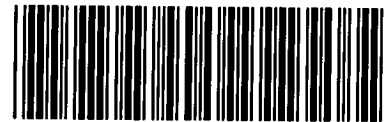


BenevolentAI Bio Limited
Directors' report and financial statements
Registered number: 08774096
For the year ended 31 December 2022

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BenevolentAI Bio Limited | 2022

Company information

Directors	Joanna Shields Ivan Griffin Anne Phelan Tom Holgate
Registered number	08774096
Registered office	4-8 Maple Street London W1T 5HD United Kingdom
Independent auditors	PricewaterhouseCoopers LLP Maurice Wilkes Building Cowley Road Cambridge CB4 0DS United Kingdom

BenevolentAI Bio Limited | 2022

Strategic report

Principal activities and business review

BenevolentAI Bio Limited (the “Company”), whose principal activities focus on providing scientific expertise, is incorporated and registered in the UK. The Company’s immediate parent company is BenevolentAI Limited. The ultimate parent company is BenevolentAI (“BAI”) which together with its subsidiaries (the “Group”) is a leading, clinical-stage AI-enabled (artificial-intelligence-enabled) drug discovery and development company. Through the combined capabilities of this AI platform, its scientific expertise, and wet-lab facilities, BenevolentAI is well-positioned to deliver novel drug candidates with a higher probability of clinical success than those developed using traditional methods. The Benevolent Platform™ powers the Company’s in-house drug pipeline and supports successful collaborations with AstraZeneca, as well as leading research and charitable institutions.

The Company consistently delivered results in our collaboration with AstraZeneca, who selected three additional novel targets to enter their portfolio in 2022, bringing the total to five novel targets selected in the collaboration to date. In January 2022, AstraZeneca extended the collaboration agreement for a further three years into two new disease areas.

Corporate structure & reporting

The Company was not subject to any significant changes in corporate structure during 2022. The Company continues to prepare the 2022 financial statements in accordance with the UK-adopted international accounting standards (“IFRS”), and with the requirements of the Companies Act 2006. No new standards have had a material impact on the Company for 2022.

Key financials

In the year under review, the Company’s results were broadly in line with expectations. The Company made a loss of £25.3m in the year ended 31 December 2022 (2021: £25.1m restated loss) as it continues to concentrate on research and development (“R&D”), which is reflected in the R&D expenses of £35.3m (2021: £25.8m). This loss includes an employee-related share-based payment expense of £9.0m (2021: £10.9m) which is driven by the recognition of vested awards under both the legacy share incentive scheme and new long term incentive plan, and corresponding employer-related taxes.

The Company has net liabilities of £39.0m at 31 December 2022 (2021: £23.7m restated net liabilities) which includes £42.1m net payables due to Group companies (2021: £28.4m). The Company has obtained a letter of support from its immediate parent company BenevolentAI Limited confirming that it has no intention to seek repayment for the balance owed to the Group and will continue to make available funds as needed by the Company for at least 18 months from the date of approval of these financial statements.

The Company is dependent on continuing financing being made available by its immediate parent company, BenevolentAI Limited, to enable it to continue operating and to meet its liabilities. The Company’s activities are an integral part of the Group’s operations, and the Directors are confident, through their review of Group-wide and company cash flow forecasts and business planning, that the Company will have sufficient funds to meet its liabilities for at least twelve months from the date of approval of the financial statements.

BenevolentAI Limited will, as part of its business plan, seek further access to capital via its parent BenevolentAI, as required to support the Group’s growth. The Directors acknowledge that there is no guarantee of ongoing support but believe this risk to be low. The Directors fully expect this support to continue and therefore have adopted the going concern basis of accounting in preparing the financial statements.

BenevolentAI Bio Limited | 2022

Strategic report *(continued)***Principal risks and uncertainties**

The Group's risk management framework provides the structure by which the principal risks are managed. The Board believes this risk management framework provides enough structure to ensure the risk assessment process is able to manage the current risks identified and has the appropriate procedures in place to identify emerging risks.

The Group Board is accountable for identifying procedures to minimise risk impact and implementing these at every level of the business. The Executive Leadership Team manages the day-to-day implementation of the risk management framework.

The principal risks below are those that have been identified to date as being both significant and specific to the Company, and which could have an impact on the Company's long-term performance. This list does not purport to be an exhaustive summary of the risks affecting the Company:

- There is a risk that one or more existing commercial or academic collaborations are terminated, or additional collaborations are not forthcoming.
- We are dependent on the Benevolent Platform™ to identify the right drug target for the right disease, but we may fail to discover and design molecules with therapeutic potential or that may not result in the discovery and development of commercially viable products for us or our collaborators.
- The Benevolent Platform™ relies on key data suppliers for its Knowledge Graph.
- All of our drug candidates are in early-stage pre-clinical development or clinical development and are not yet commercially approved. Technical, pre-clinical, clinical or regulatory milestones may not be achieved, leading to delays, changes or the abandonment of development programmes.
- Additional regulatory requirements may also be required before approval, similar to other biotech companies and those working in AI drug discovery.
- We are dependent on third parties such as CROs to deliver on our pre-clinical and clinical development timelines.
- Others may discover, develop or commercialise products before we do.
- The Company's ability to deliver on its strategic objectives could be adversely impacted by failure to recruit, develop and retain the right people.
- Security of information, both for our internal information technology systems and those of our third parties.
- Intellectual Property (IP) protection and the potential for breach of confidential information, misuse of trade secrets, or other loss of valuable IP both in relation to our drug products and the Benevolent Platform™.
- We may be unable to generate additional revenue through out-licensing pipeline assets or signing new collaborations. If macroeconomic conditions worsen we may also be unable to raise sufficient capital as needed. Both these risks may lead to delays or pausing of pipeline programmes and further investment in the Benevolent Platform™.
- Changes to R&D tax credits may reduce the availability of tax credits on R&D expenditure. This could reduce R&D tax refunds on eligible expenditure and adversely affect cash flow and cash runway.
- We may not be able to out licence certain drug pipeline assets in line with our stated strategy.
- The Company is exposed to adverse local political decisions, changes in laws and regulations and/or economic events impacting the pharmaceutical, technology and AI industries, e.g. Brexit, potential changes to pricing of pharmaceutical products, new AI regulation or adverse new laws impacting the pharmaceutical or life sciences industries.

Further details on these principal risks, and the mitigating factors to alleviate these risks, can be found in the Group's annual report. This is available on the website, www.benevolent.com.

On behalf of the Board:

Anne Phelan

Director

Date: 5 May 2023

ANNE PHELAN

4-8 Maple Street
London
W1T 5HD

BenevolentAI Bio Limited | 2022

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Proposed dividend

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors

The Directors who were in office during the year and up to the date of signing the financial statements were:

Joanna Shields

Ivan Griffin

Anne Phelan

Tom Holgate

Political contributions

The Company made no political donations nor incurred any political expenditure during this financial year (2021: £nil).

Insurance and indemnities

During the past year, the Company has maintained liability insurance in respect of its Directors. The Company has also provided a qualifying third-party indemnity to each Director as permitted by section 234 of the CA 2006 and by the Articles, which remain in force at the date of this report.

Financial risk management

The Company's finance department manages the risk inherent in the availability of liquid funds in accordance with its corporate policies and use of regular cash flow management including timely requisitioning of allocated funds from its parent company. Further detail of the treasury activities undertaken can be found in the Group's annual report.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, new independent auditors PricewaterhouseCoopers LLP were appointed in 2022. They will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

On behalf of the Board:

Anne Phelan

Anne Phelan
Director

Date: 5 May 2023

ANNE PHELAN

4-8 Maple Street
London
W1T 5HD

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of BenevolentAI Bio Limited

Report on the audit of the financial statements

Opinion

In our opinion, BenevolentAI Bio Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information

and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the Directors' report and the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to clinical trial regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate accounting entries to

manipulate financial results and management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around actual or suspected instances of non-compliance with laws and regulations and fraud;
- Inspecting minutes of meetings of the Board of Directors;
- Evaluation of the control environment designed by management to prevent and detect irregularities;
- Verifying financial statement disclosures and agreeing to supporting documentation to assess that the disclosures are in compliance with the applicable laws and regulations;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations impacting revenue or cash and cash equivalents;
- Challenging the assumptions made by management in their significant accounting estimates; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
05 May 2023

BenevolentAI Bio Limited | 2022

Statement of comprehensive income
for the year ended 31 December 2022

	Note	2022 £'000	2021 restated ¹ £'000
Revenue	4	12,468	5,921
Research and development ("R&D") expenses		(35,345)	(25,791)
<i>Included within R&D expenses:</i>			
Employee-related share-based payment ("SBP") expense	19	(3,751)	(3,984)
Administrative expenses		(9,237)	(10,179)
<i>Included within administrative expenses:</i>			
Employee-related SBP expense	19	(5,235)	(6,945)
Other income	8	166	90
Operating loss		(31,948)	(29,959)
Finance expense	9	(9)	-
Loss before taxation		(31,957)	(29,959)
Taxation	10	6,638	4,823
Loss for the year		(25,319)	(25,136)
Total comprehensive loss for the year		(25,319)	(25,136)

¹SBP restatement as detailed in note 19.4.

All amounts relate to continuing operations.

The notes on pages 13 to 29 form an integral part of these statements.

BenevolentAI Bio Limited | 2022

Statement of financial position

as at 31 December 2022

	Note	2022 £'000	2021 restated ¹ £'000
Non-current assets			
Property, plant and equipment	11	3	16
Investments	1, 12	1,892	2,383
		<u>1,895</u>	<u>2,399</u>
Current assets			
Trade and other receivables	13	4,603	2,598
R&D tax credit receivable	14	6,804	4,913
Cash and cash equivalents	15	631	533
		<u>12,038</u>	<u>8,044</u>
Total assets		<u>13,933</u>	<u>10,443</u>
Current liabilities			
Trade and other payables	16	48,318	31,339
Deferred income	17	2,875	31
Provisions	18	1,447	2,333
		<u>52,640</u>	<u>33,703</u>
Net current liabilities		<u>(40,602)</u>	<u>(25,659)</u>
Non-current liabilities			
Provisions	18	249	450
		<u>249</u>	<u>450</u>
Total liabilities		<u>52,889</u>	<u>34,153</u>
Net liabilities		<u>(38,956)</u>	<u>(23,710)</u>
Equity			
Share capital	20	2	2
Share premium account		54,737	54,737
Capital contributions	19	31,377	21,304
Accumulated losses		(125,072)	(99,753)
Total equity		<u>(38,956)</u>	<u>(23,710)</u>

¹SBP restatement as detailed in note 19.4.

The notes on pages 13 to 29 form an integral part of these statements.

These financial statements on pages 9 to 29 were approved by the Board of Directors on 5 May 2023
and were signed on its behalf by:

Anne Phelan
Anne Phelan ANNE PHELAN
Director
Company registered number: 08774096

4-8 Maple Street
London
W1T 5HD

BenevolentAI Bio Limited | 2022

Statement of changes in equity

for the year ended 31 December 2022

	Note	Share capital £'000	Share premium £'000	Capital contributions £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2021		2	54,737	13,158	(74,617)	(6,720)
Total comprehensive loss for the year		-	-	-	(19,087)	(19,087)
Transactions with owners, recorded directly in equity						
Equity-settled SBP transactions	19	-	-	2,821	-	2,821
Total contributions by and distributions to owners		-	-	2,821	-	2,821
Balance at 31 December 2021		2	54,737	15,979	(93,704)	(22,986)
Restatement of equity-settled SBP transactions ¹	19.4	-	-	5,325	(6,049)	(724)
Restated¹ balance at 31 December 2021		2	54,737	21,304	(99,753)	(23,710)
Balance at 1 January 2022		2	54,737	21,304	(99,753)	(23,710)
Total comprehensive loss for the year		-	-	-	(25,319)	(25,319)
Transactions with owners, recorded directly in equity						
Equity-settled SBP transactions	19	-	-	10,073	-	10,073
Total contributions by and distributions to owners		-	-	10,073	-	10,073
Balance at 31 December 2022		2	54,737	31,377	(125,072)	(38,956)

¹SBP restatement as detailed in note 19.4.

The notes on pages 13 to 29 form an integral part of these statements.

BenevolentAI Bio Limited | 2022

Statement of cash flows

for the year ended 31 December 2022

	Note	2022 £'000	2021 restated ¹ £'000
Cash flows from operating activities			
Loss for the year		(25,319)	(25,136)
<i>Adjustments for:</i>			
Depreciation charges	11	12	27
Loss on disposal of property, plant and equipment		-	1
Foreign exchange (gain)/loss		(295)	9
Equity-settled SBP expense	19	10,073	8,146
Finance expense	9	9	-
Revaluation of investment	12	491	-
R&D expenditure tax credit		(6,804)	(4,913)
Operating cash flow before changes in working capital		(21,833)	(21,866)
(Increase)/decrease in trade and other receivables		(2,005)	423
Increase in trade and other payables		19,823	11,108
(Decrease)/increase in provisions		(1,087)	2,783
		(5,102)	(7,552)
Tax credit received		4,914	4,329
Net cash from operating activities		(188)	(3,223)
Cash flows from financing activities			
Bank fees paid	9	(9)	-
Net cash from financing activities		(9)	-
Net decrease in cash and cash equivalents		(197)	(3,223)
Cash and cash equivalents at 1 January		533	3,765
Effect of exchange rate fluctuations on cash held		295	(9)
Cash and cash equivalents at 31 December	15	631	533

¹SBP restatement as detailed in note 19.4.

The notes on pages 13 to 29 form an integral part of these statements.

BenevolentAI Bio Limited | 2022

Notes to the financial information

1 Corporate information

BenevolentAI Bio Limited (the “Company”) is a private company limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 08774096 and the registered address is 4-8 Maple Street, London W1T 5HD.

The Company has the following investments in subsidiaries, held directly:

	Registered office address	Principal Business	Class of shares held	Ownership
Stratified Medical Limited ¹	4-8 Maple Street, London, W1T 5HD, United Kingdom	Dormant	Ordinary shares	100%

¹ The Company holds 1 share at a total investment cost value of £0.10.

2 Accounting policies

2.1 Basis of preparation

The Company’s financial statements for the year ended 31 December 2022 have been prepared in accordance with UK-adopted international accounting standards (“IFRS”), and with the requirements of the Companies Act 2006. The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value, and all amounts are presented in sterling and rounded to the nearest £’000. As set out in note 2.2 below, the Company’s financial statements have been prepared on a going concern basis.

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.

No new standards have been early adopted by the Company in the year. A number of new standards are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Company’s financial statements:

- IFRS 17 “Insurance Contracts” (issued on 18 May 2017; including Amendments to IFRS 17) and Initial Application of IFRS 17 and IFRS 9 Comparative information (issued after 25 June 2021)
- Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors”: Definition of Accounting Estimates (issued on 12 February 2021)
- Amendments to IFRS 16 “Leases” on sale and leaseback: These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction (issued on 22 September 2022)
- Amendments to IAS 1, Non-current liabilities with covenants: These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability (issued on 31 October 2022)
- Amendments to IAS 1, aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Amendments to IAS 12 “Income Taxes”: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)

2.2 Going concern

The financial statements have been prepared on the going concern basis which the Directors consider appropriate for the following reasons.

The Company made a loss of £25.3m for the year (2021: £25.1m restated loss) and as 31 December 2022 has net current liabilities of £40.6m (2021: £25.7m restated net current liabilities) and net liabilities of £39.0m (2021: £23.7m restated net liabilities). Included in net liabilities, the Company has intercompany funding repayable on demand of £41.1m (2021: £28.0m) to BenevolentAI Limited, its immediate parent.

The Company has obtained a letter of support from its immediate parent company BenevolentAI Limited confirming that it has no intention to seek repayment for the balance owed to the Group and will continue to make available funds as needed by the Company for at least 18 months from the date of approval of these financial statements.

The Company’s activities are integral to the business plan of the Group in delivering its principal activities which are to apply AI, machine learning and other advanced technologies to transform the way medicines are discovered, designed, developed, tested and brought to market. As a result, the ability of the Company to continue as a going concern is based on the ability of the Group to continue as a going concern.

BenevolentAI Bio Limited | 2022

Notes *(continued)*

2.2 *Going concern (continued)*

The Group is in a net assets position of £154.0m at 31 December 2022 (2021: £60.9m restated net assets). The Group's cash, cash equivalents and short-term deposits position of £130.2m (2021: £40.6m) come largely from issuing equity, most recently from the business combination completed in April 2022 and related equity Private Investment in Public Equity transaction (the "PIPE Financing").

Group cash flow forecasts have been prepared for a period in excess of twelve months from the date of approval of these financial statements (the going concern period). These forecasts include a base case scenario, which excludes any unsigned revenue contracts. Additionally, severe but plausible downside scenarios have also been considered, with corresponding mitigating actions that allow for an extension of the Group's cash runway.

The Group continues to rely on equity to fund its operations in the medium to long term. The Directors remain confident that, when it is required, such further funding will be accessible to the Group.

As a result, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements and have therefore prepared the financial statements on a going concern basis.

2.3 *Foreign currency*

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

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. 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.

2.4 *Classification of financial instruments issued by the Company*

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for share capital and share premium account exclude amounts in relation to those shares.

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Notes (continued)

2.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit losses ("ECLs").

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash balances and cash deposits with maturities of less than 3 months at their inception.

Short-term deposits

Short-term deposits include cash deposits with maturities of greater than 3 months but less than 12 months at their inception.

Investments

Investments are recognised initially at fair value. Subsequent to the initial recognition they are measured at fair value through profit or loss using latest observable share price.

2.6 Property, plant and equipment

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

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- computer equipment 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

2.7 Impairment

Financial assets (including receivables)

Financial assets are assessed for indicators of impairment at the end of the reporting period. The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

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Notes (continued)

2.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Share-based payment transactions – BenevolentAI Equity Incentive Scheme (“BEIS”)

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

Options or restricted stock units (“RSUs”) granted under the BEIS are comprised of tranches that represent each increment that participants become entitled to over the vesting period. The fair value of each of these vesting tranches is recognised as an employee or related expense in the statement of comprehensive income, on a straight-line basis over the longer of either the time until the service condition is met or the trigger event is expected to take place (“vesting period”), with a corresponding movement to equity reserves. For each tranche continuing to have their FV charged after the trigger event, this is spread on a straight line basis over the service period. The fair value of the awards granted is measured using the Black-Scholes model. The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which the related non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related non-market performance conditions at the vesting date.

At each statement of financial position date, the Company revises its estimates of the number of awards that are expected to vest, as well as the estimate of the vesting period. The impact of the revisions of original estimates, if any, is recognised in the statement of comprehensive income, with a corresponding adjustment to equity reserves, over the remaining vesting period.

Share-based payment transactions – Long Term Incentive Plan (“LTIP”)

Awards granted to participants under the LTIP comprise of RSUs and performance stock units (“PSUs”). The fair value for the RSUs has been determined and recognised on the same basis as under the BEIS post trigger event, namely tied to the service condition.

The PSUs include both non-market vesting conditions and market vesting conditions. As with the BEIS, the number of equity instruments expected to vest which are tied to the non-market conditions is revisited at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest.

Market vesting conditions, however, are factored into the fair value of the awards granted. The portion of each PSU which relates to market vesting conditions carries a separate fair value, determined using the Monte Carlo Simulation model. Provided all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Tax payments related to share-based payments

Historically, the liability arising from any tax due in any jurisdiction in relation to equity compensation sat with the beneficiary of that instrument. Following a board resolution and subsequent communication to employees in the second half of 2021, the tax liability has been transferred to the Company.

This liability is recognised in-line with the relative portion of fair value charged for each tranche as at the reporting date, under both the BEIS and LTIP, adjusted for changes in expectation with regards to the non-market vesting conditions and based on the latest market share price available as at that same date.

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Notes *(continued)*

2.9 Revenue recognition

The Company's revenue is generated from licence or collaboration agreements.

Collaboration agreements typically have an initial upfront payment, periodic collaboration payments and potential milestone payments for research, development and commercial achievements plus royalties on net sales. We initially recognise income under the collaboration as deferred revenue, which we become entitled to reclassify as revenue in line with the completion of performance obligations, measured as a percentage complete against the latest collaboration team forecasts.

When the Company receives milestone payments for achieving pre-defined targets during pre-clinical and clinical development, these milestones are recognised when probable (i.e. on achievement of the pre-defined target). except where the milestone or a proportion of the milestone is to be applied to the development of the programme which is the subject of the collaboration agreement. In such circumstances, the income is deferred and recognised as income by reference to the development costs incurred in developing the programme towards the next milestone.

The rules for revenue recognition are stipulated by the accounting standard IFRS 15 which we have adopted in these financial statements.

Service fees represent revenue from rendering services to affiliated undertakings and is recognised when the services are provided.

2.10 R&D expenditure

R&D expenditure, which includes a proportion of staff costs and directly attributable overheads, is currently recognised in the statement of comprehensive income as incurred, on the basis that the recognition criteria of IAS 38 (Intangible Assets) are currently not met.

2.11 Other income

The Company recognises income for all government grants in relation to research and development, where there is reasonable assurance that the grant will be received and attached conditions will be complied with.

2.12 Taxation

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

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

2.13 Issued capital

Ordinary shares are classified as equity. Proceeds in excess of the par value of the shares are shown as share premium in equity and incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction of share premium, net of tax, from the proceeds.

2.14 Provisions

A provision is recognised 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, where this would be material.

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Notes *(continued)*

3 Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical judgements in applying accounting policies

Revenue

In the year, the Company entered a second collaboration agreement with AstraZeneca ("AZ"). The new collaboration is related to two new disease areas and has been treated by the Company as a separate agreement, since it has identified new and distinct performance obligations that did not exist in the previous agreement entered in 2021.

The Company's main collaboration works across two disease areas using a similar methodology in each. In identifying the performance obligations within the contract, management has made judgements in categorizing each disease area as its own discrete performance obligation, where their delivery is both independent from one another and deemed to require an equal amount of effort, and where they are individually considered a distinct bundle of services.

3.2 Other accounting estimates

The Company has not identified any significant accounting estimates, being those which present a significant risk of material adjustment in the next financial period. However, other areas of estimation uncertainty have been identified as follow:

Revenue

In recognizing revenue against the individual performance obligations, estimates have been made in the calculation of their percentage complete, the key driver of revenue release. This requires an estimation of full-time equivalent ("FTE") days needed to fully satisfy each performance obligation.

Share-based payments charge

The Group operates the BenevolentAI Equity Incentive Scheme ("BEIS") and long-term incentive plan ("LTIP"). The fair value of equity incentive awards, or respective portions of awards, related solely to non-market vesting conditions is measured using the Black Scholes model at each grant date. The number of equity instruments expected to vest which are tied to the non-market conditions is revisited at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments expected to eventually vest.

The fair value of equity incentive award portions related to market vesting conditions is measured using the Monte Carlo Simulation model at each grant date. Provided all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

The net increase in relative portion of fair value charge during the year is recognised in the statement of comprehensive income. The assumptions used in both the Black Scholes and Monte Carlo Simulation models are detailed in note 19.

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Notes *(continued)***4 Revenue**

We initially recognise income under the AstraZeneca collaborations as deferred revenue, which we become entitled to recognise as revenue in line with the delivery efforts towards the completion of tasks and provision of the deliverables set out in the agreements governing the AZ collaborations. For the year to 31 December 2022, this is represented by a revenue of £10.6m (2021: £4.6m).

Second AZ collaboration

Building on the success of the first collaboration, the relationship with AZ has been expanded into a new 3-year partnership, starting 1 January 2022 and focusing on systemic lupus erythematosus (SLE) and heart failure (HF).

As the result of this collaboration, the Company received an upfront fee of \$15m (£11.8m) in January 2022. As the result of the upfront fee, a total of £2.9m deferred revenue is recognised as of 31 December 2022 (31 December 2021: £nil).

Management have determined that costs directly attributable to the collaboration agreements are immaterial, and consequently cost of sales has not been presented.

	2022	2021
	£'000	£'000
Collaboration revenue	10,560	4,625
Service fees	1,908	1,296
	12,468	5,921
By geographical market:		
UK	12,468	5,921
	12,468	5,921

Revenue recognised in relation to deferred revenue since the beginning of each year has been detailed in note 17.

See note 22 for related party information.

5 Reported operating loss

The following items have been included in arriving at the reported operating loss of continuing operations:

	Note	2022	2021
		£'000	£'000
Decrease in fair value of investments	12	491	-
Depreciation of property, plant and equipment	11	12	27
Equity-settled SBP expenses	19	8,986	10,587
Auditors' remuneration		27	31
Amounts receivable by the auditors and their associates in respect of:			
Audit of these financial statements		27	23
Taxation compliance services		-	8
		27	31

Auditors' remuneration in 2021 reflects that earned by the previous auditors.

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Notes *(continued)***6 Staff numbers and costs**

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

	Number of employees	
	2022	2021
Research and development	98	70
	<u>98</u>	<u>70</u>

The aggregate payroll costs of these persons were as follows:

	Note	2022 £'000	2021 restated £'000
Wages and salaries		8,880	6,334
Equity-settled SBP expense	19	10,073	8,146
(Credit)/charge for social security provision in relation to equity-settled SBP	19	(1,087)	2,783
Social security costs		578	2,791
Contributions to defined contribution plans		430	288
		<u>18,874</u>	<u>20,342</u>

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £430k (2021: £288k). There was an accrual of £77k as at 31 December 2022 (2021: £nil).

7 Directors' remuneration

	2022 £'000	2021 £'000
Directors' remuneration	<u>406</u>	<u>350</u>

For the highest paid Director, their remuneration was equal to £406k (2021: £350k); £4k company pension contributions were made (2021: £13k); and no share awards in BenevolentAI became exercisable (2021: nil). See note 19 for further details of the long term incentive schemes active during the year.

The emoluments of the other Directors, who served during the year, are paid by the immediate parent. The Directors who served during the period support the immediate parent company and fellow subsidiaries, alongside their operational duties surrounding their role specialisms. The total emoluments of the Directors who served during the year are included in the aggregate of emoluments included in the financial statements of those companies which employ them, without apportionment, reflecting the time and cost of director related activities outside of the entity being negligible.

8 Other income

	2022 £'000	2021 £'000
Grant income	166	90
	<u>166</u>	<u>90</u>

9 Finance expense

	2022 £'000	2021 £'000
Bank fees	9	-
	<u>9</u>	<u>-</u>

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Notes *(continued)***10 Taxation****Recognised in the income statement**

	2022	2021
	£'000	£'000
Current tax on losses for the year	(6,638)	(4,823)
Current tax credit	(6,638)	(4,823)

The tax assessed for the year is higher (2021: lower) than the standard rate of UK corporation tax rate. The reconciliation for the year is given below:

Reconciliation of effective tax rate

	2022	2021 restated
	£'000	£'000
Loss for the year before taxation	(31,957)	(29,959)
Tax using the standard rate of UK corporation tax rate of 19.00% (2021: 19.00%)	(6,072)	(5,692)
Effects of:		
Fixed asset differences	1	-
Expenses not deductible for tax purposes	2,023	1,691
Additional deduction for R&D expenditure	(4,936)	(3,585)
Surrender of tax losses for R&D tax credit	2,064	1,502
R&D expenditure credits	31	17
Deferred tax not recognised in relation to trading losses	251	1,244
Total tax credit	(6,638)	(4,823)

A deferred tax asset of £7.6m (2021: £9.2m) has not been recognized due to uncertainties over future profitability. The amount of trading losses carried forward indefinitely where a deferred tax asset has not been recognized is £22.0m (2021: £20.6m).

The UK Corporation tax rate for year ended 31 December 2022 is 19% (2021: 19%). Deferred tax has been calculated using 25% (2021: 25%) as this is the corporation tax rate effective 1 April 2023, following the announcement in the Budget on 3 March 2021 which has been substantively enacted.

11 Property, plant and equipment**Computer
equipment
£'000****Cost**

Balance at 1 January 2021	185
Disposals	(89)
Balance at 31 December 2021	96

Balance at 1 January 2022	96
Disposals	(2)
Balance at 31 December 2022	94

Accumulated depreciation

Balance at 1 January 2021	141
Depreciation charge	27
Disposals	(88)
Balance at 31 December 2021	80

Balance at 1 January 2022	80
Depreciation charge	12
Disposals	(1)
Balance at 31 December 2022	91

Net book value

At 31 December 2021	16
At 31 December 2022	3

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Notes (continued)**12 Investments**

	2022	2021
	£'000	£'000
Investments	1,892	2,383

Unlisted investments

The Company's unlisted investments include 315,465 (2021: 315,465) ordinary £0.001 shares in Adarga Limited. The investment is carried at fair value of £1.9m (2021: £2.4m), being the value of the most observable recent price-setting transaction, which occurred during the year ended 31 December 2022. It is, therefore, classified as Level 2 in the fair value hierarchy defined under IFRS 13. As the result of this transaction, £491k (2021: £nil) was recognised in administrative expenses in the statement of comprehensive income.

13 Trade and other receivables

	2022	2021
	£'000	£'000
Other receivables	222	281
Other taxation and social security	628	458
Prepayments	1,210	1,470
Amounts owed from related parties	2,543	389
	<u>4,603</u>	<u>2,598</u>

14 R&D tax credit receivable

	2022	2021
	£'000	£'000
R&D tax credit receivable	6,804	4,913

15 Cash and cash equivalents

	2022	2021
	£'000	£'000
Cash at bank and in hand	631	533

16 Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	2,324	998
Other payables	279	-
Taxation and social security	301	155
Accruals	3,271	1,829
Amounts owed to related parties	42,143	28,357
	<u>48,318</u>	<u>31,339</u>

17 Deferred income

	£'000
Balance at 1 January 2021	2,722
Additions	1,314
Released to revenue	(4,005)
Balance at 31 December 2021	<u>31</u>
Balance at 1 January 2022	31
Additions	13,144
Released to revenue	(10,300)
Balance at 31 December 2022	<u>2,875</u>

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Notes *(continued)***18 Provisions**

	Tax related to SBP £'000
Balance at 1 January 2021	-
Provision recognised ¹	2,783
Balance at 31 December 2021 restated	2,783
Current	2,333
Non-current	450
Balance at 1 January 2022	2,783
Provisions released during the year	(1,087)
Balance at 31 December 2022	1,696
Current	1,447
Non-current	249

¹SBP restatement as detailed in note 19.4.

The provision related to the employer tax arising from share-based payments arises in-line with the relative portion of fair value charged for each tranche as at the reporting date under the two share incentive schemes, as a function of the share price and prevailing tax rates. The non-current portion relates to tranches which have an expected vesting date greater than 12 months from year end. These two share incentive schemes are discussed further in note 19.

19 Share-based payments ("SBP")**19.1 BenevolentAI Equity Incentive Scheme ("BEIS")**

On 22 April 2022 ("Closing date"), Odyssey Acquisition S.A. (later renamed BenevolentAI) and BenevolentAI Limited (the former parent company of the privately held UK group before the group reorganisation ("Transaction")), entered into a group reorganisation agreement by way of contribution of all shares in BenevolentAI Limited into Odyssey Acquisition S.A. in exchange for Odyssey Acquisition S.A. issuing new ordinary shares.

Prior to the Closing date, the group under BenevolentAI Limited, including BenevolentAI Bio Limited, operated the BEIS, wherein all employees were offered options or Restricted Stock Units ("RSUs") upon joining. RSUs operate in such a way as to give the same economic benefit as options, reflecting the requirements of certain jurisdictions.

This scheme is in run-off since the Transaction Closing date, closed to new entrants and with vesting continuing for awards already granted. For holders of awards under the BEIS, these were transferred at the Closing date, from being for shares in BenevolentAI Limited to now being exercisable for BenevolentAI shares. This transfer was carried out on the same basis as with the share for share exchange as determined in the business combination agreement, maintaining the fair value held by the BEIS participants.

Options and RSUs have been adjusted based on the ratio of 1 BenevolentAI Limited ordinary and A preferred share into approximately 38.4930 BenevolentAI ordinary shares, as determined in the business combination agreement as part of the share for share exchange. Correspondingly, the exercise price has been divided by the same ratio, such that the fair value charge remains consistent. The comparative information presented in this note has been adjusted retrospectively for this conversion, where applicable.

During the year ended 31 December 2022, 310,677 options and 2,695 RSUs were granted to employees and others under the Company's participation in the BEIS, all prior to the Closing date. 61,829 options and 2,695 RSUs under the BEIS were forfeited over the course of the year by BenevolentAI Bio Limited participants. No options were exercised, nor RSU agreements settled, during the year. Post Closing date, this scheme is now in run-off with no further grants to be made as part of the scheme.

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Notes (continued)**19.2 Long-term incentive plan ("LTIP")**

Prior to the Closing date, options or RSUs had been awarded under the BEIS. Since then, however, a new equity incentive scheme was arranged, being the LTIP established on 27 July 2022. Under the LTIP, RSUs and performance stock units ("PSUs") are granted to eligible employees and may be subject to one or more performance conditions.

During the year, 176,672 RSUs and 164,659 PSUs were granted under the LTIP to BenevolentAI Bio Limited participants. 3,960 RSUs were forfeited due to the grantees no longer being employed by the Company or forfeiting their options.

Equity awards held in BenevolentAI by BenevolentAI Bio Limited participants	BEIS (pre-conversion)		BEIS (post-conversion)		LTIP	
	Number of Awards	Weighted average exercise price (£)	Number of Awards	Weighted average exercise price (£)	Number of Awards	Weighted average exercise price (£)
Awards outstanding at 1 January 2021	36,187	10.1	1,392,946	0.3	-	-
Granted in the year	81,084	0.1	3,121,166	0.0	-	-
Exercised during the year	-	-	-	-	-	-
Lapsed/forfeited during the year	(1,781)	124.2	(68,556)	3.2	-	-
Outstanding at 31 December 2021	115,490	1.3	4,445,557	0.0	-	-
Exercisable at 31 December 2021	-	-	-	-	-	-
Outstanding at 1 January 2022			4,445,557	0.0	-	-
Granted in the year			518,973	0.0	341,331	-
Exercised during the year			-	-	-	-
Lapsed/forfeited during the year			(64,524)	2.9	(3,960)	-
Outstanding at 31 December 2022			4,900,006	0.0	337,371	-
Exercisable at 31 December 2022			-	-	-	-

¹The weighted average exercise price for awards outstanding at 31 December 2021 has been aligned with the opening equivalent in 2022, following the change in methodology explained in note 19.4.

For BEIS awards outstanding at the year end, the average weighted time to exercise or settlement is 0.6 years. For the LTIP awards, this is equal to 2.1 years.

19.3 IFRS 2 valuation

The fair value of services received in return for share awards granted is measured by reference to the fair value of goods or services received or reference to the fair value of share awards granted.

Black Scholes

As permitted under IFRS 2, the Black Scholes model has been used to calculate the fair value of each award granted under the BEIS at the date of grant, as well as for all RSUs under the LTIP. For PSUs granted under the LTIP, the Black Scholes model has been utilized for the portion not subject to market vesting conditions.

To calculate the fair value of share options using the Black-Scholes model, the assumptions in the following table have been used. As the Company grants new equity awards at regular intervals, the weighted average of outstanding awards at the end of the financial year has been disclosed. The following assumptions were used in the Black Scholes model in calculating the fair values of the awards granted under each scheme during the year:

Weighted average for awards granted during the year	BEIS		LTIP	
	2022	2021	2022	2021
Market value at date of grant	£5.22	£5.22	£3.90	-
Exercise price at grant date	£0.0	£0.0	-	-
Volatility	60%	60%	50%	-
Time to exercise (years)	1.7	1.9	2.2	-
Risk-free rate	1.18%	0.22%	2.40%	-
Employee turnover	12%	12%	11%	-

For BEIS awards granted during each year, the grant dates and corresponding vesting end dates reflect the wide and varied range in dates the participant joined the Company. For LTIP awards, these are typically done on a quarterly basis. Awards made under either scheme have an expiry term of either 7 or 10 years.

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Notes (continued)**19.3 IFRS 2 valuation** (continued)

The weighted average market value at date of grant and corresponding exercise price are subject to and divided by the same conversion factor arising from the share for share exchange. The model inputs for each award are static from the point of grant onwards, with the weighted average, adjusted for the conversion factor above, otherwise moving only when awards made are no longer outstanding.

The expected volatility been assessed with reference to a benchmark of industry comparators, given BAI's relatively recent introduction to public markets. The expected period to exercise is based upon the date at which the service condition for each tranche in each award is met. The risk-free rate is based on the Bank of England's estimates of gilt yield curve as at each respective grant date.

Monte Carlo Simulations

The portion of each PSU under the LTIP which relates to market vesting conditions carries a separate fair value, determined using the Monte Carlo Simulation model.

The inputs into the Monte Carlo Simulation model for awards issued during the year were as follows:

	LTIP	
	2022	2021
Weighted average for awards granted during the year	£5.5	-
Market value at date of grant	-	-
Exercise price at grant date	50%	-
Volatility	2.7	-
Time to exercise (years)	1.77%	-
Risk-free rate		

The Monte Carlo Simulation model has been used to value the portion of the awards which have a market performance vesting condition (achievement of a target company valuation). The model incorporates a discount factor reflecting this performance condition into the fair value of this portion of the award. The weighted average fair value of awards granted during the year determined using the Monte Carlo Simulation model at the grant date was £5.47 (2021: £nil) per award.

The volatility assumption has been derived as the median volatility over a 5 year period of a bespoke comparator group. For options granted during 2022, the expected life represents the term until expected vesting and exercise. The risk-free interest rate used reflects the UK Government 5-year Gilt rate as reported by the Bank of England.

	2022 £'000	2021 restated £'000
SBP expenses	9,368	8,146
Transaction-related SBP expenses	705	-
	10,073	8,146
(Credit)/charge to income statement for social security provision in relation to equity-settled SBP	(1,237)	2,783
Transaction-related social security provision in relation to SBP	150	-
	(1,087)	2,783

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Notes (continued)**19.4 Restatement**

The Company has re-assessed the fair value ("FV") charging methodology for the BEIS, identified as a result of the business combination, reflecting the scheme's trigger event. Historic FV allocation was to spread straight-line over the award's overall service period, rather than via a tranching approach. The fair value of each of these vesting tranches is now recognised in the statement of comprehensive income on a straight-line basis over the longer of either the time until that tranche's service condition is met or the trigger event takes place (the "vesting period"). Prior estimates around each tranche's vesting period, using the award's overall service period as a proxy, were in many instances too long, meaning that the FV allocation was spread over a longer period than transpired. Indicators during 2021 would suggest that the re-assessment of the FV allocation over the period until trigger should have taken place in 2021, with the respective charges pulled back into the restated period.

The error and subsequent correction, presented through the 2021 primary financial statements is detailed below:

	Previously reported	2021 Prior period adjustments	Restated
	£'000	£'000	£'000
Statement of comprehensive income			
R&D expenses	(23,902)	(1,889)	(25,791)
Administrative expenses	(6,019)	(4,160)	(10,179)
Statement of financial position as at 31 December			
Current provisions	2,059	274	2,333
Non-current provisions	-	450	450
Capital contributions reserve	15,979	5,325	21,304
Accumulated losses	(93,704)	(6,049)	(99,753)

20 Capital and reserves**Share capital**

	Ordinary shares	
	17,091	
On issue at 1 January 2021, 31 December 2021 and 31 December 2022 - fully paid		
	2022	2021
	£	£
<i>Allotted, called up and fully paid</i>		
17,091 ordinary shares £0.10	1,709	1,709

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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Notes (continued)**21 Financial instruments***Fair values of financial instruments*

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the statement of financial position are as follows:

	Note	Carrying amount 2022 £'000	Carrying amount 2021 £'000
<i>Financial assets</i>			
Financial assets measured at fair value			
Investment	12	1,892	2,383
Financial assets measured at amortised cost			
Cash and cash equivalents	15	631	533
Trade and other receivables	13	2,765	666
Total financial assets		5,288	3,582
<i>Financial liabilities</i>			
Financial liabilities measured at amortised cost	16	47,737	31,184
Total financial liabilities		47,737	31,184

Risk Management

The Company's principal financial instruments comprise cash at bank, trade payables and other receivables and the main purpose of these financial instruments is to facilitate the Company's operations.

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 investment securities.

The Company currently does not have a provision for bad debt based on historic and current experience with relevant parties, consequently exposure to expected credit losses is nil.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company expects to meet its financial obligations through operating and financing cashflows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £'000	Contractual cashflows				
		Total £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
31 December 2022						
Non-derivative financial liabilities						
Trade and other payables	5,874	5,874	5,874	-	-	-
Amounts owed to group undertakings	42,143	42,143	42,143	-	-	-
31 December 2021						
Non-derivative financial liabilities						
Trade and other payables	2,827	2,827	2,827	-	-	-
Amounts owed to group undertakings	28,357	28,357	28,357	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company does not have any exposure to interest rate risk nor changes in quoted equity prices, but it is exposed to foreign exchange rates.

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Notes *(continued)***21 Financial instruments** *(continued)**Foreign currency risk*

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 December 2022	Euro £'000	US Dollar £'000	British Pound £'000	Total £'000
Cash and cash equivalents	250	178	203	631
Trade payables	(622)	(634)	(1,068)	(2,324)
Net exposure	(372)	(456)	(865)	(1,693)

31 December 2021	Euro £'000	US Dollar £'000	British Pound £'000	Total £'000
Cash and cash equivalents	207	61	265	533
Trade payables	(104)	(5)	(889)	(998)
Net exposure	103	56	(624)	(465)

A 10% weakening of the following currencies against the pound sterling at 31 December 2022 would have increased profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 December 2021.

Sensitivity analysis

	2022 £'000	2021 £'000
€	37	(10)
\$	46	(6)

A 10% strengthening of the above currencies against the pound at 31 December 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Bank credit ratings

The company cash balances are held with bank and financial institution counterparties, which are rated investment grade or above (Moody's Long term - Baa3, Short term - P-3), based on credit ratings as at 31 December 2022, which is at minimum a positive outlook. Its cash equivalents balance is held in AAA rated liquidity funds. The company considers that its cash and cash equivalents and short-term deposits have low credit risk based on the external ratings.

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Notes (continued)**22 Related party transactions***Identity of related parties with which the Company has transacted*

During the year, BenevolentAI Bio Limited recognised £1.9m of service fee revenue charged to other Group companies (2021: £1.3m), as well as £5.1m of service fee charges from other Group companies (2021: £4.5m).

There were no provisions for uncollectible receivables and bad debts expense recognised in the period in relation to related parties.

	Net receivables outstanding		Net payables outstanding	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Parent	-	-	41,100	27,964
Amounts owed from/to fellow subsidiaries	2,543	389	1,043	393
	2,543	389	42,143	28,357

Amounts owed to other Group undertakings are unsecured, interest free, have no fixed date of repayment but are repayable on demand.

Other related party transactions

During the year, the Company paid contractor fees totalling £nil to Lisciad Limited (2021: £27k), a company under common control. At the year end, the Company owed £nil to Lisciad Limited (2021: £nil).

Transactions with key management personnel ("KMPs")

The remuneration of the KMPs of the Company, defined as the Board of Directors of the wider Group, can be found in the Group's annual report. This is available on the website, www.benevolent.com.

23 Ultimate parent company and parent of larger group

The Company is controlled by its ultimate parent company BenevolentAI, following its acquisition of BenevolentAI Limited on 22 April 2022. The new ultimate parent is incorporated in the Luxembourg and has its registered office at 9, rue de Bitbourg, L-273 Luxembourg, Grand Duchy of Luxembourg.

24 Subsequent events

On 5 April 2023, BenevolentAI announced top-line results from its Phase IIa, randomised, double-blind, placebo-controlled study of BEN-2293, a topical pan-Trk inhibitor. Primary endpoints were successfully met, with BEN-2293 found to be safe and well tolerated.

Secondary efficacy endpoints, to reduce itch and inflammation, were not achieved. However, initial analyses in the Per-Protocol population have shown a statistically significant treatment effect in Eczema Area and Severity Index ("EASI") change from baseline for patients with an Atopic Dermatitis affected percentage body surface area ("BSA") greater than 20% over time, suggesting potential for further clinical investigation.

The Group is conducting a review of the full dataset to help guide further development for BEN-2293 and it will report the full results at a later date, as warranted.