BenevolentAI Limited

Annual report and consolidated

financial statements

Registered number 09781806

31 December 2021

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Strategic Report

Principal activities and business review

BenevolentAI Limited ('BenevolentAI' or 'the Company' or 'the Group') is a leading, clinical-stage AI-enabled drug discovery company that combines advanced AI and machine learning with cutting edge science to discover more effective medicines.

The Company has developed the Benevolent Platform™, a powerful computational R&D platform that supports AI-enabled drug discovery and development. It spans every key step of the drug discovery process — encompassing target identification, patient stratification and molecular design — and empowers scientists to uncover new information hidden in the vast corpus of available data, helping them better understand complex disease biology and find novel treatments. This hypothesis-driven Platform enables scientists to make higher quality decisions in the early stages of drug discovery, with the ultimate aim of improving the probability of discovering a successful drug.

Today, the Benevolent Platform™ is fully operational, scientifically and commercially validated, and producing results, with 2021 marking a landmark year for BenevolentAI in delivering platform-generated programmes into its portfolio. The Group has produced a substantial clinical and pre-clinical pipeline of over 20 drug programmes, which includes one clinical-stage programme in atopic dermatitis, a novel target for ulcerative colitis in IND enabling studies, and a number of promising early discovery programmes.

In its successful ongoing collaboration with AstraZeneca, BenevolentAI delivered validated novel targets for chronic kidney disease and idiopathic pulmonary fibrosis to AstraZeneca's drug development portfolio in January 2021 and December 2021 respectively. In light of this progress, the initial collaboration was extended until 30 September 2022.

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

Corporate Structure & Reporting

The Group was not subject to any significant changes in corporate structure during 2021. The Group continues to prepare the 2021 financial statements in accordance with IFRS as adopted by the UK. No new standards have had a material impact on the Group for 2021.

On 6 December 2021, Odyssey SPAC, BenevolentAI, BenevolentAI Shareholders and certain other parties entered into a Business Combination Agreement and certain ancillary agreements, pursuant to which, among other things, BenevolentAI Shareholders will contribute and transfer their shares of BenevolentAI to Odyssey SPAC and, in consideration for such Benevolent Shares, will receive New Public Shares of Odyssey SPAC in proportion to their original shareholdings in Benevolent and in accordance with the Consideration Exchange Multiple (the "Business Combination"). As a result of the Business Combination, Benevolent and its subsidiaries will become wholly owned by the combined company, which includes Odyssey SPAC Shareholders, BenevolentAI Shareholders, as well as other investors.

BenevolentAI believes that the Business Combination will be a complementary partnership that will accelerate future value creation and represents an opportunity to unlock additional value in terms of funding and expertise.

BenevolentAI expects the Business Combination to provide the combined company with a multi-year cash runway to fuel its next stage of growth and enable the Company to scale the development of its innovative Benevolent Platform™ and portfolio of drug programmes.

In addition, BenevolentAI expects the combined company will benefit from Odyssey's strong pharma credentials, its credibility among investors, capital markets experience and experience leading pharma and technology companies through the various stages of their corporate lives. In particular, Odyssey's healthcare expert Dr Olivier Brandicourt, the former CEO of Sanofi, and Jean Raby, the former CEO of Natixis Investment Managers, will join the combined company's Board of Directors upon completion of the Combination.

BenevolentAI also expects the Euronext Amsterdam listing of the proposed combined company to create a new long-term shareholder base (including both U.S. biotech investors and European investors more generally) as well as liquidity for its shareholders. The Business Combination and listing will permit BenevolentAI to incentivise its employees and management team through grants of listed company shares and enable the Company to continue to attract high-calibre individuals and align their interests long term with shareholders.

Strategic Report *(continued)*

Corporate Structure & Reporting *(continued)*

On the 3rd March 2022, the Company announced New Equity Commitments that guarantee cash proceeds to the combined group. The new equity commitments meaningfully enhance the execution certainty of the combination with Odyssey by ensuring committed funding through the PIPE, non-redemption commitments and new equity commitments at least equal to the minimum cash conditions. As of the date of approval of these financial statements, the pre-closing steps to achieve the above merger are progressing well.

Coronavirus COVID-19

While the COVID-19 pandemic has not materially impacted our business to date, the extent to which it may affect us will depend on future developments (including any global supply-chain disruptions, the global vaccination rate, the efficacy and safety of approved vaccinations against all variants of COVID-19, and the potential reimposition of travel and other restrictions), which remain uncertain. Relative to our drug discovery programmes, the COVID-19 pandemic has caused limited delays but could further delay the progress of specific programmes, particularly those in or preparing to enter clinical studies. Delays in these programmes could delay achieving milestones and related revenue. While there remains uncertainty about the extent of the effect of the COVID-19 pandemic, we do not envision a long-term impact of the COVID-19 pandemic on our ability to execute our strategy.

Key Financials

In 2021, the Group's results were broadly in line with expectations. The Group reported £4.6m of revenue from collaboration agreements (2020: £6.9m). BenevolentAI continues to concentrate on research and development, and this is reflected in the rise of research and development expenses, which were £51.8m for the year (£46.5m for 2020), which has a corresponding increase in the tax credit refunds for research and development, estimated at £12.1m (2020: £10.7m) in the financial statements. Included in the total operating costs of £104.9m is a non-cash employee benefits provision charge of £19.8m, which relates to share-based payments (£16.3m for 2020). The business closed the year with net assets of £62.9m, down from £122.6m in 2020.

The financial statements have been prepared on a going concern basis. The Group has received significant cash funds from investors and collaborators. The Directors are satisfied that the Group will meet its liabilities for at least 12 months from the date of sign off of these financial statements. The Company-only net asset position as of 31 December 2021 is £213.7m (2020: £217.7m).

Principal Risks and Uncertainties

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

- An inability to keep pace with the rapid change in technology, meaning that the Company would lose its competitive edge
- An inability 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 the development of the technology and drug programme pipeline
- An inability to attract and retain the best talent
- Management of the Company's growth strategy in a scale-up environment

Strategic Report *(continued)*

s172 Statement

The Company is required to provide information on how the Directors have performed their duty under section 172 of the Companies Act 2006 to promote its success. Stakeholders who have been considered in the Directors' decision-making process include the following:

- Collaborators – We have historically generated revenue through cultivating long-term positive, collaborative relationships with a few large pharmaceutical companies.
- Investors –The Company has a frequent and transparent dialogue with its investors throughout the year.
- Regulators – Good dialogue is maintained with regulatory agencies, and the Board ensure our clinical trials are designed appropriately while allowing the maximum potential for our products in development.
- Suppliers – For all our drug programmes, we contract with third parties, including, but not limited to, contract research organisations ("CROs"), site providers, laboratory testing services, universities and active pharmaceutical ingredient suppliers for assay and experimental work and the manufacture of our drug candidates for preclinical development and clinical testing. Good relationships are maintained with suppliers through open communication and prompt payment for approved services, in-line with agreed-upon terms.
- Employees – The Directors foster a highly collaborative environment via agile multidisciplinary teams to support innovation and enable ideas to progress faster. Coupled with suitable remuneration, incentive schemes and structured career development programmes, this boosts staff retention, progression and facilitates organisational alignment to our Corporate Objectives.
- Community & Environment – BenevolentAI previously launched a Data Diversity initiative to tackle the lack of representation in biomedical research by raising awareness and developing actionable solutions that can address the data gap, such as the open-source Diversity Analysis Tool. Virtual meetings are held where possible rather than travelling between our sites in the UK and US. The Company is committed to diversity in the workplace, and actively promotes policies on anti-slavery and anti-bribery.

By order of the board

Dr Francois Nader
7B93FEB830BF9C7073D24A374EE99328 contractworks

Dr Francois Nader
Chairman and Director
Date: 14 March 2022

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 2021 to 31 December 2021.

Research and development

See the Strategic report on page 2.

Employees

For how we engage with employees, see the Strategic report on page 4.

We are committed to offering equal employment opportunities regardless of sex, race, religion or belief, ethnic or national origin, marital, domestic or civil partnership status, sexual orientation, gender identity, parental status, disability, age, citizenship, or any other basis. If a staff member becomes disabled during their time at the Company, every effort will be made to provide any necessary re-training and enable their continued employment. All employees, regardless of if they have a disability, are eligible for consideration for appropriate training; career development; and promotion opportunities.

Streamlined energy and carbon reporting (SECR)

In 2021, the Group assessed its carbon footprint arising from scope 2 greenhouse gas (GHG) emissions, pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

GHG emissions data in metric tonnes CO_2e

	2021	2020	% of which are UK	2021	2020
	$tCO2_e$	$tCO2_e$	emissions	kWh	kWh
Indirect emissions (for own use)					
Purchase of electricity	**79**	66		**628,283**	534,365
Purchase of gas for heating	**286**	251		**1,610,264**	1,409,558
Scope 2	**365**	317	100%	**2,238,547**	1,943,923
Scope 2 $tCO2_e/m^2$ of floor space	**0.115**	0.105			
Scope 2 $tCO2_e$/employee	**1.184**	1.161			

There are no scope 1 emissions arising from the Group's operations.

Scope 2 emissions are calculated using the relevant standard national conversion factors provided by the UK government for each corresponding year, except for where a provider has been independently verified as having a fully renewable fuel mix.

Some measures implemented to reduce our carbon foot include motion-activated LED lighting; cycle-to-work schemes; tightly controlled air conditioning systems; and facilitating recycling in the offices. Further steps under consideration are to calculate the GHG emissions arising from our supply chain to better understand the full extent of the Group's carbon footprint.

Proposed dividend

The Directors do not recommend the payment of a dividend (2020: £nil).

Directors' report *(continued)*

Directors

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

Mr Kenneth Mulvany

Professor Ann Jacqueline Hunter

Baroness Joanna Shields

Mr Michael Brennan

Mr Jung Ryun Park

Professor Sir Nigel Richard Shadbolt

Dr Francois Nader (appointed 22 June 2021)

Dr John Orloff (appointed 14 August 2021)

Political contributions

The Company made no political donations or incurred any political expenditure during this financial year (2020: £nil).

Financial risk management

The Company's finance department manages the risk inherent in the availability of liquid funds in accordance with its corporate policies and use of regular cash flow management.

Disclosure of information to the 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. Each Director has taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and 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.

Dr Francois Nader
7B93FEB830BF9C7073D24A374EE99328 contractworks.

By order of the board

Dr Francois Nader

Chairman and Director

Date: 14 March 2022

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 Annual Report and the Group and parent Company 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 UK-adopted international accounting standards 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 the Group's 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 UK-adopted international accounting standards;
- 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 December 2021 which comprise the consolidated profit and loss account and other comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated cash flow statement, company 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 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards);
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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").

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.

Our conclusions based on this work:

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

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

KPMG

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

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

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

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

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

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

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

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

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

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

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

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.

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

Auditor's responsibilities

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

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

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

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

M. Smith

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 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for year ended 31 December 2021

	Note	**2021**	2020 restated*
		£'000	£'000
Revenue	3	**4,625**	6,907
Gross profit		**4,625**	6,907
Research and development expenses	4, 7	**(51,750)**	(46,520)
Included within research and development expenses:			
Share-based payment expenses	25	**(2,696)**	(4,495)
Social security provision in relation to share-based payments	25	**(1,962)**	-
Administrative expenses	5, 7, 8	**(53,116)**	(25,937)
Included within administrative expenses:			
Transaction costs related to the SPAC merger		**(2,911)**	-
Share-based payment expenses	25	**(17,132)**	(11,794)
Social security provision in relation to share-based payments	25	**(8,429)**	-
Other income	6	**90**	179
Operating loss		**(100,151)**	(65,371)
Finance expense	9	**(392)**	(272)
Loss before taxation		**(100,543)**	(65,643)
Taxation	10	**14,059**	10,279
Loss for the year		**(86,484)**	(55,364)
Total comprehensive loss for the year		**(86,484)**	(55,364)

The notes on pages 19 to 46 form an integral part of these statements.

*See note 1.1.2 for further details.

Consolidated Statement of Financial Position
at 31 December 2021

	Note	2021	2020 restated*
Non-current assets		**£'000**	£'000
Goodwill	11	**23,479**	23,479
Intangible assets	12	**23**	10,735
Property, plant and equipment	13	**2,778**	3,355
Investments	14	**2,383**	2,383
Right-of-use assets	15	**7,222**	8,660
Trade and other receivables	16	**175**	140
		36,060	48,752
Current assets			
Trade and other receivables	16	**3,921**	3,300
R&D tax receivable	17	**12,150**	10,678
Cash and cash equivalents	18	**40,553**	85,371
		56,624	99,349
Total assets		**92,684**	148,101
Current liabilities			
Trade and other payables	19	**10,286**	10,392
Deferred income	20	**31**	2,722
Lease liabilities	21	**1,593**	1,898
Provisions	22	**10,391**	-
		22,301	15,012
Non-current liabilities			
Lease liabilities	21	**7,201**	8,430
Provisions	22	**251**	-
Deferred tax	23	**-**	2,033
		7,452	10,463
Total liabilities		**29,753**	25,475
Net assets		**62,931**	122,626
Equity			
Share capital	26	**243**	239
Share premium account		**211,158**	204,124
Share-based payment reserve		**67,666**	47,838
Retained earnings		**(271,001)**	(184,534)
Merger difference		**54,568**	54,568
Currency translation reserve		**297**	391
Total equity		**62,931**	122,626

The notes on pages 19 to 46 form an integral part of these statements.
*See note 1.1.2 for further details.

These financial statements were approved by the board of directors on 14 March 2022 and were signed on its behalf by:

Dr Francois Nader
Chairman and Director

Dr Francois Nader
7B93FEB830BF9C7073D24A374EE99328 contractworks

4-8 Maple Street
London W1T 5HD

Company Statement of Financial Position
at 31 December 2021

	Note	2021	2020
Non-current assets		**£'000**	£'000
Intangible assets	12	**23**	35
Property, plant and equipment	13	**979**	1,433
Investments	14	**59,510**	56,991
Right-of-use assets	15	**6,372**	7,325
		66,884	65,784
Current assets			
Trade and other receivables	16	**126,161**	85,552
Cash and cash equivalents	18	**38,569**	79,385
		164,730	164,937
Total assets		**231,614**	230,721
Current liabilities			
Trade and other payables	19	**3,101**	3,974
Lease liabilities	21	**1,106**	1,054
Provisions	22	**6,608**	-
		10,815	5,028
Non-current liabilities			
Lease liabilities	21	**6,847**	7,966
Provisions	22	**251**	-
		7,098	7,966
Total liabilities		**17,913**	12,994
Net assets		**213,701**	217,727
Equity			
Share capital	26	**243**	239
Share premium account		**211,158**	204,124
Share-based payment reserve		**67,666**	47,838
Retained earnings		**(65,366)**	(34,474)
Total equity		**213,701**	217,727

The notes on pages 19 to 46 form an integral part of these statements.

These financial statements were approved by the board of directors on 14 March 2022 and were signed on its behalf by:

Dr Francois Nader
7B93FEB830BF9C7073D24A374EE99328 contractworks.

Dr Francois Nader
Chairman and Director

4-8 Maple Street
London W1T 5HD

Consolidated Statement of Changes in Equity

for year ended 31 December 2021

	Called up share capital	Share premium	Share-based payments reserve	Retained earnings	Merger difference	Currency translation reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020	213	168,360	31,549	(129,170)	54,568	-	125,520
Total comprehensive loss for the year	-	-	-	(55,364)	-	-	(55,364)
Foreign exchange difference	-	-	-	-	-	391	391
Transactions with owners, recorded directly in equity							
Issues of shares, net of costs	26	35,764	-	-	-	-	35,790
Equity-settled share-based payment transactions	-	-	16,289	-	-	-	16,289
Total contributions by and distributions to owners	26	35,764	16,289	-	-	-	52,079
Balance at 31 December 2020	**239**	**204,124**	**47,838**	**(184,534)**	**54,568**	**391**	**122,626**
Balance at 1 January 2021	239	204,124	47,838	(184,534)	54,568	391	122,626
Total comprehensive loss for the year	**-**	**-**	**-**	**(86,484)**	**-**	**-**	**(86,484)**
Foreign exchange difference	**-**	**-**	**-**	**17**	**-**	**(94)**	**(77)**
Transactions with owners, recorded directly in equity							
Issues of shares, net of costs	4	7,034	-	-	-	-	7,038
Equity-settled share-based payment transactions	-	-	19,828	-	-	-	19,828
Total contributions by and distributions to owners	**4**	**7,034**	**19,828**	**-**	**-**	**-**	**26,866**
Balance at 31 December 2021	**243**	**211,158**	**67,666**	**(271,001)**	**54,568**	**297**	**62,931**

The notes on pages 19 to 46 form an integral part of these statements.

Company Statement of Changes in Equity

for year ended 31 December 2021

	Called up share capital	Share premium	Share-based payments reserve	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2020	213	168,360	31,549	(21,615)	178,507
Total comprehensive loss for the year	-	-	-	(12,859)	(12,859)
Transactions with owners, recorded directly in equity					
Issue of shares	26	35,764	-	-	35,790
Equity-settled share-based payment transactions	-	-	16,289	-	16,289
Total contributions by and distributions to owners	**26**	**35,764**	**16,289**	**-**	**52,079**
Balance at 31 December 2020	**239**	**204,124**	**47,838**	**(34,474)**	**217,727**
Balance at 1 January 2021	239	204,124	47,838	(34,474)	217,727
Total comprehensive loss for the year	**-**	**-**	**-**	**(30,892)**	**(30,892)**
Transactions with owners, recorded directly in equity					
Issue of shares	4	7,034	-	-	7,038
Equity-settled share-based payment transactions	-	-	19,828	-	19,828
Total contributions by and distributions to owners	**4**	**7,034**	**19,828**	**-**	**26,866**
Balance at 31 December 2021	**243**	**211,158**	**67,666**	**(65,366)**	**213,701**

The notes on pages 19 to 46 form an integral part of these statements.

Consolidated Cash Flow Statement
for year ended 31 December 2021

	Note	**2021**	2020 restated*
		£'000	£'000
Cash flows from operating activities			
Loss for the year		**(86,484)**	(55,364)
Adjustments for:			
Depreciation, amortisation and impairment		**13,643**	2,895
Loss/(gain) on disposal of property, plant and equipment		**27**	104
Foreign exchange (gain)/loss		**6**	926
Equity settled share-based payment expense	25	**19,828**	16,289
Finance expense	9	**392**	272
Decrease/(increase) in trade and other receivables		**(2,128)**	996
Increase/(decrease) in trade and other payables		**(4,830)**	772
Increase/(decrease) in provisions		**10,642**	(106)
Net cash from operating activities		**(48,904)**	(33,216)
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(925)**	(1,127)
Acquisition of intangible assets	12	**-**	(3)
Proceeds from sale of assets		**3**	1
Interest received	9	**56**	279
Net cash from investing activities		**(866)**	(850)
Cash flows from financing activities			
Repayment of lease liabilities		**(2,003)**	(2,028)
Proceeds from the issue of share capital, net of costs	25	**7,038**	35,790
Net cash from financing activities		**5,035**	33,762
Net decrease in cash and cash equivalents		**(44,735)**	(304)
Cash and cash equivalents at 1 January		**85,371**	86,242
Effect of exchange rate fluctuations on cash held		**(83)**	(567)
Cash and cash equivalents at 31 December	18	**40,553**	85,371

The notes on pages 19 to 46 form an integral part of these statements.

*See note 1.1.2 for further details.

Company Cash Flow Statement

for year ended 31 December 2021

	Note	2021	2020 restated*
		£'000	£'000
Cash flows from operating activities			
Loss for the year		**(30,892)**	(12,859)
Adjustments for:			
Depreciation, amortisation and impairment		**1,578**	1,557
Loss/(gain) on disposal of property, plant and equipment		**6**	2
Foreign exchange loss/(gain)		**79**	601
Equity settled share-based payment expense	25	**17,310**	8,966
Finance expense	9	**344**	235
Decrease in trade and other receivables		**(40,609)**	(34,003)
Increase/(decrease) in trade and other payables		**(873)**	1,499
Increase/(decrease) in provisions		**6,859**	-
Net cash from operating activities		**(46,198)**	(34,002)
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(146)**	(196)
Acquisition of intangible assets	12	**-**	(3)
Proceeds from sale of assets		**1**	-
Interest received	9	**50**	247
Net cash from investing activities		**(95)**	48
Cash flows from financing activities			
Repayment of lease liabilities		**(1,482)**	(1,482)
Proceeds from the issue of share capital, net of costs	26	**7,038**	35,790
Net cash from financing activities		**5,556**	34,308
Net decrease in cash and cash equivalents		**(40,737)**	354
Cash and cash equivalents at 1 January		**79,385**	79,632
Effect of exchange rate fluctuations on cash held		**(79)**	(601)
Cash and cash equivalents at 31 December	18	**38,569**	79,385

The notes on pages 19 to 46 form an integral part of these statements.

*See note 1.1.2 for further details.

Notes
(forming part of the financial statements)

1 Accounting policies

1.1.1 Basis of preparation of the financial statements

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"). 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 UK-adopted international accounting standards and applicable law.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2. All amounts in the financial statements have been rounded to the nearest £1,000.

1.1.2 Restatement

The directors reviewed the presentation of the Statement of Financial Position and consider certain items to be more appropriately presented explicitly as their own line balances for the benefit of the reader of the financial statements. R&D tax receivable, Goodwill and Intangible Assets are presented separately for this period and for ease of comparison, the 2020 consolidated statement of financial position has been restated accordingly, as well as the corresponding notes. The adjustments below have not affected previously reported profit or net assets.

Moreover, the presentation of the 'research and development and administrative expenses' in the consolidated statement of profit or loss has been reviewed and subsequently presented instead as separate lines for each distinct classification of expense. The 2020 consolidated statement of profit or loss and other comprehensive income has been restated accordingly, and a corresponding note has been added.

The cashflow statement shows the Right-of-Use asset lease accounting under IFRS16 within financing activities in one line rather than spread across operating and investing activities. The 2020 comparatives have been restated for ease of the user of the financial statements.

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 following reasons.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements (the going concern period). These forecasts include a base case where the business combination agreement is successfully completed, as discussed in the Strategic Report, and severe but plausible downside scenarios which accommodate any continued impact of COVID-19. The key assumptions in the severe but plausible downside scenarios include a change in budgeted revenue and various mitigating actions which the Directors could implement to preserve cash, if needed. These mitigating actions include a reduction in operating expenses (which are within the control of the Directors). These forecasts indicate that the Group and Company will have sufficient funds to meet their liabilities for the going concern period.

The Group's cash position of £40.6m (2020: £85.4m) comes largely from issuing equity, most recently from the fundraise completed in February 2021 (see note 26). The severe but plausible scenario forecasts indicate that additional funding will not be needed throughout the going concern period. However, the Company continues to be reliant on equity to fund its operations in the medium to long term. The Directors remain confident that when it is required, such further funding will be accessible to the Group.

As a result, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and have therefore prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Investments and other financial assets

Investments and other financial assets 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, trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables

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

Trade and other payables

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

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 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 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 25.

Tax payments related to share-based payments

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

As the cash payment is based on the value of the entity's shares, it is deemed appropriate to treat this portion of the plan as a cash-settled share-based payment transaction. This is driven by provision accounting (IAS 37), therefore, rather than share-based payment accounting (IFRS 2).

1.14 Revenue recognition

The Group's revenue is generated from licence and collaboration agreements.

Licence and collaboration agreements typically have an initial upfront payment, potential milestone payments for research, development and commercial achievements plus royalties on net sales. We initially recognise income under

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Revenue recognition (continued)

the collaboration as deferred revenue, which we become entitled to reclassify as revenue in line with the delivery efforts towards the completion of tasks and provision of the deliverables set out in the underlying agreements.

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.

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.

1.17 Taxations

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, preference and growth 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, where this would be material.

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 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 value of goodwill does not require impairment. Management have concluded that the carrying value of intangibles does require impairment – note 12.

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 25. The full charge of the vested options during the year is recognised in the profit and loss.

3 Revenue

	2021	2020
	£'000	£'000
Licence and collaboration revenue	**4,625**	6,907
Total revenues	**4,625**	6,907
By geographical market:		
UK	**4,625**	6,777
Europe	**-**	130
Total revenues	**4,625**	6,907

There is no related party revenue in 2021 (2020: £nil). See note 28 for related party information.

Notes *(continued)*

4 Research and development expenditure

	2021	2020
	£'000	£'000
Product & technology	**22,200**	22,241
Drug discovery	**29,550**	24,279
Total research and development expenditure	**51,750**	46,520

5 Expenses and auditor's remuneration

Included in the profit/loss are the following:	**2021**	2020
	£'000	£'000
Impairment of intangible assets (note 12)	**(10,700)**	-

Auditor's remuneration:	**2021**	2020
	£'000	£'000
Audit of these financial statements	**87**	50
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiary companies	**63**	60
Taxation compliance services	**125**	37
Advisory costs related to the SPAC merger	**736**	-

6 Other income

	2021	2020
	£'000	£'000
Grant income	**90**	179
	90	179

7 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**	
	2021	2020
Research and development	**256**	223
Administration	**53**	50
	309	273

Notes *(continued)*

7 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:	**2021**	2020
	£'000	£'000
Wages and salaries	**27,430**	24,808
Share based payments (note 25)	**19,828**	16,289
Social security costs	**13,411**	2,370
Contributions to defined contribution plans	**1,081**	964
	61,750	44,431

The increase in social security costs is related to the transfer of employer's national insurance liability related to the share-based payments, explored further in note 25 to the financial statements.

8 Directors' remuneration

	2021	2020
	£'000	£'000
Directors' remuneration	**2,141**	1,870
Pension contributions	**34**	44

The remuneration of the highest paid Director was £700k (2020: £612k) and £nil company pension contributions were made (2020: £23k).

9 Finance expense

	2021	2020
	£'000	£'000
Interest income on bank deposits	**52**	253
Interest expense on lease liabilities	**(448)**	(551)
Interest income on lease receivables	**4**	26
	(392)	(272)

Notes *(continued)*

10 Taxation

Recognised in the income statement	**2021**	2020
	£000	£000
Current tax on income for the year	**14,059**	9,631
Prior period adjustments	-	648
Total Tax	**14,059**	10,279

Reconciliation of effective tax rate		
Loss for the year	**(86,484)**	(55,364)
Tax credit	**(14,059)**	(10,279)
Loss excluding taxation	**(100,543)**	(65,643)
Tax using the UK corporation tax rate of 19.00% (2020:19.00 %)	**(19,103)**	(12,472)
Adjust opening and closing deferred tax to average rate of 25.00% (2020: 19.00%)	**(12,144)**	-
Surrender of tax losses for R&D tax credit refund	**3,748**	3,260
Additional deduction for R&D expenditure	**(8,944)**	(7,781)
R&D expenditure credits	**17**	40
Adjustments to brought forward values	**-**	(205)
Adjustment to tax charge in respect of previous periods	**-**	648
Non-deductible expenses and income	**2,043**	127
Timing differences	**3,454**	5,704
Other tax adjustments, reliefs and transfers	**-**	(462)
Movement in deferred tax not recognised	**16,881**	842
Fixed asset differences	**(11)**	20
Total tax refund included in accounts	**(14,059)**	(10,279)

A deferred tax asset of £50m (2020: £31.6m), relating to losses, has not been recognised due to uncertainties over future profitability.

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The effective tax rate for year ended 31 December 2021 is 19% (2020: 19%). Deferred tax has been calculated using 25% (2020: 19%) since changes to the UK corporation tax rate which was announced in the Budget on 3 March 2021 has been substantively enacted.

Notes *(continued)*

11 Goodwill

Group	**Goodwill**
	£'000
Cost	
Balance at 1 January 2020	23,479
Balance at 31 December 2020	23,479
Balance at 1 January 2021	23,479
Balance at 31 December 2021	**23,479**
Net book value	
At 31 December 2020	23,479
At 31 December 2021	**23,479**

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. The Directors used a consistent approach for the underlying assumptions used in the review undertaken in respect of the 2020 year-end. On that basis, and also allowing for the fluctuation in the US dollar to pound sterling since the values are calculated in US dollars, the recoverable amount continues to exceed the carrying value of the measured portion of the CGU by over 350% (2020: 380%) 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 generating 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	**2021**	2020
Discount Rate (pre-tax)	**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 a 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. The Directors have assessed the sensitivity of the discount rate used and have concluded that even using a discount rate of over 23% would continue to provide sufficient headroom to the value at year end.

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)*

12 Intangible assets

Group	Patents £'000	Software £'000	Total £'000
Cost			
Balance at 1 January 2020	10,700	63	10,763
Additions	-	3	3
Balance at 31 December 2020	**10,700**	**66**	**10,766**
Balance at 1 January 2021	10,700	66	10,766
Disposals	-	(20)	(20)
Balance at 31 December 2021	**10,700**	**46**	**10,746**
Amortisation			
Balance at 1 January 2020	-	18	18
Amortisation for the year	-	13	13
Balance at 31 December 2020	**-**	**31**	**31**
Balance at 1 January 2021	-	31	31
Amortisation for the year	-	12	12
Impairment	10,700	-	10,700
Disposals	-	(20)	(20)
Balance at 31 December 2021	**10,700**	**23**	**10,723**
Net book value			
At 31 December 2020	10,700	35	10,735
At 31 December 2021	**-**	**23**	**23**

Impairment

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

Patents

During the year, the asset in which the Group owns a 10% economic interest, completed a Phase 1 trial, which commenced dosing patients first in 2019. The company which owns the asset has indicated that it will not be initiating an in-house Phase 2 trial, as originally planned, but are considering other development paths.

Management have therefore considered this change in plan and reviewed the assumptions and risk factors including the likelihood, timing and value of the revenue streams alongside changes in the associated cost forecasts. Management have further considered the general uncertainty of the future economic interest in this asset, in which the company has no control or involvement. Management have concluded that the company should impair the asset in full to reflect this uncertainty. A full impairment of £10.7m has therefore being recorded to reduce the balance to the amended risk adjusted net present value calculation, along with the reduction in related deferred tax liability.

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.

Notes *(continued)*

12 Intangible assets *(continued)*

Company	**Software £'000**	**Total £'000**
Cost		
Balance at 1 January 2020	62	62
Additions	3	3
Balance at 31 December 2020	**65**	**65**
Balance at 1 January 2021	65	65
Disposals	(20)	(20)
Balance at 31 December 2021	**45**	**45**
Depreciation		
Balance at 1 January 2020	17	17
Amortisation for the year	13	13
Balance at 31 December 2020	**30**	**30**
Balance at 1 January 2021	30	30
Amortisation for the year	12	12
Disposals	(20)	(20)
Balance at 31 December 2021	**22**	**22**
Net book value		
At 31 December 2020	35	35
At 31 December 2021	**23**	**23**

Notes *(continued)*

13 Property, plant and equipment

Group	Lab equipment	Leasehold improvement	Computer equipment	Fixtures & fittings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2020	1,861	2,063	1,637	640	6,201
Additions	678	72	274	103	1,127
Disposals	(85)	(181)	(10)	(67)	(343)
Balance at 31 December 2020	**2,454**	**1,954**	**1,901**	**676**	**6,985**
Balance at 1 January 2021	2,454	1,954	1,901	676	6,985
Additions	706	6	179	34	925
Disposals	(40)	-	(444)	(13)	(497)
Balance at 31 December 2021	**3,120**	**1,960**	**1,636**	**697**	**7,413**
Depreciation					
Balance at 1 January 2020	672	538	917	267	2,394
Depreciation charge for the year	479	400	448	146	1,473
Disposals	(82)	(84)	(10)	(61)	(237)
Balance at 31 December 2020	**1,069**	**854**	**1,355**	**352**	**3,630**
Balance at 1 January 2021	1,069	854	1,355	352	3,630
Depreciation charge for the year	516	396	409	151	1,472
Disposals	(37)	-	(417)	(13)	(467)
Balance at 31 December 2021	**1,548**	**1,250**	**1,347**	**490**	**4,635**
Net book value					
At 31 December 2020	1,385	1,100	546	324	3,355
At 31 December 2021	**1,572**	**710**	**289**	**207**	**2,778**

Notes *(continued)*

13 Property, plant and equipment *(continued)*

Company	**Leasehold improvement**	**Computer equipment**	**Fixtures & fittings**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
Balance at 1 January 2020	1,833	148	567	2,548
Additions	48	86	62	196
Disposals	-	(2)	(48)	(50)
Balance at 31 December 2020	**1,881**	**232**	**581**	**2,694**
Balance at 1 January 2021	1,881	232	581	2,694
Additions	-	113	33	146
Disposals	-	(67)	(3)	(70)
Balance at 31 December 2021	**1,881**	**278**	**611**	**2,770**
Depreciation				
Balance at 1 January 2020	443	81	220	744
Depreciation charge for the year	377	51	137	565
Disposals	-	(2)	(46)	(48)
Balance at 31 December 2020	**820**	**130**	**311**	**1,261**
Balance at 1 January 2021	820	130	311	1,261
Depreciation charge for the year	380	74	138	592
Disposals	-	(59)	(3)	(62)
Balance at 31 December 2021	**1,200**	**145**	**446**	**1,791**
Net book value				
At 31 December 2020	1,061	102	270	1,433
At 31 December 2021	**681**	**133**	**165**	**979**

Notes *(continued)*

14 Investments

a) Fixed asset investment

Group	Investment
	£'000
Cost	
At 1 January 2020 and 31 December 2020	3,149
At 1 January 2021 and 31 December 2021	**3,149**
Impairment	
At 1 January 2020 and 31 December 2020	(766)
At 1 January 2021 and 31 December 2021	**(766)**
Net book value	
At 31 December 2020	2,383
At 31 December 2021	**2,383**

b) Investment in subsidiaries

	Registered office address	Status	Class of shares held	Ownership	
				2021	2020
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[1]	Domiciled in USA	Trading	Ordinary shares	**100%**	100%
BenevolentAI Energy Limited	4-8 Maple Street, London W1T 5HD	Dormant	Ordinary shares	**100%**	100%
Stratified Medical Limited[1]	4-8 Maple Street, London W1T 5HD	Dormant	Ordinary shares	**100%**	100%

[1] Held indirectly

Company	Shares in group undertakings
	£'000
Cost	
At 1 January 2020	49,668
Share-based payment transactions	7,323
At 31 December 2020	**56,991**
At 1 January 2021	56,991
Share-based payment transactions	2,519
At 31 December 2021	**59,510**
Net book value	
At 31 December 2020	56,991
At 31 December 2021	**59,510**

Notes *(continued)*

14 Investments *(continued)*

BenevolentAI Cambridge Limited acquired a 1.25% equity stake in a small US pharmaceutical start-up company, arising from the assignment of a previously owned drug discovery compound. This had no value recognised in the accounts, with development having stopped and no patents being in place. No value is deemed attributable to this, given that the company is still in a very early pre-revenue stage.

15 Right-of-use assets

Group	Leasehold property	Computer equipment	Fixtures & fittings	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2020	11,654	20	20	11,694
Additions	279	-	-	279
Balance at 31 December 2020	**11,933**	**20**	**20**	**11,973**
Balance at 1 January 2021	11,933	20	20	11,973
Additions	-	-	21	21
Disposals	-	-	(20)	(20)
Balance at 31 December 2021	**11,933**	**20**	**21**	**11,974**
Depreciation				
Balance at 1 January 2020	1,925	4	8	1,937
Depreciation charge for the year	1,365	4	7	1,376
Disposals	-	-	-	-
Balance at 31 December 2020	**3,290**	**8**	**15**	**3,313**
Balance at 1 January 2021	3,290	8	15	3,313
Depreciation charge for the year	1,448	4	7	1,459
Disposals	-	-	(20)	(20)
Balance at 31 December 2021	**4,738**	**12**	**2**	**4,752**
Net book value				
At 31 December 2020	8,643	12	5	8,660
At 31 December 2021	**7,195**	**8**	**19**	**7,222**

Notes *(continued)*

15 Right-of-use assets *(continued)*

Company	Leasehold property	Computer equipment	Fixtures & fittings	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2020	9,670	20	20	9,710
Balance at 31 December 2020	**9,670**	**20**	**20**	**9,710**
Balance at 1 January 2021	9,670	20	20	9,710
Additions	-	-	21	21
Disposals	-	-	(20)	(20)
Balance at 31 December 2021	**9,670**	**20**	**21**	**9,711**
Depreciation				
Balance at 1 January 2020	1,395	4	8	1,407
Depreciation charge for the year	967	4	7	978
Disposals	-	-	-	-
Balance at 31 December 2020	**2,362**	**8**	**15**	**2,385**
Balance at 1 January 2021	2,362	8	15	2,385
Depreciation charge for the year	963	4	7	974
Disposals	-	-	(20)	(20)
Balance at 31 December 2021	**3,325**	**12**	**2**	**3,339**
Net book value				
At 31 December 2020	7,308	12	5	7,325
At 31 December 2021	**6,345**	**8**	**19**	**6,372**

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.

Notes *(continued)*

16 Trade and other receivables

	Group		*Company*	
	2021	2020 restated	**2021**	2020
	£'000	£'000	**£'000**	£'000
Non-current				
Rent deposit	**175**	140	**-**	-
	175	140	**-**	-
Current				
Other receivables	**400**	382	**105**	75
Rent deposit	**101**	103	**-**	-
Accrued income	**38**	22	**38**	-
Other taxation and social security	**1,185**	805	**451**	200
Prepayments	**2,197**	1,988	**408**	370
Amounts owed from related parties	**-**	-	**125,159**	84,907
	3,921	3,300	**126,161**	85,552

17 R&D tax credit receivable

	Group		*Company*	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
R&D tax credit receivable	**12,150**	10,678	**-**	-

18 Cash and cash equivalents

	Group		*Company*	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**40,553**	85,371	**38,569**	79,385

19 Trade and other payables

	Group		*Company*	
	2021	2020 restated*	**2021**	2020 restated*
	£'000	£'000	**£'000**	£'000
Trade payables	**1,747**	3,935	**330**	2,444
Taxation and social security	**663**	650	**153**	132
Other payables	**19**	202	**16**	192
Accruals	**7,857**	5,605	**2,602**	1,206
	10,286	10,392	**3,101**	3,974

Notes *(continued)*

20 Deferred income

	Group		*Company*	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Deferred income	**31**	2,722	**-**	-

21 Lease liabilities

	Group		*Company*	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Non-current				
Lease liabilities	**7,201**	8,430	**6,847**	7,966
	7,201	8,430	**6,847**	7,966
Current				
Lease liabilities	**1,593**	1,898	**1,106**	1,054
	1,593	1,898	**1,106**	1,054

22 Provisions

	Group		*Company*	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Non-current				
Provisions	**251**	-	**251**	-
	251	-	**251**	-
Current				
Provisions	**10,391**	-	**6,608**	-
	10,391	-	**6,608**	-

The non-current provision represents the dilapidations estimate on office leases. The current provision arises on the tax payment related to share-based payments as set out in notes 1.13 and 25.

23 Deferred tax liability

	Group		*Company*	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Deferred tax	-	2,033	-	-

This liability represents the deferred tax arising on future economic interest of the acquired intangible patent asset, with movements in the year recognised through the statement of profit or loss. Given this has been fully impaired in 2021, there is no deferred tax liability remaining at 31 December 2021.

Notes *(continued)*

24 Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	**Lease liabilities**	**Share capital / premium**	**Total**
	£'000	**£'000**	**£'000**
Balance at 1 January 2020	11,526	168,573	180,099
Repayment of lease liabilities	(2,028)	-	(2,028)
Interest expense on lease liabilities	551	-	551
Additions	279	-	279
Proceeds from the issue of share capital, net of costs	-	35,790	35,790
Balance at 31 December 2020	**10,328**	**204,363**	**214,691**
Balance at 1 January 2021	10,328	204,363	214,691
Repayment of lease liabilities	(2,003)	-	(2,003)
Interest expense on lease liabilities	448	-	448
Additions	21	-	21
Proceeds from the issue of share capital, net of costs	-	7,038	7,038
Balance at 31 December 2021	**8,794**	**211,401**	**220,195**

Company	**Lease liabilities**	**Share capital / premium**	**Total**
	£'000	**£'000**	**£'000**
Balance at 1 January 2020	10,020	168,573	178,593
Repayment of lease liabilities	(1,482)	-	(1,482)
Interest expense on lease liabilities	482	-	482
Additions	-	-	-
Proceeds from the issue of share capital, net of costs	-	35,790	35,790
Balance at 31 December 2020	**9,020**	**204,363**	**213,383**
Balance at 1 January 2021	9,020	204,363	213,383
Repayment of lease liabilities	(1,482)	-	(1,482)
Interest expense on lease liabilities	394	-	394
Additions	21	-	21
Proceeds from the issue of share capital, net of costs	-	7,038	7,038
Balance at 31 December 2021	**7,953**	**211,401**	**219,354**

Notes *(continued)*

25 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 £1,081k (2020: £964k). There was an accrual of £nil at 31 December 2021 (2020: £nil).

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 157,813 options and 131,504 RSUs were granted to employees and others under the unapproved Share Option Plan, and 24,207 were forfeited due to the grantees no longer being employed by the Group or forfeiting their options.

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.

Growth Shares granted to-date with a collar prevent 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 (2020: £nil).

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.

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

Options and RSUs held in BenevolentAI Limited	**Weighted average exercise price (pounds)**	**Number of options**	Weighted average exercise price (pounds)	Number
	2021	**2021**	2020	2020
Options Outstanding at the beginning of the year	**36.6**	**229,627**	126.5	170,876
Forfeited during the year	**(266.6)**	**(24,207)**	(234.2)	(56,476)
Exercised during the year	**-**	**-**	-	-
Granted during the year	**0.1**	**289,317**	0.1	115,227
Committed during the year	**-**	**-**	-	-
Outstanding at the end of the year	**125.7**	**494,737**	36.6	229,627
Exercisable at the end of the year	**-**	**-**	-	-

Notes *(continued)*

25 Employee benefits *(continued)*

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

As permitted under IFRS 2, the Black-Scholes model has been used to calculate the fair value of each option 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 at the reporting date	**2021**	2020
Market value at date of grant	**£249**	£346
Exercise price at grant date	**£4**	£37
Volatility	**60%**	60%
Time to exercise (years)	**2.0**	4.0
Risk-free rate	**0.37%**	0.75%
Employee turnover	**12%**	12%

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**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Total share-based payment expense	**19,828**	16,289	**17,310**	8,966

Tax payments related to share-based payments

As discussed in Note 1.13, the liability arising from tax due in any jurisdiction in relation to equity compensation has been transferred to the Company. This follows a Board resolution approving the transfer, as well as subsequent communication to employees in 2021. Absent any liability for the Company for 2020 and prior, there has never been any liability recognised for such Employers National Insurance.

	Group		**Company**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Social security costs accrued in relation to share-based payments	**10,391**	-	**6,608**	-

Notes *(continued)*

26 Share capital

Allotted, called up and fully paid	Ordinary shares	A Preference shares	G2 growth shares	Total
	Number	**Number**	**Number**	**Number**
On issue at 1 January 2021	1,831,829	471,059	87,984	2,390,872
Issued for cash	-	35,535	-	35,535
On issue at 31 December 2021	**1,831,829**	**506,594**	**87,984**	**2,426,407**
	£	**£**	**£**	**£**
Par value £0.10 at 1 January 2021	183,183	47,106	8,798	239,087
Issued during the year	-	3,554	-	3,554
Par value £0.10 at 31 December 2021	**183,183**	**50,660**	**8,798**	**242,641**

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 Preference shares in the order of priority in respect of capital distribution rights on winding up.

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

27 Financial instruments

Fair values of financial instruments

	Group		*Company*	
	Carrying amount	Carrying amount	**Carrying amount**	Carrying amount
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Financial assets measured at fair value				
Amortised Cost				
Cash and cash equivalents (note 18)	**40,553**	85,371	**38,569**	79,385
Trade and other receivables (note 16)	**412**	312	**125,174**	84,912
Total financial assets	**40,965**	85,683	**163,743**	164,297
Financial liabilities measured at amortised cost (note 19)	**19,924**	9,569	**9,467**	3,772

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:

Notes *(continued)*

27 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:

		Contractual cashflows				
31 December 2021	**Carrying amount**	**Total**	**1 year or less**	**1 to <2 years**	**2 to <5 years**	**5 years and over**
	£'000		**£'000**	**£'000**	**£'000**	**£'000**
Non-derivative financial liabilities						
Trade and other payables	**19,924**	**19,924**	**19,924**	**-**	**-**	**-**
Lease liabilities	**8,794**	**10,214**	**2,003**	**1,848**	**4,415**	**1,948**
31 December 2020	Carrying amount	Total	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	£'000		£'000	£'000	£'000	£'000
Non-derivative financial liabilities						
Trade and other payables	9,569	9,569	9,569	-	-	-
Lease liabilities	10,328	12,191	1,996	1,996	4,780	3,419

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)*

27 **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 2021	**Euro**	**US Dollar**	**British Pound**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	**398**	**1,107**	**39,048**	**40,553**
Trade payables	**(191)**	**(14)**	**(1,542)**	**(1,747)**
Net exposure	**207**	**1,093**	**37,506**	**38,806**

31 December 2020	Euro	US Dollar	British Pound	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	389	8,138	76,844	85,371
Trade payables	(396)	(1,634)	(1,732)	(3,762)
Net exposure	(7)	6,504	75,112	81,609

A 10 percent weakening of the following currencies against the pound sterling at 31 December 2021 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 2020.

Sensitivity analysis

	2021	2020
	£'000	£'000
€	**(21)**	1
$	**(109)**	(650)

A 10 percent strengthening of the above currencies against the pound at 31 December 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Bank credit ratings

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A+ and above, based on Fitch credit ratings as at 31 December 2021, 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)*

28 Related party transactions

Identity of related parties with which the Company has transacted

During the period, BenevolentAI Limited paid contractor fees totalling £31k (2020: £138k) to Lisciad Limited, a company under common control. At the period end, BenevolentAI Limited owed £nil (2020: £38k) to Lisciad Limited.

Transactions with key management personnel

Total compensation of key management personnel in the year is included in the Directors' remuneration in note 8.

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 2021 or 31 December 2020.

29 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.

30 Subsequent events

There are no subsequent events to report other than those referred to in the strategic report.

31 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Annual Improvements to IFRS Standards 2018–2020.
- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Amendments to IFRS 17
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to IAS 12 Income Taxes