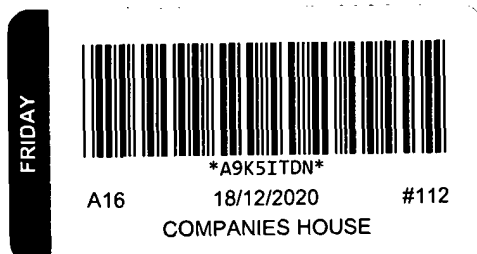


# **BenevolentAI Limited**

## **Annual report and consolidated financial statements**

Registered number 09781806

31 December 2019



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## **Strategic Report**

### **Principal activities and business review**

BenevolentAI Limited ('BenevolentAI' or 'the Company') is a global leader in the development and application of machine intelligence focussed on drug discovery and development. The Company designs, develops and applies computational medicine and machine intelligence technologies to transform the way medicines are discovered, designed, developed, tested and brought to market.

BenevolentAI aims to improve the lives of patients suffering from diseases with no effective treatment. The Benevolent Platform® is used by scientists and technologists to find new ways to treat disease, improve the efficacy and lower the development time and costs of new treatments.

BenevolentAI continues to combine its technology approach with in-house pharmaceutical expertise, with a further important validation through entering a landmark Collaboration with Astra Zeneca in April 2019. The Collaboration initially runs for two and a half years, with bespoke instance of the BenevolentAI proprietary technology having been set-up to support the early target identification for two indications, chronic kidney disease and idiopathic pulmonary fibrosis. In addition, the Company also signed and concluded the initial phase of a Collaboration with Novartis, focussing around patient stratification and endotyping, allowing the Company to demonstrate its capability in this field of innovation.

In September 2019 the Company concluded its fundraising efforts having secured \$90 million from Temasek, a Singapore-headquartered investment company. Raine Advisors acted as exclusive financial advisors to BenevolentAI.

The funding will be used to scale and further develop the Benevolent Platform® for drug discovery and development. BenevolentAI will continue to advance its growing pipeline of internal drug development programmes and collaborations with strategic partners across its key therapeutic areas.

2019 saw our average headcount continue to grow by 40% reflecting the focus in acquiring and retaining the best talent in support of our technology and scientific innovation, particularly focussed on the Collaboration delivery. As the Company matures and grows the Company also made strategic hires in 2019 in the Technology, Scientific and Operations domains. The Company has significant hiring objectives in 2020, following the successful fundraising, in support of the scaling business model.

Following the acquisition of BenevolentAI Cambridge Limited in 2018, the Company has been able to leverage the in-house expertise and laboratory facilities to reduce the time to validate hypotheses generated by the Benevolent Platform®. The Company exceeded its planned numbers of validated hypotheses in 2019 totalling 14, with ambitions to accelerate this number in 2020. From the validated hypotheses, the Benevolent Platform® is further leveraged to design suitable medicines to address patient needs corresponding to the hypotheses validated. Through a combination of in-house expertise and Clinical Research Organisation scaling capacity, this has also progressed to plan in 2019. The Company is focussed on the continued development of its Platform, which is representative of both people and technology products. The strategy of the business continues from 2019 to leverage the scalability of the Platform, establish scientific and commercial proof points for the Platform, to allow for a rich pipeline of assets which can be partnered in support of the Company's revenue objectives.

The Company continued to mobilise its staff in unique cross-functional squads, with a renewed focus on Talent Acquisition, Development and Retention. This was supported in 2019 through a new Equity Compensation Plan to share the value creation with staff.

## **Strategic Report** *(continued)*

### **Corporate Structure & Reporting**

The Group was not subject to any significant changes in corporate structure during 2019, with further embedding of the Cambridge facility. The Group continues to prepare the 2019 financial statements in accordance with IFRS as adopted by the EU. The main reporting change focusses on the adoption of IFRS 16 surrounding the Group's accounting treatment of leased assets.

### **EU Exit Review 'Brexit'**

The Directors have undertaken a review across the business for the impact of the exit from the EU. There are no significant issues notable for BenevolentAI Limited, but it has identified low risks in terms of progressing employee's rights to work, procurement of laboratory consumables cross border, Data transfer from the UK to the EU (if the UK is not seen to offer an adequate level of data protection by the end of December 2020) and possible cost inflation post exit. All of these have been explored and suitable mitigants put in place in order to satisfy preparedness from the view of Directors.

### **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. At the time of writing this report, there are likely to be delays to laboratory-based operations as a consequence of temporary restricted access to the laboratory facilities in Cambridge and those of certain suppliers' laboratory-based operations, the impact of which may slow down research and development spend and defer outcomes of 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.

### **Key Financials**

During 2019, the Group's results were broadly in line with expectations. The Group reported £4.6m of revenue from collaboration agreements (2018: £6.8m). BenevolentAI continues to concentrate on research and development and this is reflected in the rise of Research and development and administrative expenses, which were £63.9m for the year (£39.9m for 2018) which has a related increase in the tax credit refunds for research and development estimated at £11.3m (2018: £6.1m) in the financial statements, reflecting investment in spend for the drug development pipeline, the technology platform and the operations of BenevolentAI Cambridge Limited. Included in the £63.9m is a non-cash employee benefit provision charge of £10.5m which relates to share-based payments (£5.3m credit for 2018). The business closed the year with net assets of £125.5m up from (£80m in 2018).

The financial statements have been prepared on the going concern basis. The Group has received significant cash funds from investors which the directors through rigorous assessment of funds, ongoing cash needs and stressing for different scenarios are satisfied that the Group will be able to meet its liabilities as they fall due for at least 12 months from the date of sign off of these financial statements. The company remains in a net asset position of £125.5m (2018: £80m).

## **Strategic Report** *(continued)*

### **Principle Risks and Uncertainties**

The Company operates in two high potential reward but also potentially high-risk sectors namely technology development and medicines research and development. Specific risks include (but are not limited to):

- A failure to keep pace with the rapid change in technology meaning that the Company would lose its competitive edge
- Failure to identify and progress drug candidates successfully through various stages of preclinical and clinical development
- Challenges to the Company's intellectual property portfolio
- Lack of appropriate future funding to support development of the technology and product pipeline
- Failure to attract and retain the best talent
- Management of Company's growth strategy in a rapid scale-up environment

By order of the board



Mr Kenneth Mulvany  
Chairman and Director  
Date : 11/5 2020

4-8 Maple Street  
London  
W1T 5HD

## **Directors' report**

The directors present their report and the audited financial statements of BenevolentAI Limited (the "Company") for the period 1 January 2019 to 31 December 2019.

### **Research and development**

See the Strategic report on page 3.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2018: £nil).

### **Directors**

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

Mr Kenneth Mulvany

Professor Ann Jacqueline Hunter

Mr Bart Swanson (resigned 6 March 2020)

Mr Jerome Pesenti (resigned 11 September 2019)

Baroness Joanna Shields

Mr Michael Brennan

Mr Jung Ryun Park (appointed 6 December 2019)

### **Political and charitable contributions**

The Company made no political or charitable donations or incurred any political expenditure during this financial year (2018: £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 parent company.

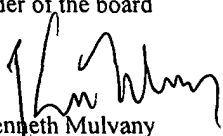
### **Disclosure of information to auditor**

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 he ought to have taken as a director to make himself 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

  
Mr Kenneth Mulvany  
Chairman and Director  
Date: 11/5/2020

4-8 Maple Street  
London  
W1T 5HD

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and to prevent and detect fraud and other irregularities.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENEVOLENTAI LIMITED**

### **Opinion**

We have audited the financial statements of BenevolentAI Limited ("the company") for the year ended 31<sup>st</sup> December 2019 which comprise the Group Profit and Loss Account and other Comprehensive Income, Group and Parent Company Statement of Financial Position, Group and Parent Company Statement of Changes in Equity, Group and Parent Company Consolidated Cash Flow Statement, 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 group's and of the parent company's affairs as at 31st December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENEVOLENTAI LIMITED** **(Continued)**

### **Strategic report and directors' report**

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

Our responsibility is to read the strategic report and 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, assessing the group and parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

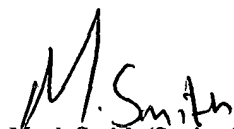
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

**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  
Canary Wharf  
London  
E14 5GL

15/5/2020

**Consolidated Statement of Profit and Loss and Other Comprehensive Income**  
*for year ended 31 December 2019*

	Note	2019 £000	2018 £000
Revenue	3	4,641	6,826
<b>Gross profit</b>		<b>4,641</b>	<b>6,826</b>
Research and development and administrative expenses	4,6,7	(63,899)	(39,848)
Other Income	5	21	412
<b>Group operating loss</b>		<b>(59,237)</b>	<b>(32,610)</b>
Group share of loss in associate company	12	-	(472)
Finance (expense) / income	8	(447)	60
<b>Loss before taxation</b>		<b>(59,684)</b>	<b>(33,022)</b>
Taxation	9	11,254	6,142
<b>Loss for the year</b>		<b>(48,430)</b>	<b>(26,880)</b>
<b>Total comprehensive loss for the year</b>		<b>(48,430)</b>	<b>(26,880)</b>

The notes on pages 18 to 43 form an integral part of these statements

**Consolidated Statement of Financial Position**  
*at 31 December 2019*

	Note	2019 £000	2018 £000
<b>Non-current assets</b>			
Intangible assets	10	34,224	35,073
Property, plant and equipment	11	3,807	4,493
Investments	12	2,383	3,149
Right-of-use assets	13	9,757	-
Trade and other receivables	14	138	578
		<hr/>	<hr/>
		50,309	43,293
<b>Current assets</b>			
Trade and other receivables	14	14,976	14,123
Cash and cash equivalents	15	86,242	32,506
		<hr/>	<hr/>
		101,218	46,629
<b>Total assets</b>		<hr/>	<hr/>
		151,527	89,922
<b>Current liabilities</b>			
Trade and other payables	16	9,915	7,290
Deferred income	16	2,641	541
Provisions	16	106	134
Lease liabilities	16	1,462	-
		<hr/>	<hr/>
		14,124	7,965
<b>Non-current liabilities</b>			
Provisions	16	-	26
Lease liabilities	16	10,064	-
Deferred tax	16	1,819	1,819
		<hr/>	<hr/>
		11,883	1,845
<b>Total liabilities</b>		<hr/>	<hr/>
		26,007	9,810
<b>Net Assets</b>		<hr/>	<hr/>
		125,520	80,112
<b>Equity</b>			
Share capital	18	213	181
Share premium account		168,360	84,984
Share-based payment reserve	17	31,549	21,038
Retained earnings		(129,170)	(80,659)
Merger difference		54,568	54,568
		<hr/>	<hr/>
<b>Total equity</b>		125,520	80,112

The notes on pages 18 to 43 form an integral part of these statements

These financial statements were approved by the board of directors on 11/5/2020 and were signed on its behalf by:

Mr Kenneth Mulvany  
Chairman and Director

4-8 Maple Street  
London, W1T 5HD

**Company Statement of Financial Position**  
*at 31 December 2019*

	Note	2019 £000	2018 £000
<b>Non-current assets</b>			
Intangible assets	10	45	58
Property, plant and equipment	11	1,804	2,275
Investments	12	49,668	49,968
Right-of-use assets	13	8,303	-
		<hr/>	<hr/>
		59,820	52,301
<b>Current assets</b>			
Trade and other receivables	14	51,550	29,133
Cash and cash equivalents	15	79,632	19,855
		<hr/>	<hr/>
		131,182	48,988
		<hr/>	<hr/>
<b>Total assets</b>		191,002	101,289
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	16	2,474	1,631
Lease liabilities	16	1,010	-
		<hr/>	<hr/>
		3,484	1,631
<b>Non-current liabilities</b>			
Lease liabilities	16	9,011	-
		<hr/>	<hr/>
<b>Total liabilities</b>		12,495	1,631
		<hr/>	<hr/>
<b>Net Assets</b>		178,507	99,658
		<hr/>	<hr/>
<b>Equity</b>			
Share capital	18	213	181
Share premium		168,360	84,984
Share-based payment reserve	17	31,549	21,038
Retained earnings		(21,615)	(6,545)
		<hr/>	<hr/>
<b>Total equity</b>		178,507	99,658
		<hr/>	<hr/>

The notes on pages 18 to 43 form an integral part of these statements

These financial statements were approved by the board of directors on 11/5/2020 and were signed on its behalf by:



Mr Kenneth Mulvany  
Chairman and Director

4-8 Maple Street  
London W1T 5HD

## Consolidated Statement of Changes in Equity

for year ended 31 December 2019

	Called up Share capital £000	Share Premium £000	Share-based payments reserve £000	Retained earnings £000	Merger difference £000	Total Equity £000
Balance at 1 January 2018	175	-	26,386	(53,779)	54,568	27,350
Total comprehensive loss for the period	-	-	-	(26,880)	-	(26,880)
<b>Transactions with owners, recorded directly in equity</b>						
Issues of shares	6	84,984	-	-	-	84,990
Equity-settled share-based payment transactions	-	-	(5,348)	-	-	(5,348)
<b>Total contributions by and distributions to owners</b>	6	84,984	(5,348)	-	-	79,642
<b>Balance at 31 December 2018</b>	<b>181</b>	<b>84,984</b>	<b>21,038</b>	<b>(80,659)</b>	<b>54,568</b>	<b>80,112</b>
Balance at 1 January 2019	181	84,984	21,038	(80,659)	54,568	80,112
Adjustment for change in accounting policy (note 1.20)	-	-	-	(81)	-	(81)
Balance at 1 January 2019 restated	181	84,984	21,038	(80,740)	54,568	80,031
Total comprehensive loss for the period	-	-	-	(48,430)	-	(48,430)
<b>Transactions with owners, recorded directly in equity</b>						
Issues of shares, net of costs	32	83,376	-	-	-	83,408
Equity-settled share-based payment transactions	-	-	10,511	-	-	10,511
<b>Total contributions by and distributions to owners</b>	32	83,376	10,511	-	-	93,919
<b>Balance at 31 December 2019</b>	<b>213</b>	<b>168,360</b>	<b>31,549</b>	<b>(129,170)</b>	<b>54,568</b>	<b>125,520</b>

The notes on pages 18 to 43 form an integral part of these statements

**Company Statement of Changes in Equity**  
*for year ended 31 December 2019*

	Called up Share capital £000	Share Premium £000	Share-based payments reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2018	175	-	26,386	(4,408)	22,153
Total comprehensive loss for the period	-	-	-	(2,137)	(2,137)
<b>Transactions with owners, recorded directly in equity</b>					
Issue of shares	6	84,984	-	-	84,990
Equity-settled share-based payment transactions	-	-	(5,348)	-	(5,348)
<b>Total contributions by and distributions to owners</b>	<b>6</b>	<b>84,984</b>	<b>(5,348)</b>	<b>-</b>	<b>79,642</b>
<b>Balance at 31 December 2018</b>	<b>181</b>	<b>84,984</b>	<b>21,038</b>	<b>(6,545)</b>	<b>99,658</b>

	Called up Share Capital £000	Share Premium £000	Share-based payments reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2019	181	84,984	21,038	(6,545)	99,658
Adjustment for change in accounting policy (note 1.20)	-	-	-	(75)	(75)
Balance at 1 January 2019 - restated	181	84,984	21,038	(6,620)	99,583
Total comprehensive loss for the period	-	-	-	(14,995)	(14,995)
<b>Transactions with owners, recorded directly in equity</b>					
Issue of shares	32	83,376	-	-	83,408
Equity-settled share-based payment transactions	-	-	10,511	-	10,511
<b>Total contributions by and distributions to owners</b>	<b>32</b>	<b>83,376</b>	<b>10,511</b>	<b>-</b>	<b>93,919</b>
<b>Balance at 31 December 2019</b>	<b>213</b>	<b>168,360</b>	<b>31,549</b>	<b>(21,615)</b>	<b>178,507</b>

The notes on pages 18 to 43 form an integral part of these statements

## Consolidated Cash Flow Statement

for year ended 31 December 2019

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Loss for the year		(48,430)	(26,880)
Adjustments for:			
Depreciation, amortisation and impairment		4,388	748
(Loss)/gain on disposal of tangible fixed assets		(3)	10
Foreign exchange loss		139	3
Share of loss from associate company	12	-	472
Equity settled share-based payment expenses	17	10,511	(5,348)
Finance expense/(income)		447	(60)
 Increase in trade and other receivables		(412)	(6,879)
Decrease in trade and other payables	See note below	4,479	2,812
Change in working capital net effects of acquisition		-	(2,927)
(Decrease)/increase in movement in provisions		(54)	160
<b>Net cash from operating activities</b>		<b>(28,935)</b>	<b>(37,889)</b>
 <b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	11	(737)	(3,885)
Acquisition of intangible assets	10	-	(62)
Acquisition of investments	12	-	(8,921)
Proceeds from sales of fixed assets		8	30
Interest received		131	42
<b>Net cash from investing activities</b>		<b>(598)</b>	<b>(12,796)</b>
 <b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital, net of costs	18	83,408	63,562
<b>Net cash from financing activities</b>		<b>83,408</b>	<b>63,562</b>
 Net increase in cash and cash equivalents		53,875	12,877
Cash and cash equivalents at 1 January		32,506	19,632
Effect of exchange rate fluctuations on cash held		(139)	(3)
<b>Cash and cash equivalents at 31 December 2019</b>	15	<b>86,242</b>	<b>32,506</b>

Note that the decrease in trade and other payables includes the non-cash adjustments accounting for right-of-use assets under IFRS 16 other than depreciation which is already included in the depreciation adjustment.

The notes on pages 18 to 43 form an integral part of these statements

**Company Cash Flow Statement**  
*for year ended 31 December 2019*

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
Loss for the year		(14,995)	(2,138)
Adjustments for:			
Depreciation, amortisation and impairment		1,562	124
Foreign exchange loss/(gain)		170	(62)
Finance expenses/(income)		384	(19)
Loss on disposal of PPE		-	9
Equity settled share-based payment expenses	17	10,812	(766)
 Increase in trade and other receivables		(22,417)	(21,444)
Decrease/(increase) in trade and other payables	See note below	1,014	(25,458)
<b>Net cash from operating activities</b>		<b>(23,470)</b>	<b>(49,754)</b>
 <b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	11	(102)	(2,323)
Acquisition of intangible assets	10	-	(62)
Acquisition of subsidiary		-	(9,296)
Interest received		111	19
<b>Net cash from investing activities</b>		<b>9</b>	<b>(11,662)</b>
 <b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital, net of costs		83,408	63,562
<b>Net cash from financing activities</b>		<b>83,408</b>	<b>63,562</b>
 Net increase/(decrease) in cash and cash equivalents		59,947	2,146
Cash and cash equivalents at 1 January		19,855	17,647
Effect of exchange rate fluctuations on cash held		(170)	62
<b>Cash and cash equivalents at 31 December 2019</b>	15	<b>79,632</b>	<b>19,855</b>

Note that the decrease in trade and other payables includes the non-cash adjustments accounting for right-of-use assets under IFRS 16 other than depreciation which is already included in the depreciation adjustment.

The notes on pages 18 to 43 form an integral part of these statements

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

BenevolentAI Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 09781806 and the registered address is, 4-8 Maple Street, London, W1T 5HD.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates. The parent company financial statements present information about the Company as a separate entity and not about its group. The Group 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 £1000.

#### **1.2 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.

#### **1.3 Going concern**

The financial statements have been prepared on the going concern basis which the directors consider appropriate for the reasons outline below and where they have reviewed cash flow forecasts for a period of at least 18 months from the date of signing of these financial statements. In preparing these forecasts, the impact of COVID-19 has been considered. The Group has received significant cash funds from investors during the year resulting in a net asset position of £125.5m (2018: £80m). The directors have also reviewed the ongoing testing and development activities of the company and the progress of these, as explained in the Strategic Report and are satisfied these are not unduly disrupted by the impact of COVID-19. The Group is largely in a pre-Revenue phase and as part of its business plan, the Group, consistent with its continued growth, will seek access to further capital, as required, to support the needs of the business and the continued platform development. The directors remain confident that when it is required, such further funding will be available to the Group. The directors have also considered severe but plausible downside scenarios which show the Group has adequate cash to continue to operate well beyond the next 12 months without new funding and that in such downside scenarios, the directors have also considered mitigating actions in relation to its cost base to increase further the period before new funding is required. As a result, the directors have concluded that the Group will be able to continue in operational existence and meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

#### **1.4 Basis of consolidation**

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income.

##### *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

## **Notes (continued)**

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

#### **1.4 Basis of consolidation (continued)**

##### *Application of the equity method to associates*

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognised any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

##### *Investments and other financial assets*

Investments and other financial assets, other than investments in associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **1.5 Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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 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 Group'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.

#### **1.6 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

## **Notes (continued)**

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

#### **1.6 Classification of financial instruments issued by the Company (continued)**

- (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.

#### **1.7 Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, 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 debt and 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 in associates are carried at cost less impairment, accounted for using the equity method consolidation.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### **1.8 Intangible assets**

##### *Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

##### *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.

## **Notes (continued)**

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

#### **1.8 Intangible assets (continued)**

##### *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

#### **1.9 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:

- laboratory equipment      4-10 years
- computer equipment      3 years
- fixtures and fittings      4 -5 years
- leasehold improvements    life of the lease

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

#### **1.10 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.

## **Notes (continued)**

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

#### **1.11 Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.
- When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
- Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

#### **1.12 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, other than, inventories and deferred tax 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"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

## **Notes (continued)**

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

#### **1.12 Impairment (continued)**

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 respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

#### **1.13 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 unconditionally 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.

Where the Company is part of a group share-based payment plan, 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 17.

#### **1.14 Revenue**

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

- Income from licence and collaboration agreements
- Service Fees

Product licence transactions typically have an initial upfront payment, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Where the initial fee is received in connection with product licensing agreements, such fees are deferred and recognised as income by reference to the development costs incurred in developing the programme towards the next milestone.

## **Notes (continued)**

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

#### **1.14 Revenue (continued)**

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.

#### **1.15 Other Income**

Other Income is represented by Grant Income and is recognised in the profit and loss account to match it with the expenditure towards which it is intended to contribute.

#### **1.16 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. See accounting policy note 1.20 below.

#### **1.17 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.

#### **1.18 Issued capital**

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

#### **1.19 Provisions**

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.20 New standards adopted

The Company has adopted IFRS16 Lease which is mandatory from 1 January 2019. The standard replaces IAS17 "Leases" and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in administration expenses) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS16 will be higher when compared to lease expenses under IAS17.

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

IFRS16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

The impact of adoption on operating retained profits as at 1 January 2019 is as follows:

1 January 2019 Restated Change in accounting policy		
	Group £000	Company £000
<b>Statement of Financial Position</b>		
<i>Non-current assets</i>		
Right-of-use assets Cost	13,188	9,710
Right-of-use assets Accumulated depreciation	(1,645)	(430)
	<hr/>	<hr/>
Net book value	11,543	9,280
<i>Liabilities</i>		
Lease liabilities – current	(598)	108
Lease liabilities – non-current	(11,526)	(10,020)
	<hr/>	<hr/>
	(12,124)	(9,912)
<b>Profit and Loss Account</b>		
<i>Administration expenses</i>		
Operating rental cost previously recognised, written back to P&L	(2,002)	(567)
Depreciation charge for period to 31 December 2018 on right-of-use assets	1,645	430
Discount interest expense	438	212
	<hr/>	<hr/>
Reduction in opening retained profits as at 1 January 2019	81	75
	<hr/>	<hr/>

When adopting IFRS 16 from 1 January 2019, the Company has applied the following practical expedients:

- Applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- Accounts for leases with a remaining lease term of 12 months as at 1 January 2019 as short-term leases;
- Excluding any initial direct costs from the measurement of right-of-use assets; and
- Using hindsight in determining the lease term when the contract contains options to extend or terminate the lease

## Notes (continued)

### 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 resulting accounting judgements and estimates may differ materially from these estimates due to changes including but not limited to those in general economic conditions and law and regulations. The following is a summary of the critical accounting estimates that were made in preparing these financial statements.

#### *Goodwill and Intangible Assets*

The amount of goodwill and intangible assets initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement and based on industry benchmarks and information relevant to the specific assets in focus.

The carrying value of goodwill and intangibles requires the assessment of discounted future cashflows of the future economic value of the underlying assets. The assumptions and critical judgement required from management is inherently uncertain though based on recognised industry methods of evaluating drug programme assets and companies undertaking drug discovery activities. Management engaged an independent expert to review the company's evaluation of the key data including the sources of uncertainty to arrive at their own view in assessing the potential value of the underlying assets.

Management used industry practice in its method of evaluating the estimate of future revenue streams of drug programmes, associated costs together with market data for the therapeutic areas of interest, discount rates for cost of capital, risk factors including probabilities of progressing a candidate to commercialisation or earlier partnering of a programme and other relevant factors.

Management have further considered, as set out in the Strategic Report, the positive progress identified to date from the acquisition of BenevolentAI Cambridge Limited with value anticipated to arise from already identified specific programmes in addition to the ongoing value creation from the underlying assets.

The external assessment supported Management's conclusion that the carrying values of goodwill and intangibles do not require impairment.

#### *Share-based payments provision*

The group operates an unapproved Share Option Plan. All employees are offered options upon joining the Group. 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 17. The full charge of the vested options during the year is recognised in the profit and loss.

### 3 Revenue

	2019 £000	2018 £000
Licence and Collaboration Revenue	4,641	6,241
Service Fees	-	585
	<hr/>	<hr/>
Total revenues	4,641	6,826
	<hr/>	<hr/>
By geographical market		
UK	3,492	80
USA	1,149	585
Europe	-	6,161
	<hr/>	<hr/>
Total revenues	4,641	6,826
	<hr/>	<hr/>

There is no related party revenue in 2019 (2018: nil). See note 21 for related party information.

## Notes (continued)

### 4 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

	2019 £000	2018 £000
Research and development expensed as incurred	54,107	31,464
Impairment of investment (note 12)	766	-

*Auditor's remuneration:*

	2019 £000	2018 £000
Audit of these financial statements	53	46
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiary companies	49	48
Taxation compliance services	34	32

### 5 Other income

	2019 £000	2018 £000
Grant Income	21	412

### 6 Staff numbers and costs

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

	Number of employees	
	2019	2018
Research and development	164	122
Administration	40	24
	<u>204</u>	<u>146</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	19,963	13,549
Share-based payments (note 17)	10,511	(5,348)
Social security costs	2,071	1,236
Contributions to defined contribution plans	663	560
	<u>33,208</u>	<u>9,997</u>

### 7 Directors' remuneration

	2019 £000	2018 £000
Directors' remuneration	1,882	1,331
Pension contributions	38	28

The remuneration of the highest paid director was £580k (2018: £366k) and company pension contributions were made of £21k (2018: £8k).

## Notes (continued)

### 8 Finance (expense) / income

	2019 £000	2018 £000
Interest income on bank deposits	132	42
Interest income from loans and receivables	-	18
Interest (expense) on right-of-use assets	(590)	-
Finance income on leases	11	-
	<u>(447)</u>	<u>60</u>

### 9 Taxation

#### Recognised in the income statement

	2019 £000	2018 £000
Current tax on income for the year	11,254	5,929
Prior Year Adjustment	-	213
Total Tax	<u>11,254</u>	<u>6,142</u>

#### Reconciliation of effective tax rate

Loss for the year	(48,430)	(26,880)
Tax credit	(11,254)	(6,142)
Loss excluding taxation	<u>(59,684)</u>	<u>(33,022)</u>
Tax using the UK corporation tax rate of 19.00% (2018: 19.00 %)	<u>(11,340)</u>	<u>(6,274)</u>
Adjust opening and closing deferred tax to average rate of 19.00% (2018: 19.00%)	223	458
Surrender of tax losses for R&D tax credit refund	3,049	1,864
Additional deduction for R&D expenditure	(7,268)	(4,449)
Adjustment to tax charge in respect of previous periods	(1,406)	(213)
Non-deductible expenses	284	884
Other tax adjustments, reliefs and transfers	3,112	(476)
Deferred tax not recognised	1,897	2,037
Fixed asset differences	195	27
Total tax refund included in accounts	<u>(11,254)</u>	<u>(6,142)</u>

A deferred tax asset of £25.7m (2018: £24.5m), relating to losses, has not been recognised due to uncertainties over future profitability.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was subsequently enacted on 6 September 2016 and the deferred tax asset recognised at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This may increase the Company's future tax charge accordingly and will increase the company's deferred tax liability by £214k.

## Notes (continued)

### 10 Intangible assets

<i>Group</i>	<b>Goodwill</b>	<b>Patents</b>	<b>Software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>				
Balance at 1 January 2018	-	964	35	999
Acquisition of subsidiary	23,479	10,700	21	34,200
Additions	-	-	62	62
Disposal	-	-	(19)	(19)
<b>Balance at 31 December 2018</b>	<b>23,479</b>	<b>11,664</b>	<b>99</b>	<b>35,242</b>
Balance at 1 January 2019	23,479	11,664	99	35,242
Additions	-	-	-	-
Disposals	-	(964)	(36)	(1,000)
<b>Balance at 31 December 2019</b>	<b>23,479</b>	<b>10,700</b>	<b>63</b>	<b>34,242</b>
<b>Amortisation</b>				
Balance at 1 January 2018	-	75	6	81
Amortisation for the year	-	60	38	98
Disposals	-	-	(10)	(10)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>135</b>	<b>34</b>	<b>169</b>
Balance at 1 January 2019	-	135	34	169
Amortisation for the year	-	-	20	20
Impairment	-	829	-	829
Disposals	-	(964)	(36)	(1,000)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>18</b>
<b>Net book value</b>				
At 31 December 2018	23,479	11,529	65	35,073
<b>At 31 December 2019</b>	<b>23,479</b>	<b>10,700</b>	<b>45</b>	<b>34,224</b>

Following the acquisition of BenevolentAI Cambridge (BAIC) in 2018, Goodwill amounts to £23.5m and patent licence amounts to £10.7m. The applicable cash generating unit (CGU), was drawn at the BAIC entity level.

The main focus post-acquisition is combining the knowledge, facilities and highly skilled resources with the rest of the group, enhancing the group's abilities to successfully develop and apply artificial intelligence for scientific innovation, in particular for discovery and development of medicines.

Goodwill arising on the business combination, represents laboratory facilities access, experienced staff and accumulated know-how after fair value has been attributed to all other assets and liabilities acquired.

The patent licence of £10.7 million recognised on the business combinations represents 10% of the future revenue streams for which the rights were acquired as part of the purchase of BenevolentAI Cambridge Limited.

## Notes (continued)

### 10 Intangible assets (continued)

#### Impairment

Management have undertaken a review of the intangible assets for indicators of Impairment.

#### Patents

During the year the Clinical Trial in relation to an in-licensed intangible asset failed to reach its end point, although was safe and well tolerated by patients. This asset has been impaired to nil, reflective of the low recovery anticipated in respect of this asset. The charge included within R & D expenditure was £829,000.

The residual balance reflects the 10% economic interest of an asset currently in a Phase 1 trial, with commencement of dosing the first patients in 2019. On the basis of management's preparation of a risk adjustment net present value calculation, independently reviewed, management do not believe there to be any indicators of impairment at year end.

#### Software

Modest balances relate to software intangibles representing domain names and software all of which are integrated and fully used in the business and subject to amortization. Management do not believe there to be any indicators of impairment for these items.

#### Goodwill

During the year, goodwill was tested for impairment in accordance with IAS 36 Impairment of Assets. For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs defined as the whole of the BenevolentAI Cambridge entity.

On that basis, the recoverable amount exceeds the carrying value of the measured portion of the CGU by over 500% (2018: 118%) meaning there is sufficient headroom and Management, based on their review, do not believe there to be any reasonably possible downsides in any of the key assumptions that would require an impairment charge at the balance sheet date. This was additionally supported through the independent valuation of the applicable assets.

The impairment review was performed by comparing the carrying amount of the cash generated unit to which goodwill has been allocated. Recoverable amounts for cash-generating units are the higher of fair value less costs of disposal, and value in use.

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using risk adjusted discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. The assessment excludes any measurement of terminal value.

Assumptions	2019	2018
Discount Rate	12%	12%
Expected Market Growth Rate	5.8%	5.8%
Time to peak Market Penetration	6 years	6 years

The discount rate (present value) is a pre-tax measurement reflecting an expected return that investors would expect, consistent with that used routinely across the Company for all valuation activities and in our business modelling. The rate is within a range that experienced investors would typically use when assessing drug IP valuation. This is combined with the probabilities of reaching the next stage of development to establish the overall risk adjusted net present value.

Revenue growth at 5.8% was derived from a study showing the expected future growth rates for the Pharma industry over time.

Time to peak market penetration was established through research of drug launch curves, showing that on average this was reached in 6 years.

## Notes (continued)

### 10 Intangible assets (continued)

<i>Company</i>	<b>Software</b>
	<b>£000</b>
<b>Cost</b>	
Balance at 1 January 2018	19
Additions	62
Disposals	(19)
	<hr/>
Balance at 31 December 2018	62
	<hr/>
Balance at 1 January 2019	62
Additions	-
Disposals	-
	<hr/>
<b>Balance at 31 December 2019</b>	<b>62</b>
	<hr/>
<b>Amortisation</b>	
Balance at 1 January 2018	5
Amortisation for the year	10
Disposals	(11)
	<hr/>
Balance at 31 December 2018	4
	<hr/>
Balance at 1 January 2019	4
Amortisation for the year	13
Disposals	-
	<hr/>
<b>Balance at 31 December 2019</b>	<b>17</b>
	<hr/>
<b>Net book value</b>	
At 31 December 2018	58
	<hr/>
<b>At 31 December 2019</b>	<b>45</b>
	<hr/>

## Notes (continued)

### 11 Property, plant and equipment

<i>Group</i>	<b>Lab Equipment £000</b>	<b>Leasehold Improvement £000</b>	<b>Computer Equipment £000</b>	<b>Fixtures &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost</b>					
Balance at 1 January 2018	-	175	504	100	779
Acquisition of subsidiary	796	21	67	10	894
Additions	613	1,825	955	492	3,885
Disposals	(2)	-	(34)	-	(36)
<b>Balance at 31 December 2018</b>	<b>1,407</b>	<b>2,021</b>	<b>1,492</b>	<b>602</b>	<b>5,522</b>
<b>Balance at 1 January 2019</b>	<b>1,407</b>	<b>2,021</b>	<b>1,492</b>	<b>602</b>	<b>5,522</b>
Additions	454	42	203	38	737
Disposals	-	-	(58)	-	(58)
<b>Balance at 31 December 2019</b>	<b>1,861</b>	<b>2,063</b>	<b>1,637</b>	<b>640</b>	<b>6,201</b>
<b>Depreciation</b>					
Balance at 1 January 2018	-	38	295	53	386
Depreciation charge for the year	269	97	235	46	647
Disposals	-	-	(4)	-	(4)
<b>Balance at 31 December 2018</b>	<b>269</b>	<b>135</b>	<b>526</b>	<b>99</b>	<b>1,029</b>
<b>Balance at 1 January 2019</b>	<b>269</b>	<b>135</b>	<b>526</b>	<b>99</b>	<b>1,029</b>
Depreciation charge for the year	403	403	446	168	1,420
Disposals	-	-	(55)	-	(55)
<b>Balance at 31 December 2019</b>	<b>672</b>	<b>538</b>	<b>917</b>	<b>267</b>	<b>2,394</b>
<b>Net book value</b>					
At 31 December 2018	1,138	1,886	966	503	4,493
At 31 December 2019	1,189	1,525	720	373	3,807

## Notes (continued)

### 11 Property, plant and equipment (continued)

<i>Company</i>	<b>Leasehold improvement £000</b>	<b>Computer Equipment £000</b>	<b>Fixtures &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost</b>				
Balance at 1 January 2018	-	53	73	126
Additions	1,791	62	470	2,323
Balance at 31 December 2018	1,791	115	543	2,449
Balance at 1 January 2019	1,791	115	543	2,449
Additions	42	36	24	102
Disposals	-	(3)	-	(3)
<b>Balance at 31 December 2019</b>	<b>1,833</b>	<b>148</b>	<b>567</b>	<b>2,548</b>
<b>Depreciation</b>				
Balance at 1 January 2018	-	25	36	61
Depreciation charge for the year	71	10	32	113
Balance at 31 December 2018	71	35	68	174
Balance at 1 January 2019	71	35	68	174
Depreciation charge for the year	372	48	152	572
Disposals	-	(2)	-	(2)
<b>Balance at 31 December 2019</b>	<b>443</b>	<b>81</b>	<b>220</b>	<b>744</b>
<b>Net book value</b>				
At 31 December 2018	1,720	80	475	2,275
<b>At 31 December 2019</b>	<b>1,390</b>	<b>67</b>	<b>347</b>	<b>1,804</b>

## Notes (continued)

### 12 Investments

#### a) Investment in subsidiaries

	Registered office address	Status	Class of shares held	Ownership	
				2019	2018
BenevolentAI Cambridge Limited	4-8 Maple Street, London W1T 5HD	Trading	Ordinary shares	100%	100%
BenevolentAI Bio Limited	4-8 Maple Street, London W1T 5HD	Trading	Ordinary shares	100%	100%
BenevolentAI Technology Limited	4-8 Maple Street, London W1T 5HD	Trading	Ordinary shares	100%	100%
Benevolent Technology Inc*	Domiciled in USA	Trading	Ordinary shares	100%	100%
BenBio GK*	Domiciled in Japan	Trading	Ordinary Shares	100%	100%
BenevolentAI Energy Limited	4-8 Maple Street, London W1T 5HD	Dormant	Ordinary shares	100%	100%
Stratified Medical Limited	4-8 Maple Street, London W1T 5HD	Dormant	Ordinary shares	100%	100%

\*Held indirectly

#### b) Fixed asset investments

Group	Investment £000	Interests in associated undertakings £000
<i>Cost</i>		
At 1 January 2019	-	8,131
Deemed disposal of associate	-	(8,131)
Deemed addition of investment	3,149	-
At 31 December 2019	3,149	-
<i>Share of post-acquisition reserves</i>		
At 1 January 2019	-	(1,906)
Deemed disposal of associate	-	1,906
<i>Impairment</i>		
At 1 January 2019	-	(3,076)
Deemed disposal of associate	-	3,076
Impairment during the year	(766)	-
At 31 December 2019	(766)	-
<i>Net book value</i>		
At 31 December 2018	-	3,149
At 31 December 2019	2,383	-

The Company's percentage shareholding in Adarga Limited was diluted in 2019 changing from 14.5% as at 31 December 2018 (when it was accounted for as an associate) to 9.5% as at 31 December 2019. It is management's view that the Company no longer maintains significant influence in Adarga and has reflected this in these financial statements as a deemed disposal of an associate, no longer accounting for this as an associate under equity accounting but as an investment valued at fair value.

## Notes (continued)

### 12 Investments (continued)

#### b) Fixed asset investments (continued)

<i>Company</i>	Shares in group undertakings
	£000
<i>Cost</i>	
At 1 January 2018	23,826
Additions	30,725
Share based payment transactions	(4,583)
	<hr/>
At 31 December 2018	49,968
	<hr/>
At 1 January 2019	49,968
Share based payment transactions	(300)
	<hr/>
At 31 December 2019	49,668
	<hr/>
<i>Net book value</i>	
At 31 December 2018	49,968
	<hr/>
At 31 December 2019	49,668
	<hr/>

### 13 Right-of-use assets

<i>Group</i>	Leasehold property £000	Computer Equipment £000	Fixtures & fittings £000	Total £000
<i>Cost</i>				
Balance at 31 December 2018	-	-	-	-
Restatement for IFRS 16	13,148	20	20	13,188
	<hr/>	<hr/>	<hr/>	<hr/>
Balance restated at 1 January 2019	13,148	20	20	13,188
	<hr/>	<hr/>	<hr/>	<hr/>
Additions	-	-	-	-
Disposals	(1,494)	-	-	(1,494)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	11,654	20	20	11,694
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
Balance at 31 December 2018	-	-	-	-
Restatement for IFRS 16	1,643	1	1	1,645
	<hr/>	<hr/>	<hr/>	<hr/>
Balance restated at 1 January 2019	1,643	1	1	1,645
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation charge for the year	1,362	3	7	1,372
Disposals	(1,080)	-	-	(1,080)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	1,925	4	8	1,937
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2018	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	9,729	16	12	9,757
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 13 Right-of-use assets (continued)

<i>Company</i>	<b>Leasehold property £000</b>	<b>Computer Equipment £000</b>	<b>Fixtures &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost</b>				
Balance at 31 December 2018	-	-	-	-
Restatement for IFRS 16	9,670	20	20	9,710
Balance restated at 1 January 2019	9,670	20	20	9,710
Balance at 1 January 2019	9,670	20	20	9,710
Additions	-	-	-	-
Disposals	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>9,670</b>	<b>20</b>	<b>20</b>	<b>9,710</b>
<b>Depreciation</b>				
Balance at 31 December 2018	-	-	-	-
Restatement for IFRS 16	428	1	1	430
Balance restated at 1 January 2019	428	1	1	430
Balance at 1 January 2019	428	1	1	430
Depreciation charge for the year	967	3	7	977
Disposals	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,395</b>	<b>4</b>	<b>8</b>	<b>1,407</b>
<b>Net book value</b>				
At 31 December 2018	-	-	-	-
<b>At 31 December 2019</b>	<b>8,275</b>	<b>16</b>	<b>12</b>	<b>8,303</b>

The Company leases buildings for its offices and laboratory facilities under agreements of between five and ten years with, in some cases, options to break the terms. The Company also leases equipment under agreements of between three to five years. Where the Company has lease agreements under one year or are low-value, these have been expensed as incurred. See also note 1.20.

## Notes (continued)

### 14 Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Non-current</b>				
Rent deposit	117	531	-	-
Prepayments	21	47	-	-
	<u>138</u>	<u>578</u>	<u>-</u>	<u>-</u>
<b>Current</b>				
Other receivables	312	1,540	9	153
Rent deposit	542	10	-	-
R&D claim	11,550	10,256	-	-
Other taxation and social security	983	1,214	185	423
Prepayments	1,520	1,103	231	151
Lease receivable	69	-	-	-
Amounts owed from related parties	-	-	51,125	28,406
	<u>14,976</u>	<u>14,123</u>	<u>51,550</u>	<u>29,133</u>

### 15 Cash and cash equivalents

	<i>Group</i>		<i>Company</i>	
	2019	2018	2019	2018
	£000	£000	£000	£000
Cash at bank and in hand	86,242	32,506	79,632	19,855
	<u>86,242</u>	<u>32,506</u>	<u>79,632</u>	<u>19,855</u>

### 16 Trade and other payables

	<i>Group</i>		<i>Company</i>	
	2019	2018	2019	2018
	£000	£000	£000	£000
<b>Non-current</b>				
Deferred tax	1,819	1,819	-	-
Provision	-	26	-	-
Lease liabilities	10,064	-	9,011	-
	<u>11,883</u>	<u>1,845</u>	<u>9,011</u>	<u>-</u>
<b>Current</b>				
Trade payables	2,696	2,193	188	261
Taxation and social security	560	444	130	102
Deferred tax	-	109	-	-
Other payables	1,182	1,053	907	887
Accruals	5,477	3,491	1,249	381
Deferred income	2,641	541	-	-
Lease liabilities	1,462	-	1,010	-
Provision	106	134	-	-
	<u>14,124</u>	<u>7,965</u>	<u>3,484</u>	<u>1,631</u>

## Notes (continued)

### 17 Employee benefits

#### Defined contribution plans

##### *Group and company*

The Group operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £663k (2018: £560k). There was an accrual of £1k at 31 December 2019 (2018: £69k).

##### *Share based payments (SBP)*

##### *Group and company*

The group operates an unapproved Share Option Plan. All employees are offered options or Restricted Stock Units (RSUs) upon joining the company. RSUs operate in such a way as to give the same economic benefit as options, reflecting the requirements of certain jurisdictions. During the year 10,973 options, up to 87,984 RSUs and 87,984 Growth Shares were granted to employees and others under the unapproved Share Option Plan, and 42,992 were forfeited due to the grantees no longer being employed by the group or forfeiting their options.

The unapproved Share Option Plan was modified on 29 October 2019 with the following main features for options and RSUs issued from then on being:

- An exercise (option) or award (RSU) price set at £0.10 instead of the most recent share price established;
- Removal of the performance-condition requirement;
- The addition of leaver provisions allowing retention of equity benefits subject to certain service periods having been met.

Employees under the existing scheme were offered an opportunity to forfeit existing options and to receive a compressed amount of options under the new terms following a new grant. Modification accounting has been applied to such cases, where the Share Based Payment charges reflect the higher fair value charge between the forfeited grant and the respective new grant.

As at 31 December 2019, 9,149 options with an exercise price of £0.10 were committed to employees but not granted in connection with forfeited options. The recognised Share Based Payments charge that corresponds to these options once fully executed is £785,174 in 2019 and is included in the charge for the year.

In summary, 1,510 options were granted with an exercise price of £819.14 per option, 9,463 options were granted with an exercise price of £0.10 and 9,149 options committed but not yet granted matching to forfeited options under the scheme modification with an exercise price of £0.10.

RSUs up to 87,984 were awarded with an exercise price of £0.10. For certain senior executives within the Company, the number of RSUs awarded is variable so as to achieve a specific fixed economic outcome which may not require the full amount of RSUs to be deployed depending upon the intrinsic value on trigger. The RSUs operate economically in the same way as comparable options, with equivalent fair value share-based payment costs.

87,984 Growth Shares were granted with a collar preventing participation in any equity holder distributions until the price is above £446.88. The Fair value of the growth shares needs to be looked at in the round with any corresponding RSU award that partners these instruments. Given the mechanics and using the expected fair value measurement tools (Black-Scholes) the fair value attributed to the growth shares is nil, as is the charge for the year.

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, with the lapse period for RSUs being 7 years. The ultimate vesting of options and RSUs 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 and no RSU agreements were settled during the year.

## Notes (continued)

### 17 Employee benefits (continued)

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

Options and RSUs held in BenevolentAI Limited	Weighted average exercise price 2019	Number of options 2019	Weighted average exercise price 2018	Number of options 2018
Options Outstanding at the beginning of the year	436.2	105,762	410	105,728
Forfeited during the year	(599.2)	(42,992)	(654)	(36,783)
Exercised during the year	-	-	-	-
Granted during the year	12.6	98,957	732	36,817
Committed during the year	0.1	9,149	-	-
Outstanding at the end of the year	126.5	170,876	436	105,762
Exercisable at the end of the year	-	-	-	-

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 and RSU at the date of grant. The fair value of each option and RSU 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 and RSUs at regular intervals, the weighted average of outstanding share options and RSUs at the end of the financial year has been disclosed.

Weighted Avg. for outstanding options and RSUs at the reporting date	2019	2018
Market value at date of grant	£392	£530
Exercise price at grant date	£127	£436
Volatility	60%	58%
Time to exercise (years)	5.2	7.0
Risk-free rate	1.34%	1.29%
Employee turnover	13%	9%

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.

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Total share-based payment expense/(income)	10,511	(5,348)	10,812	(766)

## Notes (continued)

### 18 Share Capital

<i>Allotted, called up and fully paid</i>	Ordinary shares Number	A Preference shares Number	Restricted ordinary Number	G2 Growth shares Number	Total shares Number
On issue at 1 January 2019	1,813,517	-	665	-	1,814,182
Issued for cash	18,312	208,623	-	87,984	314,919
On issue at 31 December 2019	1,831,829	208,623	665	87,984	2,129,101
	£	£	£	£	£
Par value £0.10 at 31 December 2018	181,352	-	67	-	181,419
Issued during the year	1,831	20,862	-	8,798	31,491
Par value £0.10 at 31 December 2019	183,183	20,862	67	8,798	212,910

The holders of ordinary and A preference shares rank *pari passu* in respect of voting and dividend rights as well as participating in the drag along rights. Ordinary shares rank behind the A Preferred shares in the order of priority in respect of capital distribution rights on winding up.

Restricted ordinary shares are non-transferrable and do not confer any voting, dividend or capital distribution rights.

G2 Growth shares do not confer any voting or dividend rights prior to an exit. Capital distribution rights rank behind A Preferred shares and ordinary shares, with distributions only applying when the distribution per share exceeds a specific threshold.

### 19 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:

	<i>Group</i>		<i>Company</i>	
	Carrying amount 2019 £000	Carrying amount 2018 £000	Carrying amount 2019 £000	Carrying amount 2018 £000
<b>Financial assets measured at fair value</b>				
<b>Amortised cost</b>				
Cash and cash equivalents (note 15)	86,242	32,506	79,632	19,855
Trade and other receivables (note 14)	923	2,080	51,134	28,559
<b>Total financial assets</b>	<b>87,165</b>	<b>34,586</b>	<b>130,766</b>	<b>48,414</b>
<b>Financial liabilities measured at amortised cost (note 16)</b>	<b>9,461</b>	<b>6,739</b>	<b>2,345</b>	<b>1,529</b>

## Notes (continued)

### 19 Financial instruments (continued)

#### *Risk Management*

The Group'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 group 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 Group 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 Group will not be able to meet its financial obligations as they come 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 2019					
	Carrying amount	1 year or less	1 to <2years	2 to <5years	5years and over
	£000	£000	£000	£000	£000
<b>Non-derivative financial liabilities</b>					
Trade and other payables	9,461	9,461	-	-	-

31 December 2018					
	Carrying amount	1 year or less	1 to <2years	2 to <5years	5years and over
	£000	£000	£000	£000	£000
<b>Non-derivative financial liabilities</b>					
Trade and other payables	6,739	6,739	-	-	-

#### *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 Group income or the value of its holdings of financial instruments. The Group does not have any exposure to interest rate risk nor changes in quoted equity prices, but it is exposed to foreign exchange rates.

## Notes (continued)

### 19 Financial instruments (continued)

#### Foreign currency risk

The Group'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 2019	Euro £000	US Dollar £000	Japanese Yen £000	British Pound £000	Total £000
Cash and cash equivalents	1,012	3,794	43	81,393	86,242
Trade Payables	(856)	(192)	(3)	(1,645)	(2,696)
<b>Net exposure</b>	<b>156</b>	<b>3,602</b>	<b>40</b>	<b>79,748</b>	<b>83,546</b>

31 December 2018	Euro £000	US Dollar £000	Japanese Yen £000	British Pound £000	Total £000
Cash and cash equivalents	697	1,664	-	30,145	32,506
Trade Payables	(11)	(46)	-	(2,115)	(2,172)
<b>Net exposure</b>	<b>686</b>	<b>1,618</b>	<b>-</b>	<b>28,030</b>	<b>30,334</b>

A 10 percent weakening of the following currencies against the pound sterling at 31 December 2019 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 2018

#### Sensitivity analysis

	2019 £000	2018 £000
€	(16)	(69)
\$	(360)	(162)
¥	(4)	-

A 10 percent strengthening of the above currencies against the pound at 31 December 2019 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 BBB+ and above, based on Fitch credit ratings as at 31 December 2019, which is at minimum a positive outlook. The group considers that its cash and cash equivalents have low credit risk based on the external ratings.

## **Notes (continued)**

### **20 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	-	1,138
Between one and five years	-	6,567
	<hr/>	<hr/>
	-	7,705
	<hr/>	<hr/>

During the year 2019 £nil was recognised as an expense in the income statement in respect of operating leases (2018: £1,335k) since the Company's leases are now accounted for under IFRS 16 as finance leases and reported in the right-of-use assets in the Statement of Financial Position.

### **21 Related party transactions**

#### *Identity of related parties with which the Company has transacted*

During the period, BenevolentAI Limited paid contractor fees totalling £214k (2018: £300k) to Lisciad Limited, a company under common control. At the period end, BenevolentAI Limited owed £22k (2018: £nil) to Lisciad Limited. The company has no further expenses (2018: £19k) to Lisciad Limited for services relating to the current reporting period which have not yet been invoiced.

#### *Transactions with key management personnel*

Total compensation of key management personnel in the year amounted to £10k (2018: £11k).

#### *Other related party transactions*

There were no provisions for uncollectible receivables and bad debts expense recognised in the period in relation to related parties and no payables outstanding at 31 December 2019 or 31 December 2018.

### **22 Ultimate parent company and parent company of larger group**

The Company is controlled by Mr Kenneth Mulvany, a director and shareholder of the Company which is incorporated in the United Kingdom. The parent company BenevolentAI Limited has its registered office at 4-8 Maple Street, London, W1T 5HD.

### **23 Subsequent events**

There are no subsequent events to report.