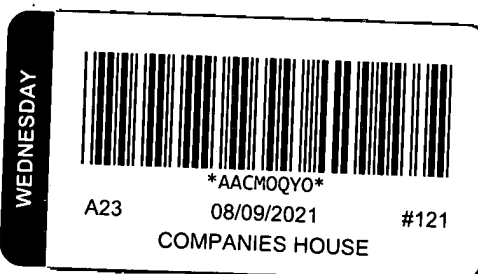


BenevolentAI Bio Limited

Directors' report and financial statements

Registered number 08774096,

31 December 2020



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Directors' report

The Directors present their report and the audited financial statements of BenevolentAI Bio Limited (the "Company") for the year ended 31 December 2020.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' regime under section 415A of the Companies Act 2006. The Directors have not presented a Strategic report in accordance with section 414B of the Companies Act 2006.

Principal activities and business review

BenevolentAI Limited ('BenevolentAI' or 'the Group') creates and applies AI and machine learning to transform the way medicines are discovered and developed. The Group, which includes BenevolentAI Bio Limited, has developed the Benevolent Platform®, a disease agnostic drug discovery platform built on powerful data foundations with state of the art machine learning and AI technology. It integrates its technology into every step of the drug discovery process, from hypothesis generation to early-stage clinical development, empowering scientists to decipher the vast and complex code underlying human biology and find new ways to treat diseases.

The year under review has shown progress using the leverage of the combined group in-house expertise and laboratory facilities with the development of the Benevolent Platform®. The Company made a loss of £12.5m in the year ended 31 December 2020 (2019: £16.6m loss). This includes a non-cash employee benefit charge of £2.5m (2019: £0.3m credit) which relates to BenevolentAI Group share option plan.

Going concern

The Company has net liabilities of £6.7m at 31 December 2020 (2019: net assets of £3.3m) which includes £13.5m (2019: £4.7m) net due to group companies. The Company has obtained a letter of support from its 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 12 months from the date of approval of these financial statements.

The Company is dependent on continuing financing being made available by its 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 parent company's group 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 12 months from the date of approval of the financial statements. BenevolentAI Limited will, as part of its business plan, seek further access to capital 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.

Proposed dividend

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

EU Exit Review 'Brexit'

The Directors have continued to refresh the original review across the business to assess and address any impact of the exit from the EU before and after the end of the transition period of 31 December 2020. No significant issues have been identified or arisen and the Directors are confident in the Company's ability to continue business as usual post Brexit.

Directors' report *(continued)*

Coronavirus COVID-19

The Directors have undertaken a review across the business for the impact of the spread of the coronavirus across the world, to the extent possible given the rapidly changing situation. The majority of work continues to be carried out through remote working. As a consequence of reduced employee numbers accessing the laboratory facilities in Cambridge, a small proportion of work has been outsourced to other laboratory organisations to minimise disruption to experimental work. Identified risks and changes have been explored and suitable mitigants identified or put in place to the extent possible. The Directors are satisfied that the impact on the Company is manageable and does not impact its presentation as a going concern.

Directors

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

Professor Ann Jacqueline Hunter (resigned 8 March 2021)

Joanna Shields

Ivan Griffin

Anne Phelan

Tom Holgate

Political contributions

The Company made no political donations or incurred any political expenditure during this financial year (2019: £nil).

Financial risk management

The Company's finance department manages the risk inherent in the availability of liquid funds in accordance with the corporate policies of its parent company. The Company does so by the use of regular cash flow management and timely requisitioning of allocated funds from its parent company.

Disclosure of information to auditor

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

Auditor

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

By order of the board

Anne Phelan

Anne Phelan
Director

Date: 22-03-2021

4-8 Maple Street
London
W1T 5HD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU).

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 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 EU;
- 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 Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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 BENEVOLENTAI BIO LIMITED

Opinion

We have audited the financial statements of BenevolentAI Bio 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENEVOLENTAI BIO LIMITED *(continued)*

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, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because it is simple in nature and not a key focus for the Company.

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. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENEVOLENTAI BIO LIMITED *(continued)*

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. 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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

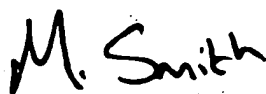
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENEVOLENTAI BIO LIMITED *(continued)*

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.



Mark Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

25 March 2021

Statement of Profit and Loss and other Comprehensive Income
for year ended 31 December 2020

| | Note | 2020 £000 | 2019 £000 |
|--|--------|-----------------|-----------------|
| Revenue | 3 | 7,627 | 4,433 |
| Gross profit | | 7,627 | 4,433 |
| Administrative and research and development expenses | 4,5,16 | (24,400) | (26,227) |
| Other income | | 179 | 34 |
| Operating loss | | (16,594) | (21,760) |
| Financial income | 7 | 27 | 14 |
| Loss before taxation | | (16,567) | (21,746) |
| Taxation | 8 | 4,066 | 5,098 |
| Loss for the year | | (12,501) | (16,648) |
| Total comprehensive loss for the year | | (12,501) | (16,648) |

The notes on pages 13 to 30 form an integral part of these statements.

Statement of Financial Position
at 31 December 2020

| | Note | 2020 £000 | 2019 £000 |
|-------------------------------|------|----------------|---------------|
| Non-current assets | | | |
| Intangible assets | 9 | - | - |
| Property, plant and equipment | 10 | 44 | 166 |
| Investments | 11 | 2,383 | 2,416 |
| Right-of-use assets | 12 | - | - |
| | | <u>2,427</u> | <u>2,582</u> |
| Current assets | | | |
| Trade and other receivables | 13 | 7,350 | 7,555 |
| Cash and cash equivalents | 14 | 3,765 | 4,964 |
| | | <u>11,115</u> | <u>12,519</u> |
| Total assets | | <u>13,542</u> | <u>15,101</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 17,540 | 8,979 |
| Deferred income | 15 | 2,722 | 2,641 |
| Provisions | 15 | - | 106 |
| Lease liabilities | 15 | - | 88 |
| | | <u>20,262</u> | <u>11,814</u> |
| Total liabilities | | <u>20,262</u> | <u>11,814</u> |
| Net Assets | | <u>(6,720)</u> | <u>3,287</u> |
| Equity | | | |
| Share capital | 17 | 2 | 2 |
| Share premium account | | 54,737 | 54,737 |
| Capital contributions | | 13,158 | 10,664 |
| Retained earnings | | (74,617) | (62,116) |
| Total equity | | <u>(6,720)</u> | <u>3,287</u> |

The notes on pages 13 to 30 form an integral part of these statements.

These financial statements were approved by the board of directors on 22-03-2021 and were signed on its behalf by:

Anne Phelan

Anne Phelan
 Director
 Company registered number: 08774096

4-8 Maple Street
 London
 W1T 5HD

Statement of Changes in Equity
for year ended 31 December 2020

| | Called up Share capital £000 | Share Premium account £000 | Capital contributions £000 | Retained earnings £000 | Total equity £000 |
|--|---------------------------------------|-------------------------------------|----------------------------------|------------------------------|----------------------|
| Balance at 1 January 2019 | 2 | 54,737 | 10,998 | (45,468) | 20,269 |
| Total comprehensive loss for the year | - | - | - | (16,648) | (16,648) |
| Transactions with owners, recorded directly in equity | | | | | |
| Equity-settled share-based payment transactions | - | - | (334) | - | (334) |
| Total contributions by and distributions to owners | - | - | (334) | (16,648) | (16,982) |
| Balance at 31 December 2019 | 2 | 54,737 | 10,664 | (62,116) | 3,287 |
| Balance at 1 January 2020 | 2 | 54,737 | 10,664 | (62,116) | 3,287 |
| Total comprehensive loss for the year | - | - | - | (12,501) | (12,501) |
| Transactions with owners, recorded directly in equity | | | | | |
| Equity-settled share-based payment transactions | - | - | 2,494 | - | 2,494 |
| Total contributions by and distributions to owners | - | - | 2,494 | (12,501) | (10,007) |
| Balance at 31 December 2020 | 2 | 54,737 | 13,158 | (74,617) | (6,720) |

The notes on pages 13 to 30 form an integral part of these statements.

Cash Flow Statement
for year ended 31 December 2020

| | Note | 2020 £000 | 2019 £000 |
|--|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Loss for the year | | (12,501) | (16,648) |
| <i>Adjustments for:</i> | | | |
| Depreciation, amortisation and impairment | | 77 | 2,142 |
| Loss/(gain) on disposal of property, plant and equipment | | 97 | (1) |
| Foreign exchange loss/(gain) | | 1 | (24) |
| Equity settled share-based payment expense/(income) | 16 | 2,494 | (334) |
| Finance income | 7 | (27) | (14) |
| | | <hr/> | <hr/> |
| Decrease in trade and other receivables | | 205 | 1,681 |
| Increase in trade and other payables | | 8,555 | 6,615 |
| Decrease in provisions | | (106) | (54) |
| Interest expense on lease liabilities | 7 | (1) | - |
| | | <hr/> | <hr/> |
| Net cash from operating activities | | (1,206) | (6,637) |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Interest received | 7 | 28 | 14 |
| Acquisition of property, plant and equipment | 10 | (20) | (34) |
| Proceeds from sale of assets | | - | 3 |
| | | <hr/> | <hr/> |
| Net cash from investing activities | | 8 | (17) |
| | | <hr/> | <hr/> |
| Net decrease in cash and cash equivalents | | (1,198) | (6,654) |
| Cash and cash equivalents at 1 January | | 4,964 | 11,594 |
| Effect of exchange rate fluctuations on cash held | | (1) | 24 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at 31 December 2020 | 13 | 3,765 | 4,964 |
| | | <hr/> | <hr/> |

The notes on pages 13 to 30 form an integral part of these statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The BenevolentAI Bio Limited (the "Company") is a private company 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 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 company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

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 2. All amounts in the financial statements have been rounded to the nearest £1,000.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except financial instruments classified as available for sale are stated at fair value.

1.2 Going concern

The financial statements are prepared on a going concern basis which the Directors consider to be appropriate for the following reasons and where they have reviewed cash flow forecasts for both the BenevolentAI Group ("Group") and each of the subsidiaries, for a period of at least 12 months from the date of signing of the financial statements. In preparing those forecasts, the impact of Covid-19 and other potential scenarios have been considered, to assess and put in place suitable mitigating actions in relation to its cost base.

The Company made a loss of £12.5m (2019: £16.6m) has net liabilities of £6.7m at 31 December 2020 (2019: net assets of £3.3m). The Company is a subsidiary of BenevolentAI Limited and the Company's activities are integral to the business plan of the Group in delivering its principal activities which are to apply computational medicine and machine intelligence technologies to transform the way medicines are discovered, designed, developed, tested and brought to market. In addition, the Company has intercompany funding repayable on demand of £13.5m to BenevolentAI Limited. 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.

The Group has received significant cash funds from investors during the year resulting in a net assets position of £122.6m (2019: £125.5m) at 31 December 2020. The Group is largely in a pre-revenue phase and as part of its business plan will seek further access to capital as required to support the needs of the Group and its continued growth.

The Directors have also considered the ongoing testing and development activities of the Group as a result of Covid-19 and are satisfied that these have not been unduly disrupted by the impact of Covid-19. As a result, and in conjunction with the cashflow considerations and mitigation actions, they have concluded that even in a severe but plausible downside scenario, the Group will be able to continue as a going concern for at least the next 12 months. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors have concluded 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.

1.3 Foreign currency

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

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency (continued)

Foreign exchange differences arising on translation are recognised in the income statement. 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. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Company's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of, such that control, or significant influence (as the case may be) is lost, the entire accumulated amount in the foreign currency translation reserve, is recycled to profit or loss as part of the gain or loss on disposal.

1.4 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 called up share capital and share premium account exclude amounts in relation to those shares.

1.5 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 impairment losses.

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.

Investments in debt and equity securities

Investments in equity securities held by the Company are classified as an equity instrument not held for trading and are stated at fair value, with any resultant gain or loss including impairment losses being recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes (continued)

1 Accounting policies (continued)

1.6 Intangible assets

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other Intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents - length of patent licence
- Software - length of software licence

1.7 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. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- computer equipment 3 years
- fixtures and fittings 4 years
- leasehold improvements life of the asset

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.

Notes (continued)

1 Accounting policies (continued)

1.8 Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

1.9 Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1 Accounting policies (continued)

1.10 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 income statement 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 recognised 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 measured reliably.

Share-based payment transactions

Share-based payment arrangements in which the Group 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 Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become entitled to the awards. The fair value of the options granted is measured using the Black-Scholes model. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

The share-based payment scheme operates as a group scheme where employees are granted share options in BenevolentAI Limited for services rendered to the company and the subsidiaries. Employees of this Company are included within the group share based payment scheme and are granted options in the parent company. The share options granted will be settled by BenevolentAI Limited and therefore have been recognised as a capital contribution from the parent company to its subsidiary. The Company recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The basis of such allocation is disclosed in note 16.

1.11 Revenue recognition

The company's revenue is generated from the following sources.

- Income from Licence and Collaboration Agreements
- Service Fees

Licence and collaboration agreements typically have an initial upfront payment, potential milestone payments for research development and commercial achievement plus royalties on product sales. Where the initial upfront fee is received in connection with IP licensing agreements, such fees are deferred and recognised by reference to the development costs incurred in developing the programme towards the next milestone. Royalties are recognised on an accruals basis in line with related contracts.

When the Company receives milestone payments for achieving pre-defined targets during pre-clinical and clinical development, these milestones are recognised when receivable (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 licensing 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 represents revenue from rendering services and is recognised over the term of the contract.

Notes (continued)

1 Accounting policies (continued)

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease where these are short-term leases with a period remaining of less than 12 months or for low value. Other leases that are assessed under IFRS 16 as finance leases have been accounted for in accordance with IFRS.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement 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 balance sheet 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 balance sheet 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 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including management's reasonable expectations of future events. The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The following is a summary of the critical accounting estimates that were made in preparing these financial statements.

Share-based payments provision

The ultimate parent company operates an unapproved Share Option Plan. All employees are offered options upon joining the Company. The fair value of share options granted is measured using the Black-Scholes model at each reporting date taking into account various assumptions detailed in note 16. The full charge of the vested options during the year is recognised in the profit and loss.

3 Revenue

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Income from Licence and collaboration Agreements | 6,895 | 4,032 |
| Service fees | 732 | 401 |
| | <hr/> | <hr/> |
| Total revenues | 7,627 | 4,433 |
| | <hr/> | <hr/> |
| By geographical market | | |
| UK | 7,627 | 3,893 |
| USA | - | 540 |
| | <hr/> | <hr/> |
| Total revenues | 7,627 | 4,433 |
| | <hr/> | <hr/> |

Notes (continued)**4 Expenses and auditor's remuneration**

Included in profit/loss are the following:

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| Research and development expensed as incurred | 20,048 | 19,429 |

Auditor's remuneration:

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| Audit of these financial statements | 23 | 12 |
| Amounts receivable by the company's auditor and its associates in respect of: Taxation compliance services | 8 | 8 |

5 Staff numbers and costs

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

| | Number of employees | |
|--------------------------|---------------------|------|
| | 2020 | 2019 |
| Research and development | 59 | 52 |
| | 59 | 52 |

The aggregate payroll costs of these persons were as follows:

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| Wages and salaries | 5,226 | 4,940 |
| Share based payments (note 16) | 2,494 | (334) |
| Social security costs | 538 | 611 |
| Contributions to defined contribution plans | 247 | 203 |
| | 8,505 | 5,420 |

6 Directors' remuneration

| | 2020 £000 | 2019 £000 |
|-------------------------|--------------|--------------|
| Directors' remuneration | 398 | 371 |

The remuneration of the highest paid Director was £270k (2019: £210k) and £11k company pension contributions were made (2019: £nil).

Notes (continued)

7 Finance income, net

| | 2020 £000 | 2019 £000 |
|---------------------------------------|--------------|--------------|
| Interest income on bank deposits | 28 | 29 |
| Interest expense on lease liabilities | (1) | (15) |
| | <u>27</u> | <u>14</u> |

8 Taxation

Recognised in the income statement

| | 2020 £000 | 2019 £000 |
|--------------------------------------|----------------|----------------|
| Current tax on income for the period | (4,270) | (5,098) |
| Prior period adjustments | 204 | |
| | <u>(4,066)</u> | <u>(5,098)</u> |
| Current tax credit | (4,066) | (5,098) |

Reconciliation of effective tax rate

| | 2020 £000 | 2019 £000 |
|---|-----------------|-----------------|
| Loss for the year | (12,501) | (16,648) |
| Total tax credit | (4,066) | (5,098) |
| | <u>(16,567)</u> | <u>(21,746)</u> |
| Loss excluding taxation | (16,567) | (21,746) |
| Tax using the UK corporation tax rate of 19.00% (2019: 19.00%) | (3,148) | (4,132) |
| | <u>842</u> | <u>(44)</u> |
| Deferred tax not recognised | 842 | (44) |
| Adjust opening and closing deferred tax to average rate of 19.00% | - | (5) |
| Adjustment to tax charge in respect of previous periods | 204 | (21) |
| Current year R&D tax credit | (3,078) | (3,605) |
| Surrender of tax losses for R&D tax credit | 1,290 | 1,509 |
| R&D expenditure credits | 40 | - |
| Non-deductible expenses | 10 | 232 |
| Fixed asset differences | 1 | 159 |
| Other tax adjustments, reliefs and transfers | (227) | 809 |
| | <u>(4,066)</u> | <u>(5,098)</u> |
| Total tax credit | (4,066) | (5,098) |

A deferred tax asset of £5.2m (2019: £3.9m), relating to losses, has not been recognised due to uncertainties over future profitability. A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The effective tax rate for year ended 31 December 2020 is 19% (2019: 19%). Changes to the UK corporation tax rates which were announced in the Budget on 3 March 2021 to take effect from 1 April 2023 have yet to be substantively enacted. This will impact the company's future tax accordingly.

Notes (continued)

9 Intangible assets

| | Patents £000 | Software £000 | Total £000 |
|---|-----------------|------------------|---------------|
| Cost | | | |
| Balance at 1 January 2019 | 964 | 16 | 980 |
| Disposals | (964) | (16) | (980) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2019 | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Balance at 1 January 2020 and at 31 December 2020 | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Amortisation and impairment | | | |
| Balance at 1 January 2019 | 135 | 9 | 144 |
| Impairment for the year | 829 | - | 829 |
| Amortisation for the year | - | 7 | 7 |
| Disposals | (964) | (16) | (980) |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2019 | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Balance at 1 January 2020 and at 31 December 2020 | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 December 2019 | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2020 | - | - | - |
| | <hr/> | <hr/> | <hr/> |

Notes (continued)**10 Property, plant and equipment**

| | Leasehold improvement £000 | Computer Equipment £000 | Fixtures & fittings £000 | Total £000 |
|------------------------------------|----------------------------------|-------------------------------|--------------------------------|---------------|
| Cost | | | | |
| Balance at 1 January 2019 | 181 | 147 | 15 | 343 |
| Additions | - | 39 | - | 39 |
| Disposals | - | (21) | (5) | (26) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2019 | 181 | 165 | 10 | 356 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 1 January 2020 | 181 | 165 | 10 | 356 |
| Additions | - | 20 | - | 20 |
| Disposals | (181) | - | (10) | (191) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2020 | - | 185 | - | 185 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | |
| Balance at 1 January 2019 | 57 | 88 | 14 | 159 |
| Depreciation charge for the year | 18 | 37 | 1 | 56 |
| Disposals | - | (20) | (5) | (25) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2019 | 75 | 105 | 10 | 190 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 1 January 2020 | 75 | 105 | 10 | 190 |
| Depreciation charge for the year | 9 | 36 | - | 45 |
| Disposals | (84) | - | (10) | (94) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2020 | - | 141 | - | 141 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | |
| At 31 December 2019 | 106 | 60 | - | 166 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2020 | - | 44 | - | 44 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes (continued)

11 Investments

| | Registered office address | Class of shares held | Ownership | |
|-----------|---------------------------|----------------------|-----------|------|
| | | | 2020 | 2019 |
| BenBio GK | Domiciled in Japan | Ordinary Shares | -* | 100% |

| Company | Shares in subsidiaries £000 | Investment £000 | Total £000 |
|-----------------------|--------------------------------|--------------------|---------------|
| <i>Cost</i> | | | |
| At 1 January 2019 | 33 | 3,621 | 3,654 |
| Impairment charge | - | (1,238) | (1,238) |
| At 31 December 2019 | 33 | 2,383 | 2,416 |
| At 1 January 2020 | 33 | 2,383 | 2,416 |
| Impairment charge | (33) | - | (33) |
| At 31 December 2020 | - | 2,383 | 2,383 |
| <i>Net book value</i> | | | |
| At 31 December 2019 | 33 | 2,383 | 2,416 |
| At 31 December 2020 | - | 2,383 | 2,383 |

Shares in subsidiaries

*BenBio GK was dissolved in November 2020 and the holding has been fully impaired as a result.

Investment

The Company has assessed the value of this investment to fair value and identified no indicators of impairment required.

Notes (continued)

12 Right-of-use assets

| | Leasehold property £000 |
|---|--|
| Cost | |
| Balance at 1 January 2019 | 1,494 |
| Disposals | (1,494) |
| Balance at 31 December 2019 | - |
| Balance at 1 January 2020 and at 31 December 2020 | - |
| Depreciation | |
| Balance at 1 January 2019 | 1,063 |
| Depreciation charge for the year | 17 |
| Disposals | (1,080) |
| Balance at 31 December 2019 | - |
| Balance at 1 January 2020 and at 31 December 2020 | - |
| Net book value | |
| At 31 December 2019 | - |
| At 31 December 2020 | - |

The Company had one lease for a building which ended during 2020 resulting in no right-of-use assets as at 31 December 2020.

Notes (continued)

13 Trade and other receivables

| | 2020 £000 | 2019 £000 |
|------------------------------------|--------------|--------------|
| Current | | |
| Other receivables | 297 | 353 |
| Rent deposit | - | 439 |
| Accrued income | 4,329 | 5,110 |
| Other taxation and social security | 356 | 469 |
| Prepayments | 1,308 | 1,118 |
| Amounts owed from related parties | 1,060 | 66 |
| | <u>7,350</u> | <u>7,555</u> |

14 Cash and cash equivalents

| | 2020 £000 | 2019 £000 |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | <u>3,765</u> | <u>4,964</u> |

15 Trade and other payables

| | 2020 £000 | 2019 £000 |
|---------------------------------|---------------|---------------|
| Trade payables | 961 | 1,903 |
| Taxation and social security | 162 | 141 |
| Other payables | - | 208 |
| Accruals | 1,900 | 2,016 |
| Deferred income | 2,722 | 2,641 |
| Amounts owed to related parties | 14,517 | 4,711 |
| Provisions | - | 106 |
| Lease liabilities | - | 88 |
| | <u>20,262</u> | <u>11,814</u> |

Notes (continued)

16. Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £247k (2019:£203k). There was an accrual of £nil at year end December 2020 (2019: £nil).

Share based payments (SBP)

The Company is a member of a group unapproved Share Option Plan. All employees are offered options upon joining the Company. During the year 35,169 options were granted to employees and others under the unapproved Share Option Plan and 30,105 share options were forfeited due to the grantees no longer being employed by the Company or forfeiting their options.

SBP for options are recognised evenly over the service period from date of grant. If not exercised options lapse on the 10th anniversary of the date of grant. The ultimate vesting of options is connected to a trigger event, at which point the ability to exercise manifests with a method of settlement being through equity only. No options were exercised during the year.

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

| Options held in BenevolentAI Limited by staff in BenevolentAI Bio Limited | Weighted average exercise price (pounds) 2020 | Number of options 2020 | Weighted average exercise price (pounds) 2019 | Number of options 2019 |
|--|--|------------------------------|--|------------------------------|
| Options Outstanding at the beginning of the year | 198.4 | 31,123 | 324.3 | 36,779 |
| Forfeited during the year | (193.1) | (30,105) | (661.6) | (9,662) |
| Exercised during the year | - | - | - | - |
| Granted during the year | 0.1 | 35,169 | 86.5 | 1,810 |
| Committed during the year | - | - | 0.1 | 2,196 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Outstanding at the end of the year | 10.1 | 36,187 | 198.4 | 31,123 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Exercisable at the end of the year | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes (continued)

16 Employee benefits (continued)

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

As permitted under IFRS 2, the Black-Scholes model has been used to calculate the fair value of each option at the date of grant. The fair value of each option is recognised equally over the service requirement period (usually 3 to 4 years) through the profit and loss and will not be remeasured at each reporting date.

In order to calculate the fair value of share options using the Black-Scholes model, the assumptions in the following table have been used. As the group grants new share options at regular intervals, the weighted average of outstanding share options at the end of the financial year has been disclosed.

The following assumptions have been used in the Black-Scholes model.

| Weighted Avg. for outstanding options at the reporting date | 2020 | 2019 |
|---|-------|-------|
| Market value at date of grant | £346 | £508 |
| Exercise price at grant date | £10 | £198 |
| Volatility | 60% | 60% |
| Time to exercise (years) | 3.4 | 7.1 |
| Risk-free rate | 0.04% | 1.23% |
| Employee turnover | 12% | 13% |

The expected volatility is based upon analysis of historic share price movements of the Group's own securities. The expected period to exercise is based upon management's judgement, with reference to benchmark data of the typical time from incorporation to an Initial Public Offering amongst other companies in Technology industries. The risk-free rate is based on the Bank of England's estimates of gilt yield curve as at the respective grant dates.

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Total share-based payment expense/(credit) | 2,494 | (334) |

17 Capital and reserves

Share capital

| | Ordinary shares 2020 | |
|---|-------------------------|-----------|
| On issue at 1 January 2020 and 31 December 2020 - fully paid | | 17,091 |
| | 2020 £ | 2019 £ |
| <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.

Notes (continued)

18 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 balance sheet are as follows:

| | Carrying amount 2020 £000 | Carrying amount 2019 £000 |
|---|---------------------------------|---------------------------------|
| Financial assets measured at fair value | | |
| Amortised Cost | | |
| Cash and cash equivalents (note 14) | 3,765 | 4,964 |
| Trade and other receivables (note 13) | 1,254 | 858 |
| Total financial assets | 5,019 | 5,822 |
| Financial liabilities measured at amortised cost (note 15) | 17,275 | 9,032 |
| Total financial liabilities | 17,275 | 9,032 |

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 group 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:

| 31 December 2020 | Carrying amount £000 | 1 year or less £000 | 1 to <2years £000 | 2 to <5years £000 | 5 years and over £000 |
|---|-------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|
| Non-derivative financial liabilities | | | | | |
| Trade and other payables | 2,758 | 2,758 | - | - | - |
| Amounts owed to group undertakings | 14,517 | 14,517 | - | - | - |
| 31 December 2019 | Carrying amount £000 | 1 year or less £000 | 1 to <2years £000 | 2 to <5years £000 | 5 years and over £000 |
| Non-derivative financial liabilities | | | | | |
| Trade and other payables | 4,321 | 4,321 | - | - | - |
| Amounts owed to group undertakings | 4,711 | 4,711 | - | - | - |

Notes (continued)

18 Financial instruments (continued)

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.

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 2020 | Euro £000 | US Dollar £000 | British Pound £000 | Total £000 |
|---------------------------|--------------|-------------------|-----------------------|---------------|
| Cash and cash equivalents | 89 | 840 | 2,836 | 3,765 |
| Trade payables | (153) | (88) | (618) | (859) |
| Net exposure | (64) | 752 | 2,218 | 2,906 |
| 31 December 2019 | Euro £000 | US Dollar £000 | British Pound £000 | Total £000 |
| Cash and cash equivalents | 688 | 2,096 | 2,180 | 4,964 |
| Trade payables | (705) | (164) | (1,034) | (1,903) |
| Net exposure | (17) | 1,932 | 1,146 | 3,061 |

A 10 percent weakening of the following currencies against the pound sterling at 31 December 2020 would have increased profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet 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 2019.

Sensitivity analysis

| | 2020 £000 | 2019 £000 |
|----|--------------|--------------|
| € | 6 | 2 |
| \$ | (75) | (193) |

A 10 percent strengthening of the above currencies against the pound at 31 December 2020 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 cash and cash equivalents are held with bank and financial institution counterparties, which are rated A+ and above, based on Fitch credit ratings as at 31 December 2020, which is at minimum a positive outlook. The Company considers that its cash and cash equivalents have low credit risk based on the external ratings.

Notes (continued)

19 Related Parties

Identity of related parties with which the Company has transacted

During the period, BenevolentAI Bio Limited recognised £nil of recharge expenditure from BenBio GK (2019: £0.5m).

During the year, BenevolentAI Bio Limited paid contractor fees totalling £55k (2019:£86k) to Lisciad Limited, a company under common control. At the period end, BenevolentAI Bio Limited owed £15k (2019: £9k) to Lisciad Limited.

Transactions with key management personnel

Total compensation of key management personnel in the year is included in the Directors' remuneration note in the parent company accounts.

Other related party transactions

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

| | Receivables outstanding | | Payables outstanding | |
|-----------------------|-------------------------|--------------|----------------------|--------------|
| | 2020 £000 | 2019 £000 | 2020 £000 | 2019 £000 |
| Parent | - | - | 13,462 | 4,148 |
| Other related parties | 1,060 | 66 | 1,055 | 563 |
| | <u>1,060</u> | <u>66</u> | <u>14,517</u> | <u>4,711</u> |

20 Ultimate parent company and parent company of larger group

The Company is controlled by its parent company BenevolentAI Ltd which is incorporated in the United Kingdom and has its registered office at 4-8 Maple Street, London W1T 5HD.

21 Subsequent events

No subsequent events to report.