Benevolent[AI]

BenevolentAI

(“BenevolentAI”, “the Company” or “the Group”)

Unaudited preliminary results for the year ended 31 December 2023

Focused on delivering cutting edge AI-driven drug discovery

London, UK, 14 March 2024: BenevolentAI (Euronext Amsterdam: BAI), a leader in applying advanced AI to accelerate biopharma drug discovery, today announces its unaudited preliminary results for the twelve months ended 31 December 2023.

Dr. Joerg Moeller, Chief Executive Officer (CEO) of BenevolentAI, said:
“I am delighted to present my inaugural set of financial results as the CEO of BenevolentAI. We have made significant operational progress despite a challenging first half of 2023. Particularly noteworthy achievements include the signing of a significant collaboration with Merck, the completion of pre-clinical development of our glioblastoma multiforme asset, and also the initiation, and near completion, of a Phase Ia study of our lead asset in ulcerative colitis. During the year, we also invested to further enhance the Benevolent Platform™ and will continue to leverage it to deliver on our patient-centric revenue generation strategy.

“Our mission is focused on bringing life-changing medicines to patients and during my brief tenure at BenevolentAI I have been inspired by our team's talent and commitment to realise this. I look forward to working closely with them, and our partners, to make a lasting impact on the lives of patients worldwide."

Operational highlights: Signed major deal with Pharma partner and progressed own pipeline assets

- **New strategic collaboration signed with Merck KGaA.** The agreement includes payments to BenevolentAI of up to $594 million to deliver novel drug candidates against, initially, three targets in oncology, neurology and immunology. In addition to a low double-digit million-dollar upfront payment, BenevolentAI could potentially receive payments on development and commercial milestones as well as tiered royalties on net sales.

- **Lead asset for the treatment of ulcerative colitis (UC) progressed into the clinic.** As expected, during the year, the Company initiated a Phase Ia clinical study for BEN-8744, an oral phosphodiesterase 10 (PDE10) inhibitor, with topline data readout expected Q1 2024.

- **Successfully progressed glioblastoma multiforme (GBM) asset to IND-ready status.** BEN-28010 is an oral brain-penetrant CHK1 inhibitor for the treatment of GBM and metastatic brain tumours which completed regulatory IND-enabling studies during the year to plan.

- **IND-enabling studies ongoing for amyotrophic lateral sclerosis (ALS) asset.** BEN-34172 is an oral, potent and selective brain-penetrant RARαβ (retinoic acid receptor alpha beta) selective agonist. Drug substance manufacturing scale-up was completed during the period and is expected to be IND ready by mid-2024.

- **No further investment in BEN-2293 for atopic dermatitis (AD).** As announced in May, the Company confirmed there will be no further investment in BEN-2293 following its Phase IIa study results in AD earlier in the year, where the safety and tolerability primary endpoints were successfully met but the efficacy secondary endpoints were not.

- **Completed strategic review.** During the period, the Company completed a strategic review of operations to focus the business on its drug discovery collaborations and five high potential assets in its proprietary pipeline as well as exploring a new expansion opportunity in Knowledge Exploration tools.

- **Knowledge Exploration tools assessment nearing completion.** During the year initial product development was substantially completed alongside user testing. Current market assessment is underway with results expected in early Q2 2024 and will determine if or how this opportunity fits into the wider commercial strategy for the Company.

- **Further enhancement and investment in the Benevolent Platform™ in key areas.** Work continues to expand the capabilities, offerings and prediction methodology of the platform to further assist both our collaboration partners and our own internal drug programmes.

Benevolent AI

Corporate highlights (including post period): Continued to strengthen the Board and Leadership team

- **Appointed accomplished R&D leader, Dr. Joerg Moeller as CEO and Executive Director, post period, in January 2024.** Following the resignation of Joanna Shields as CEO and Executive Director in September 2023, Dr. François Nader, Chair of the Board, temporarily assumed the additional role of Acting CEO from September 2023 until January 2024.

- **Significant appointments to the Leadership team**. In September, the Company appointed Catherine Isted as Chief Financial Officer and Christina Busmalis as Chief Revenue Officer.

- **Further strengthening of the Board**. Marcello Damiani was also appointed as an Independent Non-Executive Director during the year.

2023 financial highlights

- Revenue decreased to £7.3 million (2022: £10.6 million) primarily reflecting decreased revenues from the AstraZeneca collaboration partly offset by the new Merck collaboration.
- Normalised[1] research and development ("R&D") spend, excluding share-based payments ("SBP"), of £56.5 million (2022: £65.1 million); reported R&D spend excluding SBP of £60.3 million (2022: £65.1 million).
- Normalised[1] operating loss of £72.7 million (2022: £94.6 million).
- Reported operating loss of £77.6 million (2022: £197.0 million).
- Cash, cash equivalents and short-term deposits position of £72.9 million at 31 December 2023 (31 December 2022: £130.2 million), compared with £84.3 million at 30 June 2023.
- Operating cash outflow before changes to working capital of £54.6 million (2022: £67.8 million).
- Post the strategic review, cash burn reduced by around 40% compared to pre-restructuring forecasts with the Cash runway extended to at least mid-2025.

	Twelve months ended 31 December 2023		
	2023 £'000	**2022 £'000**	**% Change**
Revenue	**7,331**	**10,560**	**-31%**
Normalised[1] research and development spend[2]	(56,909)	(71,884)	-21%
Normalised[1] administrative expenses[2]	(23,496)	(33,440)	-30%
Normalised[1] operating loss	**(72,651)**	**(94,598)**	**-23%**
Normalised[1] basic and diluted EPS, expressed in pence	(49.1p)	(72.6p)	-32%
Reported operating loss	**(77,573)**	**(197,034)**	**-61%**
Reported basic and diluted EPS, expressed in pence	(53.5p)	(150.2p)	-64%
Cash, cash equivalents and short-term deposits	72,906	130,182	-44%

[1]Normalised operating loss for the years ended 31 December 2023 and 31 December 2022 is defined as operating loss excluding non-normalised transactions, defined as those related to the restructuring programme undertaken following the strategic plan announced on 25 May 2023; those related to the Transaction; the revaluation of investments which BAI does not control directly; and the revaluation of the warrants recognised as finance income. See note 2.4 under "UNAUDITED NOTES TO THE FINANCIAL INFORMATION" for more information.
[2] Including employee-related SBP expenses

Analyst and Investor briefing

Management will host an analyst briefing at 13.00 GMT/08.00 ET this afternoon, 14 March 2024, at the offices of FTI Consulting (200 Aldersgate, Aldersgate Street, London, EC1A 4HD, United Kingdom). To register your interest in attending either in person or virtually, analysts should contact FTI Consulting at BenevolentAI@fticonsulting.com.

A recording of the webcast will be made available in the investor section of the Company's website shortly afterwards.

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About BenevolentAI

At BenevolentAI (AMS: BAI), we serve patients by leveraging our proprietary and validated Benevolent Platform™ that integrates AI and science to uncover new biology, predict novel targets and develop first-in-class or best-in-class drugs for complex diseases. By applying proprietary advanced AI tools, in combination with in-house scientific expertise and wet-lab facilities, BenevolentAI is well-positioned to identify and accelerate novel drug discovery. The Company's business model presents multiple routes for value creation including discovery collaborations with pharma companies like AstraZeneca and Merck, advancing in-house pipelines to inflection points, and commercialising a suite of knowledge exploration tools. Headquartered in London, with wet labs in Cambridge (UK) and an office in New York, BenevolentAI is at the forefront of reshaping the future of drug discovery and delivering innovative medicines.

Forward-looking Statements

This release may contain forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "plans", "targets", "aims", "believes", "expects", "anticipates", "intends", "estimates", "will", "may", "should" and similar expressions. Forward-looking statements include statements regarding objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; economic outlook and industry trends; developments in BenevolentAI's markets; the impact of regulatory initiatives; and/or the strength of BenevolentAI's competitors. These forward-looking statements reflect, at the time made, BenevolentAI's beliefs, intentions and current targets/aims. Forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The forward-looking statements in this release are based upon various assumptions based on, without limitation, management's examination of historical operating trends, data contained in BenevolentAI's records, and third-party data. Although BenevolentAI believes these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond BenevolentAI's control. Forward-looking statements are not guarantees of future performance, and such risks, uncertainties, contingencies and other important factors could cause the actual outcomes and the results of operations, financial condition and liquidity of BenevolentAI or the industry to differ materially from those results expressed or implied by such forward-looking statements. The forward-looking statements speak only as of the date of this release. No representation or warranty is made that any of these forward-looking statements or forecasts will come to pass or that any forecast result will be achieved.

CHAIR'S STATEMENT

A year of transition

Focus on delivering cutting-edge AI driven drug discovery

We have made significant progress in executing our on strategic plan and our revenue generating business model that is driven by the Benevolent Platform™, despite 2023 being a challenging year and a transition period for the Company. With continued investment in our platform, we will be able to continue to leverage it to drive and support our revenue pillars, enabling us and our partners to deliver life-changing medicines to patients.

Importantly, in January 2024, we announced the appointment of Dr. Joerg Moeller as our new CEO. Joerg's experience as an outstanding leader with extensive experience across all stages of R&D and a strong advocate of AI as a driver of discovery innovation and effectiveness will be key as we progress further delivering on our patient-centric revenue generating strategy.

During the period, we strengthened our leadership team with the appointment of Catherine Isted as our Chief Financial Officer and Christina Busmalis as Chief Revenue Officer, a newly created role, as we increased our commercial capabilities to maximise the opportunities derived from the Benevolent Platform™.

To ensure that we are efficiently and properly resourced for future growth, we refocused our business following a strategic review in May 2023 that resulted in an extension of our cash runway, improvement of our capital efficiency and operational effectiveness whilst retaining the critical capabilities needed to drive value creation.

Governance and Board

Our Board remains committed to the principles of good corporate governance. As a Luxembourg-registered company that is traded on Euronext Amsterdam, our corporate governance framework is based on applicable Luxembourg laws, the Company's Articles of Association and its internal regulations, in particular the Rules of the Board. The Company adopted the Quoted Companies Alliance (QCA) Corporate Governance Code 2018 (the "QCA Code") that provides an appropriate and suitable governance framework for a group of our size and complexity. The application of the QCA Code supports the Company's long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

Throughout the year and the beginning of 2024 we made good progress in strengthening our Board, ensuring we are well-positioned to drive the Company through its next phase of growth. On the Board, Jean Raby was appointed as Senior Independent Director, Dr. John Orloff as Workforce NED and we welcomed the appointment of Marcello Damiani as an Independent Non-Executive Director. Dr. Jackie Hunter retired from the Board as a Non-Executive Director having served on the Board of the Company and its predecessors since 2016.

After five years as CEO and Executive Director, Joanna Shields stepped down from both roles in September 2023 and I assumed the role of Acting CEO while maintaining my Chair of the Board role and responsibilities in order to provide the Company with continuity whilst the search process was underway. In January 2024, following the appointment of Dr. Joerg Moeller as CEO and Executive Director, I reverted to my position of Independent Non-Executive Chair of the Board.

The Board recognises the benefits that diversity brings and the importance of having a balance of perspectives, insights and challenge. Consequently, the Board approved its Diversity Policy in March 2023. The Board also recognises the importance of providing new Directors with a thorough induction and ensuring that Directors' skills and knowledge are refreshed and updated regularly, given the dynamic business and regulatory environment in which the Company operates. Consequently, the Board developed a comprehensive induction and annual Board training and development programme during the year.

A formal and rigorous evaluation of the effectiveness of the Board, its committees, the Chair and individual Directors is now undertaken on an annual basis. The 2023 evaluation was internally facilitated and concluded that the Board and its Committees continue to be effective, all Directors continue to make valuable contributions based on experience and knowledge, demonstrate considerable commitment and time to their roles and the Non-Executive Directors provide constructive challenge.

Further information on governance during the year, including ESG, can be found in the Sustainability report and the Governance report.

Building a sustainable business for our employees, partners and patients

At BenevolentAI we serve patients by leveraging our proprietary and validated Benevolent Platform™ that integrates AI and science to uncover new biology, predict novel targets and develop first-in-class or best-in-class drugs for complex diseases. We are committed to upholding our values and this includes a responsible and sustainable approach to our business and enhancing our platform, advancing our pipeline, supporting our partners, investing in our people and communities and reducing our impact on the planet and governing our operations.

We aim to build and empower a diverse and inclusive workforce to find innovative solutions that benefit our business our partners and the patients we serve. Our goal is to contribute positively to society by pushing the boundaries of technology and science to address significant unmet medical needs by developing new medicines for a broad range of undertreated diseases.

We are proud of the progress we have made this year and remain committed to continuous innovation and excellence in science and technology.

Commitment to deliver on our mission of uniting science and technology to serve patients with complex diseases

With clarity on our strategic focus geared towards value creation and with our revenue pillars providing a business model that is driven by the Benevolent Platform™, we have an engaging vision for a successful, sustainable and long-term future for the Company as one of the leaders in AI driven drug discovery. Applying advanced AI to accelerate biopharma drug discovery is increasingly becoming accepted and validated with long-term structural trends supporting its growth and I believe we are well placed to benefit from this trend for future success. As we look forward, we are excited for the opportunity to deliver on our mission of bringing life-changing therapies to patients.

Along with the rest of the Board I am looking forward to working with Dr. Joerg Moeller, our new CEO. Under Joerg's leadership, our focus will remain on continuing to invest in our platform to leverage revenue generation and commercial focus, improving our operational effectiveness, and fostering a culture of excellence and innovation.

I am grateful to all our stakeholders for their support during this turnaround period for the Company and, along with the rest of the Board and the Leadership Team, remain committed to fulfilling our mission and value creation.

Dr. François Nader
Chair

CHIEF EXECUTIVE'S STATEMENT

I am excited by the opportunity to lead BenevolentAI as its new CEO and, with the opportunities ahead of us, to further capitalise on our platform, pipeline and research capabilities in order to strengthen the Company's market position with an increased commercial focus. Fostering a culture of excellence, innovation and diversity is something I am passionate about, and since joining the Company I am ever more convinced of the potential of the Benevolent Platform™ and our AI-enabled drug discovery offerings, pipeline and the potential that we have to drive value creation.

Despite 2023 being a transition period for the Company, BenevolentAI achieved a number of key milestones including a significant collaboration signed with Merck KGaA. With a clear business model and strategic focus to generate revenue and growth driven by the Benevolent Platform™, we are well-placed to deliver on our strategic priorities going forward.

Delivering on our strategic plan

Commercial and platform validation:
Signing a new strategic collaboration with Merck KgaA was an important milestone for the Company and one that has significant medium-term revenue potential. This collaboration also provides continued validation both commercially and for our platform and demonstrates the breadth of our end-to-end drug discovery offerings and capabilities. Further collaborations are critical to the future success of the business, and we will look to expand on our current partnerships during the course of the year.

Innovation and further platform validation:
Given my background in R&D and being a strong advocate of the application of AI to drug discovery driving innovation and efficiency, of particular interest is the Company's lead asset. BEN-8744 is an oral PDE10 inhibitor for the treatment of ulcerative colitis (UC) targeting patients with moderate to severe disease. BEN-8744 progressed into a Phase Ia clinical study in August 2023 and top-line data is expected in Q1 2024.

The success of this asset is particularly important for the Company, as its discovery validates the ability of the Benevolent Platform™ to identify novel targets for evaluation. By generating hypotheses at the Target Identification stage, the platform identified PDE10 as an entirely novel target for the treatment of UC, with no previously known link established between PDE10 and UC. The target was subsequently validated *ex-vivo*, with BenevolentAI's molecular design expertise enabling rapid lead optimisation. BEN-8744 was nominated as a candidate in September 2021, only two years after programme initiation.

The BEN-8744 Phase Ia study is in healthy volunteer safety and tolerability study. This asset has a novel therapeutic approach and is a potential first-in-class peripherally restricted small molecule for the treatment of UC with the potential for meaningful differentiation from existing immunosuppressive standard-of-care treatments, through disease-modifying efficacy. In line with our strategy, it has always been the Company's intention to out-license or partner this asset with this being done at the optimal value creation inflection point.

Assessing a potential new expansion opportunity:
The expansion opportunity of our new customisable SaaS products and suite of Knowledge Exploration Tools substantially completed initial product development during the year. As with any potential new product launch, it is essential that a thorough and current market assessment is completed for any go-to-market plan to be successful. As such, a market assessment is underway. The results of this will be complete in early Q2 2024 and will determine how this opportunity fits into the wider commercial strategy for the Company.

Outlook

Our priority for 2024 is to focus on delivering cutting edge AI-driven drug discovery capabilities and revenues leveraging the Benevolent Platform™. Importantly, we will also strive to increase operational effectiveness and have greater commercial focus whilst prioritising successful delivery of the project plans for our existing strategic collaborations, advance our internal pipeline and generate value creation through an aggressive commercial strategy. While we are currently excited as we wait for the top line data readout of our lead asset BEN-8744 in Q1 2024, we are committed to adding at least one new collaboration, as well as out license at least one of our proprietary assets, during the course of the year. I look forward to leading the Company and working with the excellent team we have here at BenevolentAI to execute on the next stage of growth and value creation for shareholders, whilst delivering on our mission of developing life-changing medicines for patients.

Dr. Joerg Moeller
Chief Executive Officer

OPERATIONAL REVIEW

Overview

During 2023, the Company undertook a strategic review of its operations to right-size the business, focus on its drug discovery collaborations and five high potential assets from its proprietary pipeline, as well as to explore a new expansion opportunity in knowledge exploration tools, all of which are driven from and enabled through the Benevolent Platform™.

The Company also continued to invest in further enhancement of the Benevolent Platform™ to further expand its capabilities, strengthened the leadership team and brought in Dr. Joerg Moeller as the Company's new CEO post period end.

End-to-end drug discovery collaborations

End-to-end collaborations utilise the Company's capabilities and the Benevolent Platform™ to enable novel discoveries throughout the drug discovery process. The Company receives upfront payments, milestones, and royalties from collaborations. In 2023, the collaboration with AstraZeneca continued and a new strategic collaboration was signed with Merck KGaA.

Merck: New strategic collaboration in identification and development of novel compounds
In September, a new collaboration with Merck KGaA was signed utilising BenevolentAI's end-to-end platform capabilities to deliver novel drug candidates, initially for three targets in oncology, neurology and immunology.

The Company will identify and develop innovative compounds, through Hit Identification to preclinical stage. The agreement includes payments to BenevolentAI of up to $594 million, consisting of a low double-digit million-dollar upfront payment on signing and then potentially discovery, development and commercial milestones. Tiered royalties will also be payable on net sales of any commercialised products.

AstraZeneca: Target Identification collaboration
The multi-year Target Identification collaboration with AstraZeneca has been the main revenue generator for the Company before and post listing. From the initial collaboration signed in 2019, AstraZeneca is now focusing on the chronic kidney disease indication and is progressing one of the targets within this area. The collaboration with AstraZeneca was expanded in 2022 to include target identification within heart failure and systemic lupus erythematosus (SLE), with progress being made towards further target selection within these indications. Each novel target selected by AstraZeneca has the potential to generate significant milestones and royalties for BenevolentAI.

Clinical and preclinical pipeline

In April, the Company announced top-line Phase IIa study results for its topical pan-Trk inhibitor, BEN-2293, in mild- to-moderate AD. The study successfully met its primary endpoint with BEN-2293 found to be safe and well tolerated. Secondary efficacy endpoints, to reduce itch and inflammation, were not achieved. Subsequently, in May the Company confirmed there would be no additional spend on this asset.

Following a strategic review of the pipeline, in May 2023, the Company confirmed that five most advanced and high-potential clinical and preclinical assets are being progressed to their next value inflection point. All these programmes are either first-in-class or best-in-class assets providing novel therapeutic opportunities and all have been developed by leveraging BenevolentAI's platform.

In August, the Company initiated a Phase Ia study for its lead asset, BEN-8744, an oral phosphodiesterase 10 (PDE10) inhibitor intended for the treatment of UC. This asset has a novel therapeutic approach and is a potential first-in-class peripherally restricted small molecule for the treatment of UC with the potential for meaningful differentiation from existing immunosuppressive standard-of-care treatments, through disease-modifying efficacy. The topline data readout from this study is expected in Q1 2024.

BEN-28010 is an oral brain penetrant CHK1 inhibitor under development as a potential first-in-class CNS penetrant drug for GBM and metastatic brain tumours with the potential for meaningful differentiation in efficacy in patients resistant to chemotherapeutic standard of care agents and the potential to be used in combination therapy approaches. During the period, the Company made further progress with BEN-28010's preclinical development, having successfully completed all IND-enabling studies in line with the timelines the Company had previously flagged.

In June, the Company announced the progression of BEN-34712, a preclinical candidate for the potential treatment of ALS, into IND-enabling studies. BEN-34712 is an oral, potent and selective brain penetrant RARαβ (retinoic acid receptor alpha beta) selective agonist under development as a potential best-in-class treatment for ALS. BEN-34712 is expected to be IND-ready by Q2 2024.

The Company has also prioritised two earlier-stage assets: one in Parkinson's disease and another in fibrosis (neurodegenerative and immunological diseases). Both are currently in the chemistry lead optimisation stage. The Parkinson's disease asset is a potential first-in-class CNS penetrant drug with neuroprotective activity and the fibrosis asset is a first-in-class approach to targeting an underlying mechanism of fibrotic diseases.

Additionally, post the strategic review of the pipeline in the summer of 2023, the Company has in excess of ten programmes that have been paused. The Company conducts regular re-evaluation of these programmes as well as assessing potential new portfolio entries.

Knowledge Exploration Tools

The Knowledge Exploration Tools pillar is a potential new expansion opportunity developing customisable SaaS products that seek to enable scientists to make higher-confidence decisions and improve R&D productivity.

Initial product development was substantially completed during the year alongside user testing with potential customers and partners. Current market assessment is underway and the results will be completed in early Q2 2024 which will determine if or how this opportunity fits into the Company's wider commercial strategy.

The Benevolent Platform™

The Benevolent Platform™ delivers novel insights from public, proprietary and inferred knowledge across multiple therapeutic areas. The unique data foundations come from more than 85 data types curated and purpose-built for drug discovery. During the year, BenevolentAI continued to enhance the platform in key areas such as target identification offerings, adding new data through the single-cell analysis pipeline, updating our disease approach to use patient data derived mechanisms. We also developed a new way of predicting and explaining the rationale behind target predictions building on our expertise in large language models (LLMs); enabling better use of multimodal data as part of model predictions, and improved explainability of the evidence and rationale supporting target predictions, which is key for scientists. All of these developments continue to further enhance the Benevolent Platform™ to help identify novel targets and compounds for both our own priority pipeline and also that of our collaboration partners.

Corporate and organisational developments

During the year new appointments were made across the Board and the Leadership Team adding further expertise to ensure that the Company's leadership is well positioned to drive the next phase of growth.

In September, Joanna Shields stepped down as CEO and Executive Director and Dr. François Nader assumed the role of Acting CEO in addition to his role as Chair of the Board. Post-period end, in January 2024, the Company welcomed the appointment of Dr. Joerg Moeller as CEO and Executive Director and Dr. François Nader reverted to his position of Independent Non-Executive Chair of the Board. Dr. Joerg Moeller, MD, PhD, brings a wealth of experience to BenevolentAI. During his career, he has led global R&D organisations, initiated several drug discovery collaborations with AI platform companies, served as EVP, Head of Global Research and Development and Member of the Global Leadership Team of LEO Pharma A/S. He also previously served at Bayer AG for over 20 years where he held various executive roles culminating in his appointment as EVP, Head of Pharmaceuticals Research and Development and Member of the Executive Committee of the Pharmaceuticals Division of Bayer.

Other changes to the Board included welcoming Marcello Damiani to the Company in May as a new Independent Non-Executive Director and in June the retirement of Dr. Jackie Hunter as a Non-Executive Director.

In September the Leadership Team was strengthened by two new appointments: Catherine Isted joined as our Chief Financial Officer and Christina Busmalis joined as our new Chief Revenue Officer, as we establish and execute our patient-centric revenue generation strategy across all BenevolentAI's pillars.

Organisationally, following the strategic review in May, the Company's headcount was reduced by circa. 30%, to 248 employees by year end, including headcount retained for the Merck collaboration. Importantly the business preserved key skills, expertise and capabilities so as not to impact future revenue generation. This, along with other select reductions in spend, reduced the Company's cash burn by around 40%, extending the cash runway to at least mid-2025, before taking into consideration any unsigned revenue such as that from out-licensing assets, end-to-end collaborations or knowledge exploration tools.

FINANCIAL REVIEW

Key highlights

- Revenue decreased to £7.3 million (2022: £10.6 million) primarily reflecting decreased revenues from the AstraZeneca collaboration partly offset by the new Merck collaboration.
- Normalised research and development ("R&D") spend, excluding share-based payments ("SBP"), of £56.5 million (2022: £65.1 million); reported R&D spend excluding SBP of £60.3 million (2022: £65.1 million).
- Normalised operating loss of £72.7 million (2022: £94.6 million).
- Reported operating loss of £77.6 million (2022: £197.0 million).
- Cash, cash equivalents and short-term deposits position of £72.9 million at 31 December 2023 (31 December 2022: £130.2 million), compared with £84.3 million at 30 June 2023.
- Operating cash outflow before changes to working capital of £54.6 million (2022: £67.8 million).
- £16.1 million R&D tax credits (2022: £12.1 million) received in the period.
- Post the strategic review cash burn reduced by around 40% compared to pre-restructuring forecasts with the cash runway extended to at least mid-2025.

Overview

Following the disappointing clinical results of BEN-2293 in atopic dermatitis, the Company undertook a strategic review reducing headcount by around 30% and cash burn by around 40% compared to pre-restructuring forecasts. This enabled the Company to extend the cash runway to mid-2025, whilst still being able to invest and drive innovation across the Benevolent Platform™ and three revenue pillars. The latter part of the year saw success with signing a new collaboration with Merck as well as progress on the Company's proprietary pipeline and new C-suite hires. The combination of inflows from Merck and AstraZeneca as well as R&D tax credit receipts in the second half of the year left the Company with cash, cash equivalents and short-term deposits of £72.9 million at year end. With our good cash position at year end, along with positive momentum in the business over the last six months, I believe we are in a strong position to execute on the Company's strategy in 2024.

Revenues

At BenevolentAI, we aim to monetise the Benevolent Platform™ through commercial collaborations and through developing our pipeline of wholly-owned assets with the aim of out-licensing and co-developing.

The Company's revenues decreased by £3.3 million to £7.3 million (2022: £10.6 million), primarily reflecting decreased revenues from the second AstraZeneca collaboration that started in January 2022, partly offset by a new collaboration with Merck. Under this new collaboration, BenevolentAI will be eligible for payments of up to $594 million, consisting of a low double-digit million dollar upfront payment on signing and then potentially discovery, development and commercial milestones.

Alternative performance measures and normalised presentation

The normalised presentation of the Company performance can be found in note 2.4 of the consolidated financial statements.

Research and development costs

Normalised research and development spend, excluding employee-related share-based payments, for 2023 has decreased by 13% to £56.5 million (2022: £65.1 million). This reflects the Company's efforts to optimise its portfolio to focus on its most advanced and promising pipeline assets.

Reported research and development spend, excluding employee-related share-based payments, for 2023 has decreased by 7% to £60.3 million (2022: £65.1 million). The decrease is driven by pipeline optimisation, partly offset by costs necessarily entailed by the restructuring programme.

General and administrative costs

Normalised business operations spend, excluding employee-related share-based payments, for 2023 has increased by 36% to £22.4 million (2022: £16.5 million). Removing the impact of foreign exchange gains/losses of £0.7 million loss

(2022: £3.1 million gain), the underlying spend for 2023 increased by 11% to £21.7 million (2022: £19.6 million). This reflects the additional costs from operating as a public company for a full year, compared to seven months in the previous year, offset by the cost reductions made through the restructuring programme in the second half of 2023.

Reported business operations spend for 2023, excluding employee-related share-based payments, has decreased by 80% to £23.5 million (2022: £115.0 million). The decrease is predominantly driven by specific charges relating to the Business Combination in 2022 which did not reoccur in 2023, most notably the listing service expense.

Share-based payments ("SBPs")

Normalised SBP spend for 2023 has decreased by 94% to £1.5 million (2022: £23.7 million). Reported SBP spend for 2023 has decreased by 95% to £1.5 million (2022: £27.6 million). In both cases, the charge is largely offset by a credit for the recognition of vested options under the legacy BEIS share incentive scheme for 2023 of £0.6 million (2022: £22.4 million normalised charge, £26.2 million total charge). This comprises a £3.6 million IFRS 2 charge (2022: £29.1 million normalised, £32.6 million total) which is more than offset by a £4.2 million credit in relation to employer-related taxes in 2023 (2022: £6.6 million credit), as a result of the provision being remeasured to reflect the year-end share price.

In 2022, the Company initiated a new LTIP for which a £2.2 million charge has been recognised in 2023 (2022: £1.3 million) and which is expected to incur an ongoing SBP charge, inclusive of employer-related taxes, of between £3 million and £6 million based upon the share price as at the end of December.

Operating loss

Normalised operating loss for 2023 decreased by 23% to £72.7 million (2022: £94.6 million). The reported operating loss for 2023 decreased by 61% to £77.6 million (2022: £197.0 million), primarily due to the costs arising from the Business Combination, which did not reoccur in 2023.

Finance income

Finance income for 2023 decreased by 73% to £5.3 million (2022: £19.3 million), predominantly driven by a reduction in the downward movement of fair value of the warrant liabilities.

Taxation

Taxation income for 2023 has decreased by 42% to £9.3 million (2022: £15.9 million). This is predominantly composed of tax credits arising from the UK's small and medium-sized enterprises' R&D tax relief regime, for which there has been a decrease in the claim between the two periods, predominantly driven by a decrease in absolute spend and a decrease in the claim uplift applied to eligible R&D expenditure.

Loss per share

Normalised basic loss per share decreased by 32% to 49.7 pence for 2023 (2022: 72.6 pence), reflecting the decrease in normalised total loss.

Current assets

Current assets as of 31 December 2023 decreased by 40% to £91.4 million (31 December 2022: £152.1 million), largely driven by a £57.3 million decrease in cash, cash equivalents and short-term deposits.

Cash, cash equivalents and short-term deposits

The cash position, including short-term deposits, as of 31 December 2023 decreased by 44% to £72.9 million (31 December 2022: £130.2 million), reflecting proceeds from collaborations being more than offset by ordinary course working capital expenditure.

Current liabilities

Current liabilities as of 31 December 2023 decreased by 2% to £25.0 million (31 December 2022: £25.6 million), reflecting a decrease in trade payables and accruals as part of the Company's core activities, in addition to a downward

revaluation in the tax provision related to employer tax arising from share-based payments. This is largely offset by an increase in deferred income arising from the Merck collaboration.

Cash flow

Cash expended from operating activities before taxation and non-normalised items decreased by 20% to £62.6 million for 2023 (2022: £77.8 million), primarily driven by a 23% decrease in normalised operating losses to £72.7 million (2022: £94.6 million).

Similarly, reported cash operating outflow in 2023, including non-normalised items, decreased by 26% to £57.1 million (2022: £76.9 million).

Dividend

No dividend has been proposed for the year ended 31 December 2023 (2022: nil).

Accounting policies

The consolidated financial statements have been prepared in accordance with international accounting standards, as applicable to the EU, in conformity with the requirements of Luxembourg law. The accounting policies used in the consolidated financial information are consistent with those in the audited consolidated financial statements.

Going concern

The consolidated financial statements have been prepared on the going concern basis, which the Board of Directors considers appropriate for the reasons described in note 2.2 of the consolidated financial statements.

Outlook

Following the signing of the Merck collaboration, progress on the proprietary pipeline and new C-suite hires at the end of 2023, as well as post-period end Dr. Joerg Moeller joining as the Company's new CEO and Executive Director, the Board are confident in the outlook for 2024 and being able to deliver on value creation for its shareholders. The Company looks to sign at least one new collaboration in 2024 as well as out-license at least one of its proprietary pipeline assets and continues to look for opportunities to reduce costs or reallocate to areas where it is believed the investment will generate the best shareholder value. The cash burn over 2024 and 2025 will benefit from the reduction in costs achieved as part of the strategic review carried out in 2023, with the cash runway excluding any unsigned revenues extending to at least mid-2025, as previously guided.

Principal risks facing the business

BenevolentAI operates a Risk Management Framework, which is monitored and reviewed by the Board. There are a number of potential risks and uncertainties that could have a material impact on the Company's financial performance and position. These include risks relating to the development of our drug portfolio and ability to out-license: the commercialisation of the Benevolent Platform™, such as through collaboration arrangements; the biotech funding environment; the political environment; competitive threat; supply chain disruption; legal and regulatory; IT systems and infrastructure; cyber and data security; foreign exchange; staff retention; global unrest; strategic acquisitions; and climate change. These risks and the Company's mitigating actions will be set out in the 2023 Annual Report.

Catherine Isted

Chief Financial Officer

Benevolent AI

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023

	Note	**Normalised £'000**	**Non-normalised £'000**	**2023 Total £'000**	Normalised £'000	Non-normalised £'000	2022 Total £'000
Revenue	5	**7,331**	**-**	**7,331**	10,560	-	*10,560*
Research and development ("R&D") expenses		**(56,909)**	**(3,867)**	**(60,776)**	(71,884)	-	*(71,884)*
Included within R&D expenses:							-
Restructuring programme expenses	22	***-***	***(3,867)***	***(3,867)***	-	-	-
Employee-related SBP expenses	23	***(441)***	***-***	***(441)***	*(6,791)*	-	*(6,791)*
Administrative expenses		**(23,496)**	**(1,055)**	**(24,551)**	(33,440)	(102,436)	*(135,876)*
Included within administrative expenses:							
Restructuring programme expenses	22	***-***	***(1,055)***	***(1,055)***	-	-	-
Employee-related SBP expenses	23	***(1,086)***	***-***	***(1,086)***	*(16,940)*	*(3,883)*	*(20,823)*
Listing service SBP expense		***-***	***-***	***-***	-	*(83,067)*	*(83,067)*
Transaction-related expenditure		***-***	***-***	***-***	-	*11,255*	*11,255*
Transaction-related stamp duty		***-***	***-***	***-***	-	*(3,740)*	*(3,740)*
Revaluation of investments		***-***	***-***	***-***	-	*(491)*	*(491)*
Other income		**423**	**-**	**423**	166	-	166
Operating loss		**(72,651)**	**(4,922)**	**(77,573)**	(94,598)	(102,436)	(197,034)
Finance income	8	**4,978**	**352**	**5,330**	1,549	17,737	19,286
Finance expense	9	**(407)**	**-**	**(407)**	(2,104)	-	(2,104)
Loss before taxation		**(68,080)**	**(4,570)**	**(72,650)**	(95,153)	(84,699)	(179,852)
Taxation	10	**9,333**	**-**	**9,333**	15,924	-	15,924
Loss for the year		**(58,747)**	**(4,570)**	**(63,317)**	(79,229)	(84,699)	(163,928)
Basic and diluted loss per share, expressed in pence	11			**(53.5p)**			(150.2p)
Weighted average ordinary shares outstanding, number	11			**118,308,029**			109,110,109
Loss for the year				**(63,317)**			(163,928)
Other comprehensive expense that may be reclassified subsequently to profit or loss:							
Foreign currency translation differences for foreign operations				**37**			31
Total comprehensive loss for the year				**(63,280)**			(163,897)

No dividend has been declared or paid in either reporting period.

The notes form an integral part of these consolidated financial statements.

Benevolent AI

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	**2023 £'000**	2022 £'000
Non-current assets			
Goodwill	12	**23,479**	23,479
Intangible assets	13	**19**	20
Property, plant and equipment	14	**2,290**	2,561
Investments	15	**1,892**	1,892
Right-of-use assets	16	**4,592**	5,915
Trade and other receivables	17	**171**	-
		32,443	33,867
Current assets			
Trade and other receivables	17	**8,715**	5,784
R&D tax receivable[1]		**9,767**	16,119
Short-term deposits	18	**36,429**	41,740
Cash and cash equivalents	18	**36,477**	88,442
		91,388	152,085
Total assets		**123,831**	185,952
Non-current liabilities			
Lease liabilities	21	**3,823**	5,688
Provisions	22	**700**	626
		4,523	6,314
Current liabilities			
Trade and other payables	19	**10,356**	14,877
Deferred income	20	**11,595**	2,874
Warrants		**2**	352
Lease liabilities	21	**925**	1,665
Provisions	22	**2,159**	5,871
		25,037	25,639
Total liabilities		**29,560**	31,953
Net assets		**94,271**	153,999
Equity			
Called up share capital	24	**103**	100
Share premium		**976,784**	930,495
Share-based payments reserve		**160,999**	203,739
Accumulated losses		**(519,408)**	(456,091)
Merger difference		**(524,572)**	(524,572)
Currency translation reserve		**365**	328
Total equity		**94,271**	153,999

1. It is expected that cash of £12.2 million will ultimately be recovered by the Group, following the retroactive increase in recoverable rate that was substantively enacted on 22 February 2024, after the end of the reporting period.

The notes form an integral part of these consolidated financial statements.

Benevolent[AI]

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

	Note(s)	Called up share capital £'000	Share premium £'000	SBP reserve £'000	Accumulated losses £'000	Merger difference £'000	Currency translation reserve £'000	Total equity £'000
Balance at 1 January 2022		243	211,158	86,854	(292,172)	54,568	297	60,948
Loss for the year		-	-	-	(163,928)	-	-	(163,928)
Foreign exchange difference		-	-	-	-	-	31	31
Transactions with owners, recorded directly in equity								
Capital reorganisation of Odyssey Acquisition S.A. ("Odyssey")		(149)	584,462	-	-	(579,140)	-	5,173
Repurchase and cancellation of G2 Growth Shares		(9)	-	-	9	-	-	-
Equity of PIPE Financing and backstop facility, net of costs		15	134,875	-	-	-	-	134,890
Listing service SBP expense		-	-	83,067	-	-	-	83,067
Equity-settled employee-related SBP transactions		-	-	33,818	-	-	-	33,818
Total contributions by and distributions to owners		**(143)**	**719,337**	**116,885**	**9**	**(579,140)**	**-**	**256,948**
Balance at 31 December 2022		**100**	**930,495**	**203,739**	**(456,091)**	**(524,572)**	**328**	**153,999**
Balance at 1 January 2023		100	930,495	203,739	(456,091)	(524,572)	328	153,999
Loss for the year		**-**	**-**	**-**	**(63,317)**	**-**	**-**	**(63,317)**
Foreign exchange difference		**-**	**-**	**-**	**-**	**-**	**37**	**37**
Transactions with owners, recorded directly in equity								
Net settlement of restricted stock units ("RSUs")	23, 24	3	46,289	(48,433)	-	-	-	(2,141)
Equity-settled employee-related SBP transactions	23	-	-	5,693	-	-	-	5,693
Total contributions by and distributions to owners		**3**	**46,289**	**(42,740)**	-	**-**	**-**	**3,552**
Balance at 31 December 2023		**103**	**976,784**	**160,999**	**(519,408)**	**(524,572)**	**365**	**94,271**

The notes form an integral part of these consolidated financial statements.

Benevolent AI

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Note(s)	**2023 £'000**	2022 £'000
Cash flows from operating activities			
Loss for the year		**(63,317)**	(163,928)
Non-cash adjustments for:			
Depreciation and amortisation charges	13, 14, 16	**2,880**	3,056
Loss on disposal of property, plant and equipment		**5**	2
Equity-settled employee-related SBP expense	23	**5,693**	33,818
Non-cash listing service SBP expense		**-**	83,067
Foreign exchange loss/(gain)		**669**	(3,141)
Finance expense	9	**407**	2,104
Finance income	8	**(5,330)**	(19,286)
Revaluation of investment	15	**-**	491
R&D expenditure tax credit		**(9,780)**	(16,119)
Cash adjustments for:			
Gain on forward exchange settlement	8	**198**	-
Cost of settling RSUs under net settlement arrangement	23	**(2,141)**	-
Tax credit received		**16,132**	12,150
Operating cash flow before changes in working capital		**(54,584)**	(67,786)
Increase in trade and other receivables		**(3,102)**	(1,460)
Increase/(decrease) in trade and other payables		**4,200**	(1,505)
Decrease in provisions		**(3,638)**	(6,160)
Net cash from operating activities		**(57,124)**	(76,911)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(1,105)**	(1,158)
Transfers into short-term deposits		**(39,958)**	(41,740)
Transfers from short-term deposits		**45,269**	-
Interest received on bank deposits		**3,676**	1,544
Net cash from investing activities		**7,882**	(41,354)
Cash flows from financing activities			
Principal repayment on lease liabilities	21	**(1,684)**	(1,816)
Interest repayment on lease liabilities	21	**(326)**	(417)
Equity issue of PIPE and backstop facility		**-**	136,680
Expenses related to equity issue of PIPE and backstop facility		**-**	(11,338)
Payment of other finance expenses	9	**(81)**	(122)
Loss on forward exchange settlement		**-**	(1,565)
Cash acquired from capital reorganisation		**-**	41,556
Net cash from financing activities		**(2,091)**	162,978
Net (decrease)/increase in cash and cash equivalents		**(51,333)**	44,713
Cash and cash equivalents at 1 January		**88,442**	40,553
Effect of exchange rate fluctuations on cash held		**(632)**	3,176
Cash and cash equivalents at 31 December		**36,477**	88,442
Short-term deposits at 31 December		**36,429**	41,740
Cash, cash equivalents and short-term deposits at 31 December	18	**72,906**	130,182

The notes form an integral part of these consolidated financial statements.

UNAUDITED NOTES TO THE FINANCIAL INFORMATION

1 Background to the Group

1.1 Corporate information

BenevolentAI (the “Company”), which is a Société Anonyme, is a publicly listed company on the Euronext Amsterdam, with the ticker symbol BAI.

The Company is limited by shares, incorporated under the laws of Luxembourg under registered number B255412, having its registered office 9, rue de Bitbourg, L-273 Luxembourg, Grand Duchy of Luxembourg.

The principal activity of the Company and its subsidiaries (collectively, the “Group” or “BAI Group”) is that of creating and applying AI and machine learning to transform the way medicines are discovered and developed.

1.2 Group structure

BAI Group is managed by its ultimate parent company BenevolentAI, with the following five trading subsidiaries operating under one segment. The Group’s opportunity to deliver future value depends on a unified and amalgamated approach across the whole of the Group and could not be achieved independently by any individual entity or separately identifiable line of business.

	Registered office address[2]	Principal business	Class of shares held	Ownership
BenevolentAI Limited	4-8 Maple Street, London, W1T 5HD, United Kingdom	Holding	Ordinary shares	100%
BenevolentAI Cambridge Limited[1]	4-8 Maple Street, London, W1T 5HD, United Kingdom	R&D	Ordinary shares	100%
BenevolentAI Bio Limited[1]	4-8 Maple Street, London, W1T 5HD, United Kingdom	R&D	Ordinary shares	100%
BenevolentAI Technology Limited[1]	4-8 Maple Street, London, W1T 5HD, United Kingdom	R&D	Ordinary shares	100%
Benevolent Technology Inc[1]	15 MetroTech Center, 8th FL, NY 11201, United States	R&D	Ordinary shares	100%
BenevolentAI Energy Limited[1]	4-8 Maple Street, London, W1T 5HD, United Kingdom	Dormant	Ordinary shares	100%
Stratified Medical Limited[1]	4-8 Maple Street, London, W1T 5HD, United Kingdom	Dormant	Ordinary shares	100%

1. Held indirectly.
2. The registered office address for each subsidiary is also its principal place of business, with the exception of BenevolentAI Cambridge Limited which operates from the Babraham Campus, Cambridge, CB22 3AT, United Kingdom.

2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as adopted by the EU, and applicable law. They have been prepared on a historical cost basis, except for financial instruments measured at fair value, and all amounts have been rounded to the nearest £‘000. As set out in note 2.2 below, the consolidated financial statements have been prepared on a going concern basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. Judgements made by the Board of Directors in the application of these accounting policies that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- IFRS 17 “Insurance Contracts”
- Definition of accounting estimates - amendments to IAS 8
- International tax reform –Pillar Two Model Rules – amendments to IAS 12
- Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12
- Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group:

- Classification of liabilities as current or non-current – amendments to IAS 1
- Non-current liabilities with covenants – amendments to IAS 1
- Lease liability in a sale and leaseback – amendments to IFRS 16
- Supplier finance arrangements – amendments to IAS 7 and IFRS 7
- Sale or contribution of assets between an investor and its associate or joint venture – amendments to IFRS 10 and IAS 28

These amendments are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

2.2 Going concern

The consolidated financial statements have been prepared on the going concern basis, which the Board of Directors considers appropriate for the following reasons.

The Group has prepared cash flow forecasts, that provide a cash runway, excluding any unsigned revenue to mid-2025, approximately 18 months after the end of the reporting period of these consolidated financial statements, being the period covered by Management's going concern assessment (the "assessment period").

The Group looks to sign additional collaborations in this period and, in the event of this being successfully concluded, this would further extend the Group's cash runway. Additionally, downside scenarios have also been considered, with corresponding cost-saving mitigating actions that allow for an extension of the Group's cash runway.

The Group's cash, cash equivalents and short-term deposits position of £72.9 million (2022: £130.2 million) comes from issuing equity via the Business Combination completed in April 2022 and related equity PIPE investment, in addition to upfront payments and other cash inflows from the ongoing collaboration with AstraZeneca ("AZ") and new collaboration signed with Merck during the year. The Group also benefits from cash inflows from the UK's R&D Tax credit scheme, with the most recent receipt being in July 2023.

The downside scenarios consider a range of possible risks, including exposure to macroeconomic factors, such as inflation and supply chain risk. No combination of these factors indicates that additional funding will be needed throughout the assessment period, due to various mitigating actions that the Board of Directors could implement to preserve cash and therefore extend the cash runway, if needed. These mitigating actions include signing additional revenues from signing further collaborations or outlicensing of proprietary pipeline programmes, and/or a reduction in operating expenses which are within the control of the Board of Directors.

As described in the outlook in the Financial review, the Group looks to sign at least one new collaboration in 2024, as well as outlicense at least one of its proprietary products, and continues to look for opportunities to reduce costs or reallocate to areas where it is believed the investment will generate the best shareholder value. These cash flow forecasts indicate that the Group will have sufficient funds to meet its liabilities for the assessment period.

Beyond mid-2025, the Group would require additional inflows to fund current operations and maximise the opportunity the Group sees within the AI-enabled drug discovery field. The Board of Directors remains confident that this is able to be achieved through inflows from signing additional revenues (as described above) and, if needed, additional funding and/or cost reduction measures.

2.3 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 consolidated 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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

2.4 Normalised operating loss

Normalised operating loss for the years ended 31 December 2023 and 31 December 2022 is defined as operating loss excluding non-normalised transactions, defined as those related to the restructuring programme undertaken following the strategic plan announced on 25 May 2023; those related to the Transaction; the revaluation of investments which BAI does not control directly; and the revaluation of the warrants recognised as finance income. This is to show an underlying representation of operating losses for the respective periods and extends to normalised operating cash flows on the same basis.

Normalised operating losses, normalised operating cash flows and non-normalised transactions are each alternative performance measures ("APM"s) that are not calculated in accordance with IFRS and, therefore, may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to substitute or supersede, IFRS measures.

This APM is in our view an important metric for a biotech company in the development stage. Removing the non-normalised costs, given their material, isolated and one-off nature, enables users to better compare the Group's normal operating performance between reporting periods.

The following table presents a reconciliation of normalised operating loss, to the closest IFRS measures, for the year ended 31 December:

	Note	**2023 £'000**	2022 £'000
Operating loss		**(77,573)**	(197,034)
Adjustments for:			
Restructuring programme expenses	22	**4,922**	-
Transaction-related expenditure		**-**	11,255
Transaction-related listing service SBP expense		**-**	83,067
Transaction-related employee-related SBP expenses		**-**	3,883
Transaction-related stamp duty		**-**	3,740

Revaluation of investments	-	491
Total non-normalised operating charges	**4,922**	**102,436**
Normalised operating loss	**(72,651)**	**(94,598)**

Similarly, normalised operating cash flows are considered on the same basis and to the same effect. The following table presents a reconciliation to the closest IFRS measures for the year ended 31 December:

	Note(s)	**2023 £'000**	2022[1] £'000
Cash flows from operating activities			
Loss for the year		**(63,317)**	(163,928)
Non-cash adjustments for:			
Non-normalised operating expenses	2.4	**4,922**	102,436
Depreciation and amortisation charges	13, 14, 16	**2,880**	3,056
Loss on disposal of property, plant and equipment		**5**	2
Other employee-related SBP expense	23	**5,693**	29,935
Foreign exchange loss/(gain)		**669**	(3,141)
Finance expense	9	**407**	2,104
Finance income	8	**(5,330)**	(19,286)
R&D expenditure tax credit		**(9,780)**	(16,119)
Cash adjustments for:			
Gain on forward exchange settlement	8	**198**	-
Cost of settling RSUs under net settlement arrangement	23	**(2,141)**	-
Tax credit received	23	**16,132**	12,150
Normalised operating cash flow before changes in working capital		**(49,662)**	(52,791)
Increase in trade and other receivables		**(3,102)**	(1,460)
Increase/(decrease) in trade and other payables		**4,200**	(1,505)
Decrease in other provisions		**(4,702)**	(6,160)
Cash expended from operating activities before non-normalised items		**(53,266)**	(61,916)
Cash outflows in respect of restructuring programme expenses		**(3,858)**	-
Cash outflows in respect of Transaction-related expenditure		**-**	(11,255)
Cash outflows in respect of Transaction-related stamp duty		**-**	(3,740)
Net cash outflow from operating activities		**(57,124)**	(76,911)

1. The 2022 comparative has been aligned with the presentation used in 2023, involving reclassifications which Management believes results in more relevant information.

2.5 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 statement of comprehensive income. 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, GBP, 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.

2.6 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

(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 consolidated financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, short-term deposits, 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 expected credit 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 include cash balances and cash deposits with maturities of less than three months at their inception.

Short-term deposits

Short-term deposits include cash deposits with maturities of greater than three months but less than twelve months at their inception.

Investments

Investments are recognised initially at fair value. Subsequent to initial recognition, they are measured at fair value through profit or loss using latest observable share price.

2.8 Derivative financial instruments

Warrants

As part of the Business Combination in 2022, BAI Group took on warrants which had been initially issued by Odyssey prior to the Transaction, as part of financing Odyssey's working capital and investment.

A derivative, other than a derivative that meets the definition of an equity instrument, is initially recognised as a financial asset or financial liability at its fair value on the date the derivative contract is entered into, and the related transaction costs are expensed. The fair values of the derivatives are remeasured at the end of each reporting period with changes in fair values recognised through profit or loss.

A derivative that will be settled by the Company delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash in terms of its functional currency or another financial asset is classified and presented as an equity instrument, rather than a financial liability. As the exercise price of the Company's share purchase warrants that are exercisable into common shares is denominated in EUR, however, the Company will receive a variable amount of cash in terms of its GBP functional currency upon exercise of the warrants, subject to movements in foreign exchange.

The warrants are, therefore, presented as derivative financial liabilities.

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 of the EUR denominated warrants are recognised as finance income/expense in the statement of comprehensive income.

2.9 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to a single identifiable cash-generating unit and is not amortised but instead tested annually for impairment.

Research and development

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible; the Group intends and has the technical ability and sufficient resources to complete development; future economic benefits are probable; and the Group 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 statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

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

Patents or rights to their future income acquired by the Group are initially recognised based on transaction price and stated at this cost less accumulated amortisation. Indicators of impairment are assessed at the end of each reporting period.

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

Amortisation

Amortisation is recognised as an administrative expense in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, starting from the date they are available for use. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives are as follows:

- Patents or rights to their future income – over the expected duration of the patent
- Software - length of software licence

Goodwill and intangible assets with an indefinite useful life are not amortised but are systematically tested for impairment annually.

2.10 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 statement of comprehensive income under either the administrative expense or R&D expense, depending on the classification of the asset, 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	over the term of the lease or to the first-break clause, whichever is deemed most appropriate for the facility

Assets under construction are not depreciated until the asset is available for use, at which point the asset is transferred into either fixtures and fittings or leasehold improvements, and depreciated accordingly.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

2.11 Lease liabilities and right-of-use assets

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (with terms of twelve months or less) and leases of low-value assets. Lease payments on these short-term or low-value assets are expensed to profit or loss on a straight-line basis over the term of the lease.

Lease liabilities

The lease liability is initially measured at the present value of lease payments over the lease term, less any already paid at the commencement date, discounted by using the rate implicit in the lease. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. If the rate implicit in the lease cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability, with a corresponding adjustment to the related right-of-use asset, whenever a lease contract is modified and the lease modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date and any lease incentives received, plus 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 Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over the estimated useful life of the underlying asset. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

2.12 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.

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.

2.13 Impairment

Financial assets (including receivables)

Financial assets are assessed for indicators of impairment at the end of the reporting period. The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next twelve months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

Non-financial assets

The carrying amounts of the Group'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 ("CGU") is the greater of its value in use and its fair value less costs of disposal ("FVLCOD"). Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. In assessing the fair value of the CGU to which the Goodwill has been allocated, Management has considered quoted market prices in an active market, as it considers the Group as a single CGU.

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 CGU).

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.

2.14 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group 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 statement of comprehensive income in the periods during which services are rendered by employees.

Share-based payment transactions – BenevolentAI Equity Incentive Scheme ("BEIS")

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. At the point of exercise or settlement, awards are treated as equity-settled, including any portion withheld for tax purposes under a net settlement agreement.

Options or RSUs granted under the BEIS are composed of tranches that represent each increment that participants become entitled to over the vesting period. The fair value of each of these vesting tranches is recognised as an employee or related expense in the statement of comprehensive income, on a straight-line basis over the longer of either the time until the service condition is met or the trigger event is expected to take place ("vesting period"), with a corresponding movement to equity reserves. For each tranche continuing to have their FV charged after the trigger event, this is spread on a straight line basis over the service period. The fair value of the awards granted is measured using the Black-Scholes model. The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which the related 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 meet the related non-market performance conditions at the vesting date.

At each consolidated statement of financial position date, the Group revises its estimates of the number of awards that are expected to vest, as well as the estimate of the vesting period. The impact of the revisions of original estimates, if any, is recognised in the statement of comprehensive income, with a corresponding adjustment to equity reserves, over the remaining vesting period.

Share-based payment transactions – Long Term Incentive Plan ("LTIP")

Awards granted to participants under the LTIP comprise RSUs and performance stock units ("PSUs"). The fair value for the RSUs has been determined and recognised on the same basis as under the BEIS post-trigger event, namely tied to the service condition.

The PSUs include both non-market vesting conditions and market vesting conditions. As with the BEIS, the number of equity instruments expected to vest which are tied to the non-market conditions is revisited at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest.

Market vesting conditions, however, are factored into the fair value of the awards granted. The portion of each PSU which relates to market vesting conditions carries a separate fair value, determined using the Monte Carlo Simulation model. Provided all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Tax payments related to share-based payments
This liability is recognised in-line with the relative portion of fair value charged for each tranche as at the balance sheet date, under both the BEIS and LTIP, adjusted for changes in expectation with regards to the non-market vesting conditions and based on the latest market share price available as at that same date.

2.15 Revenue recognition
Revenues to date have consisted principally of collaboration revenues, which typically consist of an initial upfront payment, periodic collaboration payments and potential milestone payments for research, development and commercial achievements plus royalties on net sales.

The Group initially recognises income under the collaboration as deferred revenue.

Once the contract has been identified in line with IFRS 15, each distinct performance obligation underpinning the collaboration agreement is determined, based on an assessment of whether the promises in an agreement are capable of being distinct and are distinct from the other promises to transfer goods and/or services in the context of the contract.

Fixed upfront payments are allocated against the performance obligations to which that upfront payment relates, using an input model which considers the proportion of total expected research and development costs expected to be required in order to deliver each performance obligation. Revenue is then recognised over directly attributable costs incurred thus far, necessarily incurred towards producing the required output, as a proportion of total direct costs expected to be incurred. This cost-to-cost method of revenue recognition provides a measure of the progress towards satisfaction of the underlying performance obligation. Frequent meetings between collaborators to discuss progress helps ensure this measure of progress provides a faithful depiction of the transfer of services.

Collaboration agreements may involve a series of milestone payments and bonus payments as the collaboration successfully progresses. These amounts represent variable consideration which are only included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This is typically only when the milestone or bonus is achieved, as confirmed by the collaborator. Where payments are included in the transaction price, we estimate the amount to be included in the transaction price using the most likely amount method.

At the end of each subsequent reporting period, Management re-evaluates the probability of achievement of relevant milestones and any related constraint. If necessary, we adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, affecting revenue in the period of adjustment.

Collaboration agreements include sales-based royalties, including commercial milestone payments based on the level of sales. Related revenue is recognised only as the subsequent underlying sales occur.

Management has determined that costs directly attributable to the collaboration agreements are immaterial. Cost of sales has, therefore, not been presented.

2.16 Other income
The Group recognises income for all government grants in relation to research and development, where there is reasonable assurance that the grant will be received and attached conditions will be complied with.

2.17 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 twelve months or of low value. Other leases that are assessed under IFRS 16 as finance leases have been accounted for in accordance with IFRS.

R&D expenditure
R&D expenditure, which includes a proportion of staff costs and directly attributable overheads, is currently recognised in the statement of comprehensive income as incurred, on the basis that the recognition criteria of IAS 38 (Intangible Assets) are currently not met.

2.18 Interest income and expenditure
Interest income and expenditure is recognised in the statement of comprehensive income as it accrues on a timely basis, by reference to the principal outstanding and effective interest rate applicable. Other finance income and expenditure relates to the fair value revaluation of the warrant liabilities at the balance sheet date, as well as the settlement of forward contracts.

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

2.20 Issued capital
Ordinary and Sponsor 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.

2.21 Provisions
A provision is recognised in the balance sheet when the Group 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.

For the restructuring programme initiated in the year, the corresponding provision includes expenditure that is directly attributable and necessarily entailed by the programme and does not relate to the ongoing activities of the Group. Included in these costs are those associated with contractual obligations that no longer provide economic benefit to the Group.

3 Critical accounting judgements and key sources of estimation uncertainty
Judgements and estimates are continually evaluated and are based on historical experience and other relevant factors, including Management's reasonable expectations of future events. The preparation of these consolidated financial statements requires Management to make estimates and assumptions concerning the future. The estimates and the underlying assumptions are subject to continuous review.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In preparing these consolidated financial statements, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty are as follows.

3.1 Critical judgements in applying accounting policies
Revenue
The second AZ collaboration, entered into in 2022, is related to two disease areas and has been treated by the Group as a separate agreement, since it has identified new and distinct performance obligations that did not exist in the previous agreement entered in 2021.

This collaboration works across two disease areas using a similar methodology in each. In identifying the performance obligations within the contract, Management has made judgements in categorising each disease area as its own discrete performance obligation, where their delivery is both independent from one another and deemed to require an equal amount of effort, and where they are individually considered a distinct bundle of services.

Similarly, the new collaboration entered into with Merck in the year relates to three separate disease areas, each considered to involve a distinct bundle of services. Each research plan includes upfront payments, in addition to separate and sequential discovery milestones which trigger collaboration payments to become due to BAI if successfully passed. The allocation of consideration for any performance obligation is an estimate based on the proportion of total expected directly attributable costs to be incurred in their delivery.

Whilst the upfront payments are considered fixed consideration, the corresponding transaction price for each discovery milestone is seen as variable consideration and, therefore, factored in only when Management considers it at least highly probable that the associated milestone will be achieved.

At the end of a research plan's discovery phase, fees and royalties may become due to BAI as the asset progresses through further development and commercial milestones, with tiered royalties also payable on net sales of any commercialised products.

Goodwill
The amount of goodwill 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 on industry benchmarks and information relevant to the specific assets in focus.

Goodwill impairment
During 2023, Management has performed an impairment assessment on the goodwill in accordance with IAS 36. For the purposes of the impairment assessment, goodwill has been allocated to the Group's CGU defined as the whole of the BAI Group. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. Management's judgement, as part of its continued evaluation of the goodwill, has considered that the CGU for 2023, consistent with the conclusion in 2022, is the BAI Group, since Management considers that the assets held by BenevolentAI Cambridge Limited are now, and increasingly so, strategically integrated with the other legal entities in the Group. By this very nature, Management believes that, for any future commercial value created through the current and future drug programmes and collaboration delivery, a unified and amalgamated approach is required across the whole of the Group.

Per IAS 36.6, impairment is recognised as administrative expense in the statement of comprehensive income if the recoverable value (the higher of FVLCOD or value in use) of an asset is less than its carrying value. Given Management's judgement that the CGU is representative of the whole Group, the FVLCOD can be determined through the market capitalisation, determined through directly observable market prices. The value in use is determined through a combination of valuation techniques, including risk-adjusted net present value calculations of pipeline assets, operating costs and collaborations, alongside platform tools valued as multiples of potential revenue. These inherently involve Management judgements, benchmarked to industry standards wherever possible.

3.2 Other accounting estimates

The Group has not identified any significant accounting estimates, being those which present a significant risk of material adjustment in the next financial period. However, other areas of estimation uncertainty have been identified as follows:

Revenue

In recognising revenue against the individual performance obligations, estimates have been made in the calculation of their percentage of completion, the key driver of revenue release. This requires an estimation of inputs needed to fully satisfy each performance obligation, including full-time equivalent days and risk-adjusted contingent costs where the satisfaction of performance obligations may require more work.

SBP expense and employer-related social security provision

The Group operates the BEIS and LTIP. The fair value of equity incentive awards, or respective portions of awards, related solely to non-market vesting conditions is measured using the Black Scholes model at each grant date. The number of equity instruments expected to vest which are tied to the non-market conditions is revisited at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments expected to eventually vest.

The employer-related social security provision incorporates similar estimates and is remeasured to reflect the closing share price at the balance sheet date, which may ultimately not be equal to the share price that the corresponding awards are exercised at or settled at.

The fair value of equity incentive award portions related to market vesting conditions is measured using the Monte Carlo Simulation model at each grant date. Provided all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

The net increase in relative portion of fair value charge during the year is recognised in the statement of comprehensive income. The assumptions used in both the Black-Scholes and Monte Carlo Simulation models are detailed in note 23.

Fair value revaluation of Class A warrants and Class B warrants

The Company's warrants are classified and presented as derivative financial liabilities and measured at fair value through profit or loss. The fair value of each warrant class is determined at each reporting date and exercise date and is based on quoted market prices, where available, or independently valued using the Binomial Tree method and Monte Carlo Simulation models, the inputs for which derive from significant observable market inputs (volatility, discount rate and share price).

Restructuring programme provision

The provision recognised in relation to the restructuring programme initiated by the Group in 2023 comprises a measurement of the expected costs directly attributable to carrying out the restructuring and necessarily entailed by the programme. The unused provision balance, therefore, represents an estimate of the costs until such a point that they are known.

4 Accounting impact of the Business Combination in the prior year

The Business Combination with Odyssey on 22 April 2022 (“Closing date”) was achieved through the contribution of ordinary and preferred shares in BenevolentAI Limited (“BAI Ltd”) in exchange for new ordinary shares in BenevolentAI (previously Odyssey), the result being that the new BAI Group became listed on the Euronext Amsterdam stock exchange.

The Business Combination was accounted for within the scope of IFRS 2 as a capital reorganisation since Odyssey did not meet the definition of a business in accordance with IFRS 3. Under this accounting method, Odyssey was treated as the acquired company for financial reporting purposes, and the activity and position of the acquired Odyssey was considered in the consolidated financial statements only from the Closing date onwards.

Accordingly, for financial reporting purposes, the Transaction was treated as the equivalent of BAI Ltd issuing shares at the closing of the Business Combination for the net assets of Odyssey at the Closing date. The capital reorganisation reflects the transition of the share capital and share premium from BAI Ltd to BenevolentAI, which comprised the legal essence of the Transaction. This resulted in a decrease within share capital and related increase to share premium, to align the equity of BAI Ltd (as the acquirer for financial reporting purposes) with the equity of the Group’s new ultimate legal parent, BenevolentAI. The book value accounted for on consolidation was reflected through a corresponding charge to merger difference, such that the net impact to equity was equal to the £5.2 million of net assets acquired.

The excess of the fair value of consideration for Odyssey over the fair value of its identifiable net assets acquired represents a compensation for the service of a stock exchange listing for its shares and expenses as incurred. At the Closing date, the fair value of BAI Ltd’s shares that were deemed to be issued to Odyssey amounted to £88.3 million, based on the initial closing price of shares of Odyssey according to the table below. In return, BenevolentAI received Odyssey’s listing service and its net assets, equal to £5.2 million, which mainly consisted of remaining cash net of redemptions and liabilities related to the warrants. This resulted in a non-cash listing service SBP expense of £83.1 million, determined under IFRS 2 and recognised in administrative expenses:

	Fair value in £m
Class A shares (4.9 million shares at £8.22 per share)	40.0
Class B shares 2/3 (5 million shares at £8.22 per share)	41.1
Class B shares 1/3 (2.5 million shares at £2.87 per share)	7.2
BAI Ltd’s shares deemed issued	**88.3**
Less Odyssey’s net assets	(5.2)
IFRS 2 non-cash listing service SBP expense	**83.1**

Odyssey’s net assets at Closing, excluding the gross proceeds of €136.1 million (£113.0 million) from PIPE Financing, of which £9.5 million was non-cash consideration; €40 million (£33.2 million) backstop; and the £11.3 million of expenses related to them:

	Fair value in £m at Closing

Cash	41.6
Prepayments and other debtors	0.2
Accruals and trade creditors	(18.5)
Warrants at fair value	(18.1)
Net assets acquired	**5.2**

The warrants acquired represent the fair value of the 10,000,000 Class A warrants and 6,600,000 Class B warrants at the Closing date, assessed using significant observable market inputs.

In conjunction with the Transaction, Odyssey entered into subscription agreements with investors ("PIPE Investors") in a Private Investment in Public Equity transaction (the "PIPE Financing") in the aggregate amount of €136.1 million (£113.0 million). In return for their investment, the PIPE Investors received a total of 13,613,394 additional Odyssey Class A shares. An equity Backstop facility for €40 million (£33.2 million) resulted in a further issuance of 4,000,000 ordinary shares were also issued. This resulted in a total consideration of £146.2 million across the equity PIPE and Backstop, of which £136.7 million was received as cash.

Prior to closing, as consistent with the original public share offering by Odyssey, a total of 25.1 million ordinary shares with an agreed redemption price of €9.96 per share were redeemed for cash by eligible ordinary shareholders, following the redemption process. These are currently held as treasury shares. The redemption payable of €250.3 million (£207.8 million) was paid by Odyssey prior to Transaction close.

As part of the capital reorganisation, BAI Ltd's share capital was exchanged for shares in Odyssey of £75k, being 90 million shares at a par value of €0.001. This capital reorganisation reflects the transition of the share capital and share premium from BAI Ltd to BenevolentAI. This results in a decrease within share capital of £0.2 million from the old share capital (par value of £0.10) with an increase of £584.5 million reflecting the share premium as recorded by Odyssey in the share for share exchange. The book value accounted for on consolidation is reflected through a corresponding charge to merger difference of £579.1 million, such that the net impact to equity of £5.2 million is equal to the net assets acquired of £5.2 million.

See note 24 for further details of the share for share exchange.

5 Revenue

The Group initially recognises income under collaborations as deferred revenue, which the Group becomes entitled to recognise as revenue in line with the delivery efforts towards the completion of tasks and provision of the deliverables set out in the agreements governing each respective collaboration. For the year to 31 December 2023, this is represented by revenue of £7.3 million (2022: £10.6 million) with £11.6 million deferred revenue recognised as at 31 December 2023 (31 December 2022: £2.9 million).

Revenue recognised in relation to contract liabilities since the beginning of each year has been explored further in note 20.

Second AZ collaboration

Building on the success of the first collaboration, the relationship with AZ was expanded into a new three-year partnership in 2022, focusing on systemic lupus erythematosus and heart failure.

Merck collaboration

The new collaboration entered into with Merck in the year utilises BenevolentAI's end-to-end AI platform capabilities to deliver novel drug candidates, initially for three targets in oncology, neurology and immunology, readying them for onward pre-clinical and clinical development. The agreement includes payments to BenevolentAI, consisting of a low double-digit million dollar upfront payment on signing and then discovery, development and commercial milestones. Tiered royalties will also be payable on net sales of any commercialised products.

	2023 £'000	2022 £'000
By category:		
Collaboration revenue	**7,331**	10,560
	7,331	10,560

	2023 £'000	2022 £'000
Geographical market:		
	6,710	10,560
	621	-
	7,331	10,560

There is no related party revenue in the year to 31 December 2023 (2022: £nil). See note 26 for related party information.

6 Reported operating loss

The following table provides additional information on the nature of operating expenses included in the consolidated statement of comprehensive income:

	Note	**2023 £'000**	2022 £'000
Aggregate payroll costs, excluding SBP expenses	7	**41,191**	38,096
Employee-related SBP expenses	23	**1,527**	27,614

Depreciation of right-of-use assets	16	**1,596**	1,682
Depreciation of property, plant and equipment	14	**1,279**	1,371
Amortisation of intangible assets	13	**5**	3
Listing service SBP expense arising from Transaction		**-**	83,067
Decrease in fair value of investments	15	**-**	491
Auditors' remuneration		**458**	680
Other expenses		**39,271**	54,756
Total operating expenses[1]		**85,327**	207,760

1. Comprising R&D expenses and administrative expenses.

Amounts receivable by the Group's auditors and their associates in respect of:

	2023 £'000	2022 £'000
Audit of these consolidated financial statements	**418**	575
Audit of financial statements of subsidiary companies	**38**	41
Advisory costs related to non-audit services	2	64
	458	680

7 Staff numbers and costs

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

	Number of employees	
	2023	2022
Research and development	**277**	293
Administration	**66**	61
	343	354

The number of people employed by the Group at the end of 2023 was 248 (2022: 378).

The aggregate payroll costs of these persons were as follows:

	Note	**2023 £'000**	2022 £'000
Wages and salaries		**32,887**	32,900
Equity-settled employee-related SBP charge	23	**5,693**	33,818
Social security costs		**3,723**	3,804
Settlement payments and other staff costs arising from restructuring activities		**3,149**	-
Contributions to defined contribution plans		**1,432**	1,392
Credit for social security provision in relation to equity-settled SBP	23	**(4,166)**	(6,204)
		42,718	65,710

Settlement payments not arising from restructuring activities of £210k are not included above (2022: £216k).

The Group operates a defined contribution pension plan. The total expense relating to this plan in the current year was £1,432k (2022: £1,392k). There was an accrual of £207k at 31 December 2023 (2022: £260k).

8 Finance income

	2023 £'000	2022 £'000
Interest income on bank deposits	**3,854**	1,544
Gain on modification of lease liability	**920**	-
Fair value revaluation of warrants	**352**	17,737
Change in fair value of settled forward contract	**198**	-
Unwinding of rent deposits	**6**	5
	5,330	19,286

9 Finance expense

	2023 £'000	2022 £'000
Interest expense on lease liabilities	**326**	417
Other finance expenses	**81**	122
Change in fair value of settled forward contract	**-**	1,565
	407	2,104

10 Taxation

	2023 £'000	2022 £'000
Recognised in the consolidated statement of comprehensive income		
Current tax on income for the year	**9,333**	15,924
Deferred tax	**-**	-
Total tax credit	**9,333**	15,924

Reconciliation of effective tax rate		
Loss for the year before taxation	**(72,650)**	(179,852)
Tax using the UK corporation tax rate of 23.52% (2022: 19.00%)	**(17,087)**	(34,172)
Surrender of tax losses for R&D tax credit refund	**9,058**	4,946
Additional deduction for R&D expenditure	**(9,581)**	(11,820)
R&D expenditure credits	**99**	31
Expenses not deductible for tax purposes	**569**	23,770
Deferred tax not recognised on trading losses	**7,609**	1,311
Fixed asset differences	**-**	10
Total tax refund included in consolidated financial statements	**(9,333)**	(15,924)

A deferred tax asset of £54.6 million (2022: £53.7 million) has not been recognised due to uncertainties over future profitability. The amount of trading losses carried forward indefinitely where a deferred tax asset has not been recognised is £206.6 million (2022: £174.3 million).

The UK corporation tax rate for year ended 31 December 2023 is 23.52% (2022: 19.00%). Deferred tax has been calculated using 25% (2022: 25%) as this is the corporation tax rate effective 1 April 2024, following the announcement in the Budget on 3 March 2021 which has been substantively enacted.

The UK R&D tax credit rate used in the calculation of R&D receivable in the financial statements, equal to £9.8 million, is based on 14.5% applied to expenditure for the period to 31 March 2023 and 10% for the period of expenditure from 1 April 2023. These are the rates effective and substantively enacted as at 31 December 2023. On 22 February 2024, Royal Assent was granted to apply the 14.5% research intensive industry rate for those companies meeting the UK tax authority's R&D tax scheme criteria with retrospective effect from 1 April 2023. The Group expects to meet the criteria set out, the impact being an additional £2.4 million in estimated R&D receivable recoverable for the period from 1 April 2023 to 31 December 2023, giving a total expected R&D tax credit of £12.2 million.

11 Loss per share

Loss per ordinary share has been calculated by dividing the loss attributable to equity holders of BenevolentAI after taxation for each financial period by the weighted average number of ordinary shares in issue during the financial period, exclusive of both Sponsor shares and those held in treasury. The weighted average number of shares is calculated from the number of ordinary BenevolentAI shares in circulation at the beginning of the period adjusted by the number of ordinary shares issued during the period, alongside the impacts of the Transaction in 2022 and multiplied by a time-weighting factor. The time-weighting factor reflects the ratio of the number of days on which ordinary shares were issued and the total number of days of the period.

	Note	2023 £'000	2022 £'000
Basic and diluted loss per share, expressed in pence		**(53.5p)**	(150.2p)
Weighted average ordinary shares outstanding, number		**118,308,029**	109,110,109
Loss for the year		**(63,317)**	(163,928)
Adjustments for:			
Non-normalised items within operating expenses	2.4	**4,922**	102,436
Fair value of warrants within finance income	8	**(352)**	(17,737)
Normalised total loss		**(58,747)**	(79,229)
Normalised basic and diluted loss per ordinary share, expressed in pence		**(49.7p)**	(72.6p)

The dilutive shares and other instruments total 145,126,303 (2022: 145,126,303), as per note 24, including 20,686,419 treasury shares (2022: 25,137,581). Outstanding equity awards, including those which are yet to vest, are included in note 23. A loss, however, cannot be further diluted beyond the basic per share calculation. As such, the loss per share is an equal value for both a basic and diluted view.

12 Goodwill

	£'000
Cost	
Balance at 1 January 2022 and 31 December 2022	23,479
Balance at 1 January 2023 and 31 December 2023	**23,479**
Net book value	
At 31 December 2022	23,479
At 31 December 2023	**23,479**

The recoverable amount of the CGU was determined on the basis of the FVLCOD using the Company's quoted market value. Management believes that the quoted share price of the Company best represents the fair value of the CGU in the eyes of active market participants. For

the purposes of measuring FVLCOD, both the effects of control premium and the costs of disposal have been disregarded, with the former expected to be far in excess of the latter.

The quoted closing share price of BAI at 31 December 2023 was £0.94 per share (€1.08 per share), equivalent to an overall £114.2 million fair value of the CGU (31 December 2022: £364.8 million). This exceeds the Group's net assets of £94.3 million, inclusive of the goodwill amount, such that no impairment has been recognised to the current carrying value of the goodwill.

Under IAS 36, the recoverable amount of the CGU is the higher of its FVLCOD and value in use. Management has carried out its own internal valuations, representing the value in use of the CGU. This sits significantly in excess of its FVLCOD.

13 Intangible assets

	Rights to future income £'000	Software £'000	Total £'000
Cost			
Balance at 1 January 2022	10,700	46	10,746
Disposals	-	(14)	(14)
Balance at 31 December 2022	10,700	32	10,732
Additions	-	4	4
Disposals	(10,700)	-	(10,700)
Balance at 31 December 2023	**-**	**36**	**36**
Accumulated amortisation			
Balance at 1 January 2022	10,700	23	10,723
Amortisation charge	-	3	3
Disposals	-	(14)	(14)
Balance at 31 December 2022	10,700	12	10,712
Amortisation charge	-	5	5
Disposals	(10,700)	-	(10,700)
Balance at 31 December 2023	**-**	**17**	**17**
Net book value			
At 31 December 2022	-	20	20
At 31 December 2023	**-**	**19**	**19**

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 amortisation. Management does not believe there to be any indicators of impairment for these items.

Rights to future income

Relates to a fully-impaired partial economic interest in an asset held by a third party who have decided to stop further development of that asset and is, therefore, regarded as disposed of in the year.

14 Property, plant and equipment

	Lab equipment £'000	Leasehold improvement £'000	Assets under construction £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost						
Balance at 1 January 2022	3,120	1,960	-	1,636	697	7,413
Additions	757	-	-	373	28	1,158
Disposals	(118)	-	-	(4)	-	(122)
Balance at 31 December 2022	3,759	1,960	-	2,005	725	8,449
Additions	**832**	**6**	**95**	**76**	**9**	**1,018**
Disposals	**(210)**	**-**	**-**	**(69)**	**-**	**(279)**
Balance at 31 December 2023	**4,381**	**1,966**	**95**	**2,012**	**734**	**9,188**
Accumulated depreciation						
Balance at 1 January 2022	1,548	1,250	-	1,347	490	4,635
Depreciation charge	615	394	-	230	132	1,371
Disposals	(115)	-	-	(3)	-	(118)
Balance at 31 December 2022	2,048	1,644	-	1,574	622	5,888
Depreciation charge	**689**	**315**	**-**	**238**	**37**	**1,279**
Disposals	**(200)**	**-**	**-**	**(69)**	**-**	**(269)**
Balance at 31 December 2023	**2,537**	**1,959**	**-**	**1,743**	**659**	**6,898**
Net book value						
At 31 December 2022	1,711	316	-	431	103	2,561
At 31 December 2023	**1,844**	**7**	**95**	**269**	**75**	**2,290**

	2023 £'000	2022 £'000
Contracted capital commitments	**216**	330

15 Investments

	2023 £'000	2022 £'000
Investments	**1,892**	1,892

Unlisted investments

The Group's unlisted investments include 315,465 (2022: 315,465) ordinary £0.001 shares in Adarga Limited, equal to a 3.09% equity stake (31 December 2022: 7.85%). The investment is carried at fair value of £1.9 million (2022: £1.9 million), being the value of the most observable recent price-setting transaction, which occurred during the year ended 31 December 2023. It is, therefore, classified as Level 2 in the fair value hierarchy defined under IFRS 13. As the result of a review for the need for impairment, £nil (2022: £491k) has been recognised in administrative expenses in the consolidated statement of comprehensive income.

16 Right-of-use assets

	Leasehold property £'000	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost				
Balance at 1 January 2022	11,933	20	21	11,974
Additions	363	-	12	375
Balance at 31 December 2022	12,296	20	33	12,349
Additions	**3,352**	**-**	**-**	**3,352**
Disposals	**(2,626)**	**-**	**-**	**(2,626)**
Remeasurement arising from lease modification	**(3,077)**	**-**	**-**	**(3,077)**
Balance at 31 December 2023	**9,945**	**20**	**33**	**9,998**
Accumulated depreciation				
Balance at 1 January 2022	4,738	12	2	4,752
Depreciation charge	1,667	4	11	1,682
Balance at 31 December 2022	6,405	16	13	6,434
Depreciation charge	**1,582**	**4**	**10**	**1,596**
Disposals	**(2,624)**	**-**	**-**	**(2,624)**
Balance at 31 December 2023	**5,363**	**20**	**23**	**5,406**
Net book value				
At 31 December 2022	**5,891**	**4**	**20**	**5,915**
At 31 December 2023	**4,582**	**-**	**10**	**4,592**

17 Trade and other receivables

	2023 £'000	2022 £'000
Non-current		
Rent deposit	**171**	-
	171	-
Current		
Other taxation and social security	**3,158**	1,186
Prepayments	**2,927**	3,526
Accrued income	**2,123**	563
Other receivables	**476**	322
Rent deposit	**31**	187
	8,715	5,784

18 Cash, cash equivalents and short-term deposits

	2023 £'000	2022 £'000
Cash and cash equivalents	**36,477**	88,442
Short-term deposits	**36,429**	41,740
	72,906	130,182

Bank credit ratings are considered in note 25.

19 Trade and other payables

	2023 £'000	2022 £'000
Accruals	**6,851**	9,832
Trade payables	**2,281**	3,578
Taxation and social security	**802**	964
Other payables	**422**	503
	10,356	14,877

20 Deferred income

	£'000
Balance at 1 January 2022	31
Additions	13,143
Released to revenue	(10,300)
Balance at 31 December 2022	**2,874**
Additions	13,463
Released to revenue	(4,742)
Balance at 31 December 2023	**11,595**

The balance of revenue recognised in the year for 2023 arose from collaboration work invoiced in arrears.

The majority of additions to deferred income in 2022 and releases in 2022 and 2023 relate to revenue derived under the AZ collaboration, which sits as an accrued income balance at the year end. Additions in 2023 mainly focus around the new collaboration with Merck, with revenue expected to be recognised over the next two to three years, consistent with the delivery of the contract.

21 Lease liabilities

	Note	£'000
Balance at 1 January 2022		8,794
Repayment of lease liabilities[1]		(2,233)
Interest expense on lease liabilities	9	417
Additions	16	375
Balance at 31 December 2022		**7,353**
Current		1,665
Non-current		5,688
Balance at 1 January 2023		7,353
Repayment of lease liabilities[1]		(2,010)
Interest expense on lease liabilities	9	326
Additions		3,075
Remeasurement arising from lease modification		(3,996)
Balance at 31 December 2023		**4,748**
Current		925
Non-current		3,823

1. Represents the total cash outflow related to the lease liabilities.

The lease modification arises on the reduction in scope of an ongoing lease, committed to in the year but not subject to legal completion until January 2024.

	Note	**2023 £'000**	2022 £'000
Recognised in the consolidated statement of comprehensive income			
Depreciation expense on right-of-use assets	16	**1,596**	1,682
Interest expense on lease liabilities	9	**326**	417
Gain on modification of lease liability	8	**920**	-
		2,842	2,099

See note 25 for the contractual maturities of the lease liabilities in years to come.

22 Provisions

	Dilapidation on leased office premises £'000	Liquidation of Odyssey Acquisition B.V. £'000	Tax related to SBP £'000	Restructuring programme £'000	Total £'000
Balance at 1 January 2022	251	-	12,374	-	12,625
Provision acquired through the Transaction	-	32	-	-	32
Additional provisions made/(released)	73	-	(6,204)	-	(6,132)
Provision utilised	-	(29)	-	-	(29)
Balance at 31 December 2022	324	3	6,170	-	6,497
Current	324	3	5,544	-	5,871
Non-current	-	-	626	-	626
Balance at 1 January 2023	324	3	6,170	-	6,497
Restructuring provision recognised	-	-	-	5,290	5,290
Additional provisions made/(released)	304	(3)	(4,166)	(368)	(4,233)
Provisions utilised	-	-	(623)	(4,072)	(4,695)
Balance at 31 December 2023	**628**	**-**	**1,381**	**850**	**2,859**
Current	59	-	1,250	850	2,159

Non-current	569	-	131	-	700

The provision related to dilapidations on leased office premises reflects the updated projections for future dilapidation costs at the end of revised term ends, following the modification and renewal of property leases across the Group and any restorative measures to discharge any relevant dilapidations obligations.

The provision related to the employer tax arising from share-based payments is recognised in line with the relative portion of fair value charged for each tranche as at the balance sheet date under the two share incentive schemes, as a function of the share price and prevailing tax rates. The non-current portion relates to tranches which have an expected vesting date greater than twelve months from year end. These two share incentive schemes are discussed further in note 23.

As part of the strategic plan announced on 25 May 2023, the Group considered its cost base and organisational structure and commenced a collective consultation process around proposed headcount reductions, adhering to the UK Collective Consultation for Redundancy Rules and Procedures. The restructuring programme provision reflects all expected expenditure, necessarily entailed by the restructuring that does not relate to the ongoing activities of the Group, including costs associated with contractual obligations that no longer provide economic benefit to the Group.

23 Share-based payments

23.1 BenevolentAI Equity Incentive Scheme ("BEIS")

Under the BEIS, all employees were offered options or RSUs upon joining. RSUs operate in such a way as to give the same economic benefit as options, reflecting the requirements of certain jurisdictions.

This scheme is now in run off since the closing of the Transaction in 2022 and is effectively closed to new entrants, with the only vesting continuing for awards already granted. During the year ended 31 December 2023, therefore, no awards were granted (2022: 1,423,351 options and 75,793 RSUs). 939,375 options and 602,874 RSUs under the BEIS were forfeited over the course of the year (2022: 1,077,485 options and 93,974 RSUs). No options were exercised during the year (2022: no options exercised nor RSUs settled).

In the year, the Company undertook a net settlement process for a portion of vested RSU awards, through to the end of 2022, to adhere to tax requirements in certain jurisdictions. Scheme participants who were affected had their RSUs settled to them as shares, net of any exercise price and tax payable as required of the Company, using treasury shares held by the Company. The Company withheld 2,607,989 RSUs with a total value of £2.1 million, in part for the purposes of exercise price but predominantly equal to the value of the payment made by the Group to the tax authorities on behalf of the scheme participants. An additional payment of £0.6 million was made by the Group to comply with employer-related taxes, with a corresponding reduction to the provision previously put in place. The remaining 4,451,162 shares are held by the participants under the nominee provisions of the Employee Benefit Trust and are locked up, in accordance with all vested, but not yet settled, awards in the scheme.

The net settlement arrangement resulted in an increase to share premium of £46.3 million due to a reallocation from the SBP reserve, reflecting the historic fair value charge that had been recognised for the total 7,059,151 vested RSUs affected.

23.2 Long Term Incentive Plan ("LTIP")

Under the LTIP, RSUs and PSUs are granted to eligible employees and may be subject to one or more performance conditions.

During the period, 2,160,526 RSUs and 899,580 PSUs were granted under the LTIP (2022: 980,123 RSUs and 815,282 PSUs). 412,667 RSUs and 261,167 PSUs were forfeited due to the grantees no longer being employed by the Group or forfeiting their awards (2022: 23,716 RSUs and 12,108 PSUs). No awards were settled during the period (2022: none).

	BEIS		LTIP	
Equity awards held in BenevolentAI	Number of Awards	Weighted average exercise price (£)	Number of Awards	Weighted average exercise price (£)
Awards outstanding at 1 January 2022	19,043,911	0.1	-	-
Granted	1,499,144	0.0	1,795,405	-
Exercised/settled	-	-	-	-
Forfeited	(1,171,459)	0.2	(35,824)	-
Outstanding at 31 December 2022	19,371,596	0.1	1,759,581	-
Exercisable at 31 December 2022	-	-	-	-
Awards outstanding at 1 January 2023	19,371,596	0.1	1,759,581	-
Granted	-	-	3,060,106	-
Exercised/settled	(4,451,162)	0.0	-	-
Withheld by the Company	(2,607,989)	0.0	-	-
Forfeited	(1,542,249)	0.0	(673,834)	-
Outstanding at 31 December 2023	**10,770,196**	**0.2**	**4,145,853**	**-**
Exercisable at 31 December 2023	**-**	**-**	**-**	**-**

For BEIS awards outstanding at the year end, the average weighted time to exercise or settlement is 0.2 years (2022: 0.4 years). For the LTIP awards, this is equal to 1.6 years (2022: 2.0 years).

23.3 IFRS 2 valuation

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

Black-Scholes

As permitted under IFRS 2, the Black-Scholes model has been used to calculate the fair value of each award granted under the BEIS at the date of grant, as well as for all RSUs under the LTIP. For PSUs granted under the LTIP, the Black-Scholes model has been utilised for the portion not subject to market vesting conditions.

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 equity awards at regular intervals, the weighted average of outstanding awards at the end of the financial year has been disclosed.

The following assumptions were used in the Black-Scholes model in calculating the fair values of the awards granted under each scheme during the year:

	BEIS		LTIP	
Weighted average for awards granted during the year	**2023**	2022	**2023**	2022
Market value at date of grant	**-**	£5.22	**£1.04**	£3.53
Exercise price at grant date	**-**	£0.1	**-**	-
Volatility	**-**	60%	**60%**	50%
Time to exercise (years)	**-**	1.8	**2.0**	1.9
Risk-free rate	**-**	0.97%	**4.42%**	1.88%
Employee turnover	**-**	12%	**12%**	11%

For BEIS awards granted, the grant dates and corresponding vesting end dates reflect the wide and varied range in dates the participant joined the Group. For LTIP awards, these are typically done on a quarterly basis. Awards made under either scheme have an expiry term of ten years.

The expected volatility been assessed with reference to a benchmark of industry comparators, given BAI's relatively recent introduction to public markets. The expected period to exercise is based upon the date at which the service condition for each tranche in each award is met. The risk-free rate is based on the Bank of England's estimates of gilt yield curve as at each respective grant date.

Monte Carlo Simulations

The portion of each PSU under the LTIP which relates to market vesting conditions carries a separate fair value, determined using the Monte Carlo Simulation model.

The inputs into the Monte Carlo Simulation model for awards issued during the year were as follows:

	LTIP	
Weighted average for awards granted during the year	**2023**	2022
Market value at date of grant	**£0.77**	£5.50
Exercise price at grant date	**-**	-
Volatility	**60%**	50%
Time to exercise (years)	**2.5**	2.7
Risk-free rate	**4.40%**	1.77%

The Monte Carlo Simulation model has been used to value the portion of the awards which have a market performance vesting condition (achievement of a target company valuation). The model incorporates a discount factor reflecting this performance condition into the fair value of this portion of the award. The weighted average fair value of awards granted during the year determined using the Monte Carlo Simulation model at the grant date was £0.77 (2022: £5.47) per award.

The volatility assumption has been derived as the median volatility over a five-year period of a bespoke comparator group. For options granted during 2023, the expected life represents the term until expected vesting and exercise. The risk-free interest rate used reflects the UK Government five-year Gilt rate as reported by the Bank of England.

Employee-related share-based payment	**2023 £'000**	2022 £'000
SBP expenses	**5,693**	30,249
Transaction-related SBP expenses	**-**	3,569
	5,693	33,818
Credit to statement of comprehensive income for social security provision in relation to SBP	**(4,166)**	(6,518)
Transaction-related social security provision in relation to SBP	**-**	314
	(4,166)	(6,204)

Under local jurisdiction tax law, the Group must withhold an amount for an employee's tax obligation associated with a share-based payment compensation earned in a given period and transfer that amount in cash to the tax authority on the employee's behalf.

For the RSUs and options granted under the Group's scheme, a sell-to-cover function will normally be undertaken on behalf of the scheme participants, in which the vested and settled or exercised awards are issued as shares and the Group sells the requisite number of shares in order to settle the employee's tax obligations. Once the sell-to-cover arrangement is completed on behalf of the participant, the realised proceeds are given to the Group to settle any participant tax obligation mechanically via payroll. The remaining shares on settlement or exercise are placed on a net basis into a participant nominee account operated under the provision of the Employee Benefit Trust.

There are also net settlement provisions included at the discretion of the Board of Directors in the scheme rules, as enacted during the year. If all of the RSUs and options outstanding as at 31 December 2023 were to be settled or exercised, the Group would be required to pay approximately £1.4 million to the taxation authority in relation to employer-related social security taxes (31 December 2022: £6.2 million).

24 Shareholdings

24.1 Share movements

	BenevolentAI Limited (£0.10 par value)				BenevolentAI (€0.001 par value)			
	Ordinary shares	A Preference shares	G2 Growth shares	Total	Ordinary shares	Sponsor shares[1]	Treasury shares[1]	Total
At 1 January 2022	1,831,829	506,594	87,984	2,426,407				
Odyssey shares in issue prior to the Transaction	-	-	-	-	30,000,000	7,500,000	-	37,500,000
Redemptions	-	-	-	-	(25,137,581)	-	25,137,581	-
Equity Backstop facility	-	-	-	-	4,000,000	-	-	4,000,000
Cancellation of growth shares	-	-	(87,984)	(87,984)	-	-	-	-
Capital reorganisation[2]	(1,831,829)	(506,594)	-	(2,338,423)	90,012,909	-	-	90,012,909
Equity PIPE Financing	-	-	-	-	13,613,394	-	-	13,613,394
Conversion of two-thirds of Sponsor shares	-	-	-	-	5,000,000	(5,000,000)	-	-
Shares in issue at 22 April 2022 and 31 December 2022	-	-	-	-	117,488,722	2,500,000	25,137,581	145,126,303
Shares issued under net settlement arrangement	-	-	-	-	4,451,162	-	(4,451,162)	-
Shares in issue at 31 December 2023	**-**	**-**	**-**	**-**	**121,939,884**	**2,500,000**	**20,686,419**	**145,126,303**

1. The unconverted Sponsor shares, and the treasury shares, do not form part of the Basic total number of ordinary shares outstanding. The Sponsor shares derive their economic rights from their conversion to ordinary shares. The redemptions*, at €9.96 per share,* by ordinary shareholders ahead of the Closing date were transferred into treasury.
2. The Transaction described in note 4 involved the contribution of 2,338,423 existing BAI Ltd shares held by BAI Ltd shareholders against the issuance of new ordinary shares at an assumed price of €10.00 per share, adjusted based on the ratio of 1 BAI Ltd share (Ordinary & A Preference) into approximately 38.4930 ordinary shares.

24.2 Share capital authorised and issued

The Company's share capital at the end of the year comprised the following:

31 December 2023	Number of shares authorised	Nominal value €	Number of shares issued and fully paid	Aggregate nominal value £
Ordinary shares	205,544,124	0.001	121,939,884	101,373
Sponsor shares	2,500,000	0.001	2,500,000	2,076
	208,044,124		**124,439,884**	**103,449**
Treasury shares[1]	-	0.001	20,686,419	-
	208,044,124		**145,126,303**	**103,449**

31 December 2022	Number of shares authorised	Nominal value €	Number of shares issued and fully paid	Aggregate nominal value £
Ordinary shares	205,544,124	0.001	117,488,722	97,574
Sponsor shares	2,500,000	0.001	2,500,000	2,076
	208,044,124		119,988,722	99,650
Treasury shares[1]	-	0.001	25,137,581	-
	208,044,124		145,126,303	99,650

1. The treasury shares issued but yet unpaid form part of the total of ordinary authorised and, therefore, do not require separate authorisation*, and are accounted for at redemption in share premium.*

The increase in ordinary shares is due to the issuance of shares related to the net settlement arrangement described in note 23.1, wherein ordinary shares were transferred to the beneficiaries from those held as treasury shares.

25 Financial instruments

The measured values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Note	**Carrying amount 2023 £'000**	Carrying amount 2022 £'000
Financial assets			
Financial assets measured at fair value			
Investment	15	**1,892**	1,892
Financial assets measured at amortised cost			
Short-term deposits		**36,429**	41,740
Cash and cash equivalents		**36,477**	88,442
Trade and other receivables	17	**2,801**	1,072

	Note	2023	2022
Total financial assets		**77,599**	133,146
Financial liabilities			
Financial liabilities measured at fair value			
Warrants		**2**	352
Financial liabilities measured at amortised cost[1]			
Trade and other payables	19	**9,554**	13,914
Lease liabilities	21	**4,748**	7,353
Provisions	22	**2,859**	6,497
Total financial liabilities		**17,163**	28,116

1. The 2022 comparative has been aligned with the basis used in 2023, including lease liabilities and provisions.

Risk management

The Group's principal financial instruments comprise cash at bank and short-term deposits, trade payables and other receivables. The main purpose of these financial instruments is to facilitate the Group'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 Group'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 expected to be 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 cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

		Contractual cash flows				
31 December 2023	**Carrying amount £'000**	**Total £'000**	**1 year or less £'000**	**1 to <2 years £'000**	**2 to <5 years £'000**	**5 years and over £'000**
Non-derivative financial liabilities						
Trade and other payables	**9,554**	**9,554**	**9,554**	**-**	**-**	**-**
Lease liabilities	**4,748**	**5,406**	**1,275**	**1,533**	**2,598**	**-**

31 December 2022	Carrying amount £'000	Total £'000	1 year or less £'000	1 to <2 years £'000	2 to <5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Trade and other payables	13,914	13,914	13,914	-	-	-
Lease liabilities	7,353	8,830	1,996	1,801	1,599	3,434

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's income or the value of its holdings of financial instruments. The Group has little exposure to interest rate risk other than that returns on short-term fixed interest deposits will vary with movements in underlying bank interest rates. The Group's principal market risk exposure is to movements in foreign exchange rates.

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 2023	**Euro £'000**	**US Dollar £'000**	**British Pound £'000**	**Total £'000**
Cash and cash equivalents	**1,655**	**3,315**	**31,507**	**36,477**
Short-term deposits	**1,692**	**1,178**	**33,559**	**36,429**
Trade payables	**(195)**	**(511)**	**(1,575)**	**(2,281)**
Net exposure	**3,152**	**3,982**	**63,491**	**70,625**

31 December 2022	Euro £'000	US Dollar £'000	British Pound £'000	Total £'000
Cash and cash equivalents	3,230	4,719	80,493	88,442
Short-term deposits	3,861	2,479	35,400	41,740
Trade payables	(1,030)	(665)	(1,883)	(3,578)
Net exposure	6,061	6,533	114,010	126,604

A 10% weakening of the following currencies against the pound sterling at 31 December 2023 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 2022.

Sensitivity analysis	**2023** **£'000**	2022 £'000
€	**(315)**	(606)
$	**(398)**	(653)

Bank credit ratings

The Group cash balances are held with bank and financial institution counterparties, which are rated investment grade or above (Moody's Long term - Baa3, Short term - P-3), based on credit ratings as at 31 December 2023, which is at minimum a positive outlook. Its cash equivalents balance is held in AAA rated liquidity funds. The Group considers that its cash and cash equivalents and short-term deposits have low credit risk based on the external ratings.

26 Related party transactions

Transactions with key management personnel ("KMPs")

The remuneration of the KMPs of the Group, defined as the Board of Directors inclusive of CEO, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures":

	2023 **£'000**	2022 £'000
Annual fees/salaries	**1,331**	1,032
Bonus	**-**	280
Other compensation	**545**	-
Social security costs	**27**	133
Benefits, including pension	**25**	34
Equity-settled employee-related SBP charge[1]	**63**	12,912
Credit for social security provision in relation to equity-settled SBP[1]	**(1,889)**	(3,953)
	102	**10,438**

1. The charges/credits related to SBP in the note above reflect what has been recognised in the profit or loss for the year for share awards held by KMPs, rather than the taxable income KMPs earned from vested share awards.

Remuneration of KMPs include remuneration paid by subsidiary undertakings in the current and prior financial years. Further disclosure related to remuneration of KMPs is included in the Remuneration Committee report.

27 Subsequent events

On 24 January 2024, BenevolentAI announced the appointment of Dr. Joerg Moeller as CEO and Executive Director with immediate effect.