed.

23.1 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers and investments in debt securities. Our cash and cash equivalents and deposits are potentially subject to concentration of credit risk.

Bank balances

The company seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

The maximum amount of the company's credit risk exposure is the carrying amounts of cash and cash equivalents and trades receivable. The company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments. The company does not have significant exposure to credit risk at 31 December 2020 for any financial instruments.

Trade receivables

The company has a diverse customer base geographically and by industry. The responsibility for customer credit risk management rests with management. The company seeks to limit its credit risk with respect to customers by implementing due diligence procedures on all customers. Payment terms vary and are set in accordance with practices in the different geographies and end-markets served. Credit limits are typically established based on internal or external rating criteria, which take into account such factors as the financial condition of the customers, their credit history and the risk associated with their industry segment.

More than 50% of the company's customers are repeat customers, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a business or end-user customer, their geographic location, industry, trading history with the company and existence of previous financial difficulties.

The company receives cash payment for large contracts up front in some instances, in addition to contracting with government funded entities which subsequently carries lower risks.

The company applies the simplified approach under IFRS 9 and has calculated expected credit losses based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors

23. Financial risk management, objectives and policies (continued)

specific to the debtors and general economic conditions and concluded that no expected credit loss provision is required as of 31 December 2020 (2019: £nil).

23.2 Liquidity risk

Liquidity risk relates to the company's ability to meet its cash flow requirements. The company has a prudent policy to cover its liquidity risks which is focused on having sufficient cash and cash equivalents available.

23.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company has intercompany loans with both its parent company, Babylon Holdings Limited, and other international subsidiaries in the Group. As a result, Babylon Partners Limited is exposed to fluctuations in exchange rates.

23.4 Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The company does not have any borrowings at floating interest rates that would expose the Group to cash flow interest rate risk.

23.5 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year end 31 December 2020. Capital comprises ordinary share capital, share premium and accumulated losses.

24. Subsequent events

In January 2021 the Babylon Partners Limited received an up-front cash payment from TELUS in relation to a 7-year licensing agreement. As part of this transaction the intercompany receivable from Babylon Health Canada Limited was reclassified as a contract asset and will be released over the 7 year licence term.

On 3 June 2021, Babylon Group announced it entered into a definitive merger agreement with Alkuri Global Acquisition Corp ("Alkuri Group"), a special purpose acquisition company (the "Merger") following the unanimous approval of the Board of Directors of the Group and Alkuri Group. The transaction is expected to close in the second half of 2021, subject to the approval of Alkuri Global's stockholders and other customary closing conditions, including applicable regulatory approvals. The transaction is expected to deliver up to \$575m of gross proceeds before transaction costs, including \$345m of cash held in Alkuri Group's trust account, assuming no redemptions, and \$230m from a private placement. If the transaction is consummated, the combined company will operate as Babylon and plans to trade on Nasdaq.