

**Babylon Healthcare Services Limited**  
Annual Report and Financial Statements  
Registered number 09229684  
Year ended 31 December 2020

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**Contents**

Strategic Report	1
Directors' Report	5
Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements	7
Independent Auditor's report to the members of Babylon Healthcare Services Limited	8
Statement of Profit and Loss and Other Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Cashflow Statement	14
Notes to the Financial Statements	15

## **Strategic Report**

The Directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

### **Results and other information**

In the year ended 31 December 2020, Babylon Healthcare Services Limited made a profit of £0.8m (2019: £1.8m loss) and had net assets of £1.3m (2019: £0.5m net liabilities).

The position of the Company at 31 December 2020 can be found on page 11.

### **Principal Activity**

The principal activity of the Company provides healthcare services primarily through employee benefit contracts with corporations, private patients, and its NHS GP at Hand offering. This includes engaging healthcare professionals and selling the company's services through the technology developed by other companies in the Group (Babylon Holdings Limited and its subsidiaries).

Within its Babylon GP at Hand offering, the company provide medical services under a contract with NHS for patients registered with Babylon GP at hand or temporarily resident in the area and seeking primary medical care. The other primary activity of the company is providing clinical services through the agreement with private insurers, as well as through agreements with employers for whom the company provide employees access to its clinical services.

### **Business Review**

The Group continues on its mission to put an accessible and affordable healthcare service in the hands of everyone on earth.

For Babylon Healthcare Services Limited this has meant investment in the development of clinical services, through its GP at Hand in partnership with the NHS as well as expanding its employee benefits to Small and Medium-Sized Business (SMB) business in partnership with an Insurance broker.

For the year-ended December 31, 2020 clinical service revenue increased by £7.7 million to £17.3 million (2019: £9.6 million) and this was primarily due to the membership growth in the Babylon GP at Hand population as well as an increase number of virtual consultations through private insurers. The GP at Hand service reached 90k users in 2020 (2019: 75k) operating from eight clinics (2019: eight).

### **Key Performance Indicators**

At a Group level, we review a number of operating and financial metrics, including key metrics and non-IFRS measures. To evaluate and measure Babylon Healthcare Services Limited's ("the Company") performance we measure the growth and the profitability of the company by looking at the movement in revenue and operating profit.

In the year ended 31 December 2020, the Company increased revenues to £17.3m (2019: £9.5m) and the operating profit for the year was £0.8m (2019: £1.8m operating loss). The increase in revenue and operating profit is following the growth in both GP at Hand users to 93k in 2020 (2019: 75k) and the increase of contracts in place.

### **Future Developments**

In response to the continuation of the global pandemic of coronavirus disease (COVID-19), the Company is continuing the on-boarding of future customers having access to its Artificial Intelligence engine combined with Virtual Healthcare systems.

The GP at Hand service reached 146k registrations at the signing of these accounts.

## Strategic Report (continued)

### Principal Risks and Uncertainties

The type of risks that affect management of the Company are exposure to various financial risks: credit risk, liquidity risk and currency risk in cash flows. The company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the company's profits. The company's uses derivatives to mitigate certain risks.

The company's financial department controls the management of liquidity risk and currency risk in accordance with the company's policies. This department centrally identifies, evaluates and makes decisions whether to hedge financial risks to which the company is exposed. As at the end of December 2020, the company has net assets of £1.3m and cash and cash equivalents of £2.6m.

The rapid spread of COVID-19 around the world ("Pandemic") has altered the behaviour of businesses and people, with significant negative effects on national, state and local economies, the duration of which remains unknown at this time. While several of the markets in which we operate are beginning to experience reductions in the effects of the Pandemic, it is not currently possible to predict the ultimate financial impact COVID-19 will have had on our business, results of operations and financial condition. Key factors will include the extent to which changes in the behaviour of people during the Pandemic result in a permanent change in their behaviour, a longer-term reversion back to pre-pandemic behaviours or a significant immediate change in behaviours as the impacts of the Pandemic become more manageable because of global vaccination programs.

### Cyberattack and Data Protection

Protecting patient data is critical to the business. The Company could face financial loss, disruption or damage to brand reputation arising from an attack on our systems by criminals, terrorists or foreign governments. If the Company does not adequately protect our patient and employee data, the Company could breach regulation and face penalties and loss of customer trust. The Group ensures that it is up to date with industry standards and address identified weaknesses.

General Data Protection Regulation (GDPR) regulations that came into effect in May 2018 have been incorporated into operating and compliance practices.

### Going concern

Notwithstanding net assets of £1.3m as at 31 December 2020, a profit for the year then ended of £0.8m and operating cash outflows for the year of £10.3m, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate based on the conclusions reached at Group, as follows.

*"At December 31, 2020, the Group incurred a loss for the year of \$184,451 thousand (2019: loss of \$149,980 thousand), and operating cash outflows of \$143,430 thousand (2019: \$143,614 thousand). As of December 31, 2020 the Group had a net asset position of \$48,359 thousand (2019: \$173,797 thousand). The Group has financed its operations principally through issuances of debt and equity securities and has a strong record of fundraising, evidenced by its successful Series C raise, execution of a \$200,000 thousand Convertible Loan Note agreement and the issuance of \$50,000 thousand in unsecured bonds in August 2021. The Group requires significant cash resources to, among other things, fund working capital requirements, increase headcount, make capital expenditures (including those related to product development), and expand our business through acquisitions..*

*The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds through injections of further investment capital in order to meet its liabilities as they fall due for that period (the going concern period). Based upon the forecasts, the directors are expecting to consummate the Merger and believe that the capital raised will be sufficient to provide adequate funding to service our obligations, meet liquidity needs and fund necessary capital expenditures through the going concern period. In the event that the Group is unable to consummate the Merger additional funding will be required to be sought through public or private equity or debt financings to continue our operations.*

## Strategic Report (continued)

*At December 31, 2020, the Group had cash and cash equivalents of \$101,757 thousand (2019: \$214,888 thousand). The Group has long term debt obligations that mature in August 2022 for \$50,000 thousand.*

*While there is no assurance that the Merger will be consummated or, in the event that the Merger is not consummated, that additional funds are available on acceptable terms, the directors believe that they will be successful in raising the additional capital needed to meet working capital and capital expenditure requirements during the going concern period. As noted in Note 28, the Group has entered into a definitive merger agreement with Alkuri Global Acquisition Corp. The Group expects the Merger will be consummated in the second half of 2021 to deliver a minimum amount of \$230,000 thousand, which would provide sufficient additional capital to continue operations over the going concern period. However, the above indicates that there are material uncertainties (ability to fund raise further capital in the short term) related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, to continue realizing its assets and discharging its liabilities in the normal course of business."*

The Directors of the Company have assessed the conclusions reached by the directors of the Group and agree with their conclusions. Consequently, 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 the financial statements and therefore have prepared the financial statements on a going concern basis.

## Engaging with our Stakeholders (section 172(1) statement)

### *Employees*

This section describes how we have engaged with and had regard to the interests of our key stakeholders when exercising our duty to promote the success of the Company under section 172(1) of the Companies Act 2006. The principles underpinning section 172 are not something that are only considered at Board level, they are embedded throughout our Company.

### *Customers*

Our clinical services offering is tailored to our customers' needs but can include access to our full range of digital care tools, including our app-based Digital Suite, as well as consultations with licensed medical professionals.

We deliver our Babylon GP at Hand offering, providing primary care clinical services on behalf of NHS, and provide clinical services through our agreement with Bupa, a private insurer, as well as through agreements with employers for whom we provide employees access to our clinical services. We provide these services through a mix of fee-for-service and capitation fees.

Through our Babylon GP at Hand offering, which we started in 2017, we provide end-to-end primary care for members in lieu of them registering with another NHS general practitioner, or GP. Since 2017, we have grown our GP at Hand offering over fifty times, from 2,000 to over 100,000 members, and from one location in London to seven physical locations in London and Birmingham. Today, anyone who lives or works within 30 minutes of one of our physical practices, irrespective of age and health, can sign up with GP at Hand. We have further improved accessibility of healthcare for our member populations by providing digital consultation within two hours of a member seeking an appointment compared to over a week, the average for an NHS GP appointment. At the same time, we have received an outstanding rating from the Care Quality Commission, the independent regulator of all healthcare services in the United Kingdom, and over 95% 4 and 5-star ratings from our members, with a 95% retention rate.

We employ doctors, nurses, prescribing pharmacists and other specialists in order to deliver this care to our membership. Our work with the NHS has demonstrated conclusive cost savings. The NHS's own studies have shown that our member base has experienced reduced acute care costs by over 35% compared to a similar population.

## Strategic Report (continued)

Bupa is the United Kingdom's largest private health insurer, used by 2.4 million people alongside the NHS. Bupa's covered population has access to Babylon's digital platform, for which we are paid a capitation fee per member. In addition, Bupa members can undertake virtual consultations with our doctors or healthcare professionals, for which we receive a fee for service. Following a virtual consultation, if appropriate, we then refer these members into the secondary care system – either with the NHS or Bupa. We do not operate any physical premises in order to deliver healthcare to these members.

### *Regulator*

The Company is regulated by the Care Quality Commission ("CQC"). The CQC's role is to check, through inspection and ongoing monitoring, that their expected standards are being met, ultimately to protect patients and ensure that they are receiving the best possible care.

The CQC assess us in five different areas: Safe, Effective, Caring, Responsive and Well Led. These are assessed through ongoing monitoring and periodic inspection. At our last inspection in September 2019, we were rated as "Good" in all areas other than Well led where we were rated "Outstanding".

We have an open and collaborative relationship with our CQC Inspection Team, working with them to ensure we meet regulatory standards, act quickly to address and concerns raised, and ensure a process of continual development and improvement.

### *Suppliers*

Babylon's supply chain is critical to delivering a high-quality service to both our clients and end customers (users). Babylon provides a Vendor Code of Conduct to its suppliers to set expectations on how we will mutually work together. Babylon manages its supply chain through a Supplier relationship programme (SRM) which aims to introduce a formal 'Best Practice' by complementing all Sourcing activity and creates a continuous improvement cycle. Through the SRM we undertake performance management and are fully equipped to be agile and proactive in relation to developing and improving the supply chain for mutual gain

Babylon deploys a collaborative approach to the adoption of governance and control measures to support the business and our end clients. This in turn will drive tangible continuous improvement of supplier services across all aspects of the business leading defined financial and non-financial returns.

By order of the board



Ali Parsa (Oct 8, 2021 11:40 CDT)

**Ali Parsadoust**

*Director*

1 Knightsbridge Green

London

SW1X 7QA

8 October 2021

## **Directors' Report**

The Directors present their report and the audited financial statements of the Babylon Healthcare Services Limited for the year ended 31 December 2020.

### **Healthcare Services**

The Company provides healthcare services primarily through employee benefit contracts with corporations, private patients, and its NHS GP at Hand offering.

### **Financial Instruments**

Financial instruments held during the year ended 31 December 2020 include debtors and creditors. The Company measures all financial instruments at fair value.

### **Proposed dividend**

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

### **Directors**

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

Dr Ali Parsadoust

### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Political contributions**

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

### **Greenhouse gas emissions and energy consumption**

The Company has not disclosed detailed energy and carbon information, as it is a low energy user with <40MWh energy use.

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

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

### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### **Auditor**

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

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

By order of the board

  
Ali Parsadoust (Oct 8, 2021 11:40 CDT)

**Ali Parsadoust**  
*Director*

1 Knightsbridge Green  
London  
SW1X 7QA  
8 October 2021

## **Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BABYLON HEALTHCARE SERVICES LIMITED

## Opinion

We have audited the financial statements of Babylon Healthcare Services Limited ("the company") for the year ended 31 December 2020 which comprise the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the Company is reliant on financial support from its immediate parent company, Babylon Holdings Limited. However, the ability of Babylon Holdings Limited to provide this support is uncertain and the financial statements of Babylon Holdings Limited contained a material uncertainty in relation to going concern. These events and conditions, along with other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern

Our opinion is not modified in respect of this matter.

## Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Based on our financial statements audit work, we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatement due to fraud*

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

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

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, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that clinical services revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BABYLON HEALTHCARE SERVICES LIMITED (CONTINUED)**

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

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

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

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's licence to operate in specific territories. We identified the following areas as those most likely to have such an effect: anti-bribery, healthcare provision conduct regulations, personal data (including specific data on health), and employment law recognising the nature of the Company'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.

### *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.

### **Directors' report**

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

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BABYLON HEALTHCARE SERVICES LIMITED (CONTINUED)**

Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

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

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

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

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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


### **Auditor's responsibilities**

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

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

### **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.

T. J. 

**Timothy Rush (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
11 October 2021

## Statement of Profit and Loss and Other Comprehensive Income

		2019	2019
<i>for year ended 31 December 2020</i>			
	<i>Note</i>	£	£
Revenue	5	17,276,040	9,546,378
Cost of care delivery	7	(21,555,920)	(14,310,518)
Platform & application expense	8	(11,945)	(1,003)
Research & development expense	9	(843,361)	(654,317)
Sales, general & administration expenses	10	(15,143,335)	(14,123,476)
Other operating income – risk transfer		21,315,083	17,770,991
<b>Operating profit</b>		<b>1,036,562</b>	<b>(1,771,945)</b>
Finance costs	12	(196,933)	(67,994)
<b>Profit before taxation</b>		<b>839,629</b>	<b>(1,839,939)</b>
Tax (expense) benefit	13	-	-
<b>Profit for the financial year</b>		<b>839,629</b>	<b>(1,839,939)</b>
<b>Profit and total comprehensive income for the year</b>		<b>839,629</b>	<b>(1,839,939)</b>

All activities arise from continuing operations.

There were no recognised gains and losses for 2020 or 2019 other than those indicated in the statement of profit and loss and other comprehensive income.

The notes on pages 15 to 31 form an integral part of the financial statements.

## Statement of Financial Position

<i>At 31 December 2020</i>	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	<i>14</i>	260,693	75,347
Right of use asset	<i>19</i>	1,882,668	2,190,365
Amounts due from related parties	<i>23</i>	17,939,902	-
<b>Total non-current assets</b>		<b>20,083,263</b>	<b>2,265,712</b>
<b>Current assets</b>			
Cash and cash equivalents	<i>15</i>	2,597,700	223,805
Trade and other receivables	<i>16</i>	976,167	1,668,002
Contract assets	<i>5</i>	1,548,207	631,756
Amounts due from related parties	<i>23</i>	-	16,328,250
Right of use asset	<i>19</i>	307,695	307,693
<b>Total current assets</b>		<b>5,429,769</b>	<b>19,159,506</b>
<b>Total assets</b>		<b>25,513,032</b>	<b>21,425,218</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Ordinary share capital	<i>21</i>	1	1
Share based payment reserve	<i>21</i>	1,916,314	891,899
Retained earnings		(595,641)	(1,435,270)
<b>Total Equity</b>		<b>1,320,674</b>	<b>(543,370)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contract liabilities	<i>5</i>	206	273,171
Lease liabilities	<i>19</i>	1,472,035	1,590,139
<b>Total non-current liabilities</b>		<b>1,472,241</b>	<b>1,863,310</b>
<b>Current liabilities</b>			
Trade and other payables	<i>17</i>	982,468	823,696
Amounts due to related parties	<i>23</i>	19,323,351	16,904,037
Accruals and provisions	<i>18</i>	636,107	1,007,324
Lease liabilities	<i>19</i>	145,846	-
Contract liabilities	<i>5</i>	1,632,345	1,370,221
<b>Total current liabilities</b>		<b>22,720,117</b>	<b>20,105,278</b>
<b>Total liabilities</b>		<b>24,192,358</b>	<b>21,968,588</b>
<b>Total liabilities and equity</b>		<b>25,513,032</b>	<b>21,425,218</b>

These financial statements were approved by the board of directors on 8 October 2021 and were signed on its behalf by:

  
All-para (0218, 2021 11:40 CDT)

**Ali Parsadoust**  
Director

The notes on pages 15 to 31 form an integral part of the financial statements.  
Company registered number: 09229684

## Statement of Changes in Equity

	Share capital	Share reserve	Retained earnings	Total equity
	£	£	£	£
Balance at 1 January 2019	1	494,557	404,669	899,227
<b>Total comprehensive income for the period</b>				
Loss for the financial year	-	-	(1,839,939)	(1,839,939)
Equity-settled share-based payment transactions	-	397,342	-	397,342
<b>Balance at 31 December 2019</b>	<b>1</b>	<b>891,899</b>	<b>(1,435,270)</b>	<b>(543,370)</b>
	Share capital	Share reserve	Retained earnings	Total equity
	£	£	£	£
Balance at 1 January 2020	1	891,899	(1,435,270)	(543,370)
<b>Total comprehensive income for the period</b>				
Profit for the financial year	-	-	839,629	839,629
Equity-settled share-based payment transactions	-	1,024,415	-	1,024,415
<b>Balance at 31 December 2020</b>	<b>1</b>	<b>1,916,314</b>	<b>(595,641)</b>	<b>1,320,674</b>

The notes on pages 15 to 31 form an integral part of the financial statements.

## Cashflow Statement

	Note	2020 £	2019 £
<i>for year ended 31 December 2020</i>			
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		839,629	(1,839,939)
<i>Adjustments for:</i>			
Depreciation and amortisation	14, 19	319,035	111,377
Equity settled share-based payments		1,024,415	397,342
Finance costs	12	194,888	64,394
		<u>2,377,967</u>	<u>(1,266,826)</u>
<b>Working capital adjustments:</b>			
(Increase)/Decrease in trade and other receivables	16	691,835	(160,800)
Increase/(Decrease) in trade and other payables	17	158,772	386,050
Increase/(Decrease) in accruals, provision and other liabilities	18	(371,217)	784,460
Amounts due to/(from) related parties	23	(1,595,875)	(9,162,477)
(Increase)/Decrease contract assets	5	(916,451)	(87,628)
Increase/(Decrease) in contract liabilities	5	(10,841)	(793,854)
		<u>(2,043,777)</u>	<u>(9,034,249)</u>
<b>Net cash flows from operating activities</b>		<u>334,190</u>	<u>(10,301,075)</u>
<b>Cash flows from investing activities</b>			
Development costs capitalised	14	(196,686)	(76,350)
<b>Net cash outflow from investing activities</b>		<u>(196,686)</u>	<u>(76,350)</u>
<b>Net lease liability and right of use asset additions</b>			
Net lease liability and right of use asset additions	19	-	(1,057,750)
Payment of lease liabilities	19	(167,146)	(24,936)
Amounts due to/(from) related parties	23	2,403,537	11,190,796
<b>Net cash inflow from financing activities</b>		<u>2,236,391</u>	<u>10,108,110</u>
Net increase/(decrease) in cash and cash equivalents		2,373,895	(269,315)
Cash and cash equivalents at 1 January		223,805	493,120
<b>Cash and cash equivalents at 31 December</b>		<u>2,597,700</u>	<u>223,805</u>

The notes on pages 15 to 31 form an integral part of the financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Corporate Information

Babylon Healthcare Services Limited (the “Company”) is a private company limited by shares and is incorporated, registered and domiciled in England, UK. The address of the registered office is 1 Knightsbridge Green, London, England, SW1X 7QA.

### 2 Basis of Preparation

#### *Measurement Convention*

The financial statements have been prepared on the historical cost basis and approved by the Directors in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Note 3.

#### *Going Concern*

Notwithstanding net assets of £1.3m as at 31 December 2020, a loss for the year then ended of £0.8m and operating cash inflows for the year of £0.3m, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Babylon Holdings Limited (“the Group”), to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Babylon Holdings Limited providing additional financial support during that period. Babylon Holdings Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts.

In addition, the principal activity of the company is to act as a research and development entity for the other entities controlled by the Group. The company having a trade is entirely dependent on the Group continuing to trade. The company meets its day to day working capital requirements from cash resources and intercompany balances with Group companies. Therefore, the going concern assessment of the company is dependent on that of the Group as a whole. Below is the extract from the group financial statements detailing the going concern basis of preparation.

The Directors note that the ultimate parent entity of the Group has included in their financial statements which were approved on 27 September 2021 a material uncertainty regarding going concern. This uncertainty relates to the group requiring injections of further investment capital in order to meet its liabilities as they fall due for a period of 12 months from the date of approval of these financial statements. While the Group believes it will be successful in raising the additional capital needed to meet working capital and capital expenditure requirements there is no assurance that the Group will be able to do so. Based on the latest information available to the Directors this assessment remains appropriate. Consequently the Directors have concluded that there can be no certainty that the Group will be able to provide the financial support which the Company’s forecasts indicate is required.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern, and, therefore, to continue realising their assets and discharging their liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### *Reclassifications*

In 2020, management reviewed the presentation of the Statement of Profit and Loss and considered whether it continued to provide relevant and reliable information to stakeholders. It was concluded that there should be an

## 2 Basis of preparation (continued)

update to how certain expenses were classified and therefore the Company has changed its accounting policy for expense classifications. Previously, the Company had disclosed Depreciation and Amortization as a separate expense category, whereas now Depreciation and Amortization costs are allocated to their relevant function.

In addition, the Company elected to separately present costs relating its Platform and application expenses, including the amortization and impairment, and Research and development expenses, excluding the amortization and impairment, in its Statement of Profit and Loss. The elective disaggregated presentation of amounts previously classified as Research & development and technology expenses was applied retrospectively to the Company's Financial Statements.

With the exception of the change in presentation in the Statement of Profit and Loss, these elective changes had no impact on the Company's Loss for the period or to the financial statements as of and for the years ended December 31, 2020 and 2019.

## 3 Accounting estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The directors of the company have noted that there have been no critical accounting judgements or key sources of estimation uncertainty in the current year.

## 4 Accounting policies

The Company has previously prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, however the Company could have asserted it was in compliance with IFRS as issued by the International Accounting Standards Board for the previous period. There is no material difference noted on adoption and therefore, the Company is not considered a first-time adopter.

The financial statements have been prepared under the historical cost basis, as modified by the recognition of certain financial instruments measured at fair value and are presented in Great British Pound ("GBP") which is the Company's presentation currency.

### *Revenue recognition*

Revenue is primarily derived from patient revenues from the provision of clinical services.

Revenue is recognized upon transfer of control of services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those services.

Contract assets are recognized when there is an excess of revenue earned over billings on contracts where the rights are conditional on something other than passage of time. Contract assets are classified as unbilled receivables (i.e. only invoicing is pending) when there is an unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Income received in advance ("contract liability") is recognized when there are billings in excess of revenues earned for services rendered.

The Company's contracts with customers could include promises to transfer multiple services to a customer. The Company assesses the services promised in a contract and identifies distinct or bundled performance obligations in the contract. Identification of these performance obligations involves judgement to determine the promises and the ability of the customer to benefit independently from such promises. If multiple performance obligations are identified in the contract the transaction price is allocated to each performance obligation on a relative stand-alone selling price basis based on observable prices, for which the Company recognizes revenue as or when the performance obligations under the contract are satisfied. Transaction prices are adjusted for the effects of a significant financing component if we expect, at contract inception, that the period between the transfer of the promised goods or services to the customer and when the customer pays for that service will be more than one year.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how a customer consumes benefits as services are rendered, existence of enforceable rights to payment for performance to date, transfer of significant risks and rewards to the customer and acceptance of delivery of the service by the customer.

#### 4 Accounting policies (continued)

##### *Clinical service revenue*

Clinical service revenue represents clinical services provided to our business and private patients under an arrangement and is recognized when the services are rendered. Our clinical service fees are based on PMPM (per member per month) subscription fees and fees per appointment (“fee for service”). PMPM subscription fees give members access to our clinical services over the contractual period as set forth in the arrangement, recognized monthly based on the number of members covered by the plan in a given month. Fee for service is based on contracted rates determined in agreed-upon compensation schedules and is recognized when the services are rendered at a point in time. In arrangements where PMPM subscription fees are charged we assess whether any of the transaction price should be allocated to License fee revenue and allocate on a contract by contract basis.

##### *Cost of Care Delivery*

Cost of care delivery primarily consists of fees paid to the physicians and other health professionals in our provider network and costs incurred in connection with our provider network operations. Cost of care delivery is mainly driven by patient activity and required medical services and are relatively variable.

##### *Platform and application expenses*

Platform and application expenses primarily include the amortization of capitalized development costs. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and if the Company has sufficient resources to complete the development. Capitalized development costs are recorded as intangible assets and amortized from the point at which the development is complete, and the asset is available for use. Costs are capitalized based on a model whereby a percentage is allocated to employee related expenses based on the time spent on the development of assets. Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All employee expenses included in this balance relate to employees in the technology departments, and the percentage attributable varies dependent on the nature of the work performed and the type of asset being developed. Expenses that do not meet the criteria for capitalization are expensed as incurred.

The technical feasibility of a new product is determined by a management team consisting of technical and finance leads based on understanding the availability of adequate technical, financial and other resources required to develop the product. The commercial feasibility of a new product is determined by understanding how this product feeds into Babylon’s current offering. Commercial leads ascertain market interest by evaluating against existing and potential customer requirements. Feasibility is challenged with input from finance leads to verify the underlying financial implications of development and assess viability. Once the technical and commercial feasibility has been established and the project has been approved for commencement, the project moves into the development phase.

As described in Note 3, development costs of approximately £196,686 (2019: £76,350) were capitalized during the year for those development and technology expenses that were deemed technologically feasible and probable of generating future economic benefits. During the period of development, the asset is tested for impairment at least annually.

##### *Research and development expenses*

Research and development expenses primarily included employee-related salaries, benefits, stock-based compensation, as well as contractor and consultant expenses that are engaged in performing activities to develop and improve the Company’s digital healthcare platform as well as third-party application costs, hosting services and other indirect costs. Research costs and development costs that do not meet the criteria for capitalization are expensed as incurred.

##### *Sales, general & administration expense*

Sales, general and administrative expenses include employee-related expenses, contractors and consultants expense, stock-based compensation, property and facility related expenses, IT and hosting, marketing, training and recruiting expenses. Enterprise IT and hosting costs are primarily software subscriptions, domain and hosting costs. Our sales, general and administrative expenses also include depreciation of property, fixtures and fittings and amortization of acquired intangible assets.

#### **4 Accounting policies (continued)**

##### ***Management charges***

Management service fees payable to Babylon Partners Limited are recognised as an expense in the accounting period in which the services are rendered

##### ***Other operating income***

Other operating income includes amounts received from a risk transfer agreement between the Company and Babylon Partners Limited (“BPL”), both wholly owned subsidiaries of the Group.

##### ***Taxation***

Tax on the Statement of Profit and Loss for the year comprises current and deferred tax. Tax is recognized in the Statement of Profit and Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The 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 reporting date.

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

##### ***Comprehensive loss***

Comprehensive loss consists primarily of cumulative translation gains or losses. Unrealized gains or losses are net of any reclassification adjustments for realized gains and losses included in the Statement of Profit and Loss.

##### ***Intangible assets***

Intangible assets include capitalized development costs separately acquired in the normal course of business are recorded at historical cost, and intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized generally on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are at least reviewed at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in depreciation and amortization. The useful lives of the intangible assets are 1-10 years

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss.

##### ***Trade receivable***

We use a forward-looking expected credit loss (“ECL”) model in determining our allowance for doubtful accounts as it relates to trade receivables, contract assets, and other financial assets. Our allowance is based on historical experience, and includes consideration of the aging of the receivables, the economic environment, industry trend analysis, and the credit history and financial conditions of the customers among other factors. We measure an impairment loss as the excess of the carrying amount over the present value of the estimated future cash flows discounted using the financial asset’s original discount rate, and we recognize this loss in our Statement of Profit and Loss. A financial asset is written-off or written-down to its net realizable value as soon as it is known to be impaired. We adjust previous write-downs to reflect changes in estimates or actual experience.

#### **4 Accounting policies (continued)**

##### ***Cash and cash equivalents***

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less from the date of purchase. The Company had no restricted cash amounts as of 31 December 2020 or 31 December 2019.

##### ***Employee benefits***

###### ***Defined contribution plans***

Obligations for contributions to defined contribution pension plans are recognized as an expense in the Statement of Profit and Loss 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 recognized 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 estimated reliably.

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

The Group operates a share option scheme. It issues equity settled share-based payments to both employees and non-employees within the Group, whereby services are rendered in exchange for rights to purchase shares of the Company. Non-employees include contractors and advisors.

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions (if applicable) are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. The forfeitures rate is estimated and revised at each reporting date based on historical actuals. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

###### ***Foreign currency***

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

###### ***Provisions***

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

###### ***Leases***

Our lease contracts primarily include real estate leases for buildings and are accounted for under IFRS 16, Leases ("IFRS 16").

We assess whether a contract is or contains a lease, at inception of a contract. We recognize a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, we recognize the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 4 Accounting policies (continued)

##### *Financial Instruments*

###### *Derivatives*

Derivatives are initially measured at fair value and are subsequently remeasured to fair value at each reporting date. Changes in fair value are recognized in finance income or finance costs as appropriate.

###### *Fair value measurements*

The accounting standard regarding fair value of financial instruments and related fair value measurements defines financial instruments and requires disclosure of the fair value of financial instruments held by the Company. The accounting standards define fair value, establish a three-level valuation hierarchy for disclosures of fair value measurement and enhance disclosure requirements for fair value measures. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the fair value hierarchy by re-assessing categorisation at the end of each reporting period.

The carrying amounts reported in the Statement of Financial Position for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realisation and their current market rate of interest. The Company does not have any other material assets or liabilities that are recognized at fair value on a recurring basis.

###### *New standards and interpretations not yet adopted*

The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- Amendments to IFRS 9: Financial Instruments, IAS 39: Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective date 1 January 2021).
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract, Amendments to References to the Conceptual Framework in IFRS 3, Business Combinations, Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use, and Annual Improvements to IFRS Standards 2018-2020 (effective date 1 January 2022)
- IFRS 17: Insurance Contracts and Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date 1 January 2023).

## 5 Revenue

### (i) Disaggregation of revenue

In the following table, revenue is disaggregated by major products/service lines and timing of revenue recognition.

	2020 £	2019 £
Clinical Services	<u>17,276,040</u>	<u>9,546,378</u>

### (ii) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2020 £	2019 £
Trade debtors (note 13)	722,573	1,320,834
Contract assets (current)	1,548,207	631,756
Contract liabilities (current)	(1,632,345)	(1,370,221)
Contract liabilities (non-current)	<u>(206)</u>	<u>(273,171)</u>

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £1,370,221 (2019: £2,437,246).

### (iii) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020 £	2021 £	2022 £	Total £
At 31 December 2020	-	1,632,345	206	1,632,551
At 31 December 2019	1,370,221	137,157	136,014	1,643,392

The company applies the practical expedient in IFRS 15.121 and does not disclose information about remaining performance obligations that have original expected durations of less than one year.

## 6 Staff numbers and costs

### *Average Staff numbers:*

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

	2020	2019
Engineers	17	6
Sales and Marketing	1	2
Admin, Finance, HR & Legal	2	5
Clinical Operations	237	161
Clinicians	443	142
	<u>700</u>	<u>316</u>

## 6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£	£
Wages and salaries	8,025,766	6,555,247
Share based compensation	1,044,430	397,342
Social security and pension contributions	13,505,019	6,051,482
	<u>22,575,215</u>	<u>13,044,071</u>

Of the total employee benefits expense, £20,740,114 (2019: £10,876,617) has been recognized in cost of care delivery, £839,742 (2019: £642,817) has been recognized in research and development expenses and £995,360 (2019: £1,484,637) in sales, general and administration expenses.

During 2020, the company capitalized employee costs of £ 196,686 (2019: £76,350) as development costs.

## 7 Cost of care delivery

	2020	2019
	£	£
Employee benefits expense	20,740,114	10,876,617
Contractors expense	101,671	3,108,998
Materials	714,135	3,445
Commissions	-	57
Other	-	321,401
	<u>21,555,920</u>	<u>14,310,518</u>

## 8 Platform and Application Expenses

	2020	2019
	£	£
Depreciation and amortisation expense	11,340	1,003
Impairment	605	-
	<u>11,945</u>	<u>1,003</u>

Depreciation and amortization includes £11,340 (2019: £0) of amortization related capitalized development costs.

## 9 Research and Development Expenses

	2020	2019
	£	£
Employee benefits expense	839,742	642,817
Staffing, training and recruitment	3,619	6,760
Contractors and consultants expense	-	2,981
Other	-	1,759
	<u>843,361</u>	<u>654,317</u>

## 10 Sales, general & administration expenses

	2020	2019
	£	£
Employee benefit expense	995,360	1,484,637
Rent and property related expenses	36,206	268,515
Staffing, training and recruitment	319,063	437,773
Contractors and consultants expense	70,481	240,829

**10 Sales, general & administration expenses (continued)**

Insurance	135,629	32,698
Travel and accommodation	39,822	93,974
Office and clinical supplies	816,567	552,545
Marketing	1,984	8,601
Professional fees	109,849	348,851
Management fees	9,103,822	8,608,515
Local taxes	1,820,764	1,720,128
Depreciation and amortisation expense	307,695	110,374
IT and Hosting Costs	489,270	175,516
Other	896,823	40,520
	<u>15,143,335</u>	<u>14,123,476</u>

**11 Auditors' remuneration**

	2020 £	2019 £
Audit of these financial statements	<u>40,000</u>	<u>37,500</u>
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	<u>-</u>	<u>4,850</u>

Audit and taxation compliance fees were incurred and paid for on behalf of the entity by the Company's parent entity, Babylon Holdings Limited.

**12 Finance cost**

	2020 £	2019 £
Interest payable	2,045	3,600
Interest on leases	<u>194,888</u>	<u>64,394</u>
<b>Total finance cost</b>	<u>196,933</u>	<u>67,994</u>

**13 Taxation**

	2020 £	2019 £
<i>Current tax</i>		
Current tax on loss for the period	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
<b>Total income tax charge/(credit)</b>	<u>-</u>	<u>-</u>

### 13 Taxation (continued)

#### Reconciliation of tax charge/(credit)

	2020 £	2019 £
Profit for the year before tax	839,629	(1,839,939)
Tax on profit on ordinary activities at standard CT rate (19.00%)	159,530	(349,588)
Expenses not deductible for tax purposes	109,682	-
Group relief surrendered/(claimed)	133,257	-
Deferred tax not recognised	(402,469)	349,588
<b>Tax provision (benefit) for the period</b>	<b>-</b>	<b>-</b>

A reduction in the UK corporation tax rate to 19.0% (effective from 1 April 2017) was substantively enacted on 26 October 2015, and an additional reduction to 17.0% (effective 1 April 2020) was substantively enacted on 6 September 2016. The government announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19.0%. This will reduce the company's future current tax charge accordingly.

On 3 March 2021 it was announced that the UK tax rate will increase to 25.0% on 1 April 2023. This will have a consequential effect on the company's future tax charge.

#### Unrecognized deferred tax assets

Due to uncertainty over future profitability a deferred tax asset of £284k (2019: £698k) relating to losses and other deductions, as well as intangible asset and short-term timing differences, has not been recognized. A tax rate of 19.0% was used to calculate the deferred tax asset.

### 14 Intangible assets

	Development Costs £	Intangibles under Development £	Total £
<b>Cost</b>			
Balance at 1 January 2019	-	-	-
Additions	-	76,350	76,350
Transfers	60,186	(60,186)	-
<b>Balance at 31 December 2019</b>	<b>60,186</b>	<b>16,164</b>	<b>76,350</b>
Balance at 1 January 2020	60,186	16,164	76,350
Additions	-	196,686	196,686
Transfers	122,893	(122,893)	-
<b>Balance at 31 December 2020</b>	<b>183,079</b>	<b>89,957</b>	<b>273,036</b>
<b>Amortization and impairment</b>			
Balance at 1 January 2019	-	-	-
Amortization for the year	(1,003)	-	(1,003)
<b>Balance at 31 December 2019</b>	<b>(1,003)</b>	<b>-</b>	<b>(1,003)</b>
Balance at 1 January 2020	(1,003)	-	(1,003)
Amortization for the year	(11,340)	-	(11,340)
<b>Balance at 31 December 2020</b>	<b>(12,343)</b>	<b>-</b>	<b>(12,343)</b>

#### 14 Intangible assets (continued)

<b>Net book value</b>			
At 1 January 2019	-	-	-
At 31 December 2019 and 1 January 2020	59,183	16,164	75,347
<b>At 31 December 2020</b>	<b>170,736</b>	<b>89,957</b>	<b>260,693</b>

All development costs, including intangibles under development, have been internally generated. During 2020, £122,893 of intangibles under development were transferred to development costs as these projects were completed. Intangibles under development are tested for impairment at least annually.

The total net book value is considered to be the recoverable amount, as this balance is reviewed annually and impaired as necessary (Note 4). All development costs are related to software and artificial intelligence development and there are no distinguishable individually material intangible assets within the capitalised development costs.

#### 15 Cash and cash equivalents

	2020	2019
	£	£
Cash in hand and at bank	<u>2,597,700</u>	223,805

Cash in hand and at bank includes deposits and current accounts in financial institutions which earn interest at market rates. Current bank deposits also accrue interest at a market rate. Consequently, these assets are measured at an amount which is close to their fair value.

#### 16 Trade and other receivables

	2020	2019
	£	£
Trade receivables	722,573	1,320,834
Prepayments	81,918	24,230
VAT receivable	2,065	6,664
Other	169,611	316,274
	<u>976,167</u>	1,668,002

The company has assessed its expected credit loss estimate, in line with the requirements of IFRS 9, by taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions. As part of this assessment, the company has performed a recoverability assessment of its outstanding trade and other receivables at the reporting date and concluded that, due to uncertainty over recoverability, the expected credit loss as of 31 December 2020 is £820 thousand (2019: £0).

### 17 Trade and other payables

	2020	2019
	£	£
Trade payables	250,050	297,923
Employee and social security liabilities	732,418	525,773
	982,468	823,696

Payables are normally settled within 30 days of the date of purchase and are non-interest bearing. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

### 18 Accruals and provisions

	2020	2019
	£	£
Accruals	623,266	994,483
Provisions	12,841	12,841
	636,107	1,007,324

### 19 Leases

The Company leases several assets which consist of buildings and IT equipment. The Company recognizes right-of-use assets and lease liabilities for its building leases only, as the leases for IT equipment meet the exemption requirements as short-term leases and leases of low-value assets. Therefore, the disclosures below for the Company's right-of-use assets relate only to buildings.

		£
<i>Right of Use Asset</i>		
<b>Cost</b>		
Balance at 1 January 2019		-
Additions to right-of-use-assets		2,608,432
<b>Balance at 31 December 2019</b>		<b>2,608,432</b>
Balance at 1 January 2020		2,608,432
Additions to right-of-use-assets		-
<b>Balance at 31 December 2020</b>		<b>2,608,432</b>
<b>Amortization</b>		
Balance at 1 January 2019		-
Amortization charge for the year		(110,374)
<b>Balance at 31 December 2019</b>		<b>(110,374)</b>
Balance at 1 January 2020		(110,374)
Amortization charge for the year		(307,695)
<b>Balance at 31 December 2020</b>		<b>(418,069)</b>
<b>Net book value</b>		
Balance at 1 January 2019		-
Balance at 31 December 2019 and 1 January 2020		2,498,058
<b>Balance at 31 December 2020</b>		<b>2,190,363</b>
<i>Lease liability</i>		
		£
Balance at 1 January 2019		-
Additions to lease liabilities		1,550,681

## 19 Leases (continued)

Interest expense on lease liabilities	64,394
Principal payments on leases	<u>(24,936)</u>
<b>Balance at 31 December 2019</b>	<b><u>1,590,139</u></b>
Balance at 1 January 2020	1,590,139
Interest expense on lease liabilities (i)	194,888
Principal payments on leases	<u>(167,146)</u>
<b>Balance at 31 December 2020</b>	<b><u>1,617,881</u></b>

(i) Interest paid on lease liabilities are presented within cash flows from financing activities.

When measuring the lease liabilities, the Company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 12.5%.

The following amounts have been recognized in the Statement of Profit and Loss for which the Company is a lessee:

	2020 £	2019 £
Depreciation expense on right-of-use assets	307,695	110,374
Interest expense on lease liabilities	194,887	64,394
Expenses relating to short term leases	<u>379,198</u>	<u>316,652</u>
Profit and loss impact	<b><u>881,780</u></b>	<b><u>491,420</u></b>

The following table provides the maturities of lease liabilities as of 31 December:

	2020 £	2019 £
Short term (less than 1 year)	145,846	-
Long term (between 1 – 10 years remaining)	<u>1,472,035</u>	<u>1,590,139</u>
Total	<b><u>1,617,881</u></b>	<b><u>1,590,139</u></b>

## 20 Employee benefits

### *Pension plans*

The Company operates a defined contribution plan, under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. During fiscal year 2020, the Company paid fixed contributions totalling £832,471 (2019: £ 401,433).

### *Share-based payments*

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

Options are granted to employees at the start of their employment. Upon completion of the first year of employment, 25.0% of options will vest, and the remainder will vest monthly over the next three years. In certain circumstances, additional options are granted to employees to recognize performance. Such options vest in the same manner as those granted on joining. Share options are accounted for using the graded vesting method.

## 20 Employee benefits (continued)

The number and weighted average exercise price of share options for the Company are as follows:

	Weighted average exercise price	Number	Weighted average exercise price	Number
	2020	of options	2019	of options
	£	2020	£	2019
Outstanding at the beginning of the year	0.01	6,987,878	0.01	5,089,000
Forfeited during the year	0.01	(27,475)	0.01	(582,935)
Exercised during the year	-	-	-	-
Granted during the year	0.01	41,850	0.01	2,481,813
Outstanding at the end of the year	0.01	7,002,253	0.01	6,987,878

During the year, the exercise price updated from £0.01 to \$0.00001 as a result of the investment round. There was a stock split as a result of this update, whereby the number of options held by employees was multiplied by 100, with the net value remaining constant.

The total expenses recognised for the year from share-based payments for the Company are as follows:

	2020	2019
	£	£
Equity settled share-based payment expense	1,044,430	397,342

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

## 21 Capital and reserves

### Share capital

	2020	2019
	£	£
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1

### Retained earnings

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

### Share based payment reserve

The share-based payment reserve represents amounts accruing for equity-based share options granted.

## 22 Ultimate controlling party

The Company is a subsidiary undertaking of Babylon Holdings Limited, whose registered address is 31 Esplanade St, Jersey, JE1 1FT. The ultimate controlling party is ALP Partners Limited. The smallest and largest group in which the results of the company are consolidated is headed by Babylon Holdings Limited.

## 23 Related parties

### Transactions with related parties

	Income from 2020 £	Income from 2019 £	Expenses incurred from 2020 £	Expenses incurred from 2019 £
Babylon Partners Limited	21,315,083	17,770,991	9,103,822	8,608,515

### Amounts due from and due to related parties

	Amounts due from 2020 £	2019 £	Amounts due to 2020 £	2019 £
Babylon Holdings Limited	-	-	(19,323,351)	16,904,037
Babylon Partners Limited	17,931,566	16,319,914	-	-
Babylon Health Canada Limited	8,336	8,336	-	-
	17,939,902	16,328,250	(19,323,351)	16,904,037

The amounts outstanding are unsecured, interest free and are repayable on demand. No guarantees have been given or received during the year ended December 31, 2020.

Management of the company have reviewed the intercompany receivable balances outstanding and have concluded the amounts will not be settled in the twelve months following the date of signing and are therefore are all disclosed as non-current on the balance sheet.

### Transactions with key management personnel

The Directors of the Company are considered key management. Due to the nature and operations of the Group, the remuneration of the Directors for their services to Babylon Healthcare Services Limited is not contained in the records of the Company. The directors are remunerated for their services to the group as a whole, which is disclosed in the financial statements of Babylon Partners Limited. The directors do not consider it material to apportion remuneration based on the services performed for individual undertakings within Babylon Healthcare Services Limited.

## 24 Financial risk management

The Company's activities are exposed to various financial risks: credit risk, liquidity risk and currency risk in cash flows. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the Company's profits. The Company uses derivatives to mitigate certain risks.

The Company's financial department controls the management of liquidity risk and currency risk in accordance with the Company's policies. This department centrally identifies, evaluates and makes decisions whether to hedge financial risks to which the company is exposed.

### 24.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and

## 24 Financial risk management (continued)

investments in debt securities. Our cash and cash equivalents and deposits are potentially subject to concentration of credit risk.

### *Bank balances*

The Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks. The maximum amount of the Company's credit risk exposure is the carrying amounts of cash and cash equivalents and trades receivable. The Company attempts to mitigate such exposure to its cash by investing only in financial institutions with investment grade credit ratings or secured investments. The Company does not have significant exposure to credit risk at 31 December 2020 for any financial instruments.

### *Trade receivables*

The responsibility for customer credit risk management rests with management. The Company seeks to limit its credit risk with respect to customers by implementing due diligence procedures on all customers. Payment terms vary and are set in accordance with practices in the different geographies and end-markets served. Credit limits are typically established based on internal or external rating criteria, which take into account such factors as the financial condition of the customers, their credit history and the risk associated with their industry segment.

More than 50% of the Company's customers are repeat customers, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are a business or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The Company receives cash payment for large contracts up front in some instances, in addition to contracting with government funded entities which subsequently carries lower risks.

The Company applies the simplified approach under IFRS 9 and has calculated expected credit losses based on lifetime expected credit losses, taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions and concluded that no expected credit loss provision is required as of 31 December 2020 (2019: £0).

## 24.2 Liquidity risk

Liquidity risk relates to the Company's ability to meet its cash flow requirements. The Company has a prudent policy to cover its liquidity risks which is focused on having sufficient cash and cash equivalents available.

## 24.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company has intercompany loans with both its parent company, Babylon Holdings Limited, and other international subsidiaries in the Group. As a result, Babylon Healthcare Services Limited is exposed to fluctuations in exchange rates.

## 24.4 Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company does not have any borrowings at floating interest rates that would expose the Group to cash flow interest rate risk.

## 24.5 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year end 31 December 2020. Capital comprises ordinary share capital, share premium and accumulated losses.

## **25 Subsequent events**

On 3 June 2021, Babylon Group announced it entered into a definitive merger agreement with Alkuri Global Acquisition Corp (“Alkuri Group”), a special purpose acquisition company (the “Merger”) following the unanimous approval of the Board of Directors of the Group and Alkuri Group. The transaction is expected to close in the second half of 2021, subject to the approval of Alkuri Global’s stockholders and other customary closing conditions, including applicable regulatory approvals. The transaction is expected to deliver up to \$575m of gross proceeds before transaction costs, including \$345m of cash held in Alkuri Group’s trust account, assuming no redemptions, and \$230m from a private placement. If the transaction is consummated, the combined company will operate as Babylon and plans to trade on Nasdaq.