

**Babylon Healthcare Services Limited**

**Annual report and financial statements**

Registered number 09229684

Year ended 31 December 2016

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## **Directors' report**

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

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

### **Ultimate Parent Company**

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

### **Principal Activity**

The Company provides healthcare services, which include engaging healthcare professionals and selling their services through the technology developed by other group companies.

### **Results and other information**

The results of the Company are shown in the Profit and Loss Account and Other Comprehensive Income on page 6. In the year ended 31 December 2016, the Company made a profit of £56,739 (period to 31 December 2015: loss of £48,965). The position of the Company at the year end can be found on page 7.

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

### **Comparatives**

The 2015 comparatives cover the period from 22 September 2014 to 31 December 2015.

### **Principle Risks and Uncertainties**

The type of risks that affect the management of the Company are exposure to credit risk, liquidity risk and cash flow risk. Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the trade and other receivables. The Company's revenue is received from a high number of different businesses and individuals, and therefore this spreads the credit risk and the Company does not consider there to be any significant concentration of credit risk in respect of which adequate provisions have been raised. These risks are managed by accurate forward forecasting our cash requirements and planning in advance for the subsequent funding rounds held by the holding company.

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

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

### **Going concern**

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

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

### **Proposed dividend**

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

### **Directors**

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

Dr A Parsadoust

Mr C Bischoff (appointed on 15 January 2016)

### **Political contributions**

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

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

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

### **Auditor**

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

By order of the board



**Ali Parsadoust**  
Director

60 Sloane Avenue  
London  
SW3 3DD

19th September 2017

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

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

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

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

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

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



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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

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

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

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


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

## **Independent auditor's report to the members of Babylon Healthcare Services Limited (continued)**

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

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

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

T.J. 

**Timothy Rush (Senior Statutory Auditor)  
for and on behalf of KPMG LLP**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

21<sup>st</sup> September

2017

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

	<i>Note</i>	<b>2016</b>	2015
		<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	<b>945,649</b>	247,182
<b>Gross profit</b>		<b>945,649</b>	247,182
Administrative expenses		<b>(2,287,558)</b>	(1,539,391)
Other operating income	<b>3</b>	<b>1,394,224</b>	1,246,667
<b>Operating profit</b>		<b>52,315</b>	(45,542)
Other interest receivable and similar income	<b>7</b>	<b>8,356</b>	-
Interest payable and similar charges	<b>8</b>	<b>(3,932)</b>	(3,423)
<b>Profit/ (loss) before taxation</b>		<b>56,739</b>	(48,965)
Tax on profit/(loss)	<b>9</b>	-	-
<b>Profit/(loss) and total comprehensive income for the financial year</b>		<b>56,739</b>	(48,965)

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

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



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

	Note	2016	2015
		£	£
<b>Current assets</b>			
Debtors	10	1,266,326	618,675
Cash at bank and in hand	11	36,060	10,501
		<u>1,302,386</u>	<u>629,176</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(1,176,100)</u>	<u>(617,767)</u>
<b>Net current assets</b>		<b>126,286</b>	<b>11,409</b>
<b>Total assets less current liabilities</b>		<b>126,286</b>	<b>11,409</b>
<b>Net assets</b>		<b>126,286</b>	<b>11,409</b>
<b>Capital and reserves</b>			
Called up share capital	14	1	1
Share based payment reserve		118,511	60,373
Profit and loss account		7,774	(48,965)
<b>Shareholder's funds</b>		<b>126,286</b>	<b>11,409</b>

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



**Ali Parsadoust**  
Director

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

Company registered number: 09229684

## Statement of Changes in Equity

	<b>Called up Share capital</b>	<b>Share reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 22 September 2014	1	-	-	1
<b>Total comprehensive income for the period</b>				
Loss	-	-	(48,965)	(48,965)
Equity-settled share based payment transactions	-	60,373	-	60,373
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>60,373</b>	<b>(48,965)</b>	<b>11,409</b>

	<b>Called up Share capital</b>	<b>Share reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 January 2016	1	60,373	(48,965)	11,409
<b>Total comprehensive income for the period</b>				
Profit	-	-	56,739	56,739
Equity-settled share based payment transactions	-	58,138	-	58,138
<b>Balance at 31 December 2016</b>	<b>1</b>	<b>118,511</b>	<b>7,774</b>	<b>126,286</b>

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

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

	<i>Note</i>	<b>2016</b> £	<b>2015</b> £
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		56,739	(48,965)
<i>Adjustments for:</i>			
Interest receivable and similar income		(8,356)	
Interest payable and similar charges		3,932	3,423
Equity settled share based payments	13	58,138	60,373
		<hr/> 110,453	<hr/> 14,831
(Increase) in trade and other debtors		(647,651)	(618,674)
(Decrease)/Increase in trade and other creditors		(198,139)	527,768
Interest paid		(3,932)	(3,423)
		<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>		(739,269)	(79,498)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Interest received		8,356	-
		<hr/>	<hr/>
<b>Net cash inflow from investing activities</b>		8,356	-
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Increase in financing from Parent		756,472	89,999
		<hr/>	<hr/>
<b>Net cash inflow from investing activities</b>		756,472	89,999
		<hr/>	<hr/>
Net increase in cash and cash equivalents		25,559	10,501
Cash and cash equivalents at 1 January		10,501	-
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	11	36,060	10,501
		<hr/> <hr/>	<hr/> <hr/>

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

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

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

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 18.

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

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

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

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

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

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Basic financial instruments

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

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

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### 1.5 Employee benefits

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

The Company is part of a group share-based payment plan operated by its parent company, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The basis of such allocation is disclosed in note 13.

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

#### 1.6 Expenses

##### *Interest receivable and Interest payable*

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

Other interest receivable and similar income include interest receivable on bank balances.

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

#### 1.7 Taxation

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8 Turnover

The company's business is derived from the development and management of the Babylon application. Turnover is recognised at the fair value of the consideration received or receivable and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Revenue from contracts for the provision of professional services is recognised on a straight-line basis over the period to which the services are rendered.

#### 2 Turnover

	2016 £	2015 £
Services rendered	929,898	242,704
Sale of goods	15,751	4,478
	<hr/>	<hr/>
Total turnover	945,649	247,182
	<hr/>	<hr/>

All sales are made within the United Kingdom and Ireland.

#### 3 Other operating income

	2016 £	2015 £
Risk transfer	1,394,224	1,246,667
	<hr/>	<hr/>
	1,394,224	1,246,667
	<hr/>	<hr/>

Other operating income relates to a risk transfer agreement between the Company and Babylon Partners Limited, whereby a transfer of income is made between the companies such that the Company maintains a 6% operating profit margin.

#### 4 Expenses and auditor's remuneration

*Auditor's remuneration:*

	2016 £	2015 £
Audit of these financial statements	10,500	5,000
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	3,120	3,000
	<hr/>	<hr/>

## Notes (continued)

### 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	
	2016	2015
Commercial	1	1
Nurse	1	1
General Practitioners	2	2
Clinical Operations	11	4
	<u>15</u>	<u>8</u>

The aggregate payroll costs of these persons were as follows:

	2016 £	2015 £
Wages and salaries	461,986	346,573
Share based payments (See note 13)	58,138	60,373
Social security costs	49,386	44,568
	<u>569,510</u>	<u>451,514</u>

### 6 Directors' remuneration

	2016 £	2015 £
Directors' remuneration	<u>31,062</u>	<u>30,000</u>

Directors' remuneration represents amounts allocated for services provided to the Company by the Directors. All amounts were borne by Babylon Partners Limited. It was estimated that the Directors spent 20% of their time providing services to Babylon Healthcare Services Limited.

### 7 Other interest receivable and similar income

	2016 £	2015 £
Bank interest receivable	<u>8,356</u>	<u>—</u>
	<u>8,356</u>	<u>—</u>

## Notes (continued)

### 8 Interest payable and similar charges

	2016 £	2015 £
Bank charges	1,730	752
Other interest charges	1,731	80
Net foreign exchange loss	470	2,591
	<hr/>	<hr/>
Total other interest payable and similar charges	3,931	3,423
	<hr/>	<hr/>

### 9 Taxation

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

	2016 £	£	2015 £	£
<i>Current tax</i>				
Current tax on income for the period	-		-	
		<hr/>		<hr/>
Total current tax		-		-
Origination and reversal of timing differences	-		-	
		<hr/>		<hr/>
Total tax		-		-
		<hr/>		<hr/>

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

	2016 £	2015 £
Profit/(loss) for the year	56,739	11,408
Total tax expense	-	-
	<hr/>	<hr/>
Profit excluding tax	56,739	11,408
Tax using the UK corporation tax rate of 20% (2015: 20.41%)	11,348	2,328
Expenses not deductible for tax purposes	46	-
Group relief claimed	(22,921)	(2,431)
Deferred tax not recognised	11,527	103
	<hr/>	<hr/>
Tax for the period	-	-
	<hr/>	<hr/>

The Company has unrelieved tax losses which can be recovered against tax profits in the future. A deferred tax asset has not been recognised as it is uncertain that the Company will generate suitable taxable profits in the future. The total unrecognised deferred tax asset as at 31 December 2016 was £20,147 (2015: £91).



## Notes (continued)

### 9 Taxation (continued)

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

### 10 Debtors

	2016 £	2015 £
Trade debtors	233,609	29,623
Amounts owed by group undertakings	1,032,531	567,199
Other debtors	186	351
Prepayments and accrued income	-	21,348
Taxation	-	154
	<u>1,266,326</u>	<u>618,675</u>

### 11 Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	36,060	10,501
	<u>36,060</u>	<u>10,501</u>

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

	2016 £	2015 £
Trade creditors	43,826	49,666
Amounts owed to group undertakings	846,471	89,999
Taxation and social security	21,131	28,902
Other creditors	-	8,770
Accruals and deferred income	264,672	440,430
	<u>1,176,100</u>	<u>617,767</u>

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

## Notes (continued)

### 13 Employee benefits

#### *Share-based payments*

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

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

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

	Weighted average exercise price £ 2016	Number of options 2016	Weighted average exercise price £ 2015	Number of options 2015
Outstanding at the beginning of the year	0.01	1,790	-	-
Forfeited during the year	0.01	(310)	-	-
Exercised during the year	-	-	-	-
Granted during the year	0.01	334	0.01	1,790
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the year	0.01	1,814	0.01	1,790
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at the end of the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

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

	2016 £	2015 £
Liabilities brought forward	60,373	-
Total share-based payment expense	58,138	60,373
	<hr/>	<hr/>
Total carrying amount of liabilities	118,511	60,373
	<hr/>	<hr/>

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

## Notes (continued)

### 14 Capital and reserves

#### Share capital

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

#### Profit and loss account

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

#### Share based payment reserve

The share based payment reserve represents amounts accruing for equity based share options granted (see note 13).

### 15 Related parties

Per FRS102 33.1A, the Company has taken the exemption that disclosures need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

#### *Transactions with key management personnel*

The Directors of the Company are key management, and their remuneration is shown in note 6.

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

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

### 17 Subsequent events

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

## Notes (continued)

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

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

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

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

As the Company was incorporated on 22 September 2014 and its first accounting period was that ending 31 December 2015, no opening comparative balance sheet has been set out below.

#### *Reconciliation of equity at 31 December 2015*

			31 December 2015	
		UK	Effect of	FRS 102
	Note	GAAP	transition to	FRS 102
		£	FRS 102	£
<b>Capital and reserves</b>				
Called up share capital		1		1
Share reserve	18.1		60,373	60,373
Profit and loss account		11,408	(60,373)	(48,965)
			<hr/>	<hr/>
<b>Shareholders' equity</b>		<b>11,409</b>	<b>-</b>	<b>11,409</b>
			<hr/> <hr/>	<hr/> <hr/>

#### *Reconciliation of loss for 31 December 2015*

			2015	
		UK GAAP	Effect of	FRS 102
	Note	£	transition to	FRS 102
		£	FRS 102	£
Administrative expenses	18.1	(1,479,018)	(60,373)	(1,539,391)
<b>Profit for the year</b>		<b>11,408</b>	<b>(60,373)</b>	<b>(48,965)</b>
		<hr/>	<hr/>	<hr/>

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

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