ALLIED MINDS PLC COMPANY NO 08998697

ALLIED MINDS

ANNUAL REPORT AND ACCOUNTS 2015

ALLIED MINDS™

Annual Report and Accounts
For the year ended 31 December 2015

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TRANSFORMING U.S. INVENTION INTO INNOVATION

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Overview

Allied Minds plc ("Allied Minds" or the "Company") is an innovative US-focused science and technology development and commercialisation company Allied Minds and its subsidiaries (together referred to as the "Group") commenced operations in 2006 to invest in and advance science and technology innovation developed at many of the leading US universities Our business model is to form, fund, manage and build start-up companies which undertake research and product development and ultimately to commercialise the scientific research and innovations emerging from the universities and US federal research institutions with which we collaborate

The Group currently has 23 subsidiary businesses at varying stages of maturity across the life sciences and technology sectors These businesses are founded on technological innovations in medical devices, biopharmaceuticals, cyber security, wireless communications, semiconductors, low earth orbit space, and food safety markets

Chairman's Report

I am delighted to present this Annual Report to shareholders for the full year 2015, which was a highly productive period for Allied Minds This is my first Annual Report as Chairman and I would start by extending my thanks to Mark Pritchard, the Group's founder and Executive Chairman until September 2015, for his vision in developing such a unique company The culture of focusing on the successful commercialisation of innovation he fostered is alive and well in the senior leadership team

The Board embraces its responsibility to set the Group's strategic aims, ensure the senior leadership is in place to put them into effect, supervise the management of the business, and report to shareholders on this stewardship We are focused on providing Board leadership, guidance and support to facilitate effective, entrepreneurial and prudent management that can deliver long-term and sustainable success for the Group and its shareholders

The Company's business model is to form, fund, manage and build start-up companies which undertake product development and commercialise innovations emerging from US universities and US federal government research laboratories in the life sciences and technology sectors Our ultimate strategy is to build a significant and diversified group of businesses and achieve strong growth, which in turn rewards our shareholders In 2015, the Board ensured that the Group was both bold in executing this strategy and prudent in the way it deployed capital and resources

Board Changes

During 2015, the Board sought to ensure there was an appropriate and diverse mix of skills, knowledge and experience on the Board In addition to my appointment as Non-Executive Chairman in June 2015, Rick Davis, who has served on our Board since 2011, became our Senior Independent Director in August 2015 The Board was further strengthened with the appointment of two new Independent Non-Executive Directors, Kevin Sharer in June 2015, and Jill Smith, post period end, in January 2016

Kevin spent more than 20 years leading Amgen, the world's largest independent biotechnology firm, starting as President and Chief Operating Officer and then served as Chairman and Chief Executive Officer Having previously served on the Boards of Directors of Chevron Corp and Northrop Grumman Corp , Kevin is currently a faculty member at Harvard Business School, where he teaches General Management and other classes

Jill has more than 25 years of experience as an international business leader, including 16 years as Chief Executive Officer of private and public companies in the technology and information services markets Most recently, Jill served as Chairman, Chief Executive Officer and President of DigitalGlobe Inc , a global provider of satellite imagery products and services Currently, Jill serves as an independent director on the Boards of Directors of Endo International plc, Hexagon and JM Huber

Chairman's Report *(continued)*

Incentive Alignment

The Remuneration Committee carried out a thorough review of all elements of remuneration for Executive Directors and senior management and considered feedback received from major shareholders and shareholder advisory services in 2015 Notable revisions to the Remuneration Policy which will be put to a binding shareholder vote at the 2016 AGM include annual cash incentive bonus awards shall be determined solely by the level of achievement against the financial, operational, technical and other performance targets (MBOs) set by the Remuneration Committee at the start of the financial year, and 100% of awards under our long term incentive plan (LTIP) shall be subject to performance conditions based on the Company's relative total shareholder return (rTSR) performance as compared to broad indices and industry peer companies The Board believes that the new Policy will serve to reward entrepreneurial milestone achievement, increased subsidiary valuation and the creation of shareholder value over time

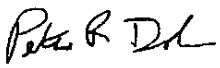
Our Model to Build Value

Allied Minds made significant progress in 2015, executing against its strategy to identify early-stage technologies and innovations from leading US research facilities, form and invest in companies with differentiated intellectual property rights and key scientific, engineering and management talent, and develop the resulting subsidiaries into potentially disruptive businesses which address large and growing markets We currently have 23 subsidiary businesses at varying stages of maturity across the life sciences and technology sectors, the majority of which met or exceeded their key technical and operational milestones in 2015

We look to 2016 as a year of crystallising value as we attract further investments into the existing portfolio, welcome further partnerships with industry leaders, and continue to achieve other financial, operational and technical milestones I would like to thank our shareholders for their continued support and our management team and staff for their hard work and commitment

Peter Dolan
Chairman

25 April 2016



Highlights

Investment Highlights

During 2015, an aggregate of $102 8 million was invested into new and existing portfolio companies, including

- $63 6 million from two fundraisings led by Allied Minds, with $42 2 million coming from third-party investment, to further accelerate the development of two of the Group's existing companies, SciFluor Life Sciences and Precision Biopsy,
  - SciFluor Life Sciences, a drug discovery company developing a portfolio of best-in-class compounds through the strategic use of fluorine, raised $30 0 million at a post money valuation of $130 7 million, up from $37 1 million These funds in part are being used to accelerate its two lead compounds, a topical treatment for retinal diseases and a treatment for neurological diseases, into the clinic These compounds are expected to result in three Investigational New Drug (IND) applications to the US Federal Drug Administration (FDA) in 2016 and subsequent commencement of Phase I trials
  - Precision Biopsy, a company developing early intervention technology that detects in real time suspicious tissue during prostate biopsy examinations, raised $33 6 million at a post money valuation of $90 4 million, up from $19 0 million, to accelerate the commercialisation of its ClariCore™ Biopsy System, and develop its Focal Therapy programme The funds support the continuation of taking clinical core samples to optimise the tissue classification system, as well as planned FDA clinical trials to support final development and regulatory approvals for the prostate market
- In addition to these two fundraisings, $39 2 million was invested by the Group into new and other existing portfolio companies, including investments in four new businesses BridgeSat, ABLS I (Yale), HawkEye 360 and ABLS II (Harvard)
- Post-period-end, on 29 January 2016, Federated Wireless raised $22 0 million at a post money valuation of $82 0 million, up from $10 0 million previously The raise will enable it to complete its Spectrum Access System (SAS) and Environmental Sensor Capability (ESC) certification process, conclude the development and accelerate the commercialisation of its cloud-hosted CINQ platform, and conduct field trials throughout 2016 and 2017 with technology partners to include Ruckus Wireless, Google, Intel, Qualcomm, and Nokia Allied Minds invested $5 0 million in this fundraising, and third-party investment totaled $17 0 million

Operational Highlights

- During the year, Allied Minds engaged with over 90 new research institutions, bringing the total US universities and federal laboratories in the Allied Minds partner network to 160, from 68 at the end of 2014
- The investment team reviewed more than 5,000 new technologies developed by the partner network Following extensive due diligence on over 20 of the most promising, the Group formed and funded four new businesses, resulting in a total Group portfolio of 23 subsidiary businesses at December 2015, and executed options to license three additional technologies

Highlights *(continued)*

- The Group currently has 21 technologies in early due diligence, two technologies in final due diligence, and a number of opportunities in active negotiations
- During 2015 and post-period, several Allied Minds businesses entered into collaborations with industry leaders including Bristol-Myers Squibb, Intel, Advanced Micro Devices (AMD), Lockheed Martin, Google, Cisco, Ruckus Wireless, Qualcomm, Nokia and others, validating the quality of the companies' platforms, people and technologies
- The accelerating pace of developing new and existing companies during 2015 led to significant expansion in the total workforce from approximately 234 to 359 employees and consultants The workforce increase was almost entirely concentrated into the operating subsidiaries, where new hires consisted of approximately 61% engineering and technical development professionals, 27% leadership and management professionals, and 12% sales, marketing and other business development professionals

Financial Highlights

- Net cash and investments* of $194 8 million, (2014 $261 5 million)

  * includes funds in form of fixed income securities
- Revenues of $3 3 million, (2014 $7 7 million) primarily reflecting revenue shortfall compared to prior year at RF Biocidics (RFB), which following initial regulatory approval requires certification for each individual installation and is extending the sales cycle and delaying revenue
- Net loss of $97 9 million, (2014 $57 9 million) primarily reflecting an increase in the overall growth of the Group's investment in research and development activities, reflecting the creation of four new businesses in 2015 and ramping up full scale of research and development (R&D) activities of companies created in late 2013 and into 2014
- The Group Subsidiary Ownership Adjusted Value (GSOAV) of $535 8 million as of 31 December 2015, compared to $488 0 million at 31 December 2014, was an increase of $47 8 million, or 9 8% The increase in 2015 is primarily attributed to the increase in value at Precision Biopsy and Federated Wireless demonstrated by the consummation of third-party fundraisings into such subsidiaries, offset by decreases in value at RF Biocidics and CryoXtract as a result of slower than anticipated sales growth, and the closing of SiEnergy
- Share price performance 421 9p share price, the 30-day trailing average as at 31 December 2015, an increase of 32 5% over the 318 3p share price, the 30-day trailing average as at 31 December 2014

Key Subsidiary Highlights

- Spin Transfer Technologies (STT), a next-generation computer memory company
  - signed a co-development agreement with a major memory company, and
  - successfully developed a fully functional technology demonstrator memory integrated circuit (DM1) to generate commercially relevant data for evaluation by potential partners and customers

Highlights *(continued)*

- Optio Labs, a mobile security technology company protecting employees' mobile phones/tablets from malware and control security
  - o partnered with AMD and Sonim,
  - o acquired Oculis Labs expanding product line to include PrivateEye,
  - o released OptioCore 2 0 to include integration with Android L and M operating systems and engaged range of original equipment manufacturers (OEM) partners and pipeline, and
  - o launched several new products, including OptioGrizzly and OptioServices (in January 2016)
- Federated Wireless, a spectrum sharing company
  - o received Federal Communications Commission's (FCC) authorisation to share government spectrum,
  - o partnered with Intel and launched CINQ XP, a product that allows carriers to unlock 3 5 GHz band,
  - o initiated the first industry trial with the US Department of Defense to test and pilot Federated Wireless spectrum sharing and sensing capabilities,
  - o collaborating with Ruckus Wireless, Google, Intel, Qualcomm, and Nokia on pioneering commercial initiatives, and
  - o post-year-end, successfully raised $22 0 million in equity financing to conclude the development and accelerate the commercialisation of its products and platform
- SciFluor, a drug discovery and development company making strategic use of fluorine
  - o readying to enter the clinic with SF0166, an eye drop formulation of a drug intended to treat retinal diseases The company aims to initiate two Phase I/2 studies in patients in 2016 addressing the wet, age-related macular degeneration (Wet AMD) and diabetic macular edema (DME) populations
  - o held pre-investigational new drug (IND) meeting with the FDA for SF0166
  - o readying to enter the clinic with SF0034, a patented CNS drug which activates potassium channels and hence stabilizes neurons intended to various diseases such as epilepsy, pediatric encenphalopathy and possibly Amyotrophic Lateral Sclerosis (ALS), or Lou Gerhig's disease, and tinnitus The company aims to initiate a Phase I study in healthy volunteers in 2016
  - o held pre-IND meeting with the FDA for SF0034
  - o generated a peer-reviewed publication highlighting the key attributes of lead compound SF0034
  - o expanded intellectual property (IP) portfolio around SF0166 and SF0034 and in fibrosis and pain management with 2 new issued patents of four total in 2015
- LuxCath, a catheter-based visualisation technology company
  - o completed proof of concept testing with success on bench, in preclinical and clinical tests
  - o performed First-In-Man (FIM) testing in 11 patients with Drs Vivek Reddy and Petr Neuzil in Prague including atrial fibrillation patients All cases were successful without complications showing the system worked and as intended Demonstrated ability to determine electrode-tissue contact in

Highlights *(continued)*

real time, to characterize tissue composition underneath ablation electrode, and to monitor lesion progression during ablation

- published abstracts and posters at leading conferences Atrial Fibrillation Symposium in Orlando, FL and Heart Rhythm Society in Boston, MA
- expanded IP portfolio with three issued patents and additional filings globally

- RF Biocidics (RFB), a food safety company
  - as reported in our half yearly results, sales of RFB's state-of-the-art food safety equipment were lower than expected due in large part to delayed regulatory approval,
  - initial regulatory validation was completed by the Almond Board of California Technical Expert Review Panel (TERP), whose decision confirmed third-party test results that showed RFBs' chemical-free process effectively eliminates pathogens like Salmonella from almonds, making them safe to eat, and
  - RFB is required to obtain certification at each new installation of its system, delaying roll-out The company is actively working with regulators to streamline the process and at the same time is implementing sales and marketing focused initiatives
- Allied Minds formed four new businesses during the year
  - ABLS, a collaborative and interactive partnership with Bristol-Myers Squibb, entered into license agreements and initiated feasibility phase testing with
    - Yale University (ABLS I) with respect to research and intellectual property developed in the laboratory of Dr David Spiegel The proprietary platform and associated small molecule lead compounds known as Antibody-Recruiting Molecules (ARMs) provide a novel approach for the treatment of prostate cancer by recruiting the body's own immune system, and
    - Harvard University (ABLS II) with respect to research and intellectual property developed by Professor Malcolm Whitman, and commenced a project to create novel small molecule therapeutics for the treatment of fibrotic and autoimmune diseases
  - BridgeSat, which is a collaboration with The Aerospace Corporation and Draper Laboratory, to develop an on orbit optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit (LEO) satellites and high altitude unmanned aerial vehicles (UAVs) compared to traditional radio frequency solutions
  - HawkEye 360, a collaboration with Mr Chris DeMay, (who worked for the US National Reconnaissance Office, leading programs for satellite development), Dr Charles Clancy and Dr Bob McGwier of Virginia Tech's Hume Center for National Security and Technology, (both of whom developed the technology for complex radio frequency (RF) signal processing) The company seeks to build and launch a constellation of small satellites flying in clusters of three satellites each in LEO, capable of geo-locating, detecting, and analysing wireless signals to track and monitor global transportation networks and comprehensively map spectrum resources
- Post-period-end, on 15 March 2016, ABLS entered into an agreement with New York University (NYU) for ABLS III d/b/a ißeCa Therapeutics, to license proprietary compounds from NYU School of Medicine that target the Wnt signaling pathway, which were developed by Dr Ramanuj Dasgupta, Research

Highlights *(continued)*

Associate Professor at NYU School of Medicine, and NYU's drug discovery accelerator, the Office of Therapeutics Alliances (OTA) The Wnt pathway plays a key role in the development and progression of a number of cancers affecting large numbers of patients ißeCa Therapeutics will focus on further discovery and development activities needed to identify candidates for human clinical testing

Board and Management Highlights

The Group has continued to evolve and strengthen its Board and management with the following key appointments

- Joseph Pignato, Chief Financial Officer, (former CFO of Upserve, Charles River Ventures, Prism Ventures and Lightbridge),
- Kevin Sharer, Independent Non-executive Director, (former Chairman and CEO of Amgen), and
- Post year end — Jill Smith, Independent Non-executive Director (former Chairman, CEO and President of DigitalGlobe)

CEO's Report

In 2015, Allied Minds made significant progress across key areas of the Group With support from third-party investors, we were able to make substantial investments in our portfolio businesses, fueling their ability to achieve key development milestones The considerable number of corporate collaborations further demonstrated the commercial progress of our subsidiaries During 2015 and post-period, our businesses established important relationships with leading companies such as Intel, AMD, Lockheed Martin, Google, Cisco, Ruckus Wireless, Qualcomm, Nokia and many others Our partnership with Bristol-Myers Squibb (BMS), Allied-Bristol Life Sciences, continued to generate new companies focused on developing future drug candidates addressing large underserved medical needs All of these achievements are indicative of the commercial potential of our subsidiary businesses and Group's ability to create value from potentially disruptive, early stage technologies

We also benefited from strong additions to the leadership team, including the appointment of new members to our Board of Directors, as well as the recruitment of several high-calibre advisors and the successful appointment of seasoned executives, scientists and engineers for our subsidiaries We increased our workforce by over 53% during the year, bringing our headcount of employees and consultants to 359 This increase was almost entirely concentrated into the operating subsidiaries, with the new hires being 61% engineers and technical developers, 27% leadership and management executives and 12% sales, marketing and other business development professionals We implemented a new annual bonus attainment process, which we believe best aligns shareholder value creation with employee performance More information is available in the Remuneration Report of this Annual Report

Our pipeline of new technologies expanded dramatically as we grew and strengthened our relationships with our US research university and US federal laboratory partners Our network more than doubled to 160 partners from 68 partners at the end of the prior year The investment team reviewed a record number of over 5,000 new technologies from our network and, following extensive due diligence on more than 20 of the most promising, formed four new businesses, bringing the total count to 23 subsidiaries at the end of the year We also executed options to license three additional technologies The Group currently has 21 technologies in early due diligence, two in final due diligence and a number of opportunities in active negotiations We have clearly established an industry-leading pipeline of cutting-edge technologies from the US research community, which we believe will result in the sustainable generation of disruptive businesses for years to come

Continued Significant Investment

During 2015, Allied Minds strategically deployed $102 8 million into new and existing businesses, which followed the $125 0 million deployed last year We made new investments in key subsidiary businesses including Federated Wireless, SciFluor Life Sciences, Precision Biopsy and others, to accelerate important activities such as commencing clinical trials, launching new products, and entering into strategic collaborations with leading industry participants

CEO's Report *(continued)*

The Group continued to attract third-party investments directly into several subsidiaries, providing for the acceleration of their growth These investments included a $33 6 million financing for Precision Biopsy, a $30 0 million financing for SciFluor Life Sciences, and post-period, a $22 0 million financing for Federated Wireless

We started four new subsidiary businesses based on ground-breaking government technologies, as well as innovative new drugs to treat diseases These included the formation of two space-based subsidiaries, BridgeSat and HawkEye 360, and the licensing of life-science technologies from Harvard and Yale Universities, building upon our Allied-Bristol Life Sciences (ABLS) partnership with BMS

As a result of continued significant investment and the subsidiary milestones achieved, the Group Subsidiary Ownership Adjusted Value increased by 9 8% to $535 8 million as of 31 December 2015, from $488 0 million at 31 December 2014

Outlook

The outlook for Allied Minds remains very promising Our focus is on validating events in 2016, which we expect to include significant achievements such as increased customer engagement, corporate partnerships with leading industry players, potential asset monetisations and the continued disciplined investment into our key subsidiaries We have built a strong foundation in both our existing portfolio and our technology pipeline, which will support the creation of new subsidiaries and continued commercial progress, each enhancing shareholder value

Chris Silva
Chief Executive Officer

25 April 2016

Company Overview

Allied Minds is an innovative US-focused science and technology development and commercialisation company The Group commenced operations in 2006 to invest in transformative technologies developed at the leading US universities The Company's business model is to form, fund, manage and build start-up companies which undertake product development and commercialise innovations emerging from US universities and US federal government research laboratories in the life sciences and technology sectors

Allied Minds' strategy is to build a diversified group of businesses and achieve significant growth over the medium to long term through the maturation of its products through the commercialisation cycle We believe the strength of the Group's strategy is its ability to access a wide range of innovative scientific research and technology by leveraging its relationships with leading research institutions In 2015, the Group engaged with 160 research universities and US federal government laboratories, providing it with an extensive pipeline of innovations from which the Group can identify technology for potential development to commercially viable products In addition, Allied Minds' business model centralises the support functions at the parent Company level, thereby enabling its businesses to focus efforts primarily on commercialisation activities whilst achieving operational and financial efficiency

Since inception, the Group has invested significant capital and resources in its subsidiary businesses The Group currently comprises of 23 subsidiary businesses in the life sciences and technology sectors based upon a broad range of underlying innovative technologies ranging from molecular compounds to memory integrated circuit technology Allied Minds benefits from a highly skilled workforce, with valuable expertise throughout the Group across a range of science and technology disciplines By leveraging this expertise, and through its extensive research and development activity to date, Allied Minds has established a significant portfolio of intellectual property to support and protect its research and innovation programme

Allied Minds is structured as a diversified holding company with a strong central management team active in the strategic development of its subsidiary businesses We believe this is a key distinguishing feature of the Company when compared with investment funds Allied Minds' core aim is to focus on early-stage disruptive technologies that it believes have significant upside potential and to realise that potential through supporting commercial development

The Opportunity

The US is the world's largest market for research and development (R&D) investment, with more than $125 billion in annual spending by the US federal government The investment by the US federal government in research through the nation's universities, federal laboratories, and non-profit institutions generates innovations and inventions with considerable commercial potential These innovations and inventions result in thousands of US patent applications per annum Though US universities and federal research institutions have an established technology transfer process designed to commercialise this intellectual property, they face a number of challenges Marketing early-stage innovations to investors that often seek lower-risk, more mature technologies is challenging Universities also often lack the resources necessary to adequately and efficiently identify the most marketable opportunities, coordinate between technology transfer offices and researchers to render opportunities marketable, and locate investors and entrepreneurs to license the invention and carry concepts forward As a result, many universities license only a relatively small number of patents per year from a base of thousands, of which only a small fraction progress to the next stage of development

Allied Minds was established with the objective of collaborating with universities, and subsequently, US federal government labs, to better identify high-potential innovations and inventions at an early stage, and

Company Overview *(continued)*

subsequently licensing those inventions into subsidiaries formed and funded by the Company By providing requisite commercial direction and management talent together with funding the product development activities of its businesses, we believe Allied Minds has the opportunity to be able to unlock the significant market potential inherent in promising technologies

Our Strategy

Allied Minds aims to identify, develop and commercialise potentially transformative technologies The Company seeks to maximise growth by creating new businesses based around proprietary and innovative intellectual property Allied Minds is actively engaged in focused scientific research and product development within its businesses, and bringing products to significant identifiable markets The Company's objective is to build its businesses into commercially successful and valuable enterprises

A key component of the Company's strategy is to maintain strict capital discipline within an operationally efficient model for new companies while the commercial viability of the technology is explored and tested The Company aims to ensure that only when there are sufficient additional proof points that the technology is satisfactorily de-risked and could succeed commercially, is additional scale-up capital provided Should those proof points no longer support on-going commercialisation activity, a subsidiary's business is terminated As part of Allied Minds' strategy, it is recognised that failure is an inherent but necessary component of early-stage investing

In order to execute this strategy, and more broadly to ensure alignment of stakeholder interests, we believe that for early-stage businesses, it is important to retain initial control of projects Accordingly, the Company currently maintains operating control of all of its businesses and we anticipate maintaining such control for as long as necessary subject to the demands and needs of each subsidiary and the overall management of the Company's business We review the development path of each business on an on-going basis and, at the appropriate time, it is expected that each business will look to secure strategic, commercial and capital partners, as appropriate, with a view to accelerate and maximise value appreciation

The Company's strategy is to drive each subsidiary business toward commercialisation The development time of each technology can vary enormously, particularly if regulatory approvals need to be secured before the product can reach the market Inherent in the commercialisation strategy is a belief that realisation of assets should not be attempted until significant value inflection milestones have been reached These milestones are typically commercial traction and revenue generation

The achievement of such milestones is expected to provide the Board with strategic flexibility to explore a range of avenues for value realisation, including initial public offerings, trade sales (in whole or in part), licensing arrangements and joint ventures

Our Business Model and Approach

Since inception, Allied Minds has sought to deliver the commercial potential of selected university owned, early-stage intellectual property by working with technology transfer offices (TTOs) and establishing a structure to form, fund, manage and build start-up companies to develop innovative technologies Allied Minds maintains regular contact with its university partners, which includes campus visits and interaction between Allied Minds staff and university technology transfer personnel and researchers The strategic relationships with universities provide Allied Minds with direct access to scientific research which is potentially capable of developing into transformative technologies and products

Company Overview *(continued)*

As an extension of its university model, in September 2012, Allied Minds reached agreements for first-of-their-kind Public Private Partnerships (PPP) with several US Department of Defense laboratories and federal government agencies, and subsequently reached agreements with other federal government agencies such as the Department of Homeland Security and the Department of Energy Under these PPPs, the Company typically receives certain access and licensing rights to inventions originating from the US Department of Defense laboratories and other federal government agencies We believe that these PPPs create a closer relationship between the Company and the respective institutions, thereby increasing the amount of potential deal flow available in new intellectual property for the Company

Through these collaborative relationships with research universities and federal government laboratories, the Company and the corresponding research institutions work together to form, fund, manage and build early stage companies to commercialise US innovation

Form

The Company's extensive network of relationships with universities and US federal government laboratories provides access to the outcome of substantial research and development expenditure In 2015, Allied Minds evaluated more than 5,000 potential projects from across a broad range of university and federal laboratories and addressing a broad range of underlying technologies These proposals frequently represent the culmination of years of scientific research within university and federal government laboratory environments

Using a screening and investment selection process and supported by data on technical merit, commercial potential and patentability, we believe Allied Minds is able to make timely and effective decisions on which projects merit further consideration We believe that use of this opportunity assessment system and the efficiency of this process can substantially reduce transactional costs and enhance timely and effective decision making for the Group

In order for a project to proceed past the first review stage, it must score highly in key technical assessment criteria The starting point for this process is an assessment of the technologies that underpins the project Projects are assessed on the following criteria value proposition, disruptive technology, initial commercial application, addressable market, business model, potential intellectual property protection, competitive landscape, and regulatory path, where applicable

Approximately 5% of those projects reviewed are typically selected for further evaluation At this stage Allied Minds coordinates the involvement of sector experts, academic peers and, in certain cases, external advisers to perform a deeper evaluation of the scientific and commercial potential of the project Following this second review stage, approximately 1% of those projects initially reviewed are selected for detailed due diligence The Company's full due diligence process involves coordination with the inventor(s) and institution to gain acceptance of the Allied Minds operating model as well as preparation of a detailed product and business development plan and budget structured around key milestones We intend to form approximately five new projects per annum in the near and medium term

After selecting a project, Allied Minds typically establishes a subsidiary that receives an exclusive license for the commercial rights to the underlying intellectual property The subsidiary is usually majority owned by Allied Minds in either a limited liability company or incorporated structure, with the originating university and inventor(s) each typically receiving a minority shareholding in that entity

Company Overview *(continued)*

Fund

Following due diligence procedures, the subsidiary validates the core scientific principles of the intellectual property, and evaluates the progress and likelihood of commercial success of a technology prior to making any significant additional commitment to fund, develop and commercialise such technology Following this initial seed funding from the Company, Allied Minds provides further incremental funding to support the product development activity within its subsidiaries

Disbursement of funding and future rounds of financing for further development are often based on achievement of key milestones, which are designed to measure technological and commercial progress Where a project has failed to deliver sufficient additional proof points, no longer supports on- going development and commercialisation activity, and cannot be successfully redirected to an alternative commercial path, Allied Minds will look to terminate the investment early

As its businesses mature further, Allied Minds will also seek funding from third parties for such businesses should it be in the Group's strategic interests to do so Allied Minds has a track record with certain corporate and institutional investors which have co-invested with Allied Minds to finance its subsidiary businesses

Manage

Allied Minds actively manages and monitors its businesses as they advance research and product development towards commercialisation During the early stages, Allied Minds typically provides technical and executive leadership to oversee the progress of its businesses toward preliminary milestones As those businesses evolve, Allied Minds contributes to the board composition of the companies and hires seasoned industry executives to advance the businesses towards commercialisation We believe the Company will continue to attract talented executives to its businesses

Allied Minds expects to directly control each start-up company in its early stages, and retain board seats in the later stages of such company's development Throughout this process, Allied Minds expects to provide strategic and other advice or retain expert advisors for the businesses, where necessary

Build

Allied Minds applies a structured approach to building the business infrastructure that is critical to the growth of its businesses In addition to providing executive leadership, Allied Minds provides sales and marketing research, consulting, competitive analysis, technology analysis, commercial development support, shared services such as payroll and IT support, and operational advice In doing so, Allied Minds' business model maintains central support functions at the parent Company level, thereby enabling its businesses to focus on research and product development activity whilst achieving operational and financial efficiency We believe that the support provided to each of the Group's businesses distinguishes them from many comparably-sized and -aged businesses in terms of availability of resources that aid in their planning and decision making

Allied Minds is focused on pursuing projects with the objective of bringing commercially viable products to significant identifiable markets Accordingly, we evaluate on an on-going basis the progress and potential of each of the Company's businesses, and make strategy and funding decisions based on the achievement of key milestones The Company sets out to identify key achievements within each subsidiary that indicate growth momentum such as revenue, industry partnerships, and go-to-market agreements, as a means of commercially validating the technology and business case

Portfolio Summary

During 2015, an aggregate of $102 8 million was invested into new and existing portfolio companies This included $63 6 million from two fundraisings led by Allied Minds, with $42 2 million coming from third-party investment, to further accelerate the development of two of the Group's existing companies, SciFluor Life Sciences and Precision Biopsy In addition to these two fundraisings, $39 2 million was invested by the Group into new and other existing portfolio companies, including investments in four new businesses BridgeSat, ABLS I (Yale), HawkEye 360 and ABLS II (Harvard)

Allied Minds currently has majority ownership in, or operating control of, all of its subsidiary investments Below we provide an overview of our current existing subsidiary companies, including year formed, and Allied Minds' ownership interest

Subsidiary	Year Formed	Ownership Interest [1]	Overview
Life Sciences			
Allied-Bristol Life Sciences, LLC	2014	80 00%	Created with Bristol-Myers Squibb (BMS) to identify and conduct preclinical development of therapeutic candidates which are intended to be sold to BMS prior to clinical development
ABLS I, LLC	2014	74 00%	Proprietary platform and associated small molecule lead compounds known as Antibody-Recruiting Molecules (ARMs) provide a novel approach for the treatment of prostate cancer by recruiting the body's own immune system, developed in the Yale University laboratory of Dr David Spiegel
ABLS II, LLC	2014	80 00%	Novel small molecule therapeutics for the treatment of fibrotic and autoimmune diseases, developed in the Harvard University laboratory of Professor Malcolm Whitman
ABLS III, LLC, d/b/a ißeCa Therapeutics	2016	80 00%	Proprietary compounds developed by Dr Ramanuj Dasgupta at the NYU School of Medicine that target the Wnt signaling pathway and nuclear beta catenin, which plays a key role in the development and progression of a number of cancers affecting large numbers of patients
Biotectix, LLC	2007	64 35%	Aiming to enable the next generation of implantable electrostimulation and sensing products through the development of proprietary, high-performance, conducting polymer coatings

Portfolio Summary *(continued)*

Subsidiary	Year Formed	Ownership Interest [1]	Overview
Life Sciences *(continued)*			
Cephalogics, LLC	2006	95 00%	Developing a non-invasive, bedside neuroimaging system, which seeks to provide real-time continuous ischemia detection and perfusion status in a variety of stroke and CNS injury settings
CryoXtract Instruments, LLC	2008	93 24%	A suite of automated product solutions that seeks to allow the global scientific community to access valuable frozen biosamples without exposing them to damaging freeze/thaw cycles
LuxCath, LLC	2012	98 00%	A catheter-based real-time tissue and lesion visualisation technology for use during cardiac ablation procedures initially focused on atrial fibrillation ablation
Precision Biopsy, Inc	2008	68 32%	A medical device platform, Claricore™, utilising tissue spectroscopy, which seeks to distinguish tissue characteristics in real-time and to guide clinicians toward areas of disease for optimum therapy initially focused on prostate cancer Developing focal therapy system using Claricore for abnormal tissue targeting in the prostate
ProGDerm, Inc , d/b/a Novare Pharmaceuticals	2008	90 38%	A biologic that aims to represent a natural approach to generate subcutaneous fat to enhance the appearance of skin using the body's own processes, developing novel peptides based on the Rhamm protein for inflammatory, fibrotic, aesthetic and other market opportunities
SciFluor Life Sciences, Inc	2010	69 89%	Developing a best-in-class portfolio of compounds based on the strategic use of fluorine initially focused on retinal, CNS, fibrotic and pain related diseases
SoundCure, Inc	2009	84 60%	Developed an FDA-cleared consumer medical device for tinnitus therapy offering customised acoustic technology, while also developing an online audiology-based telehealth business including an expanding broad network of corporate and provider partners

Portfolio Summary *(continued)*

Subsidiary	Year Formed	Ownership Interest [1]	Overview
Technology			
Allied Minds Federal Innovations, Inc	2012	100 00%	Through a series of public-private partnerships (PPPs) with the US federal government, aims to develop and commercialise the next generation of transformative technologies from US federal research institutions
BridgeSat, Inc	2015	100 00%	Developing an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit (LEO) satellites, unmanned aerial systems, and remote terrestrial infrastructure compared to traditional radio frequency solutions
Federated Wireless, Inc	2012	73 04%	A leader in the emerging market for Shared Spectrum, their CINQ cloud-based platform provides coordinated shared spectrum resources to enterprise customers, network operators, and service providers
Foreland Technologies, Inc	2013	100 00%	A cyber security platform company which aims to discover, incubate and commercialise emerging technologies with greater speed and agility than the rest of the market
HawkEye 360, Inc	2015	75 00%	Building a constellation of small satellites in low Earth orbit to generate reports on wireless signals that can be used to track and monitor global transportation networks and assist with emergencies
Optio Labs, Inc	2012	81 23%	Developer of mobile security technologies for the evolving cyber operating environment
Percipient Networks, LLC	2014	100 00%	Developing threat-intelligence driven cloud-based cyber security technologies for proactive enterprise network defence
RF Biocidics, Inc	2008	67 14%	Developer of equipment that seeks to disinfect food from insects and pathogens through a process that does not use chemicals
Seamless Devices, Inc	2014	79 41%	Developer of semiconductor devices using a novel approach to analog-to-digital signal processing based on switched-mode signal processing technology and algorithms

Portfolio Summary *(continued)*

Subsidiary	Year Formed	Ownership Interest [1]	Overview
Technology *(continued)*			
Spin Transfer Technologies, Inc	2007	48 40%	MRAM computer memory that is being developed with the aspiration of becoming a leading universal memory technology to address a segment of the $60 billion per annum worldwide computer memory market
Whitewood Encryption Systems, Inc	2014	100 00%	Developer of the next-generation systems of data encryption that leverage advanced quantum cryptography technologies

Notes

(1) Ownership interests are as at 25 April 2016 (being the latest practicable date prior to the publication of this document), and are based upon percentage interest of issued and outstanding common shares and preferred shares (on an as-converted into voting common share basis) Allied Minds' ownership of Federated Wireless was 90 58% as at 31 December 2015, prior to a funding round (involving both Allied Minds and external investors) of $22 0 million in January 2016 Allied Minds' ownership of HawkEye 360 was 81 25% as at 31 December 2015 prior to a transfer of HawkEye 360 shares by Allied Minds to an external investor in February 2016

(2) In 2016, Allied Minds ceased operations at its subsidiary SiEnergy Systems, LLC (SiEnergy) The company was formed to develop thin film Solid Oxide Fuel Cell (SOFC) technology Allied Minds determined that the technology would not meet key milestones which were designed to measure technological and commercial progress within a reasonable timeframe and within a reasonable budget, and that the market for clean energy alternatives continued to be potentially adversely impacted by the low cost of traditional energy sources

Subsidiary Valuation

The Group currently has 23 subsidiary businesses, whose activities are principally in the life sciences and technology sectors

All of the Company's subsidiary companies are currently majority owned and/or controlled and therefore fully consolidated in the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) As a result, the *Consolidated Statements of Financial Position* incorporated within the Company's consolidated financial statements do not include current valuations of the Company's subsidiary companies As a means of promoting transparency, we also present, as supplementary information, ownership adjusted valuations of each of the Group's top ten subsidiary businesses by value, as well as an aggregated sum-of-the-parts valuation of all the Group's subsidiary businesses This supplementary valuation disclosure has been prepared on the basis of the *American Institute of Certified Public Accountants' Valuation of Privately-Held-Company Equity Securities Issued as Compensation* (AICPA Guidelines) The AICPA Guidelines do not represent, but are consistent with valuation principles adopted under IFRS The subsidiary company valuations are not presented as alternative measures to, and should be read in conjunction with, the Company's consolidated financial information prepared in accordance with IFRS as set out in the Annual Report

There can be no guarantee that the aforementioned valuation of the Group will be considered to be correct in light of the future performance of the various Group businesses, or that the Group would be able to realise proceeds in the amount of such valuations, or at all, in the event of a sale by it of any of its subsidiaries

At the close of each annual financial period, the Directors formally approve the value of all subsidiary businesses in the Group which is used to derive the "Group Subsidiary Ownership Adjusted Value" The Group Subsidiary Ownership Adjusted Value was $535 8 million as at 31 December 2015, as set out in the table below, which has been extracted without material adjustment from the Company's consolidated financial statements prepared in accordance with IFRS as set out in the Annual Report We believe there has been no significant change in the Group Subsidiary Ownership Adjusted Value since 31 December 2015

The Group Subsidiary Ownership Adjusted Value (GSOAV) of $535 8 million as of 31 December 2015, compared to $488 0 million at 31 December 2014, was an increase of $47 8 million, or 9 8% The increase in 2015 is primarily attributed to the increase in value at Precision Biopsy and Federated Wireless demonstrated by the consummation of third-party fundraisings into such subsidiaries, offset by decreases in value at RF Biocidics and CryoXtract as a result of slower than anticipated sales growth, and the closing of SiEnergy

Subsidiary Valuation *(continued)*

Subsidiary Business	Allied Minds Invested Capital $'000	Total Invested Capital $'000	OAV as at 31 December 2015 $'000	OAV as at 31 December 2014 $'000
Spin Transfer Technologies, Inc	28 4	107 3	121 0	121 0
SciFluor Life Sciences, Inc	19 6	44 8	91 3	91 4
Precision Biopsy, Inc	19 5	36 5	61 8	16 2
Federated Wireless, Inc	16 9	33 9	59 9	9 1
RF Biocidics, Inc	30 4	38 4	40 0	69 6
Optio Labs, Inc	9 4	11 9	33 6	32 8
Cephalogics, LLC	13 7	13 7	22 9	22 3
ProGDerm, Inc d/b/a Novare Pharmaceuticals	6 2	6 2	16 8	16 7
CryoXtract Instruments, LLC	17 3	17 3	12 6	17 8
Biotectix, LLC	9 2	9 5	12 2	11 7
Top 10 Subsidiaries by Value			**472.1**	**408 6**
Other Subsidiaries	55 7	57 7	63 7	79 4
Group Subsidiary Ownership Adjusted Value			**535 8**	**488 0**

Notes

(1) Ownership adjusted value represents Allied Minds interest in the equity value of each subsidiary = (Business Enterprise Value – Long Term Debt + Cash) x Allied Minds percentage ownership plus the value of debt provided by Allied Minds plc to each subsidiary business Allied Minds commits post-seed funding to its subsidiaries in the form of loans

(2) The Group Subsidiary Ownership Adjusted Value includes cash balances held by Allied Minds subsidiaries at 31 December 2015 amounting to $79 7 million (including those valued based on recent financing rounds) on an ownership adjusted basis As at 31 December 2015, the Group reported total consolidated net cash and other investments balances of $194 8 million, the balance being net cash and investments of $115 0 million held at the parent level and available for investment in the Group

(3) Where subsidiaries have raised financing from external parties since 31 December 2015, the ownership adjusted value in the table above has been updated to reflect the current percentage ownership and the valuation implied by that external investment on a post new money basis, as well as the current Allied Minds' and total invested capital Federated Wireless completed a funding round of $22 0 million in January 2016

(4) Total invested capital represents the aggregate funds invested in the business by Allied Minds or third parties in the form of equity or loans from Allied Minds

The Group Subsidiary Ownership Adjusted Value above excludes net cash and other investments balances of $115 0 million held at the parent level as at 31 December 2015 (2014 $175 4 million)

Partner Network

The Group has established relationships with the most prestigious academic research institutions across the United States Allied Minds aims to gain direct access to technologies at the forefront of research by working to develop the existing university network and selectively adding highly regarded research centres across the US

In addition, the Group has established relationships with US Department of Defense laboratories and other federal agency laboratories, such as the Department of Energy, with the objective of systematically commercialising the technological inventions developed in the corresponding US federal government laboratory

During the year Allied Minds engaged with over 90 new research institutions, bringing the total US universities and federal laboratories in the Allied Minds partner network to 160, from 68 at the end of 2014 The investment team reviewed more than 5,000 new technologies developed by the partner network, and following extensive due diligence on over 20 of the most promising, formed and funded four new businesses, resulting in a total Group portfolio of 23 subsidiary businesses at December 2015, and executed options to license three additional technologies

Below is a list of research institutions engaged with in 2015

Aerospace Corporation
Air Force Institute of Technology
Air Force Research Lab - Rome
Albert Einstein College of Medicine
Argonne National Laboratory
Arizona State University
Army Research Lab CERDEC
Beaumont Health System
Boston University
Brigham and Women's Hospital
Brookhaven National Laboratory
Brown University
California Institute of Technology
Carnegie Mellon University
Case Western University
Cedars Sinai Hospital
City of Hope
City University of New York
Cleveland Clinic
Columbia University
Cornell University
Cyclotron Road
Dana Farber Cancer Institute
Dartmouth College
Draper Labs
Drexel University
Duke University
Emory University
Fermi National Accelerator Laboratory
Florida Institute of Technology
Florida State University
George Washington University
Georgetown University
Georgia Institute of Technology
Harvard University
Houston Methodist Hospital
Idaho National Laboratory
Indiana University
Iowa State University
Johns Hopkins University
Johns Hopkins University - Applied Physics Lab
Lawrence Berkeley National Laboratory
Lawrence Livermore National Laboratory
Lehigh University
Los Alamos National Laboratory
Louisiana State University
Marshall University
Massachusetts General Hospital
Massachusetts Institute of Technology
Mayo Clinic
McLean Hospital
Memorial Sloan Kettering Cancer Center
Michigan State University
Missouri University of Science and Technology
MIT Lincoln Laboratory
MITRE
Mount Sinai School of Medicine
NASA - Armstrong Flight Research Center
NASA - Kennedy Space Center
NASA - Langley Research Center
NASA - Stennis Space Center
National Energy Technology Laboratory
National Institutes of Health
National Radio Astronomy Observatory
National Security Agency
Naval Air Weapons Station China Lake
Naval Research Laboratory
Naval Surface Warfare Center Crane
New Jersey Innovation Institute
New York University
North Carolina State University
Northeastern University
Northwestern University
Oak Ridge National Laboratory
Ohio State University
Ohio University
Oregon State University
Partners Healthcare
PATH
Picatinny Arsenal
Princeton University
Purdue University
Rice University
Rockefeller University
Rutgers University
Sandia National Laboratories
Sanford Burnham Prebys Medical Discovery Institute
Savannah River National Laboratory
Scripps Institute
Southern Illinois University
Southern Methodist University
SPAWAR
St Jude's
Stanford University
State University of New York - Binghamton
State University of New York - Downstate
State University of New York - Stony Brook
Stevens Institute of Technology
Temple University
Texas AandM University
Texas Tech
Tufts University
US Army AMRDEC
US Army ARDEC
US Army Engineer Research and Development Center
Uniformed Services University of the Health Science
University of Alabama
University of Arizona
University of California - Berkeley
University of California - Davis
University of California - Irvine
University of California - Los Angeles
University of California - Merced
University of California - Riverside
University of California - San Diego
University of California - San Francisco
University of California - Santa Barbara
University of California - Santa Cruz
University of California - System
University of Central Florida
University of Chicago
University of Colorado
University of Delaware
University of Florida
University of Houston
University of Illinois - Chicago
University of Illinois - Urbana Champaign
University of Kansas
University of Louisville
University of Maryland - Baltimore
University of Maryland - College Park
University of Massachusetts - Amherst
University of Massachusetts - Dartmouth
University of Michigan
University of Minnesota
University of Missouri - Columbia
University of Nebraska
University of Nebraska - Lincoln
University of New Hampshire
University of North Texas
University of Oregon
University of Pennsylvania
University of Pittsburgh
University of Rochester
University of South Carolina
University of South Dakota
University of Southern California
University of Texas - Austin
University of Texas - Southwestern
University of Virginia
University of Washington
University of Wisconsin - Madison
Utah State University
Vanderbilt University
Virginia Polytechnic Institute and State University (Virginia Tech)
Wake Forest University
Washington State University
Washington University in St Louis
Wayne State University

Key Performance Indicators

The following Key Performance Indicators (KPIs) were selected to measure the performance of the Company in 2015

- Number of subsidiary businesses,
- Ownership adjusted value (OAV) of subsidiary companies,
- Group revenue growth, and
- Graduation of subsidiaries to the next development level, with the two levels being consistent with the Group's reporting segments as follows

  (a) Early Stage subsidiary businesses that are in the early stage of their lifecycle characterised by incubation, research and development activities,

  (b) Commercial Stage subsidiary businesses that have substantially completed their research and development activities, and that have developed one or more products that are actively marketed

Performance against 2015 KPIs are set forth below

KPI	2015	2014	Performance
Subsidiary Businesses	23	22	+1 (net)
Group Subsidiary Ownership Adjusted Value	$535 8 million	$488 0 million	+$47 8 million / 9 8% growth
Revenue	$3 3 million	$7 7 million	-$4 4 million
Commercial Stage Subsidiaries	4	3	+1

During 2015 and into 2016, the Board continued to evaluate the selected KPIs The Board undertook a comprehensive review of the objectives of the Group, and set detailed management and Group objectives for 2016, including those discussed in the Remuneration Report These revised objectives link financial, operational, technical and other performance milestones established by the Board directly to the remuneration of Executive Directors As a result of the review, the following KPIs were selected to measure the performance of the Group in 2016

- The number of new subsidiary businesses, strategic transactions, financing transactions and other validating events consummated,
- Ownership adjusted value (OAV) of subsidiary companies,
- Group revenue growth, and
- The number of subsidiaries that achieve the majority of their financial, operational, technical and other performance milestones established by the Board

Portfolio Review and Developments

For the purposes of this section, the Company's top 10 operating businesses by estimated value, accounting for approximately 76% of the Group Subsidiary Ownership Adjusted Value as at 31 December 2015, have been identified as Material Subsidiaries

Material Subsidiaries

Spin Transfer Technologies, Inc

Spin Transfer Technologies, Inc (STT) engages in the development of Orthogonal Spin Transfer (OST) Magneto-Resistive Random Access Memory (MRAM), an innovative memory integrated circuit technology OST-MRAM aims to combine the advantages of high-speed volatile memory (i e DRAM and SRAM) and non-volatile memory (Flash) in a single memory element OST- MRAM's potentially unique combination of fast write speed, low power, and virtually unlimited endurance is expected to enable it to address a wide range of applications in the standalone and embedded memory markets, which collectively had a combined estimated value of greater than $60 billion per annum worldwide in 2014

In 2015, the company recorded some notable achievements building on 2014 progress when the company completed integration of magnetic and CMOS wafer technology, raised $70 0 million of new capital, and expanded the technical team and intellectual property portfolio During 2015, STT developed a fully functional technology demonstrator memory integrated circuit (Diagnostic Memory 1), demonstrating desired functionalities for evaluation by potential customers and partners STT also completed expansion of the company's clean room, process line, and measurement and test capabilities to allow complete end-to-end fabrication with much reduced cycle time

On 10 October 2013, Crocus Technology S A filed a petition at the US Patent Office (PTO) requesting that the PTO grant an inter partes review (IPR) of US Patent No 6,980,469 which relates to magnetic devices for memory cells that can serve as non-volatile memory This patent is licensed by STT from the New York University (NYU) The IPR is a form of proceeding permitted under the Leahy-Smith America Invents Act, which permits third parties to challenge the validity of issued patents No damages are available in such IPR proceedings

On 26 March 2015, the US Patent Office (PTO) entered a judgment on the inter partes review (IPR) of US Patent No 6,980,469 and cancelled several claims under this single NYU patent as being invalid over prior art references This judgment provides no legal authority and the Company believes that STT's ability to develop and market its technology and products will not be materially impaired by this judgment, that the claims remaining under other licensed NYU patents, as well as under STT's owned patents, provide substantial defense against other competitors who may enter the market

Engagement with partners is very important to the company In 2015, the company entered into a co-development agreement with one of the largest global data storage companies STT also partnered with an Asian foundry, whereby the foundry provides CMOS wafers to interface with STT's OST-MRAM devices, as well as jointly develop embedded MRAM products Joint customer engagement is also envisioned with early discussions in progress

For 2016, key targeted milestones include the further development of the STT technology incorporating perpendicular MTJ structures into its devices and the establishment of additional partnerships and potential early customer relationships

SciFluor Life Sciences, Inc

SciFluor Life Sciences, Inc (SciFluor) aims to develop a best-in-class portfolio of compounds through the strategic use of fluorine It engages in drug discovery and development and is building a portfolio of proprietary fluorinated compounds seeking to serve various billion dollar markets Fluorine modification of the underlying chemical structure of a drug has been demonstrated to improve potency, selectivity,

Portfolio Review and Developments *(continued)*

rates of absorption, metabolic stability, and half-life These factors all improve the drug and positively impact delivery, dosing, side effects and more As such, approximately 25% of drugs currently marketed or in the pipeline contain fluorine SciFluor's principal products are based on two patented lead compounds

- SF0166, a patented small molecule integrin antagonist wholly owned by SciFluor and intended to treat eye conditions including age-related macular degeneration, diabetic macular edema and retinal vein occlusion, representing an estimated 50 million patients worldwide SF0166 is a topical drug to be delivered via eye drops and is intended to replace drugs requiring repeated injection into the eye
- SF0034, a KCNQ2/3 modulator and a fluorinated derivative of ezogabine, is also patented and is wholly owned by SciFluor It is a potent potassium channel activator and in effect it electrically stabilises neurons by opening their potassium channels SF0034 could eliminate key safety issues associated with ezogabine including urinary retention, cardiac interactions, pigmentation problems which could lead to blindness, and dosing It could potentially serve markets totalling $5 0 billion in aggregate including epilepsy/seizures, tinnitus, amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease), and channelopathies (genetic orphan rare diseases)

In April 2015, SciFluor raised $30 0 million in a Series A preferred stock financing at a pre-money valuation of $100 million to progress development of its two lead compounds and to expand its portfolio By the end of 2015, the company had advanced the pre-clinical development of SF0166 and SF0034 and completed pre-IND meetings with the US Food and Drug Administration (FDA) to agree on the data needed to support clinical studies, which are now planned to start in mid-2016 Additionally, the company intends to execute pre-clinical tests on its existing pipeline compounds in fibrosis, immuno-oncology, and pain therapy SciFluor also intends to continue to pursue patent protection for its compounds in various select global markets and to evaluate the potential for partnerships with a variety of pharmaceutical and biotechnology companies

Precision Biopsy, Inc

Precision Biopsy, Inc (Precision Biopsy) is developing ClariCore™, a next generation prostate cancer biopsy medical device system, as well a focal therapy ablation system to treat prostate cancer patients using ClariCore as the targeting system The aim of the ClariCore system is to provide the capability to analyse prostate tissue in real-time for signs of cancer during the biopsy procedure, thereby minimising unnecessary tissue biopsies as well as the associated pathology costs Current biopsy procedures require random or "blind" sampling, and often multiple and repeated biopsies per procedure The Precision Biopsy system is intended to be used within the typical biopsy procedure and the company aims to develop a system along with a disposable needle biopsy unit, creating a capital equipment and recurring revenue model It is estimated that in the US alone, 1 million men undergo a needle biopsy procedure each year

In October 2015, Precision Biopsy raised $33 6 million to accelerate the commercialisation of its ClariCore™ Biopsy System, and develop its Focal Therapy programme The funds support the continuation of taking clinical core samples to optimise the tissue classification system, as well as planned FDA clinical trials to support final development and regulatory approvals for the prostate market

In 2015, Precision Biopsy completed its product development and verification and validation testing of its ClariCore™ system The company successfully initiated a clinical trial of the system by enrolling patients Precision Biopsy also submitted the IDE (investigational device exemption) of the ClariCore system to the FDA in the first quarter of 2016 The current US regulatory strategy includes two separate clinical trials and submissions to

Portfolio Review and Developments *(continued)*

support commercialisation and intended approvals based on the indications for use Precision Biopsy intends to complete its first clinical trial in 2016 and submit the results to the FDA A second clinical trial initiation is planned for early 2017 and those trial results are expected to support commercial release and system launch in the US and EU

In 2016, Precision Biopsy also initiated definition and development of its focal therapy program where the identified/diagnosed cancer tissue within the prostate is expected to be ablated in the same procedure using ClariCore to target the suspicious tissue If this program is successful, the company's objective is to replace the majority of invasive radical prostatectomy procedures with targeted minimally invasive focal therapy

Federated Wireless, Inc.

Federated Wireless, Inc (Federated Wireless) provides innovative cloud-based wireless infrastructure solutions to extend the access of carrier networks through sharing of wireless spectrum amongst multiple tiers of users As discussed below, significant bands of wireless spectrum have traditionally been allocated strictly for government use despite actually needing or utilising that spectrum a small fraction of time Federated Wireless has developed a dynamic Spectrum Access System (SAS) that could revolutionise the way in which spectrum is allocated, managed, and optimized The company's innovative approach incorporates a neural network of radio sensors allowing interference free access to low-cost, high-quality, licensed spectrum while meeting the required exclusion periods required by US government users Spectrum sharing capability is intended to be a core building block of next generation wireless systems, sometimes called 5G In effect, the company intends for its spectrum sharing capabilities to provide ubiquitous, high-quality spectrum with the ease of implementation and low cost of Wi-Fi

In April 2015, the Federal Communications Commission (FCC) approved the formal Rule & Order governing the dynamic sharing of federal spectrum in the 3 5 GHz band, thereby ensuring the necessary regulatory authority for Federated Wireless to go to market with its proprietary SAS Federated Wireless has been very active in its relationship with the FCC since the company's inception and has been instrumental in determining the standards for commercial use of the band Between that relationship and the company's involvement in the industry working group, Wireless Innovation Forum (WInnForum), Federated Wireless has emerged as a leading voice in developing the standards for a shared spectrum model In September 2015, the company announced a partnership with the US Government entity, The National Advanced Spectrum and Communications Test Network (NASCTN) to conduct the first pilot test of an Environmental Sensing Capability (ESC) for the SAS Federated Wireless also launched its first product, CINQ XP, which allows carriers to access shared spectrum and unlock the value of the 3 5 GHz band

Post-period-end in January 2016, Federated Wireless raised a $22 0 million Series A preferred stock financing round representing an attractive increase in the value of the company In February, the company announced an alliance with five other wireless industry leaders to develop, promote, and market solutions in the 3 5 GHz band The other companies in the alliance are Google, Intel, Qualcomm Incorporated, Nokia, and Ruckus Wireless Federated Wireless is working with these companies and others in developing plans for pilot tests and field trials of the solution that are expected to begin in the second half of 2016 Additionally, Federated Wireless continues to work with the FCC and other government agencies on certification of the company's SAS and sensors as they prepare the 3 5 GHz band for commercial usage

RF Biocidics, Inc

RF Biocidics, Inc (RF Biocidics) engages in the development, manufacturing, and sale of environmentally friendly, chemical-free food safety

Portfolio Review and Developments *(continued)*

solutions using radio frequency (RF) technology RF Biocidics operates in the area of disinfection and disinfestation of agricultural products, against pathogens, pests and fungi in a variety of food commodities Today, RF Biocidics' addressable market includes the dried fruit, tree nut and seed/ grain markets representing an estimated 500 million metric tonnes (MMt), in aggregate, globally per annum The company currently has two lines of RF processing equipment

- The SENTINEL line uses high frequency RF to process high moisture products, such as prunes and raisins
- The APEX line uses low frequency RF to process lower moisture products, such as nuts, grains, seeds and flours

Fiscal year 2015 represented a disappointing year for the company as sales declined from 2014 There are a number of potential factors behind this decline and foremost among them we believe has been the introduction of the new Generation IV Apex machine and delays in receiving key industry regulatory approvals Reflecting the uncertainties around sales growth, as highlighted elsewhere, the valuation for the company declined by 42 5%

Allied Minds remains optimistic about the long-term future for the food safety and treatment sector Many of the drivers remain strongly in place including repeated recalls of target commodities, high cost and reputation damage from a recall, potential prison time for executives involved in recalls, consumer desire for organic food products including avoidance of toxic chemicals, regulation banning or limiting use of chemicals such as methyl bromide, and, government demands for improved food safety (e g , Food Safety Modernization Act in the US)

In 2015, the company's APEX machine received regulatory approval for use in the roasting of almonds This validation was completed by the Almond Board of California Technical Expert Review Panel whose decision confirmed third-party tests that showed RF Biocidics' chemical-free process effectively eliminates pathogens including Salmonella from almonds, ensuring their safety The company continues to pursue other required approvals as certification is required for each individual installation and is attempting to streamline the process for regulatory approval

A high level of interest and some early orders point to at least modest improvement in 2016 at the revenue level We expect adoption to accelerate over time Key targets for 2016 include extension in the number of treated commodities, achievement of further regulatory approvals for pasteurisation of raw almonds, and expansion of sales revenues and financial performance of the company

Optio Labs, Inc.

Optio Labs, Inc (Optio) is a cybersecurity company focused on creating unique sensor technologies to recognise and protect against malware and taking the outputs of the sensor's findings into Optio's cloud-based Insight Platform The sensor technology combines Optio's original product OptioCore™, which is embedded on mobile devices and provides user based controls and malware blocking, with its newer product, PrivateEye™, which provides for insider threat detection securing the last two feet of the network PrivateEye joined Optio's product suite through the company's April 2015 acquisition of Oculis Labs The joint offering combined with Optio's new server technology will provide enterprise and government customers with a unique cross domain view of the mobile and computer network environment Optio's platform will be able to discover distinctive malicious behaviour and alert and thwart these actions quickly

The team at Optio expanded over the course of the fiscal year to approximately 30 people, including the addition of industry veterans experienced in North American and international sales, product management, research and engineering to its management team Other changes in 2015 included the launch of the company's services business to assist in the sales and marketing of its products,

Portfolio Review and Developments *(continued)*

and the closure of the Kodomo™ product which no longer met Optio's business model

Over the course of 2015, the engineering team concentrated on bringing OptioCore version 2 0 to market While OptioCore was originally built as a toolkit, the engineering team has produced a much more comprehensive updated version that is fully integrated with the newest versions of Android, which remains by far the single most attacked mobile operating system With those tasks nearly complete, the business development team has successfully created relationships with additional handset vendors, including ruggedised handset vendor Sonim

Advanced Micro Devices (AMD) selected Optio Labs' PrivateEye as a key security partner for release of its new chipset In connection with such partnership, AMD is assisting Optio to market PrivateEye to the computer and laptop manufacturers

The profile of Optio Labs has grown throughout the year as well The company was awarded two prestigious product awards at the leading trade show RSA in March 2016, for both OptioCore and PrivateEye Optio's products were also featured in the Wall Street Journal, USA Today, Network World and Security Week, in addition to Optio's management being featured on both television and radio Additionally, Optio Labs has been issued two new patents

In the coming year Optio Labs will focus on further product development, global market expansion, business development deals with handset manufacturers, and achieving direct sales to the government and enterprises

Cephalogics, LLC

Cephalogics, LLC (Cephalogics) is developing a non-invasive bedside neuroimaging system which it intends to commercialise The primary target market is stroke victims The Cephalogics system aims to provide continuous data and imaging from clinically relevant cerebrovascular regions to allow clinicians at the bedside or in emergent conditions to quickly identify perfusion deficits and enable early interventions to avoid ischemia and associated adverse outcomes Cephalogics estimates that bringing its non-invasive neuro monitoring and imaging system to the bedside potentially represents over a $1 0 billion market opportunity

During 2015, the company successfully completed its third generation system This commercial prototype went through initial bench top testing and achieved all technical performance targets As a result, the company initiated bench top studies on blood phantoms, animal studies at Tufts University Animal Lab, and lab studies on healthy human subjects Preparations for patient studies at Duke University and Tufts University were also initiated The results from these multiple testing environments are being used to demonstrate performance, to generate publications, and to justify commercial system build Initial results from the blood phantom studies and healthy human studies were the basis for submitted abstracts to the Optical Society of America and the Human Brain Mapping Society Both were accepted for presentation at their respective 2016 conferences

Cephalogics's focus for 2016 is to continue to demonstrate the strong performance of its third generation system in multiple environments focusing primarily on patient studies, as well continue its Algorithm development and testing The company will initiate business development activities aimed at fueling commercial system build, testing, and submissions for an anticipated 510(k) submission

ProGDerm, Inc., d/b/a Novare Pharmaceuticals

ProGDerm, Inc , d/b/a Novare Pharmaceuticals (Novare) holds the exclusive license rights to a technology that represents a potentially revolutionary breakthrough in tissue engineering and disease control – based on the observation by Dr Eva Turley (founder) that blocking RHAMM (Hyaluronan- mediated Motility Receptor, CD168) reduces inflammation and enhances normal tissue formation through novel anti-inflammatory properties and directed stem cell activation

Portfolio Review and Developments *(continued)*

We believe that Novare is the only biotechnology company that is dedicated to treating catastrophic disease by using RHAMM-based cellular responses to aid the body's natural regenerative processes Novare is positioned to provide novel therapies to multiple, billion dollar markets that range from promoting women's health and post-mastectomy breast regeneration, to reducing pain and joint damage in crippling arthritis, to aesthetics and to preventing life-threatening lung damage in infants with Bronchopulmonary Dysplasia (BPD) and adults with Idiopathic Pulmonary Fibrosis (IPF)

Through the licensing of additional RHAMM compounds (developed by RHAMM pioneers, Dr Turley and Dr Luyt) as first-in-class therapeutics for inflammatory conditions, the company's focus has been expanded beyond the original target market of cosmetics and aesthetics In 2015, the company began to optimise peptide targets for the new indications highlighted above Potential drug candidates have now been synthesised and characterised in a variety of in-vitro tests, as well as limited animal studies Novare is aiming to identify lead compounds in 2016 to perform subsequent toxicity and formulation testing with the intention of advancing them into the clinic in the future In 2016 and beyond, Novare intends to conduct further enabling animal studies with its lead drug candidates and will continue to expand the patent portfolio in support of these advancements

CryoXtract Instruments, LLC

CryoXtract Instruments, LLC (CryoXtract) delivers proprietary automated solutions to the global medical research community that preserve the integrity of frozen biospecimens that advance life science R&D The company's commercial automated solutions enable repeated and safe frozen biospecimen sampling (aliquotting) from frozen tissue, biofluids and other unique, high-value biospecimens – eliminating their potential degradation due to thawing, maximising biosample integrity, and optimising scientific outcomes CryoXtract's products support various critical applications in genomics, proteomics, human gut microbiome research, research pathology, analytical chemistry and QA/QC They are intended for use in scientific research and advancement and are not intended for Human Diagnostic Purposes, as such, they are not regulated as medical devices The company's commercial solutions are marketed and sold, and have been adopted, both in and outside the US

CryoXtract has developed two principal products to date, which the company believes are the only automated frozen sample aliquotting solutions

- The CXT 750 Automated Frozen Sample Aliquotter, a fully-automated instrument directed at large-scale automated access to frozen biofluids and feces
- The CXT 350 Frozen Sample Aliquotter, a semi-automated, bench-top solution for the frozen aliquotting of a wide range of sample types, including tissue, feces, serum, plasma, whole blood, urine, cells, bone, and other specifically designed to service a lower volume lab or biobank

In 2015, the company focused on sales and expanding its installed base of units For the year ending 31 December 2015, CryoXtract recorded a 32% increase in revenue from the prior year, resulting in a cumulative base of 37 CryoXtract instruments sold or installed in 16 countries in North America, Europe and Asia-Pacific Notably, orders for the Company's CXT 35X models have grown by more than 2x year-on-year from the platform's introduction at the end of 2013 Despite these advances, sales growth has been slower than expected thus pushing out the time to profitability and positive cash flow This has been reflected in the decline of the company's valuation as of 31 December 2015

The company also expanded its geographic reach with new distributors in Germany/Switzerland, Korea and Singapore A Japanese distributor was added in 2016 Scientific data supporting the company's

Portfolio Review and Developments *(continued)*

products is critical for the sales process and is best achieved with industry partners The company completed strategic data development initiatives with a number of key marquee collaborators and partners worldwide that included GlaxoSmithKline, the Integrated Biobank of Luxembourg (IBBL) and others

In 2016, the company will continue to focus on expanding its installed base, strengthening its global distributor network, restructuring its work force, developing application specific data sets and working with customers to enhance and potentially expand the company's products

Biotectix, LLC

Biotectix, LLC (Biotectix) develops and manufactures a new class of conductive polymer-based coatings and materials for medical electrodes on devices including cardiac and neuromodulation catheters, implants, and wearables, as well as for other markets The company's technology seeks to address key limitations faced by the medical device industry including foreign body reactions, surgical invasiveness, miniaturisation, signal quality, precious metal use, and long-term electrical performance in vivo In 2015, the company's leading commercial product, the Amplicoat™ electrode coating, was licensed to Acutus Medical for their cardiac EP mapping catheter The coating materials are produced in Biotectix' ISO 13485-compliant facility In 2015, Biotectix had three US patents and one European patent granted These patents serve to further protect and improve on Biotectix' key technologies In 2016, the company plans to continue to enhance its product offerings, and importantly, to pursue further customer applications, contracts and licenses

Other Subsidiaries

Allied-Bristol Life Sciences, LLC

Allied-Bristol Life Sciences, LLC (ABLS) is a drug discovery and development company created in August 2014 through a partnership between Allied Minds and Bristol-Myers Squibb (BMS) The company's mission is to create novel drug candidates against serious diseases with large market potential These include fibrosis, cardiovascular, immunescience, immuno-oncology, oncology, and genetically-defined diseases The focus on these diseases aligns, by design, with the strategy of BMS It is intended that up to 10 scientific discoveries and innovative breakthroughs will be sourced from US universities, and a new subsidiary will be formed around each of these programs

This partnership provides Allied Minds with a seasoned large pharmaceutical partner as well a natural early stage (pre-clinical) acquirer of developing assets It provides BMS access to Allied Minds' broad university network and experienced licensing practices and provides a capital disciplined, structured format through which early university breakthrough research can be advanced into the formal drug discovery process at BMS This partnership is structured to potentially reduce risk for both partners since it is intended to drive exits of early stage pre-clinical candidates to BMS prior to clinical trials and human testing Both parties intend to agree on development milestones for each subsidiary program prior to launching any given subsidiary and, upon successful achievement of such milestones, it is anticipated that BMS would acquire the subsidiary or asset We believe that this model of upfront agreement on exits based on pre-clinically achieved milestones and pre-determined exit terms could be highly beneficial to Allied Minds' shareholders

The company is very active in sourcing new opportunities and reviewed more than 900 technologies in 2015 As of this date, three subsidiaries have been launched as described below Pre-clinical work on these three programs is underway in collaboration with BMS at its R&D Site in India, called Biocon-BMS Research Center (BBRC)

ABLS I, LLC

ABLS I is a is a company pursuing preclinical development of a Yale University based technology,

Portfolio Review and Developments *(continued)*

named Antibody Recruiting Molecules (ARMs) ARMs use the body's own immunity to target various cancers by attaching to a given cancer and then attracting the body's innate antibodies to the ARM to destroy the target, ABLS I is developing ARM against prostate cancer The company has synthesised multiple different types of ARMs which are currently being evaluated for their safety and efficacy in various prostate pre-clinical cancer models

ABLS II, LLC

ABLS II is a company undertaking the preclinical discovery and development of molecules against a novel target (Prolyl tRNA Synthetase) for treatment of fibrotic diseases Harvard University researchers had earlier identified the mechanism of halofuginone (a natural product with anti-fibrotic properties) as an inhibitor of Prolyl tRNA Synthetase ABLS II's objective is to discover and develop halofuginone analogues with novel IP, better safety and superior efficacy ABLS II has synthesised various molecules and is evaluating them for safety and efficacy

ABLS III, LLC, d/b/a ißeCa Therapeutics

ißeCa Therapeutics is a newly formed subsidiary in 2016 with IP licenced from New York University (NYU) School of Medicine NYU researchers have identified novel inhibitors of nuclear beta catenin, a key player in the Wnt signaling pathway and a major driver of various cancers These molecules are targeted specifically against nuclear beta catenin (vs cytoplasmic) with potentially better safety and efficacy The company's objective is to develop molecules with improved potency, efficacy and better pharmaceutical properties

Allied Minds Federal Innovations, Inc

Allied Minds Federal Innovations, Inc (AMFI) was created as a vehicle designed specifically to commercialise US federal laboratory inventions, via a series of public private partnerships (PPP) with a number of US federal research institutions The company represents the first and most comprehensive PPP formed between the US Department of Defence and a US technology commercialisation firm dedicated to bringing government inventions to market The company has developed formal relationships with partner labs, providing the company with thousands of pieces of Intellectual Property per year for commercialisation evaluation Since inception, six companies have been created from federally sourced intellectual property, including BridgeSat, Inc , Federated Wireless, Inc , Foreland Technologies, Inc , Whitewood Encryption Systems, Inc , HawkEye 360, Inc , and Percipient Networks, LLC

BridgeSat, Inc

BridgeSat, Inc (BridgeSat) was formed in February 2015 to commercialise space-based optical communications technologies developed at partner Federally Funded Research and Development Centre, The Aerospace Corporation under the NASA Ames Optical Communications and Sensor Demonstration (OCSD) mission The resulting portfolio of technologies that has been licenced, or optioned to licence to BridgeSat, encompass intellectual property from Aerospace's small satellite efforts and select technologies from Cambridge, Massachusetts-based Draper Labs

BridgeSat is developing an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit (LEO) satellites, unmanned aerial vehicles, and remote terrestrial infrastructure at a reduced cost and amplified speed (ultimately up to 10 Gbps) compared with traditional radio frequency (RF) solutions Demand for accurate and frequent data collection from LEO satellites is expected to accelerate aggressively over the next decade amidst declining costs for building and launching satellites Traditional RF communications are constrained by limited spectrum, lower bandwidth, and large transmitter payloads, and by the bureaucratic process of securing the RF spectrum from relevant industry regulatory bodies

In the near term, BridgeSat intends to deploy an optical communications downlink payload and an associated global network of ground stations to

Portfolio Review and Developments *(continued)*

fully demonstrate its advantages in volume, mass, power, and bandwidth

Foreland Technologies, Inc.
Foreland Technologies, Inc (Foreland) was created as a platform company for the discovery, incubation and commercialisation of cyber security related intellectual property, leveraging AMFI's access to technical innovation within Allied Minds' university and federal research institution partner network and the platform's competitive advantages in agility and speed in incubating new cyber capabilities The company focuses on large scale data management, cybersecurity including active defence, cloud computing, and secure data storage, among others

To date, Foreland has created two subsidiaries, Percipient Networks, LLC which is commercialising intellectual property from The MITRE Corporation, and Whitewood Encryption Systems, Inc , which is commercialising intellectual property from Los Alamos National Laboratories Foreland Technologies is currently evaluating several core technologies in due diligence to become the basis of new Foreland subsidiaries, these core technologies include those sourced from Massachusetts Institute of Technology Lincoln Laboratory, Draper Labs, and MITRE

HawkEye 360, Inc
HawkEye 360, Inc (HawkEye 360), formed in September 2015, is developing a constellation of formation-flying small satellites in Low Earth Orbit (LEO) to execute a space-based radio frequency (RF) spectrum monitoring and geolocation capability The company's proprietary processing and analytics engine generates reports on signals that can be used to track and monitor global transportation networks, detect distress alerts, support US and allied nations' government missions, and assist with emergencies HawkEye 360 aims to provide highly accurate maritime domain awareness for federal and commercial customers, establish a national and international spectrum inventory for commercial carriers and wireless regulators, and develop insight into how signals are being used globally

Initially, HawkEye 360 intends to develop terrestrial and airborne demonstrations of its capabilities, with a space-based "pathfinder cluster" demonstration scheduled for 2017 Beyond the demonstrations, the company's first satellite constellation is planned to include eighteen spacecraft with global coverage for RF monitoring and data analytics

LuxCath, LLC
LuxCath, LLC (LuxCath) is developing a catheter-based real-time visualisation technology for use during cardiac ablation procedures to optimise today's arrhythmia ablation procedures LuxCath is primarily focused on atrial fibrillation ablation as this is by far the largest and most challenging arrhythmia market, although its technology is applicable to all cardiac ablation procedures LuxCath seeks to significantly improve the speed of ablation procedures and to optimise outcomes Its technology is capable of identifying tissue that has not been properly ablated and which can subsequently cause arrhythmia recurrences The technology has been proven to identify and distinguish viable from ablated cardiac tissue in preclinical tests and has also been tested in human ablation cases with 100% success and no complications in December 2015 by Drs Vivek Reddy and Petr Neuzil in Prague It has been used to monitor the progression of lesion formation as well as to determine the presence and quality of catheter-tissue contact in both preclinical and clinical testing The company has two issued patents and an expanding portfolio of global patent applications

These accomplishments have been performed both with standalone LuxCath devices as well as through the integration of LuxCath technology into an existing FDA approved ablation catheter Various results from preclinical and clinical tests were published and presented at the Atrial Fibrillation Symposium in Orlando in January 2016

Percipient Networks, LLC
Percipient Networks, LLC (Percipient) is developing cyber security technologies to provide network defenders more options against advanced threats

Portfolio Review and Developments *(continued)*

The company uses automated threat interdiction capabilities, advanced remediation techniques, and shared intelligence platforms as the foundational building blocks upon which the company is developing its solution for business network defence The core technology underlying Percipient was sourced from The MITRE Corporation

The company's flagship product Strongarm™ was developed recognising that despite significant effort to stop malware from getting onto a firm's network, there appears to be an increasing amount of malware getting through these defenses Often, it goes unrecognised for extended periods of time threatening loss and/or damage to sensitive customer information and valuable intellectual property Strongarm's approach is based on monitoring outbound communications and "blackholing" traffic to known bad sites Strongarm is cloud based and can be implemented without the need for enterprise-sized IT staff or security budgets

Although formal launch of the product occurred in April 2016, Percipient completed its first commercial contracts in 2015 and thousands of end users are currently protected by Strongarm In 2016, Percipient will continue to expand the capabilities of Strongarm and has begun the process of curating its own Threat Intelligence to help combat specific malware associated with Ransomware and other advanced attacks The company will also aggressively pursue new sales

Seamless Devices, Inc.

Seamless Devices, Inc (Seamless) is a mixed signal IP (intellectual property) company based in San Jose, California, developing analog front end (AFE) solutions used in high performance wireless connectivity applications Utilising a novel approach to analog signal processing and embodied in its Switched-Mode Operational Amplifier (SMOA), the Seamless technology aims to simplify production of high-performance devices even as transistors are scaled down to deep sub-micron scales

In October 2015, the company successfully provided its design ("taped out") to TSMC, one of the largest semiconductor foundries in the world, for two high performance analog to digital converters utilising our core SMOA technology at 28nm The design was a 14-bit continuous time delta-sigma ADC with 40 and 80 MHz of bandwidth powered completely using a single core voltage supply of 0 9V The chip returned from the TSMC in early 2016 and initial characterisation tests showed the ADC has very high jitter tolerance (>4 picoseconds) and dynamic range (>70dB) using only half the power of other chips These are potentially very advantageous characteristics and the company is now in contact with potential customers in the US, Europe, and Asia as part of its initial marketing efforts

Key milestones for 2016 include pursuing partnerships as well as approaching potential customers about integrating our designs into their systems, and expansion of our AFE components portfolio to appeal to a wider segment of the market

SoundCure, Inc and Tinnitus Treatment Solutions, Inc

SoundCure, Inc (SoundCure) is a consumer medical device company with a core technology based on neuroscience used to treat tinnitus through its acoustic therapy, branded as S-Tones™ S-Tones are temporally patterned sounds which are customised specifically for each patient's unique tinnitus, generating neural activity which can suppress tinnitus

SoundCure's first product is an FDA 510(k) cleared and CE Marked medical device in a handheld configuration called Serenade™ incorporating customised tracks of sound therapy including S-Tones An estimated 50 million Americans experience tinnitus to some degree Nearly a third of this number seek medical advice and approximately two million Americans experience tinnitus as a life-altering, disabling condition

In January 2015, SoundCure submitted its 510(k) application to the FDA for remote programing of the

Portfolio Review and Developments *(continued)*

SoundCure Serenade and in April 2015 SoundCure received FDA clearance for this telemedicine device programing via the internet in the patient's home To the company's knowledge, this is the first FDA clearance for a tinnitus therapy device to be programed via telemedicine This would represent a unique tinnitus care tool for telemedicine providers such as Tinnitus Treatment Solutions (TTS), and potentially the US Veterans Administration (VA) – tinnitus is the #1 service related disability and many servicemen look to the VA for therapies during and upon return from duty Additional milestones achieved include the issuance of new patents in Canada and Europe for S-Tones

Sales growth has been nominal to date After launch, it became clear that a much bigger market opportunity potentially exists in addressing the "gap in care" between the millions of suffering patients and the relatively small number of tinnitus providers Thus, the focus for 2015 and going forward in 2016 is on market development primarily through SoundCure's telemedicine sister company, TTS, to address this gap in care

TTS is focused on becoming the number one (online) tinnitus therapy source and the number one nationwide provider of tinnitus treatment TTS is a cutting-edge telemedicine tinnitus health care provider that offers and sells a full range of tinnitus hearing aids from all the "Big 6" hearing aid manufacturers, the Serenade device, and tinnitus accessories To date, supply agreements have been completed with Oticon, Starkey, Widex, Resound, Phonak and Siemens (note that 80% of tinnitus sufferers also have concomitant hearing loss) TTS has tinnitus expert audiologists providing care conveniently through its telemedicine channel via a full range of tinnitus therapies and devices

Of critical importance to TTS in 2016 and beyond is the development of go-to-market partnerships including referral of patients to TTS In 2015, TTS partnered with Your Hearing Network, a subsidiary of hearing aid company William Demant Group (Oticon), and in 2016 TTS announced a partnership with HearUSA and AARP TTS is the exclusive tinnitus care partner for the AARP Hearing Care Program With these partnerships, TTS has created what it believes is the USA's largest tinnitus care affiliated network with over 4000+ providers In the first quarter of 2016, TTS also launched its services in Canada

Whitewood Encryption Systems, Inc

Whitewood Encryption Systems (Whitewood) seeks to address one of the most fundamental challenges associated with all modern cryptosystems – random number generation — utilising advanced quantum cryptography technologies originating from Los Alamos National Lab (LANL) Whitewood enables its customers to take control of the generation of random numbers across their entire application infrastructure Without true randomness as is the case with most random number generators today, applications that rely on cryptography suffer from degraded security This is critical as the use of random numbers in computer systems has become so prolific and fundamental

Whitewood addresses two important challenges – generating true random numbers at scale, and making those random numbers accessible to large populations of applications and devices across the data, the cloud and the Internet of Things (IoT) The company launched its first product in August 2015 The Entropy Engine ™ is a hardware random number generator that employs technology originally invented at Los Alamos National Laboratory to exploit the fundamental properties of quantum mechanics to generate a truly random signal that is digitised to create true random numbers

Whitewood extended its product portfolio in March 2016 with the launch of the netRandom solution This product enables random numbers to be generated as a shared resource and delivered over a network (cloud) to applications and devices on-demand Also in 2016, the company announced two partnerships the first with WolfSSL to provide access to high-quality true random numbers for large-scale security applications across embedded,

Portfolio Review and Developments *(continued)*

machine-to-machine (M2M), and Internet of Things (IoT) systems, and, the second with CryptSoft to deliver high-performance quantum based security to enterprise key management security systems Whitewood will spend the balance of 2016 enhancing its product portfolio and pursuing further go-to-market opportunities

Discontinued Subsidiaries

Consistent with the Allied Minds' model, where a project has failed to deliver sufficient additional proof points for ultimate commercialisation and financial return, and no longer supports on-going development and commercialisation activity, and cannot be successfully redirected to an alternative commercial path, Allied Minds will look to cease operations and terminate the project

SiEnergy Systems, LLC

In 2016, Allied Minds ceased operations at its subsidiary SiEnergy Systems, LLC (SiEnergy) The company was formed to develop thin film Solid Oxide Fuel Cell (SOFC) technology The technology aimed to use silicon-based microfabrication and nanometer scale electrolytes to create SOFCs that would operate at a commercially desirable temperature and be scalable to meet various power requirements Allied Minds determined that the technology would not meet key milestones which were designed to measure technological and commercial progress within a reasonable timeframe and within a reasonable budget, and that the market for clean energy alternatives continued to be potentially adversely impacted by the low cost of traditional energy sources

Financial Review

The financial results of the year reflect the Group's sustainable model of deploying patient capital into our continuously growing portfolio of Group controlled businesses at the right pace During 2015, $102 8 million was invested into new and existing portfolio companies This included $63 6 million from two fundraisings led by Allied Minds, with $42 2 million coming from third-party investment, to further accelerate the development of two of the Group's existing companies, SciFluor Life Sciences and Precision Biopsy In addition to these two fundraisings, $39 2 million was invested by the Group into new and other existing portfolio companies, including investments in four new businesses BridgeSat, ABLS I (Yale), HawkEye 360 and ABLS II (Harvard)

Consolidated Statement of Comprehensive Loss

For the years ended 31 December

	2015 $ '000	2014 $ '000
Revenue	**3,300**	7,715
Cost of revenue	**(3,925)**	(5,416)
Selling, general and administrative expenses	**(46,888)**	(38,032)
Research and development expenses	**(49,209)**	(22,195)
Finance (cost)/income	**(1,267)**	222
Other comprehensive income/(loss)	**46**	(159)
Total comprehensive loss	**(97,943)**	(57,865)
of which attributable to		
Equity holders of the parent	**(77,752)**	(45,637)
Non-controlling interests	**(20,191)**	(12,228)

Revenue decreased by $4 4 million, to $3 3 million in 2015 (2014 $7 7 million) This decrease is mainly attributable to the lower product revenue at RF Biocidics, offset by increased sales at CryoXtract systems when compared to last year The revenue in the early stage companies' segment increased to $1 1 million in 2015 (2014 $0 4 million) Cost of revenue decreased by $1 5 million, proportionately to the decrease in revenue from prior year

Selling, general and administrative (SG&A) expenses increased by $8 9 million, to $46 9 million, for the year ended 31 December 2015 (2014 $38 0 million), largely due to the overall growth of the Group Of this increase, $4 3 million relates to an increase in personnel expenses reflecting the increase in headcount and salaries offset by the decrease in non-cash share-based compensation expense by $1 6 million The increase is also attributed to higher professional and legal advisory services in 2015 since the listing of Allied Minds on the London Stock Exchange in mid-year of 2014, reflected mainly in a $1 9 million increase in professional services to $7 5 million (2014 $5 6 million)

Research and development (R&D) expenses increased by $27 0 million to $49 2 million for the year ended 31 December 2015 (2014 $22 2 million) The increase is attributed to the overall growth of the Group's research and development activities, reflecting the creation of four new businesses in 2015 and ramping up full scale of R&D activities of companies created in late 2013 and into 2014

As a result of the above discussed factors, total comprehensive loss increased by $40 0 million to $97 9 million for the year ended 31 December 2015 (2014 $57 9 million) Total comprehensive loss for the year

Financial Review *(continued)*

attributed to the equity holders of the Group was $77 8 million (2014 $45 6 million) and $20 2 million (2014 $12 2 million) was attributable to the owners of non-controlling interests

Consolidated Statement of Financial Position

As of 31 December

	2015 $ '000	2014 $ '000 (restated*)
Non-current assets	**92,784**	44,039
Current assets	**158,427**	248,991
Total assets	**251,211**	293,030
Non-current liabilities	**863**	717
Current liabilities	**108,974**	62,480
Equity	**141,374**	229,833
Total liabilities and equity	**251,211**	293,030

* See note 1 in the Notes to the Consolidated Financial Statements

Significant performance-impacting events and business developments reflected in the Company's financial position at year end include

- Property and equipment increased by $17 9 million to $34 2 million as at 31 December 2015 (2014 $16 3 million), mainly reflecting capital purchases for the period of approximately $21 5 million, of which $19 6 million relates to Spin Transfer Technologies, offset by depreciation and impairment expense of $3 6 million for the period,
- Intangible assets as of 31 December 2015 increased by $1 0 million to $4 4 million (2014 $3 4 million) mainly as a result of new additions of $1 7 million in acquired licences and software and in capitalised development costs, offset by amortisation expense of $0 7 million,
- Other investments, non-current increased to $51 5 million (2014 $22 2 million) reflecting the investment of excess cash into fixed income government and corporate securities that have maturities longer than twelve months,
- Cash and cash equivalents decreased by $118 5 million to $105 6 million at 31 December 2015 from $224 1 million at 31 December 2014 The decrease is mainly attributed to $81 9 million of net cash used in operations, $75 0 million used in capital and other investing activities, of which $51 8 million for the purchase of fixed income security investments, and $38 4 million provided by financing activities primarily from proceeds from the issuance of subsidiary preferred shares,
- Other investments, current increased to $37 6 million (2014 $15 2 million) reflecting the investment of excess cash into fixed income government and corporate securities that have maturities shorter than twelve months,
- Inventories decreased by $1 4 million to $1 5 million as at 31 December 2015 (2014 $2 9 million) reflecting the purchases of inventories of $1 4 million, offset by cost of goods sold of $2 8 million,

Financial Review *(continued)*

- Trade and other receivables increased by $1 0 million to $7 3 million at 31 December 2015 (2014 $6 3 million) as a result of increase in prepaid and other current assets of $1 6 million, net of their amortisation, mainly from advance payments for inventory units at RF Biocidics, offset by trade receivables net decrease of $0 6 million,
- Subscription receivable of $6 0 million was recorded as at 31 December 2015 (2015 nil) reflecting the second tranche of the Series A preferred round at Precision Biopsy due by third party investors in 2016,
- The loans balance, current and non-current, decreased to $0 3 million as of 31 December 2015 (2014 $0 5 million) reflecting the repayment of the principal balance by CryoXtract,
- Subsidiary preferred shares increased by $44 1 million to $94 1 million as of 31 December 2015 (2014 $50 0 million) as a result of Series A preferred rounds at SciFluor Life Sciences and Precision Biopsy in 2015,
- Deferred revenue remained relatively consistent at $0 2 million, when compared to $0 4 million as of 31 December 2014, and
- Share capital and premium increased by $2 4 million to a combined $159 3 million at 31 December 2015 (2014 $156 9 million) due to the exercise of stock options during the year Accumulated deficit of $182 7 million (2014 107 6 million) reflected the net comprehensive loss for the year of $97 9 million (2014 $57 9 million) offset by the share-based compensation expense charge for the year of $7 0 million (2014 $8 9 million)

Consolidated Statement of Cash Flows

For the years ended 31 December

	2015 $ '000	2014 $ '000
Net cash outflow from operating activities	**(81,918)**	(45,377)
Net cash outflow from investing activities	**(74,999)**	(40,731)
Net cash inflow from financing activities	**38,397**	205,632
Net (decrease) increase in cash and cash equivalents	**(118,520)**	119,524
Cash and cash equivalents in the beginning of the year	**224,075**	104,551
Cash and cash equivalents at the end of the year	**105,555**	224,075

The Group's net cash outflow from operating activities of $81 9 million in 2015 (2014 $45 4 million) was primarily due to the net operating losses for the year of $96 7 million, offset by the net effect from movement in working capital of $2 7 million, adjustment for non-cash items such as depreciation, amortisation, and share-based expenses of $11 4 million and interest received net of paid and other finance charges of $0 7 million

The Group had a net cash outflow from investing activities of $75 0 million in 2015 (2014 $40 7 million) mainly reflecting the purchases of fixed income investment securities of $51 8 million, purchases or property and equipment net of disposals of $21 5 million, and purchases of intangible assets net of disposals of $1 7 million

Financial Review *(continued)*

The Group's net cash inflow from financing activities of $38 4 million in 2015 (2014 $205 6 million) primarily reflects the proceeds from issuance of preferred shares in subsidiaries of $36 2 million from the rounds in SciFluor Life Sciences and Precision Biopsy

The Group's strategy is to maintain healthy, highly liquid cash balances that are readily available to support the activities of its subsidiaries by providing working capital, maintaining the level of research and development activities required to achieve the set milestone goals, and acquiring capital equipment where necessary to support research and development activities To further minimise its exposure to risks the Group does not maintain any material borrowings or cash balances in foreign currency

Risk Management

The execution of the Group's strategy is subject to a number of risks and uncertainties A key focus for the Board is to formally identify the principle risks facing the Group and develop a robust and effective framework to ensure that the risks are both well understood and appropriate for the Company's risk appetite to achieve the stated corporate goals This process needs to address both risks arising from the internal operations of the Group and those arising from the business environment in which it operates It is possible that one or more of these identified risks could impact the Group in a similar timeframe which may compound their effects

As an early-stage investor in start-ups, the Group inherently operates in a high risk environment The overall aim of the risk management policy is to achieve an effective balancing of risk and reward, although ultimately no strategy can provide an absolute assurance against loss

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and/or liquidity The major risks and uncertainties identified by the Board are set out below along with the consequences and mitigation strategy of each risk

1 The science and technology being developed or commercialised by the Group's businesses may fail and/or the Group's business may not be able to develop their intellectual property into commercially viable products or technologies There is also a risk that some of the subsidiary businesses may fail or not succeed as anticipated, resulting in an impairment of the Group's value

Impact. The failure of any of the Group's subsidiary businesses would impact the Group's value A failure of one of the major subsidiary businesses could also impact on the perception of the Group as a builder of high value businesses and possibly make additional fund raising at the Group or subsidiary level more difficult

Mitigation

- Before making any investment, extensive due diligence is carried out by the Group which covers all the major business risks including market size, strategy, adoption and intellectual property
- The initial seed round investment is typically quite small with incremental investment only being made on successful completion of milestones
- A capital disciplined approach is pursued such that proof of concept has to be achieved before substantial capital is committed
- Members of the Group's management team who carry out the initial due diligence initially run the subsidiary in its incubation phase and subsequently move to becoming independent directors staying with the project to help ensure consistency of management The Group's point of contact will stay in regular communication with the senior management of the subsidiary business
- During incubation phase, we closely monitor milestone developments and should a project fail to achieve sufficient progress, we terminate the investments
- The Company carries out face-to-face quarterly reviews with the management of each of the subsidiary businesses

Risk Management *(continued)*

- The shared services model provides significant administrative support to the subsidiary businesses whilst the budgetary and financial controls ensure good governance
- Within the Group there is a wealth of management expertise which can be called upon to support each of the subsidiary businesses where necessary
- The Group actively uses third party advisors and consultants, specific to the particular domain in which a subsidiary business operates, to assist on market strategy and direction

2 The Group expects to continue to incur substantial expenditure in further research and development activities of its businesses There is no guarantee that the Group will become profitable and, even if it does, it may be unable to sustain profitability

Impact The strategic aim of the business is to generate profits for its shareholders through the investment into IP-based start-ups, delivering value through capital gain As such, profits will be generated on exits The timing and size of these potential inflows is uncertain and should exits not be forthcoming, or in the event that they are achieved but at values significantly less than the amount of capital invested, then it would be difficult to sustain the current levels of investment in the subsidiary businesses and continue to make new investments This will lead to reduced activity across the Group In turn this could make raising additional capital at the Group level difficult and it could ultimately lead to the failure of the Group as a whole

Mitigation

- The Group retains significant cash balances in order to support its internal cash flow requirements
- The Group has close relationships with a wide group of investors, including its shareholder base to ensure it can continue to access the capital markets
- Senior management continually seek to create additional strategic relationships for the Group

3 If any of the Group's relationships with US universities and federal government institutions were to break down or be terminated or expire, then the Group would lose any rights that it has to act as a private sector partner in the commercialisation of intellectual property being generated by such universities, other research intensive institutions or US federal research institutions

Impact Termination of certain of the Group's existing relationships would impact the quantity and potential quality of the Company's deal flow This may in turn prevent the Company from completing promising new deals and reduce its opportunity to create new subsidiaries This could potentially have an adverse effect on the Group's long term prospects and performance

Mitigation

- The Group currently receives in excess of 5,000 items of intellectual property per year from its 160 partner institutions The risk of losing deal flow through the termination of relationships is greatly lessened by the wide portfolio and geographic spread of our partners
- The Group continues to strengthen its partner network

Risk Management *(continued)*

- The Group has hired a dedicated resource to manage and expand the partner network

4 A majority of the Group's intellectual property relates to technologies originated in the course of research conducted in, and initially funded by, US universities or other federally-funded research institutions Although the Group has been granted exclusive licenses to use this intellectual property, there are certain limitations inherent in these licenses, for example as required by the Bayh-Dole Act of 1980

Impact There are certain circumstances where the US government has rights to utilise the underlying intellectual property without any economic benefit flowing back to the Group In the event this were to happen, this could impact the financial return to the Group on its investment in the applicable subsidiary businesses

Mitigation.

- To the Board's knowledge, while these so called "march in" rights exist, the US government has never had cause to use them
- The Group seeks to develop dual use capabilities for the technology it licenses and generally tends to avoid use cases directly applicable to government use
- This risk is also mitigated through employing experienced technology transfer experts supported by our legal team to assess risks that may arise out of this eventuality

5 The Group currently has in place cooperative research and development agreements with certain US Department of Defence laboratories and federal funded government institutions Certain regulatory measures apply to these agreements which restrict the export of information and material that may be used for military or intelligence applications by a non-US person

Impact If the Group were to breach restrictions on the use of certain licensed technologies, particularly those derived from federally funded research facilities, this could materially impact upon the Group's ability to license additional intellectual property from these establishments In certain circumstances it may also lead to the termination of existing licenses In the event that this were to happen, this could materially affect a number of the Group's businesses and potentially harm the reputation and standing of the Group and cause the termination of certain important relationships with federally funded research institutions

Mitigation

- Prior to the commercialisation process, the Group's management seeks to obtain all the necessary clearances from applicable regulatory bodies to ensure that the export of products based upon the licensed IP is strictly in accordance with government guidelines
- The Group employs a number of individuals with experience in working with various government agencies
- Senior management is fully cognisant with the regulations and sensitivities in relation to this issue and in particular with International Traffic in Arms Regulations (ITAR) which regulate the use of technologies for export, and has numerous mitigating actions available should issues arise

Risk Management *(continued)*

6 The Group operates in complex and specialised business domains and requires highly qualified and experienced management to implement its strategy successfully All of the operations of the Group and its subsidiary businesses are located in the United States, which is a highly competitive employment market There is a risk that the Group may lose key personnel, or fail to attract or retain new personnel Furthermore, given the relatively small size of the senior management at the corporate level, the Group is reliant on a small number of key individuals

Impact The loss of key personnel would have an adverse impact on the ability of the Group to continue to grow and may negatively affect the Group's competitive advantage

Mitigation

- The Board annually seeks external expertise to assess the competitiveness of the compensation packages of its senior management
- Senior management continually monitor and assess compensation levels to ensure the Group remains competitive in the employment market
- While staff turnover has historically been low and the Group continues to attract highly qualified individuals, management encourages development and inclusion through coaching and mentoring programmes

7 A large proportion of the overall value of the Group's businesses may be concentrated in a small proportion of the Group's businesses If one or more of the intellectual property rights relevant to a valuable business were terminated, this would have a material adverse impact on the overall value of the Group's businesses

Impact The termination of critical IP licenses would materially impact the value of the subsidiary business and have a consequent effect on the value of the overall Group

Mitigation

- In each subsidiary, the management is specifically directed to pursue a policy of generating and patenting additional intellectual property to both provide additional protection and create direct IP ownership for the subsidiary business
- Where possible, the Group seeks to negotiate intellectual property ownership rights in any research and development agreement it enters into with a network partner, such that the Group becomes a part owner of the underlying IP
- The Group has a diversified portfolio of subsidiary businesses The value of any one of its subsidiaries relative to the aggregate value of the Group is closely monitored to ensure that the concentration risk of any on subsidiary is not disproportionate

8 Clinical studies and other tests to assess the commercial viability of a product are typically expensive, complex and time-consuming, and have uncertain outcomes If the Company fails to complete or experiences delays in completing tests for any of its product candidates, it may not be able to obtain regulatory approval or commercialise its product candidates on a timely basis, or at all

Impact Significant delays in any of the clinical studies to support the appropriate regulatory approvals could significantly impact the amount of capital required for the subsidiary business to

Risk Management *(continued)*

become fully sustainable on a cash flow basis A critical failure in any stage of a clinical testing programme would probably necessitate a termination of the project and a loss of the Group's investment

Mitigation

- The Group has dedicated internal resources to establish and monitor each of the clinical programmes in order to try and maximise successful outcomes
- During the evaluation and due diligence phase prior to the initial investment, focus is placed on an analysis of the risks of the clinical phase of development
- Prior to the launch of any clinical testing it will be normal for a dedicated management team (and in certain cases an advisory team to include key opinion leaders (KOLs)) to be hired, and experience with the management of clinical programmes would be a prerequisite qualification
- In the event of the outsourcing of these trials, care and attention is given to assure the quality of the Contract Research Organisation (CRO) vendors used to perform the work

9 The Group expects to remain viable through December 2017 given its current cash and financial position However, if the Group is unable to raise capital, generate sufficient revenue, appropriately manage expenses, or exit any of its existing Group businesses prior to the end of such period, then the Group's business, financial condition, results of operations, prospects and future viability could be adversely affected

Impact Lack of capital could restrict the Group's ability to further develop and commercialise its existing businesses and prevent the Group from investing in attractive new opportunities In turn, this could ultimately lead to failure of individual subsidiaries and loss of investment as well as failure of the Group as a whole

Mitigation

- The Group maintains close relationships with its shareholder base and a wide group of investors to ensure it continuous access to the capital markets
- The Group has historically had a strong financial position, including prior to its initial public offering, and holds significant control over the Company's investments and how subsidiary company working capital requirements are met
- The Company has majority control over all of the subsidiary companies, and is able to maintain close control of their expenses and cash outflows
- The Company has built a valuable portfolio of subsidiary companies since its inception

Risk Management *(continued)*

Corporate and Social Responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities are included in the Sustainability section on pages 68 to 69 and are incorporated into this Strategic Report by reference

This Strategic Report has been approved by the Board of Directors

ON BEHALF OF THE BOARD

Peter Dolan
Chairman

25 April 2016

Chris Silva
Chief Executive Officer

The Board

Executive Directors

Chris Silva – Chief Executive Officer

Chris joined Allied Minds in March 2006 He has 25 years of senior management experience in commercial and government sectors Before joining Allied Minds, Chris was a Partner at JSA Partners, a professional M&A and strategy consultancy in Boston, MA, which provides technology companies with market entry, competitive strategy, acquisitions and investment decisions His consulting background includes three years with A T Kearney's Aerospace Aviation and Defence Practice Chris was also the Director of Business Development for GRC International, a scientific and technical support contractor to the Department of Defence and US Intelligence Community Earlier, Chris served in the US Air Force Chris holds a BA degree from Tufts University and a Masters of Business Administration Chris was appointed to the Board in April 2014, but was a member of the predecessor company board since 2006

Non-Executive Directors

Peter Dolan – Non-Executive Chairman

Peter joined Allied Minds in April 2014 Peter has 30 years of operating experience, including 18 years at Bristol-Myers Squibb, where he served as Chairman and Chief Executive Officer He subsequently served as Chairman and Chief Executive Officer of Gemin X, a venture capital backed oncology company that was sold to Cephalon Peter is the Chairman of the Board of Trustees of Tufts University having served in several leadership capacities, including Vice Chair, and as a member of the Compensation, Academic Affairs and Audit Committees, before his election as Chairman in November 2013 Most recently, Peter served on the Board of Overseers of the Tuck School at Dartmouth College and on the Board of Directors of the National Centre on Addiction and Substance Abuse at Columbia University Additionally, he has served on the Boards of the American Express Company, C-Change (a cancer coalition organisation), and was Chairman of the Pharmaceutical Research and Manufacturers of America Peter holds a Bachelor of Arts degree from Tufts University in Social Psychology and a Master of Business Administration degree from the Amos Tuck School of Business at Dartmouth Peter was appointed to the Board in May 2014, and has served as Chairman since May 2015

Rick Davis – Senior Independent Director

Rick joined Allied Minds in August 2011 Rick is an internationally recognised political leader with more than 30 years of experience in business and public affairs Rick currently serves as a Partner and Chief Operating Officer at Pegasus Capital Advisors, a $2 2 billion private equity fund founded in 1995 He has a long and distinguished career in both the public and private sector Having served on President Ronald Reagan's political team, Rick also served in three Reagan Administration Cabinet Agencies including as White House Special Assistant to the President for the Domestic Policy Council In his capacity in the White House, Rick managed all policy development related to Climate, Energy and Environment President George H W Bush appointed him as Deputy Executive Director for the White House Conference on Science and Economic Research Related to Global Climate Change While in the private sector, Rick built one of the most influential and successful public affairs companies in the United States In 2000 and 2008, Rick served as Senator John McCain's national campaign manager leading all aspects of the campaign activity While serving as Senator McCain's chief strategist and political advisor, Rick was integral in the development of some key legislative initiatives including ground breaking Climate Legislation and Campaign Finance Reform Rick currently serves on the Board of The Environmental Defence Action Fund developing initiatives and ties to the corporate community that promotes better stewardship of the environment Rick was appointed to the

The Board *(continued)*

Board in May 2014, but was a member of the predecessor company board since 2011, and serves on each of the Audit, Nomination (Chairman), and Remuneration Committees

Jeff Rohr – Independent Non-Executive Director

Jeff joined Allied Minds in April 2014 He has 30 years of senior management experience at Deloitte LLP Jeff has career long experience serving clients in a multitude of industries and extensive experience in governance processes having last served in the role of Vice Chairman and Chief Financial Officer at Deloitte In the role of Chief Financial Officer, Jeff was responsible for all aspects of financial affairs of the Deloitte Global Firm and the Deloitte US Firm, including strategy, accounting and financial reporting, treasury, capital adequacy, liquidity, taxes, pensions, and risk management Previously, Jeff served as the Managing Partner of Deloitte's Midwest and Mid-Atlantic regions as well as National Director of Deloitte's Business Planning Currently, Jeff serves on a number of Boards and Foundations He is a member of the Board of Directors of American Express Centurion Bank where he is the Chairman of the Audit and Risk Committee, has served for ten years as Chairman of the Audit Committee of the Florida State University Foundation Board of Trustees and is Chairman of the College of Business Board of Governors Jeff is a graduate of Florida State University with a B S degree in Accounting and is a Certified Public Accountant Jeff was appointed to the Board in May 2014, and serves on each of the Audit (Chairman), Nomination, and Remuneration Committees

Kevin Sharer – Independent Non-Executive Director

Kevin joined Allied Minds in June 2015 Globally recognised as a leader and mentor to senior management teams engaged in high-growth strategies, Kevin spent more than 20 years leading Amgen, the world's largest independent biotechnology firm, starting as President and Chief Operating Officer and then taking over as Chairman and Chief Executive Officer Kevin began his career in the United States Navy, serving as Chief Engineer on the USS Memphis and later rising to become a Lieutenant Commander After his service, Kevin worked as a consultant at McKinsey & Co , in corporate development at General Electric Co , and as an Executive Vice President in Marketing at MCI Telecommunications Corp Having previously served on the Boards of Directors of Chevron Corp and Northrop Grumman Corp , Kevin is currently a faculty member at Harvard Business School, where he teaches General Management and other classes Kevin holds a Bachelor of Science degree and a Master of Arts degree in Engineering from the United States Naval Academy and a Master of Business Administration degree from the University of Pittsburgh's Joseph M Katz Graduate School of Business Kevin was appointed to the Board in June 2015, and serves on each of the Nomination, and Remuneration (Chair) Committees

Jill Smith – Independent Non-Executive Director

Jill joined Allied Minds in January 2016 Jill has more than 25 years of experience as an international business leader, including 16 years as Chief Executive Officer of private and public companies in the technology and information services markets Most recently, Jill served as Chairman, Chief Executive Officer and President of DigitalGlobe Inc (NYSE DGI), a global provider of satellite imagery products and services Beginning her career as a consultant at Bain & Company, where she rose to become Partner, other leadership capacities in which she has served include Vice President of Sara Lee, Chief Executive Officer and President of eDial, Chief Executive Officer and President of SRDS, L P , Chief Operating Officer of Micron Electronics, and Co-Founder of Treacy & Company, a consulting and boutique investment business Currently, Jill serves as an independent director on the Boards of Directors of Endo International plc (NASDAQ ENDP), Hexagon (Nasdaq Stockholm HEXA B) and JM Huber Jill holds a Master of Science degree in Business

The Board *(continued)*

Administration from the Massachusetts Institute of Technology Sloan School of Management Jill was appointed to the Board in January 2016, and serves on the Audit Committee

Table of Board Attendance

The table below summarises the attendance of the Directors at the scheduled meetings held during the year

	Meetings Attended			
Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Chris Silva	6 of 6	n/a	n/a	n/a
Peter Dolan[1]	6 of 6	2 of 2	n/a	3 of 3
Rick Davis	6 of 6	4 of 4	2 of 2	5 of 5
Jeff Rohr	6 of 6	4 of 4	2 of 2	5 of 5
Kevin Sharer[2]	3 of 3	2 of 2	2 of 2	2 of 2
Jill Smith[3]	n/a	n/a	n/a	n/a
Mark Pritchard[4]	5 of 5	n/a	n/a	n/a

1 Peter Dolan stepped down from the Audit, Nomination and Remuneration Committees in June 2015

2 Kevin Sharer became a Director in June 2015 and was appointed to replace Peter Dolan on the Audit Nomination and Remuneration Committees

3 Jill Smith became a Director in January 2016, and was appointed to replace Kevin Sharer on the Audit Committee

4 Mark Pritchard resigned as an Executive Director in September 2015

Directors' Report

The Directors present their report together with the audited financial statements for Allied Minds plc and its subsidiaries for the year ended 31 December 2015 The Company was incorporated on 15 April 2014 under the UK Companies Act 2006

Directors

The Directors of the Company as at 31 December 2015 were those listed on pages 46 to 47, apart from Jill Smith who was appointed as a Non-Executive Director in January 2016 The only changes to the composition of the Board during the year were (1) the appointment of Peter Dolan as Non-Executive Chairman as of the AGM in May 2015, (2) the appointment of Kevin Sharer as a Non-Executive Director in June 2015, and (3) the resignation of Mark Pritchard as an Executive Director in September 2015 Each of Mark Pritchard, Chris Silva and Rick Davis served on the predecessor company board The Directors' interests in the share capital of the Company are as shown in the Directors' Remuneration Report on page 90 None of the Directors were materially interested in any significant contract to which the Company or any of its subsidiaries were party during the year

Corporate Governance

Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Report on pages 57 to 67, the Directors' Remuneration Report on pages 70 to 97, and the Audit Committee Report on pages 98 to 101, and is incorporated into this Report of the Directors by reference

Employees

The Group's policies in relation to employees are disclosed on page 69

Results and Dividends

During the period, the Group generated a net loss after taxation for the year ended 31 December 2015 of $97 9 million (2014 $57 9 million) The Directors do not recommend the payment of a dividend for 2015 (2014 nil)

Strategic Report

The Group's Strategic Report can be found on pages 5 to 45, and includes information as to the Group's activities in the field of research and development, and as to the likely future development of the Group Financial key performance indicators can be found on page 23

The Strategic Report contains forward-looking statements with respect to the business of Allied Minds These statements reflect the Board's current view, are subject to a number of material known and unknown events, risks and uncertainties, and could change in the future Factors that could cause or contribute to such changes include, but are not limited to, general economic climate and trading conditions, as well as specific factors relating to the financial or commercial prospects or performance of the Group's individual subsidiary companies, the ability to consummate expected transactions, and the ability to identify promising new technologies invented by university or Federal laboratory partners

Principal Risks and Uncertainties and Financial Instruments

The Group through its operations is exposed to a number of risks The Group's risk management objectives and policies are described on pages 40 to 45 and in the Governance Report on pages 65 to 66 Further

Directors' Report *(continued)*

information on the Group's financial risk management objectives and policies, including those in relation to credit risk, liquidity risk and market risk, is provided in note 23 to the consolidated financial statements, along with further information on the Group's use of financial instruments

Significant Agreements

The Group has not entered into any significant agreements which may be impacted by a change of control following a takeover bid

Share Capital

Details of the structure of the Company's share capital and the rights attaching to the Company's shares are set out in note 16 to the consolidated financial statements Other than the minimum share ownership policy adopted by the Board in April 2016 with respect to Executive Directors and PDMRs, there are no specific restrictions on the holding of securities or on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association (Articles) and prevailing legislation None of the ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights

At the last Annual General Meeting of the Company held on 28 May 2015 (the "2015 AGM"), authority was given to the Directors pursuant to the relevant provisions of the Companies Act 2006 to allot unissued relevant securities in the Company up to a maximum amount equivalent to approximately one-third of the issued ordinary share capital on 24 April 2015 at any time up to the earlier of the conclusion of the next Annual General Meeting ("AGM") of the Company and 1 August 2016 In addition, at the 2015 AGM, the Directors were also given authority effective for the same period as the aforementioned authority to allot relevant securities in the Company up to a maximum of approximately two-thirds of the total ordinary share capital in issue on 24 April 2015 in connection with an offer by way of a fully preemptive rights issue The Directors propose to renew both of these authorities at the Company's next AGM to be held on 26 May 2016 The authorities being sought are in accordance with guidance issued by the Investment Association

A further special resolution passed at the 2015 AGM granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006, both (i) up to a maximum of approximately two-thirds of the total ordinary share capital in issue on 24 April 2015 in connection with a fully preemptive rights issue, and (ii) up to a maximum of approximately 5% of the aggregate nominal value of the shares in issue on 24 April 2015, each authority exercisable at any time up to the earlier of the conclusion of the next AGM of the Company and 1 August 2016 These authorities were not used during the year The Directors will seek to renew these authorities for a similar period at the next AGM to be held on 26 May 2016

Under the Companies Act 2006, the Company has the power to purchase its own shares in accordance with Part 18, Chapter 5 of the Companies Act 2006 At the 2015 AGM, a special resolution was passed which granted the Directors authority to make market purchases of the Company's shares pursuant to these provisions of the Companies Act 2006 up to a maximum of approximately 10% of the Company's issued share capital on 24 April 2015 provided that the authority granted set a minimum and maximum price at which purchases can be made and is exercisable at any time up to the earlier of the conclusion of the next AGM and 1 August 2016 This authority has not been used during the year and therefore the outstanding authority is 21,449,058 The Directors will seek to renew the authority within similar parameters and for a similar period at the next AGM to be held on 26 May 2016

Directors' Report *(continued)*

Articles of Association

The Company's Articles may be amended by a special resolution of the shareholders

Substantial Shareholders

As at 31 December 2015, the Company had been advised of the following notifiable interests in the Company's voting rights under DTR 5 Other than as shown, so far as the Company (and its directors) are aware, no other person holds or is beneficially interested in a disclosable interest in the Company

Shareholder	Number of Shares	Percentage
Invesco Asset Management Limited	63,502,442	29 45%
Woodford Investment Management	60,340,757	27 98%
Mark Pritchard	20,350,000	9 44%
SandAire	9,930,236	4 61%
P3 Private Equity Fund	7,721,846	3 58%

Between the year end and 25 April 2016, the Company was advised pursuant to DTR 5 that (1) Woodford Investment Management had increased its holdings to 62,663,957 shares, or 29 06%, and (2) Mark Pritchard had decreased his holdings to 18,425,000, or 8 54%

Relationship Agreement

In accordance with Listing Rule 9 8 4 (14), the Company has set out below a statement describing the relationship agreement entered into by the Company with its principal shareholder

On 19 June 2014, the Company entered into a Relationship Agreement with Invesco Asset Management Limited (Invesco), which came into force at the Company's initial public offering (IPO) on the Main Market of the London Stock Exchange The principal purpose of the Relationship Agreement was to ensure that the Company was capable at all times of carrying on its business independently of Invesco

If any person acquired control of the Company or the Company ceased to be admitted to the Official List, the Relationship Agreement could be terminated by Invesco If Invesco (together with its associates) ceased to hold 30% or more of the voting rights over the Company's shares, the Relationship Agreement would terminate save for certain specified provisions

On 9 October 2015, Invesco reported pursuant to DTR 5 that it had decreased its holdings to 63,502,442 shares, or 29 45% On the basis that Invesco no longer exercises or controls, on its own or together with any person with which they are acting in concert, 30% or more of the voting rights over the Company's shares, Invesco is no longer a "controlling shareholder" under the Listing Rules, and the Relationship Agreement terminated on such date in accordance with its terms and conditions

The Relationship Agreement provided that Invesco would undertake to use all reasonable endeavors to procure that its associates and any person with whom it was acting in concert shall

- conduct all agreements, arrangements, transactions and relationships with any member of the Group on an arm's length basis and on a normal commercial basis and in accordance with the related party transaction requirements of Chapter 11 of the Listing Rules,

Directors' Report *(continued)*

- not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or preclude or inhibit any member of the Group from carrying on its business independently of Invesco, its associates and any person with whom it was acting in concert,
- not propose or procure the proposal of a shareholder resolution which was intended to, or appeared to be intended to, circumvent the proper application of the Listing Rules, and
- not exercise any of its voting rights attaching to the shares held by it to procure any amendment to the Articles of Association of the Company which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement

The Board believes that the terms of the Relationship Agreement enabled the Company to carry on its business independently, prior to its termination, from Invesco and its associates, and ensured that all transactions and relationships between the Company and Invesco were at arm's length and on a normal commercial basis

The Company has and, in so far as it is aware, the Invesco and its associates have, complied with the independence provisions set out in the Relationship Agreement from the date of the agreement, during the relevant period under review, until its termination on 9 October 2015 The ordinary shares owned by Invesco rank pari passu with the other ordinary shares in all respects

Political Donations

The Group did not make any political donations in 2014 or 2015

Corporate and Social Responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities are included in the Sustainability section on pages 68 to 69 and are incorporated into this Director's Report by reference

Directors' Indemnity and Liability Insurance

During the year, the Company has maintained liability insurance in respect of its directors who held office during the period Subject to the provisions of the Companies Act 2006, the Articles provide that every director is entitled to be indemnified out of the funds of the Company against any liabilities incurred in the execution or discharge of his or her powers or duties

Issuance of Equity by Major Subsidiary Undertaking

None of the Companies major subsidiary undertakings (as defined in the Listing Rules) issued equity in 2015

Directors' Report *(continued)*

Requirements of the Listing Rules

The following table provides references to where the information required by Listing Rule 9 8 4R is disclosed

Section	Listing Rule requirement	Location
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Directors' Remuneration Report, page 70
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Non pre-emptive issues of equity for cash by any major subsidiary undertaking	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contract of significance with director	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Relationship agreements with the controlling shareholder	Directors' Report, pages 51 to 52

Post Balance Sheet Events

Material events occurring since the balance sheet date are disclosed in the Strategic Report In summary, they are

- In January 2016, Federated Wireless successfully raised $22 0 million in a Series A preferred stock financing
- In March 2016, Allied-Bristol Life Sciences formed and funded ABLS III, LLC, d/b/a ißeCa Therapeutics, to license proprietary compounds from NYU School of Medicine that target the Wnt signaling pathway, which were developed by Dr Ramanuj Dasgupta, Research Associate Professor at NYU School of Medicine, and NYU's drug discovery accelerator, the Office of Therapeutics Alliances (OTA) The Wnt pathway plays a key role in the development and progression of a number of cancers affecting large numbers of patients ißeCa Therapeutics will focus on further discovery and development activities needed to identify candidates for human clinical testing

Directors' Report *(continued)*

Viability Statement

While the financial statements and accounts have been prepared on a going concern basis, section C 2 2 of the 2014 revision of the UK Corporate Governance Code requires the Directors to make a statement in the Annual Report with regard to the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time for which they have made the assessment, and why they consider that period to be appropriate Accordingly, the Directors conducted this assessment over the two years to December 2017, taking into account the Group's current position, investment strategy, and the principal risks detailed in the Strategic Report The Directors believe that a two-year assessment is most appropriate as it aligns with the Group's normal and well-established budgeting process In making their assessment, the Directors considered a wide range of information, including present and future economic conditions, future projections of profitability, cash flows and capital requirements and availability of sources of funding

The Group's annual budgeting process builds into a robust two-year plan, which is the period the Directors consider as an appropriate period to be covered by the viability statement This plan forms the basis for strategic decisions across the Group The consolidated plan is reviewed and approved annually by the Directors at the beginning of the year The plan is then deployed down to the subsidiary businesses and used to set performance metrics and objectives (MBOs) Progress against the original plan is reviewed quarterly by the Directors, and adjustments to the plan can be made if needed to address new risks or take advantage of new opportunities

In summary, the Directors have assessed the viability of the Group over the two year period to December 2017 They were comforted by the Group's strong financial position, its long-term investment objectives, the stability of the business model, the Group's control over its investments and how working capital requirements are met Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the two year period to December 2017

Disclosure of Information to Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Annual General Meeting

The Annual General Meeting (AGM) will be held on 26 May 2016 The Notice of AGM circulated with this Report and Accounts contains a full explanation of the business to be conducted at that meeting This includes a resolution to re-appoint KPMG LLP as the Company's Auditors

Directors' Report *(continued)*

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period In preparing each of the Group and parent Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Responsibility Statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the parent Company and the undertakings included in the consolidation taken as a whole, and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

Directors' Report *(continued)*

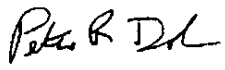
We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

ON BEHALF OF THE BOARD

Peter Dolan
Chairman

Chris Silva
Chief Executive Officer

25 April 2016



Corporate Governance Report

Compliance with the UK Corporate Governance Code

The Directors are committed to a high standard of corporate governance and compliance with the best practice of the UK Corporate Governance Code (Code) which was issued by the Financial Reporting Council in 2010 and revised in September 2014 The Code is available at the Financial Reporting Council website at **www.frc org uk** During the twelve months ended 31 December 2015, the Directors consider that the Company has been in compliance with the provisions set out in the Code with the following exceptions

- Contrary to provision A 3 1 of the Code, Mark Pritchard, an Executive Director who served as our Chairman since our IPO, was not deemed to be independent At the time of Admission, the Board deemed it appropriate that our company founder lead the Company through the IPO in the role of Chairman Peter Dolan, our former Senior Independent Director, succeeded Mark Pritchard as Non-Executive Chairman effective as of the conclusion of the AGM held in May 2015
- Contrary to provision D 1 3 of the Code, certain Non-Executive Directors hold restricted ordinary shares that vest over time These shares were granted to the Non-Executive Directors prior to the IPO and do not have performance conditions The Board does not believe that ownership of these shares impacts the independence of the Non-Executive Directors
- Contrary to provision D 1 3 of the Code, certain Non-Executive Directors hold restricted stock units (RSUs) that vest over time These RSUs were granted to the Non-Executive Directors in 2015 and do not have performance conditions The Board does not believe that ownership of these RSUs impacts the independence of the Non-Executive Directors
- Contrary to provision E 2 4 of the Code, the complexities faced by the Company in collating information for its first Annual Report meant that it was considered to be in the best interests of shareholders not to rush publication Accordingly, shareholders received less than the 20 working days' notice recommended by the Code in respect of the Company's AGM in 2015 However, the Company has complied with and exceeded the requirements of the Companies Act 2006 to provide shareholders with 21 clear days' notice of the AGM and intends to meet the recommendation of the Code in future years

Further explanation as to how the provisions set out in the Code have been applied by the Company is provided in the following statement, the Directors' Remuneration Report, the Audit Committee Report and the Strategic Report The Company's auditor, KPMG LLP, is required to review whether the above statements reflect the Company's compliance with the provisions of the Code specified for its review by the Listing Rules of the UK Listing Authority and to report if it does not reflect such compliance, no such report has been made

The Board

Role and Responsibilities of the Board

The Board is responsible to shareholders for the overall management of the Group as a whole, providing entrepreneurial leadership within a framework of controls for assessing and managing risk, defining, challenging and interrogating the Group's strategic aims and direction, maintaining the policy and decision-making framework in which such strategic aims are implemented, ensuring that the necessary financial and human resources are in place to meet strategic aims, monitoring performance against key financial and non-financial indicators, succession planning, overseeing the system of risk management, setting values and standards in governance matters and monitoring policies and performance on corporate social responsibility The Directors are also responsible for ensuring that obligations to shareholders and other

Corporate Governance Report *(continued)*

stakeholders are understood and met and a satisfactory dialogue with shareholders is maintained All Directors are equally accountable to the Company's shareholders for the proper stewardship of its affairs and the long-term success of the Group

The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors The Executive Directors are directly responsible for running the business operations and the Non-Executive Directors are responsible for constructively challenging proposals on strategy, scrutinising the performance of management, determining levels of remuneration and for succession planning for the Executive Directors The Non-Executive Directors must also satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust

The Board reviews strategic issues on a regular basis and exercises control over the performance of the Group by agreeing on budgetary targets and monitoring performance against those targets The Board has overall responsibility for the Group's system of internal controls and risk management, as described on pages 65 to 66 Any decisions made by the Board on policies and strategy to be adopted by the Group or changes to current policies and strategy are made following presentations by the Executive Directors and a detailed process of review and challenge by the Board Once made, the Executive Directors are fully empowered to implement those decisions

Except for a formal schedule of matters which are reserved for decision and approval by the Board, the Board has delegated the day-to-day management of the Group to the Chief Executive Officer who is supported by the Executive Directors and other members of the senior management team The schedule of matters reserved for Board decision and approval are those significant to the Group as a whole due to their strategic, financial or reputational implications

This schedule is reviewed and updated regularly and currently includes those matters set forth below

- Approval and monitoring of the Group's strategic aims and objectives, and approval of the annual operating budget
- Strategic acquisitions by the Group
- Major disposals of the Group's assets or subsidiaries
- Changes to the Group's capital structure, the issue of any securities and material borrowing of the Group
- Approval of the annual report and half-year results statement, accounting policies and practices or any matter having a material impact on future financial performance of the Group
- Ensuring a sound system of internal control and risk management
- Approval of all circulars, prospectuses and other documents issued to shareholders governed by the FCA's Listing Rules, Disclosure Rules or Transparency Rules or the City Code on Takeovers and Mergers
- Approving Board appointments and removals, and approving policies relating to directors' remuneration
- The division of responsibility between the Chairman and the Chief Executive Officer
- Approval of terms of reference and membership of Board committees

Corporate Governance Report *(continued)*

- Considering and, where appropriate, approving directors' conflicts of interest
- Approval, subject to shareholder approval, of the appointment and remuneration of the auditors
- Major changes in employee share schemes
- Insurance and litigation

The schedule of matters reserved to the Board is available on request from the Company Secretary or within the Investors section of the Group's website at **www alliedminds com**

The Board delegates specific responsibilities to certain committees that assist the Board in carrying out its functions and ensure independent oversight of internal control and risk management The three principal Board committees (Audit, Remuneration and Nomination) play an essential role in supporting the Board in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Group Each committee has its own terms of reference which set out the specific matters for which delegated authority has been given by the Board The initial terms of reference for each of the committees, which are fully compliant with the provisions of the Code and which reflect both best practice and the recommendations arising from the external evaluation process undergone by the Board and its committees in connection with the Company's IPO, were adopted by the Board during 2014 These were reviewed in January 2015 and August 2015, and will be reviewed annually on an ongoing basis and updated where necessary All of these are available on request from the Company Secretary or within the Investors section of the Group's website at **www alliedminds com**

Board Size and Composition

As at 31 December 2015, there were five Directors on the Board the Non-Executive Chairman, one Executive Director and three Non-Executive Directors During the year, Kevin Sharer joined the Board as a Non-Executive Director in June 2015, and Mark Pritchard resigned from the Board in September 2015 Subsequent to year end, Jill Smith joined the Board as a Non-Executive Director in January 2016 The biographies of all of the Directors are provided on pages 46 and 47

The Company's policy relating to the terms of appointment and the remuneration of both Executive and Non-Executive Directors is detailed in the Directors' Remuneration Report on pages 70 to 97

The size and composition of the Board is regularly reviewed by the Board, and in particular the Nomination Committee, to ensure there is an appropriate and diverse mix of skills and experience on the Board

The Company's Articles of Association allow appointment of Directors by ordinary resolution and require all Directors to submit themselves for re-election by the shareholders at the Company's AGM following their first appointment and thereafter at each AGM in respect of which they have held office for the two preceding AGMs and did not retire at either of them In addition, each director who has held office with the Company for a continuous period of nine years or more must retire and offer themselves up for re-election at every AGM

However, because the Company is a FTSE 350 company, in accordance with the Code, all Directors will submit themselves for annual election or re-election by shareholders at the AGM of the Company to be held on 26 May 2016 (2016 AGM) New directors may be appointed by the Board, but their appointment is subject to election by shareholders at the first opportunity after their appointment The Board recommends to shareholders the reappointment of all Directors retiring at the meeting and offering themselves for re-

Corporate Governance Report *(continued)*

election on the basis that independent performance reviews demonstrated that they contribute effectively and continue to display the appropriate level of commitment in their respective roles

Diversity

The Board is committed to a culture that attracts and retains talented people to deliver outstanding performance and further enhance the success of the Company In that culture, diversity across a range of criteria is valued, primarily in relation to skills, knowledge and experience and also in other criteria such as gender and ethnicity The Company will give careful consideration to issues of overall Board balance and diversity in making new appointments to the Board and, in identifying suitable candidates, the Nomination Committee will seek candidates from a range of backgrounds, with the final decision being based on merit against objective criteria In addition, the terms of reference of the Nomination Committee include a requirement for the Committee to consider diversity, including gender, in evaluating the composition of the Board and in identifying suitable candidates for Board appointments A breakdown of employee gender showing the percentage of persons who were Directors of the Company and senior managers during the period covered by this Annual Report can be found on page 69

Non-Executive Directors

The Non-Executive Directors provide a wide range of skills and experience to the Group They bring their own senior level of experience in each of their respective fields, robust opinions and an independent judgement on issues of strategy, performance, risk and people They are well-placed to constructively challenge and scrutinise the performance of management at Board and Committee meetings The Code sets out the circumstances that should be relevant to the Board in determining whether each Non-Executive Director is independent The Board considers non-executive director independence on an annual basis as part of each non-executive director's performance evaluation Having undertaken this review and with due regard to provision B 1 1 of the Code, the Board has concluded this year that all of the Non-Executive Directors are considered by the Board to be independent of management and free of any relationship or circumstance which could materially influence or interfere with, or affect, or appear to affect, the exercise of their independent judgement

Non-Executive Directors are required to obtain the approval of the Chairman before taking on any further appointments and the Chairman and Executive Director require the approval of the Board before adding to their commitments In all cases, the Directors must ensure that their external appointments do not involve excessive time commitment or cause a conflict of interest

The Roles of Chairman and Chief Executive

Peter Dolan is the current Chairman Mark Pritchard was the Executive Chairman until he stepped down and Peter Dolan was appointed Non-Executive Chairman in May 2015 The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established, set out in writing and agreed by the Board The Chairman is responsible for the leadership and conduct of the Board, the conduct of the Group's affairs and strategy and for ensuring effective communication with shareholders The Chairman facilitates the full and effective contribution of Non-Executive Directors at Board and Committee meetings, ensures that they are kept well informed and ensures a constructive relationship between the Executive Directors and Non-Executive Directors The Chairman also ensures that the Board committees carry out their duties, including reporting back to the Board either orally or in writing following their meetings at the next Board meeting

Corporate Governance Report *(continued)*

The role of the Chief Executive Officer, Chris Silva, is to lead the delivery of the strategy and the executive management of the Group and its operating businesses He is responsible, amongst other things, for the development and implementation of strategy and processes which enable the Group to meet the requirements of shareholders, for delivering the operating plans and budgets for the Group's businesses, monitoring business performance against key performance indicators (KPIs) and reporting on these to the Board and for providing the appropriate environment to recruit, engage, retain and develop the high quality personnel needed to deliver the Group's strategy

Senior Independent Director

Rick Davis is the current Senior Independent Director Peter Dolan was the Senior Independent Director until he was appointed Chairman in May 2015, and Rick Davis was appointed Senior Independent Director in August 2015 A key responsibility of the Senior Independent Director is to be available to shareholders in the event that they may feel it inappropriate to relay views through the Chairman or Chief Executive Officer In addition, the Senior Independent Director serves as an intermediary between the rest of the Board and the Chairman where necessary and takes the lead when the Non-Executive Directors assess the Chairman's performance and when the appointment of a new Chairman is considered Further, the Senior Independent Director will lead the Board in its deliberations on any matters on which the Chairman is conflicted

Board Support

The Company Secretary is responsible to the Board for ensuring Board procedures are followed, applicable rules and regulations are complied with and that the Board is advised on governance matters and relevant regulatory matters All Directors have access to the impartial advice and services of the Company Secretary There is also an agreed procedure for directors to take independent professional advice at the Company's expense In accordance with the Company's Articles of Association and a contractual Deed of Indemnity, directors have been granted an indemnity issued by the Company to the extent permitted by law in respect of liabilities incurred to third parties as a result of their office The indemnity would not provide any coverage where a director is proved to have acted fraudulently or with willful misconduct The Company has also arranged appropriate insurance coverage in respect of legal action against its directors and officers

Board Meetings and Decisions

The Board meets regularly during the year, as well as when required by business need The Board had six scheduled Board meetings in 2015 During their term of service, each of the Directors were present at all meetings during the year The Chairman and Non-Executive Directors also met without the presence of the Executive Directors four times during the year

The schedule of Board and Committee meetings each year is, so far as is possible, determined before the commencement of that year and all Directors or, if appropriate, all Committee members are expected to attend each meeting Supplementary meetings of the Board and/or the Committees are held as and when necessary Each member of the Board receives detailed Board packs, including an agenda based upon the schedule of matters reserved for its approval, appropriate reports and briefing papers in advance of each scheduled meeting If a director is unable to attend a meeting due to exceptional circumstances, he or she will still receive the supporting papers and is expected to discuss any matters he or she wishes to raise with the Chairman in advance of the meeting The Chairman, Chief Executive Officer, Chief Financial Officer and Company Secretary work together to ensure that the Directors receive relevant information to enable them

Corporate Governance Report *(continued)*

to discharge their duties and that such information is accurate, timely and clear This information includes quarterly management accounts containing analysis of performance against budget and other forecasts Additional information is provided as appropriate or if requested At each meeting, the Board receives information, reports and presentations from the Chief Executive Officer and, by invitation, other members of senior management as required This ensures that all Directors are aware of, and are in a position to monitor effectively, the overall performance of the Group, its development and implementation of strategy and its management of risk

Any matter requiring a decision by the Board is supported by a paper analysing the relevant aspects of the proposal including costs, benefits, potential risks involved and proposed executive management action and recommendations

The majority of Board meetings are held at the Group's offices in Boston, Massachusetts, USA, which gives members of the Company's senior management team, as well as the senior managers of the subsidiaries, the opportunity to formally present to the Board on business development and new investment opportunities This assists the Board in gaining a deeper understanding of the breadth, stage of development and diversity of the Group's subsidiaries During 2015, the Board held one of its scheduled meetings at one of the Company's subsidiary offices in Silicon Valley, California, USA, which is also the location of several of the Company's subsidiaries, in order to encourage further interaction with the senior management teams of those subsidiaries Meetings between the Chairman and Non-Executive Directors, both with and without the presence of the Chief Executive Officer, are also held as the need arises

Directors' Conflicts of Interest

Each director has a statutory duty under the Companies Act 2006 (CA 2006) to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or may potentially conflict with the interests of the Company This duty is in addition to the continuing duty that a director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company in which he or she is interested The Company's Articles of Association permit the Board to authorise conflicts or potential conflicts of interest The Board has established procedures for managing and, where appropriate, authorising any such conflicts or potential conflicts of interest It is a recurring agenda item at all Board meetings and this gives the directors the opportunity to raise at the beginning of every Board meeting, any actual of potential conflict of interests that they may have on the matters to be discussed, or to update the Board on any change to a previous conflict of interest already declared In deciding whether to authorise any conflict, the directors must have regard to their general duties under the CA 2006 and their overriding obligation to act in a way they consider, in good faith, will be most likely to promote the Company's success In addition, the directors are able to impose limits or conditions when giving authorisation to a conflict or potential conflict of interest if they think this is appropriate The authorisation of any conflict matter, and the terms of any authorisation, may be reviewed by the Board at any time The Board believes that the procedures established to deal with conflicts of interest are operating effectively

Induction, Awareness and Development

A comprehensive induction process is in place for new directors The programme is tailored to the needs of each individual director and agreed with him or her so that he or she can gain a better understanding of the Group and its businesses This will generally include an overview of the Group and its businesses, structure, functions and strategic aims, site visits to the Group's head office in Boston, Massachusetts,

Corporate Governance Report *(continued)*

USA, and, upon request, site visits to a number of the Group's subsidiary companies, which will include meeting with such companies' management and a presentation from them on their businesses In addition, the Company facilitates sessions as appropriate with the Group's advisers, in particular its joint corporate brokers, Credit Suisse International and Numis Securities Limited, as well as with appropriate governance specialists, to ensure that any new directors are fully aware of and understand their responsibilities and obligations as a director of a FTSE 350 company and of the governance framework within which they must operate

In order to ensure that the Directors continue to further their understanding of the issues facing the Group, the Board is also exposed to the early-stage opportunities in which the Group has invested through presentations at Board meetings by relevant members of the Group's staff In addition, other members of senior management present to the Board to enhance the Board's awareness of how the Group operates on a day-to-day basis and how such functions operate so as to assist in the execution of the Group's core strategy of systematically developing an innovation company that forms, funds, manages and builds start-ups based on early-stage technology originating from US universities and federally funded research institutions

As a further aspect of their ongoing development, each Director also receives feedback on his or her performance following the Board's performance evaluation in each year and, through the Company Secretary, access is facilitated to relevant training and development opportunities including those relevant to the Non-Executive Directors' membership on the Board's committees

Board Effectiveness and Performance Evaluation

A performance evaluation of the Board and its Committees is carried out annually to ensure that they continue to be effective and that each of the Directors demonstrates commitment to his or her respective role and has sufficient time to meet his or her commitment to the Company The Board will seek the assistance of an independent third party provider at least once every three years in its evaluation in compliance with the Code, and otherwise carry out an internally facilitated Board evaluation led by the Chairman, assisted by the Company Secretary, and covering the effectiveness of the Board as a whole, its individual Directors and its Committees This review will include each of the Board and Committee members completing a detailed and tailored survey and one-to-one discussions between the Chairman and each of the individual Directors A summary of the results of the review, together with the Chairman and Company Secretary's observations and recommendations, will be prepared and shared with members of the Board In addition to the above, the Non-Executive Directors, led by the Senior Independent Director, will appraise the Chairman's performance, following which the Senior Independent Director will provide feedback to the Chairman The performance of each of the Directors on the Board will be reviewed by the Chairman and the operational performance of the other Executive Directors will be reviewed by the Chief Executive Officer as part of the annual appraisal process In addition to the aforementioned annual reviews, the performance of Executive Directors will be reviewed by the Board on an ongoing basis, as deemed necessary, in the absence of the Executive Director under review

During the 2015 financial year, the Board assessed its own effectiveness through an internal Board evaluation process This process was based on a review of documentation including Board and committee terms of reference, the completion of a survey to Directors comprising quantitative and qualitative questions, and discussions with all Board members and a number of stakeholders who regularly interact with the Board, to include the Company Secretary

Corporate Governance Report *(continued)*

The results were analysed by the Chairman and the Company Secretary, and a detailed discussion was facilitated with the Board to outline the observations and recommendations Overall it was concluded that the Board continues to work effectively There have been a number of changes to the Board composition, resulting in a well-balanced Board with a range of skills and experience In an effort to continue to improve, a number of areas the Board should continue to focus on where identified to include (i) continued presentations to the Board by subsidiary CEOs to increase awareness of strategic operations, (ii) regular Executive Director and senior management access to the Board, and (iii) review of detailed written monthly Board updates prepared by senior management on corporate and subsidiary operations

Committees of the Board

The composition of the three committees of the Board and the attendance of the members throughout the year is set out in the table on page 48 The terms of reference of each committee are available on request from the Company Secretary or within the Investors section of the Group's website at **www alliedminds.com**

Remuneration and Audit Committees

Separate reports on the role, composition, responsibilities and operation of the Remuneration Committee and the Audit Committee are set out on pages 95 to 97, and pages 98 to 101, respectively

Nomination Committee

The Nomination Committee leads the process for Board appointments, re-election and succession of directors and the Chairman Its key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its duties It is responsible for making recommendations to the Board and its Committees concerning the composition and skills of the Board including any changes considered necessary in the identification and nomination of new directors, the reappointment of existing directors and the appointment of members to the Board's committees It also assesses the roles of the existing directors in office to ensure there continues to be a balanced Board in terms of skills, knowledge, experience and diversity In addition, the Nomination Committee reviews the senior leadership needs of the Group to enable it to compete effectively in the marketplace The Nomination Committee also advises the Board on succession planning for Executive Director appointments, although the Board itself is responsible for succession generally

The Committee is chaired by Rick Davis and its other members as at 31 December 2015 were Jeff Rohr and Kevin Sharer, being a majority of independent Non-Executive Directors as prescribed by the Code The Nomination Committee meets as and when required or requested by the Board and met two times during 2015 to review the structure, size and composition of the Board, following which it discussed the conclusions with the Chairman and the Chief Executive Officer Messrs Davis, Rohr and Sharer were present at all meetings during the year

Before selecting new appointees to the Board, the Nomination Committee shall consider the balance, skill, knowledge, independence, diversity (including gender) and experience on the Board to ensure that a suitable balance is maintained The Committee shall adopt a formal, rigorous and transparent procedure for the appointment of new directors to the Board Consideration shall always be given as to whether identified candidates have sufficient time available to devote to the role When searching for appropriate candidates, the Committee shall give consideration to using an external search company, but may also

Corporate Governance Report *(continued)*

consider candidates who are proposed by existing Board members or employees of the Group When the Committee has found a suitable candidate, the Chairman of the Committee will make a proposal to the whole Board The appointment of a candidate is the responsibility of the whole Board following recommendation from the Committee The Committee did not use the services of an external search company in 2015

As part of its annual duties in 2015, the Committee and the full Board completed a very active year which resulted in (1) the appointment of Peter Dolan as Non-Executive Chairman in May 2015, (2) the appointment of Kevin Sharer as a Non-Executive Director in June 2015, (3) the appointment of Rick Davis as Senior Independent Director in August 2015, and (4) the appointment of Jill Smith as a Non-Executive Director in January 2016 In the year ahead, the Nomination Committee will continue to assess the Board's size and composition and how it may be enhanced

Internal control

The Board fully recognises the importance of the guidance contained in Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (Financial Reporting Council) The Group's internal controls, which are Groupwide, were in place during the whole of 2015, were reviewed by the Board and Audit Committee and were considered to be effective throughout the year ended 31 December 2015

The Board and Audit Committee are responsible for establishing and monitoring internal control systems and for reviewing the effectiveness of these systems The Board views the effective operation of a rigorous system of internal control as critical to the success of the Group, however, it recognises that such systems are designed to manage rather than eliminate risk of failure and can provide only reasonable and not absolute assurance against material misstatement or loss The key elements of the Group's internal control system, all of which have been in place during the financial year and up to the date these financial statements were approved, are as follows

Control environment and procedures

The Group has a clear organisational structure with defined responsibilities and accountabilities It adopts the highest values surrounding quality, integrity and ethics, and these values are documented and communicated clearly throughout the whole organisation

Detailed written policies and procedures have been established covering key operating and compliance risk areas These are reviewed and updated at least once a year The effectiveness of the systems of internal control is reviewed at least annually by the Board The Board considers that the controls have been effective for the year ended 31 December 2015

Identification and evaluation of risks

The Board actively identifies and evaluates the risks inherent in the business, and ensures that appropriate controls and procedures are in place to manage these risks The Board obtains an update regarding the subsidiary businesses on a monthly basis, and reviews the performance of the Group and its subsidiaries on a quarterly basis, although performance of specific investments may be reviewed more frequently if deemed appropriate The Board also obtains a risk management report from members of senior management on a regular basis The key risks and uncertainties faced by the Group, as well as the relevant mitigations, are set out on pages 40 to 45

Corporate Governance Report *(continued)*

Information and financial reporting systems

The Group evaluates and manages significant risks associated with the process for preparing consolidated accounts by having in place systems and controls that ensure adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS The Board approves the annual operating budgets and each quarter receives details of actual performance measured against the budget

Principal risks and uncertainties

The operations of the Group and the implementation of its objectives and strategy are subject to a number of key risks and uncertainties Risks are formally reviewed by the Board and Audit Committee at least annually and appropriate procedures are put in place to monitor and, to the extent possible, mitigate these risks Where more than one of the risks to occur together, the overall impact on the Group may be compounded A summary of the key risks affecting the Group and the steps taken to manage these is set out on pages 40 to 45

Relations with stakeholders

The Company is committed to a continuous dialogue with shareholders as it believes that this is essential to ensure a greater understanding of and confidence amongst its shareholders in the medium and longer term strategy of the Group It is the responsibility of the Board as a whole to ensure that a satisfactory dialogue does take place

The Board's primary shareholder contact is through the Chairman and Chief Executive Officer The Senior Independent Director and other Directors, as appropriate, make themselves available for contact with major shareholders and other stakeholders in order to understand their issues and concerns

The Company uses the AGM as an opportunity to communicate with its shareholders Notice of the AGM, which will be held at 1 p m BST on 26 May 2016 at the offices of DLA Piper LLP, 1 London Wall, London EC2Y 5EA, United Kingdom, is enclosed with this report In accordance with the Code, the Notice of AGM is sent to shareholders at least 20 working days before the meeting Details of the resolutions and the explanatory notes thereto are included with the Notice To ensure compliance with the Code, the Board proposes separate resolutions for each issue and proxy forms allow shareholders who are unable to attend the AGM to vote for or against or to withhold their vote on each resolution The results of all proxy voting shall be published on the Group's website after the meeting and at the meeting itself to those shareholders who attend Shareholders who attend the AGM will have the opportunity to ask questions and the Chairman and the Executive Directors are expected to be available to take questions

The Group's website at www.alliedminds.com is the primary source of information on the Group The website includes an overview of the activities of the Group, details of its subsidiary companies and its key university and federal government partnerships, and details of all recent Group and subsidiary business announcements

Political expenditure

It is the Board's policy not to incur political expenditure or otherwise make cash contributions to political parties and it has no intention of changing that policy

Corporate Governance Report *(continued)*

Going concern

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the financial statements

Rick Davis
Chairman of the Nomination Committee
25 April 2016

Sustainability

Policy Statement

Allied Minds aims to conduct its business in a socially responsible manner, to contribute to the communities in which it operates and to respect the needs of its employees and all of its stakeholders

The Group is committed to growing the business while ensuring a safe environment for employees as well as minimising the overall impact on the environment

Allied Minds endeavours to conduct its business in accordance with established best practice, to be a responsible employer and to adopt values and standards designed to help guide staff in their conduct and business relationships

Greenhouse Gas Emissions

Given the overall size of the Group, we consider the direct environmental impact of the Group as relatively low However, we firmly recognise our responsibility to ensure that our business operates in an environmentally responsible and sustainable manner The Group complies with all current regulations on emissions including greenhouse gas emissions, where such regulation exists in our markets

Though the Group's day-to-day operational activities have a relatively limited impact on the environment, we do recognise that the more significant impact occurs indirectly through the nature and operations of the companies that we choose to support with human and financial capital

The Group therefore considers it important to establish and nurture businesses that comply with existing applicable environmental, ethical and social legislation It is also important that these businesses can demonstrate that an appropriate strategy is in place to meet future applicable legislative and regulatory requirements and that these businesses can operate to specific industry standards, striving for best practice

We are establishing detailed processes and controls to enable regular and routine reporting of greenhouse gas emissions on a consistent basis It has therefore not been practicable to provide data concerning the annual quantity of emissions from activities for which the Group is responsible (including the combustion of fuel and the operation of any facility), nor has it been practicable to disclose the annual quantity of emissions resulting from the purchase of electricity, heat, steam, or cooling by the Group for our own use We fully anticipate complying in full, in future years, with the required reporting requirements

Our Business Ethics and Social Responsibility

The Group seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and for its directors and staff to have due regard to the interest of all of its stakeholders including investors, university and government partners, employees, suppliers and the businesses in which the Group invests

We take a zero tolerance approach to bribery and corruption and implement and enforce effective systems to counter bribery The Group is bound by the laws of the UK, including the Bribery Act 2010, and has implemented policies and procedures to address such laws, as well as the laws in each jurisdiction where the Group operates, including, the US

The Group's management and employees are fundamental to our success and as a result we are committed to encouraging the ongoing development of our staff with the aim of maximising the Group's overall performance Emphasis is placed on staff development through work-based learning, with senior

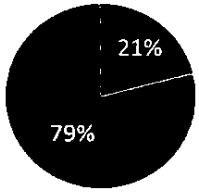
Sustainability *(continued)*

members of staff acting as coaches and mentors Allied Minds has continued to employ regular all-staff update meetings as the main source of employee communication

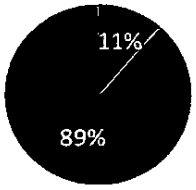
Employee Diversity and Employment Policies

The Group seeks to operate as a responsible employer and has adopted standards which promote corporate values designed to help and guide employees in their conduct and business relationships The Group seeks to comply with all laws, regulations and rules applicable to its business and to conduct the business in line with applicable established best practice The Group's policy is one of equal opportunity in the selection, training, career development and promotion of employees, regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise The Group had 359 employees and consultants as at 31 December 2015 A breakdown of employees by gender can be seen in the illustrations below Allied Minds supports the rights of all people as set out in the UN Universal Declaration of Human Rights and ensures that all transactions the Group enters into uphold these principles

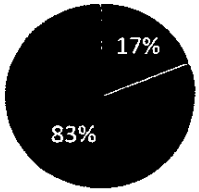
Total Employees



Senior Management



Directors



■ Female ■ Male

Directors' Remuneration Report

Statement by Chairman of the Remuneration Committee

I am pleased to present, on behalf of the Board, the Remuneration Report for the year ended 31 December 2015 Our Remuneration Policy, which was approved by shareholders at our 2015 AGM, was applied in 2015 During the latter half of 2015, the Remuneration Committee carried out a thorough review of all elements of remuneration for Executive Directors and senior management which considered feedback received from major shareholders and shareholder advisory services in connection with the implementation and adoption of the initial Remuneration Policy in 2015 As a result of this process, the new Remuneration Policy for the Executive and Non-Executive Directors on pages 74 to 86, will be put to a binding shareholder vote at the AGM on 26 May 2016 Subject to shareholder approval, the new Remuneration Policy will take formal effect from that date If the new Remuneration Policy is not approved by shareholders, the current policy will remain in effect

The Work of the Remuneration Committee

The year ended 31 December 2015 was the first full year of operation for the Remuneration Committee The Committee met on four occasions during the year Messrs Sharer, Davis, Dolan and Rohr, as applicable, were present at all meetings during the year I was appointed Chairman of the Remuneration Committee on 04 June 2015, and I met several times throughout the financial year with members of senior management in order to review all elements of remuneration and their operation The Committee also received professional advice from the Hay Group where appropriate

A key objective of this review was to ensure an appropriate Remuneration Policy was in place for a UK listed company, whilst also ensuring that it was designed to continue to attract and retain US-based management and employees of the highest caliber The programme is weighted toward rewarding entrepreneurial achievement and the creation of shareholder value over time During the year, the key activities carried out by the Committee were

- Carried out a thorough review of all elements of remuneration for Executive Directors and senior management,
- Reviewed feedback received from major shareholders and shareholder advisory services in connection with the implementation and adoption of the initial Remuneration Policy in 2015,
- In connection with the annual review of the Remuneration Policy, revised and proposed the adoption of the new Remuneration Policy,
- In the new Remuneration Policy, provided for (i) a revised process for the determination of annual cash incentive bonus awards which will utilise specific performance targets and weighting set in advance from year to year, and (ii) revised performance metrics for future long term incentive plan (LTIP) awards to be solely based upon relative total shareholder return (rTSR),
- Reviewed the LTIP to ensure that it continues to advance the Committee's policy to provide a competitive, performance-linked, long-term incentive mechanism to align the interests of management and shareholders,
- Determined the cash incentive bonus awards for the Executive Officers for the last financial year,
- Determined base salaries of the Executive Directors, for the period starting 01 January 2016,
- Issued LTIP awards at 04 June 2015,

Directors' Remuneration Report *(continued)*

- Reviewed progress against 2014 and 2015 LTIP award performance targets for the last financial year,
- Established 2014 and 2015 LTIP award performance targets for the current financial year, and
- Reviewed the remuneration reporting regulations in connection with the review and revision of the Group's Remuneration Policy and preparation of the Directors' Remuneration Report

Objectives of the Remuneration Policy

In setting the new Remuneration Policy, the Committee focused on simple and transparent market competitive remuneration and incentive schemes The proposed Remuneration Policy is designed to

- attract, retain and motivate high caliber US-based senior management, and to focus them on the delivery of the Company's long-term strategic and business objectives,
- promote a strong, fair and sustainable performance culture,
- incentivise growth and the achievement of milestones,
- align the interests of Executive Directors and members of the senior management team with those of shareholders through equity ownership, and
- be simple to understand and implement, and designed taking into account best practice guidelines for UK listed companies

The key components of remuneration are set out in detail within the new Remuneration Policy, which will be subject to a binding vote at our 2016 AGM

Performance and Reward for 2015

As outlined earlier in this Annual Report, the Group's performance has been strong, with progress across many of the Group's portfolio businesses contributing to a significant increase in the Group Subsidiary Ownership Adjusted Value (GSOAV) of $535 8 million as of 31 December 2015, compared to $488 0 million at 31 December 2014, which was an increase of $47 8 million, or 9 8% In addition, the Group share price performance was as follows 421 9p share price, the 30-day trailing average as at 31 December 2015, an increase of 32 5% over the 318 3p share price, the 30-day trailing average as at 31 December 2014

As detailed in this Directors' Remuneration Report, the Committee determined to provide cash incentive bonus awards and LTIP awards to the Executive Directors that reflected the level of performance and achievement in 2015

Shareholder Feedback

The Committee recognises that building a close relationship with shareholders can complement the work of the Committee in developing the Remuneration Policy In connection with our first AGM, we received feedback from major shareholders and shareholder advisory services with respect to our remuneration programme One of our overarching aims has been to develop a Remuneration Policy which closely aligns the interests of our senior executives and our shareholders, and with this in mind, we are asking our shareholders to vote for the new Remuneration Policy at the 2016 AGM

Directors' Remuneration Report *(continued)*

We continue to appreciate any feedback shareholders may have

Kevin Sharer
Chairman of the Remuneration Committee

25 April 2016

What is in this report?

The Directors' Remuneration Report sets out the Remuneration Policy for the Company on pages 74 to 86, describes the implementation of that Remuneration Policy, and discloses the amounts paid relating to the year ended 31 December 2015 It has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended The Remuneration Policy has been developed taking into account the principles of the UK Corporate Governance Code 2014, the Listing Rules and shareholders' executive remuneration guidelines

The Remuneration Policy for the Executive and Non-Executive Directors on pages 74 to 86, will be put to a binding shareholder vote at the AGM on 26 May 2016 Subject to shareholder approval, the Remuneration Policy will take formal effect from that date If the new Remuneration Policy is not approved by shareholders, the current policy will remain in effect

The Statement by Chairman of the Remuneration Committee on pages 70 to 72, and the Annual Remuneration Report on pages 87 to 97, will be subject to an advisory vote at the AGM

As explained in the basis of consolidation accounting policy, the Group's financial statements reflect the continuation of the pre-existing Group headed by Allied Minds, Inc (now Allied Minds, LLC) In keeping with that accounting, the Company has chosen to include the remuneration of these directors when they were directors of Allied Minds, Inc (now Allied Minds, LLC) or any of its subsidiaries

Remuneration Policy Overview

The Remuneration Committee has responsibility for determining remuneration for the Executive Directors, and monitoring the level and structure of remuneration for senior management The Committee's terms of reference are available on the Company's website

The Committee designed this Remuneration Policy with close regard to market practice in other UK listed companies so as to ensure that the arrangements are appropriately competitive and structured in line with best practice However, the Remuneration Policy also retains some of the key elements which helped to drive the Group's success prior to IPO, and other customary service arrangements and incentive elements for US-based management and employees

Allied Minds' success depends in part on the talent of its management and employees Allied Minds has a highly skilled workforce, with significant expertise throughout the Group across a range of science and technology disciplines, as well as a highly experienced management team Allied Minds seeks to ensure that its management team and its employees and consultants working within the Group's individual businesses are fairly and appropriately rewarded and incentivised Allied Minds seeks to achieve this through a combination of competitive levels of remuneration that is appropriate to the scale of responsibility and performance of the employee or consultant, and incentives tied directly to increasing shareholder value

Directors' Remuneration Report *(continued)*

The Group operates in the highly competitive US market, and attraction and retention of individual talent is important to success of the Group's businesses Allied Minds deploys a careful and considered approach to remuneration with the objective of attracting, motivating and retaining individuals of the necessary caliber It is important to note that each national market for talent is different, making cross-border comparisons very difficult In addition to general standard of living costs, there are large differences with respect to taxes, pensions, provision of cars, and medical plans and costs, among many others

The Company believes that it is important that remuneration is weighted toward rewarding entrepreneurial achievement and the creation of shareholder value over time as its employees work toward the commercialisation of scientific and technological innovations Accordingly, Allied Minds has established share incentive plans with the aim of incentivising and rewarding employees and Directors to achieve long term shareholder value The Directors believe the share incentive arrangements at the level of the subsidiary businesses, as well as the overall Group, are an important factor in the promotion of shareholder value creation

The aim of the Remuneration Policy is to attract, retain and motivate high caliber senior management and employees, and to focus them on the delivery of the Company's long-term strategic and business objectives, to promote a strong and sustainable performance culture, incentivise growth and the achievement of milestones, and to align the interests of Executive Directors and senior management team with those of shareholders through equity ownership In promoting these objectives the Remuneration Policy aims to be simple in design, transparent and understandable both to participants and Shareholders, and has been structured so as to adhere to the principles of good corporate governance and appropriate risk management

Directors' Remuneration Report *(continued)*

Remuneration Policy (pages 74 to 86)

The Remuneration Policy for the Executive and Non-Executive Directors will be put to a binding shareholder vote at the AGM on 26 May 2016 If approved by shareholders, the Remuneration Policy will take formal effect from that date The Remuneration Committee will consider the Remuneration Policy annually to ensure that it continues to align with the Company's strategic objectives, however, it is intended that the Remuneration Policy will apply for three years from the 2016 AGM If, during that timeframe, any amendments need to be made to the Remuneration Policy, it will be presented to the shareholders to be voted on

How the views of shareholders and employees are taken into account

The Committee does not formally consult directly with employees on executive pay but does receive periodic updates in relation to salary and bonus reviews across the Company As set out in the Remuneration Policy table below, in setting remuneration for the Executive Directors, the Committee takes note of the overall approach to reward for employees in the Company and salary increases will ordinarily be considered in light of those of the wider workforce Thus, the Committee is satisfied that the decisions made in relation to Executive Directors' pay are made with an appropriate understanding of the wider workforce

Any feedback received from time to time from shareholders will be considered as part of the Committee's annual review of the Remuneration Policy The Committee will seek to engage with shareholders and their representative bodies when it is proposed that any material changes are to be made to the Remuneration Policy The voting outcomes from the 2015 AGM are available on page 97

Directors' Remuneration Report *(continued)*

The Future Remuneration Policy Table for Executive Directors

The total remuneration package is structured so that variable elements (annual bonus and long-term incentives) make up a significant proportion of the package, with the emphasis on variable pay focused on long-term incentives The tables below summarise the key aspects of the Company's Remuneration Policy for Executive Directors

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Salary	The Company is required to provide an appropriate level of salary in order to be competitive and to maintain its ability to recruit and retain Executive Directors Salaries are set to achieve this objective The Committee wishes to ensure that fixed costs are minimised and that total actual payments to executives will be driven to a more significant extent through the operation of the performance related elements of the package As described in this Remuneration Policy, the performance elements of total reward are directly linked to the achievement of the Company s strategic objectives	An Executive Director s basic salary is considered by the Committee on appointment and normally reviewed once per year or when there is a significant change to role or responsibility When making a determination as to the appropriate remuneration, the Committee where it is relevant, benchmarks the remuneration against the Company's peer groups For the purpose of benchmarking salaries and other remuneration, the principal peer grouping used by the Company consists of companies within similar industry sectors which are either US or UK listed with a range of capitalisations The results of benchmarking will however only be one of a number of factors taken into account by the Remuneration Committee and which will include • scale scope and responsibility of the role • skills and experience of the individual • retention risk • base salary of other employees and • economic environment	There is no prescribed maximum annual salary The Committee is satisfied that the salaries conform to its strategy whilst remaining competitive against similar roles within the relevant peer groups The current salaries for the Executive Directors are Chris Silva: 2016 $'000 $515; 2015 $'000 $500; Review Date 01 Jan	There are no performance conditions attached to the payment of salary although there are a number of performance-based factors both at the individual and Company level that influence the level of salaries provided to Executive Directors for annual performance appraisals

Management and Governance

Directors' Remuneration Report *(continued)*

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Benefits	The Committee's intention is to provide a benefits package in line with US employment market practice The Company is required to provide this benefits package in order to be competitive and to maintain its ability to recruit and retain Executive Directors	The Executive Directors may be entitled to the following benefits • life insurance • disability insurance, • medical benefits and dental care, • a car allowance • an annual payment to cover personal legal and tax advice Executive Directors may also participate in any all employee share plans that may be operated by the Group from time to time on the same terms as other employees Additional benefits, which may include relocation expenses housing allowance or other benefits in kind may be provided in certain circumstances if considered appropriate and reasonable by the Committee, including as may be required on recruitment	This is the cost of providing those benefits detailed herewith which in 2015 was as follows **Benefits Cost $'000** Chris Silva — $42 The cost of benefits provided changes in accordance with market conditions and will, therefore, determine the maximum amount that would be paid in the form of benefits There is therefore no overall maximum opportunity under this this component of the Remuneration Policy	There are no performance conditions attached to the payment of benefits

Directors' Remuneration Report *(continued)*

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Cash Incentive Bonus Awards	The cash incentive bonus award, taken together with base salary, is required in order to be competitive and to maintain the ability to recruit and retain Executive Directors Cash incentive bonus awards are set to achieve this objective As described in this Remuneration Policy, the performance elements of cash incentive bonus awards and total reward are directly linked to the achievement of the Company s strategic objectives	The Committee and senior management review the Group's management by objectives (MBOs) annually prior to the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy Annual MBOs including financial, operational technical and other performance targets and their weightings for the upcoming year are set at or around the start of each financial year An Executive Director's cash incentive bonus award is considered by the Committee upon completion of each financial year The decision to provide any cash incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by the Committee at the start of the financial year	There are no caps on the amount of bonus which may be paid However, each year the Committee determines the maximum opportunity for each Executive Director The maximum opportunity for each Executive Director in 2016 is set at 150% of base salary When making a determination as to the appropriate maximum bonus, the Committee, where it is relevant benchmarks the remuneration against the Company's peer groups For the purpose of benchmarking cash incentive bonus awards and other remuneration the principal peer grouping used by the Company consists of companies within similar industry sectors which are either US or UK listed with a range of capitalisations The cash incentive bonus awards in 2015 were as follows **Cash Incentive Bonus Award $'000** Chris Silva — $525	As noted in "Operation", the decision to provide any cash incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by the Committee at the start of the financial year The Committee may consider any and all performance criteria in setting the annual MBOs to be used in the determination to provide an award, and may generally consider • the general performance of the Group, including financial operational technical and other performance targets, and • the individual performance of the Executive Director Weighting will be primarily towards Group and not individual MBO performance for Executive Directors Performance will typically be measured over one year

Directors' Remuneration Report *(continued)*

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Pension	It is the Committee s intention to provide pension benefits in line with US employment market practice The Company is not required to provide pension benefits in order to be competitive and to ensure its ability to recruit and retain Executive Directors	No element of the Executive Directors' remuneration is pensionable The Group does not operate any pension scheme or other scheme providing retirement or similar benefits The Group does not contribute to any personal pension schemes for employees However, the Company offers a retirement plan in accordance with subsection 401(k) of the Internal Revenue Code (401(k) Plan) in which Executive Directors may make voluntary pre-tax contributions toward their own retirement The Company does not make any payments or contributions to such 401(k) Plan	None	None

Directors' Remuneration Report *(continued)*

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Allied Minds Long Term Incentive Plan (LTIP)	The LTIP provides a competitive, performance-linked long-term incentive mechanism that will • attract, retain and motivate individuals with the required personal attributes, skills and experience, • provide a real incentive to achieve the Company's long-term strategic objectives, and • align the interests of management and shareholders	The LTIP is reviewed annually at or around the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy Financial and/or non-financial performance targets are set at or around the start of each financial year Awards under the LTIP to Executive Directors will normally take the form of restricted share units (RSUs) (a form of conditional share award) in respect of shares in Allied Minds (although instruments with similar economic effect may be used if considered appropriate) Calculations of the achievement of the vesting targets are reviewed and approved by the Committee Awards are subject to cancellation or claw-back provisions under which in the event of a material correction of any accounts of the Company used to assess satisfaction of any performance conditions or in the event of a participant's gross misconduct awards may be reduced, adjusted or cancelled as determined by the Committee Clawback applies for the two year period following vesting	Under the terms of the LTIP, the maximum value of Ordinary Shares over which awards under the LTIP may be granted to a participant in any financial year of the Company may not generally exceed 300% of base salary for that financial year unless circumstances arise which the Committee believe justify granting an award outside this limit The Committee would only envisage overriding the 300% limit in exceptional circumstances such as where there was a need to do so to attract a new executive Notwithstanding the maximum value permitted under the terms of the LTIP, each year the Committee determines the maximum opportunity for each Executive Director The maximum opportunity for each Executive Director in 2016 is set at 225% of base salary During 2015, the LTIP awards made to the Chief Executive Officer had a maximum value of 233% of base salary When making a determination as to the appropriate maximum LTIP award the Committee where it is relevant, benchmarks the remuneration against the Company s peer groups For the purpose of benchmarking LTIP awards and other remuneration the principal peer grouping used by the Company consists of companies within similar industry sectors which are either US or UK listed with a range of capitalisations	Specific performance targets may vary from year to year in accordance with priorities support the business strategy In respect of the LTIP awards made in 2014 and 2015 vesting is dependent upon performance metrics measured as follows • 60% of each award will be subject to performance conditions based on the Company s total shareholder return (TSR) performance in respect of a three-year period and • 40% of each award will be subject to performance conditions based on a basket of shareholder value metrics including but not limited to (i) the increase in quality of pipeline intellectual property reviewed (ii) the increase in quality of the partnership pipeline and (iii) subsidiary level performance (assessed by reference to such matters as external funding raised corporate collaborations product co-development and proof of principal commercial pilots and revenues) Performance will be assessed on these measures on a scorecard basis over a three year period At the end of the three year period, performance against the relevant measures will be calculated to determine the number of Ordinary Shares capable of vesting For the 2014 awards 50% of the award will then vest at that time The remaining 50% will vest in two equal tranches in years 4 and 5 subject to the relevant participant still being employed within the Group at the relevant vesting date For the 2015 awards 100% of the award will vest at the end of the three year period The level of vesting for threshold performance for the 2015 awards is 33 33% of the maximum The level of vesting for target performance is 66 67% of the maximum Starting in 2016 the Committee expects to make annual awards under the LTIP with 100% of each award subject to performance conditions based on the Company s relative total shareholder return (rTSR) performance in respect of a three-year period The Group TSR will be measured relative to the FTSE 250, the S&P 500, and a peer group of four publicly traded companies The level of vesting for threshold performance is 16 67% of the maximum The level of vesting for target performance is 66 67% of the maximum

Directors' Remuneration Report *(continued)*

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Allied Minds Phantom Plan	The Committee intention is to reward participants for a successful subsidiary company liquidity event The Committee recognises that successful subsidiary company liquidity events are a key strategic objective of the Group and its shareholders, and believes that the Phantom Plan is designed to align the interests of the Executive Directors and management of Allied Minds with such objective	The Phantom Plan is a performance based, cash settled bonus plan for Allied Minds' Executive Directors and management The Plan is triggered by a successful subsidiary liquidity event, including (i) a subsidiary IPO (ii) the sale of all or substantially all of a subsidiary company's assets (iii) the sale of at least two-thirds of the outstanding shares of a subsidiary company's voting equity, (iv) the merger or consolidation of a subsidiary company with or into another entity, or (v) a subsidiary company's liquidation Upon a liquidity event, Allied Minds will deduct the amount it invested in such subsidiary company and deduct the accrued interest in respect of such investment, and will then allocate 10% of the remaining net proceeds to the Phantom Plan account for allocation among the participants Participation in the Phantom Plan is evidenced by "units " Vesting of units is determined at the time of grant of the units Current intention is for a proportion of the units to vest at grant and the remainder on an annual basis over a two year period	The maximum aggregate number of units that may be awarded under the Phantom Plan is 200 000 units Upon a liquidity event Allied Minds will distribute 80% of the Phantom Plan account to the participants based on their pro rata share of all vested units on the date of the applicable liquidation event and the remaining 20% of the Phantom Plan account will be distributed to participants at the discretion of the Committee Notwithstanding the 20% discretionary allocation it is the current intention of the Committee to allocate 100% of the Phantom Plan account to the participants based on their pro rata share of all vested units	No amounts accrue under the Phantom Plan, and no amounts are distributed to participants, until and unless a successful subsidiary company liquidity event occurs and the cash generated in such liquidity event exceeds the amount Allied Minds invested in such subsidiary company, plus accrued interest and expenses in respect of such investment No other performance metrics apply

Directors' Remuneration Report *(continued)*

Element of Remuneration	How it supports the Company s Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Non-Executive Directors Fees	The Company s intention is to set fees at a level necessary to attract and retain experienced and skilled Non-Executive Directors with the necessary experience and expertise to advise and assist in establishing and monitoring the strategic objectives of the Company Fees also reflect the time commitment and responsibilities of the roles An additional fee is paid for Chairmanship of a Board Committee and to the Chairman of the Board	Non Executive Directors have specific terms of engagement provided in formal letters of appointment Their remuneration is determined by the Board taking into account recommendations from the Remuneration Committee within the limits set by the Articles of Association and based on equivalent roles in FTSE 250 companies and the peer groups used for Executive Directors The fees for Non Executive Directors are reviewed annually and fixed for the fiscal year The Non Executive Directors are appointed for a three year term subject to annual re election by the shareholders, at the Company's AGM Non Executive Directors do not receive any cash incentive bonus and do not participate in any Company pension scheme The Non Executive Directors are eligible for RSU awards under the LTIP Awards to the Non Executive Directors will be subject to time based vesting provisions and will not be subject to performance metrics Each Non Executive Director is also entitled to reimbursement of reasonable and properly documented expenses incurred in performing the duties of their office	The current fees payable to the Non Executive Directors are as detailed below In each case the fees paid take account of responsibilities in acting as Chairman of the Board Chairman of a Board Committee or as Senior Independent Director **2015 $'000 / 2014 $'000 / Review Date** Rick Davis $85 / $80 / 01 Jan Peter Dolan $124 / $55 / 01 Jan Jeff Rohr $100 / $65 / 01 Jan Kevin Sharer $49 / - / 01 Jan Jill Smith - / - / 01 Jan The fees for the Non-Executive Directors were reviewed in January 2016 and the decision taken to set the fees for 2016, for any Non Executive Directors serving in the following capacities as follows **2016 $'000 / 2015 $'000** **Annual Cash Component** Non Executive Director $75 / $75 Audit Committee Chair $25 / $25 Remuneration Committee Chair $10 / $10 Nomination Committee Chair $10 / $10 Chairman of the Board $75 / $75 **Annual Equity Component** Non-Executive Director LTIP Award Value $50 / $50 Chairman of the Board LTIP Award Value $75 / $75 The fees proposed to be paid to the Chairman shall only be payable where the Chairman is a Non-Executive Director Given the US based nature of the Group s business and the need to attract and retain independent directors with significant US business and leadership experience, the proposed fees above include an equity component based upon a recommendation from the Hay Group The Committee is satisfied that the level of fees conform to its strategy, whilst remaining competitive against similar roles within the relevant peer groups Careful consideration has been given as to whether including an equity component would affect the independence of the Non Executive Directors, and the conclusion was reached that it would not given the level of the awards and the fact that they are not performance-related	There are no performance conditions attached to the payment of fees or the vesting under the awards granted under the LTIP

Directors' Remuneration Report *(continued)*

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the Remuneration Policy set out in the tables on the previous pages, where the terms of the payment were agreed either (i) before the policy came into effect, or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company For these purposes "payments" include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted Details of any such payments will be set out in the Annual Remuneration Report as they arise

Differences between the Remuneration Policy and that applied to employees generally

The components of remuneration set out on the previous pages for Executive Directors are also applied to the Group's senior management team and differ only in values and award maxima The basic benefits package is typically available to all US employees at the Group level following completion of a probationary period Overall, there is more emphasis on variable pay for the Executive Directors and senior management, but all US employees at the Group level are eligible for discretionary cash incentive bonus awards In addition, the Company is committed to fostering alignment with shareholders through widespread share ownership, and thus all US employees at the Group level are eligible to participate in the LTIP The Group has also implemented equity incentive plans within its subsidiaries in order to incentivise employees within the subsidiary businesses Generally, the employees of the subsidiary businesses do not participate in any of the Group level incentive plans The Chief Executive Officer of each of our most significant subsidiaries may participate in the future in the LTIP, but the levels of such awards under the LTIP are not expected to be a significant percentage of their total compensation

Schemes or arrangements under which allocations or awards are no longer being made

In addition to the Executive Directors' remuneration arrangements set forth in the Remuneration Policy, the Group previously maintained the Allied Minds Stock Option/Stock Issuance Plan (US Stock Plan) The Company does not intend to make any further grants under the US Stock Plan The interests of the Executive Directors in outstanding options under the US Stock Plan are shown in the statement of directors' shareholding and share interest on page 90 of this Annual Report

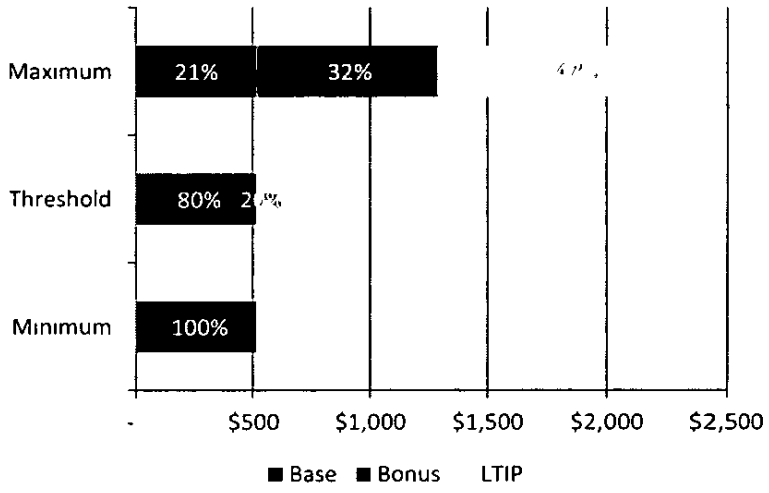
The exercise price of the options is equivalent to the fair market value of Common Stock of Allied Minds, Inc (now Allied Minds, LLC) as at the date of grant of the options and all outstanding options have already vested and become exercisable

Directors' Remuneration Report *(continued)*

Illustration of the Application of the Remuneration Policy

The value and composition of the Executive Director's remuneration packages for the year ending 31 December 2016 at minimum, threshold and maximum scenarios under the Remuneration Policy is set out in the chart below The chart depicts an estimate of the remuneration that could be received by the Chief Executive Officer under the Remuneration Policy set out in this report

Each bar is broken down to show how the total under each scenario comprises fixed remuneration (salary and benefits), the annual cash incentive bonus award and the LTIP



Notes

- Fixed remuneration reflects base salary as in effect as of 1 January 2016, and expected cost of benefits
- Cash incentive bonus award for 2016 is capped at 150% of base salary at maximum, there is no minimum bonus award at or below threshold
- Under the LTIP, awards are capped at 300% of base salary at maximum, however 2016 awards are capped at 225% of base salary at maximum, 25% of base salary at threshold and nil below threshold Awards of restricted share units under the LTIP are made based on a percentage of the participant's salary in face value terms and therefore the above amounts relating to the LTIP component reflect this Changes in the value of those shares over the vesting period are therefore ignored

Approach to Recruitment Remuneration

The Committee will apply the Remuneration Policy for any new Executive Director recruited to the Board in respect of all elements of forward-looking remuneration The maximum level of variable remuneration under the cash incentive bonus awards and LTIP that may be awarded will be within the usual maximums set out in the Remuneration Policy, subject to the exceptions permitted under the LTIP The Committee retains flexibility to provide benefits in kind, pensions and other allowances, such as relocation, education and tax equalisation, required in order to recruit the intended candidate

The Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer In doing so, the Committee will seek to structure buyout awards on a comparable basis to awards forfeited, taking into account relevant factors including any performance conditions attached to these awards, the form in which they were granted (e g cash or shares) and the

Directors' Remuneration Report *(continued)*

timeframe of awards It is intended that the value awarded would be no higher than the expected value of the forfeited awards The Committee would seek as far as possible to make such buyout awards under the Company's existing share plans but, if necessary, may rely on the Listing Rules exemption which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director

Similarly, the Remuneration Policy for a new Chairman or new Non-executive Directors would be to apply the same remuneration elements as applicable to existing Non-Executive Directors under the Remuneration Policy

In addition to the above principles, the following additional considerations may be applied as appropriate depending on the circumstances

- In the case of internal promotion, any existing performance-related elements arising from an individual's previous role will continue to be honored under the Remuneration Policy, even if they may not otherwise be consistent with the Remuneration Policy prevailing when the commitment is fulfilled
- In the case of promotion to executive director following an acquisition or other business combination, the Committee may permit equity-based incentive arrangements to continue in force if they can be "rolled-up" into awards over Allied Minds' shares provided the performance and vesting conditions are considered appropriate
- In the case of the recruitment of an executive at a time of the year when it would be inappropriate or not possible to provide an LTIP award for that year (for instance due to price sensitive information or if there is insufficient time to assess performance), the quantum in respect of the months employed during the year may be transferred to and amalgamated with the subsequent year's award if considered reasonable to do so by the Committee

The Committee will include details of the implementation of the Remuneration Policy in respect of any such recruitment to the Board in its future Annual Remuneration Reports

Service Contracts and Letters of Appointment

The Executive Director (Chris Silva) has a service contract that commenced in May 2014 At May 2016, and at each anniversary thereafter, the service contract shall be deemed to be automatically extended for successive periods of one year unless either party provides at least ninety (90) days' written notice prior to the applicable renewal date of its intention not to extend the term of the service contract

The Executive Director's contract does not provide for extended notice periods or compensation in the event of a change of control However, as noted below, the rules of the LTIP provide that, in the event of a change of control, awards would vest to the extent determined by the Committee where the Committee considers that the performance conditions are satisfied at the date of such event

If the Executive Director's employment is terminated by Allied Minds for "Cause", he shall only be entitled to amounts that are accrued or owing but not yet paid and reimbursement of any properly incurred business expenses but excluding any bonus payments or other compensation provided pursuant to Allied Minds' incentive compensation plan (such amounts, the "Standard Benefit")

Directors' Remuneration Report *(continued)*

If the Executive Director terminates the service contract for "Good Reason" or Allied Minds terminates the service contract without Cause or following delivery by Allied Minds of a Non-Renewal Notice, the Executive Director shall be entitled to

- payment of twenty four (24) months' base salary in accordance with regular payroll,
- an annual incentive award equal to the product of (A) the Executive Director's average bonus for the prior three (3) years (the "Average Bonus"), and (B) a fraction based on the number of days in which the Executive Director was employed during that year,
- pro-rated payments equal to the Executive Director's average bonus during any transition period whilst the Executive continues to receive base salary, and
- payment of the Standard Benefit

The Executive Director will also be entitled to (i) continued participation under medical insurance plans for a period of six (6) months for him and each of his eligible dependents, and (ii) continuation of life and disability insurance coverage for six (6) months

In the event of death or disability, similar payments will be made as those payable as a termination for Good Reason save that the payment of base salary shall only continue for 90 days after the death of the Executive Director and/or until the commencement of long term disability payments in the case of termination due to disability

The Executive Director may terminate his service contract without Good Reason at any time during the term of the employment, provided he gives at least ninety (90) days' advance written notice If the Executive Director terminates his employment with Allied Minds without Good Reason (and not because of his death or due to disability) or if such Executive Director delivers to Allied Minds a Non-Renewal Notice, the Executive Director shall be entitled solely to payment of the Standard Benefit

Each of Rick Davis, Peter Dolan and Jeff Rohr have Non-Executive Director letters of appointment that commenced May 2014 Kevin Sharer and Jill Smith have Non-Executive Director letters of appointment that commenced June 2015 and January 2016, respectively Each of the letters of appointment are for an initial fixed term of three years, which are reviewed and may be extended, and are terminable on one months' notice by either party The letters of appointment for the Non-Executive Directors do not provide for any compensation on termination

The service contracts and letters of appointment are available for inspection at the Company's registered office In accordance with the Code, all Directors submit themselves for election at the first AGM since their appointment to the Board, and for annual re-election by shareholders at each AGM

Remuneration Policy on Payment for Loss of Office

The Directors believe the payments owed upon loss of office detailed below are customary and appropriate to attract and retain US-based senior management of the highest caliber

The Committee reserves the right to make payments where they are made in good faith in discharge of an existing obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment where they are in the best interests of Allied Minds and its shareholders and reflecting the directors' contractual and legal rights

Directors' Remuneration Report *(continued)*

Impact of Loss of Office on Awards under LTIP

Participants who cease to be employees, directors or service providers to the Group will normally forfeit any unvested awards

However, if a participant leaves as a result of death, disability, dismissal other than for cause or any other reason determined by the Committee, awards will vest on the normal vesting date on a pro-rata basis taking into account performance and the period of time since the grant of the award and the date on which the participant ceased to provide services The Committee may in its discretion determine that there are exceptional circumstances justifying vesting to a greater or lesser extent

Impact of Change of Control on Awards under LTIP

If there is a change of control of the Company, the number of Ordinary Shares over which awards will vest will be calculated on the basis of the extent to which the performance criteria applicable to those awards have been satisfied as at the date of the change of control The resulting number of shares will then be reduced on a pro rata basis to reflect the reduced period between the date the award was made and the date of the change of control, unless the Committee decides otherwise In exceptional circumstances, the Committee may recommend full vesting This discretion to accelerate vesting upon a change of control is included in the LTIP to meet the expectations of a US-based workforce

Statement of Consideration of Employment Conditions Elsewhere in the Company

In considering changes to the remuneration of the Executive Directors, the Committee is mindful of pay and conditions in the wider Group Whilst the Group operates a range of bonus plans appropriate to its various businesses, the main drivers of these subsidiary plans, in common with the cash incentive bonus awards to Executive Directors, are the achievement of company milestones, and other company and individual objectives The Committee has not expressly sought the views of employees and no remuneration comparison measurements were used when drawing up the Remuneration Policy Through the Board, however, the Committee is regularly updated as to employees' views on remuneration generally

In the event that an employee is promoted to the Board, that individual would be allowed to retain any pre-existing incentive entitlement that had not vested at that time

Directors' Remuneration Report *(continued)*

Annual Remuneration Report (pages 87 to 97)

The Annual Remuneration Report will be subject to an advisory vote at the AGM

Single Total Figure of Remuneration for Each Director (audited)

The following table sets out the single total figure for remuneration for Directors for the financial years ended 31 December 2015 and 2014

	Base salary/ fees[1]		Benefits[2]		Pension		Annual Bonus		EBP[3]		Total	
In $'000	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Executive Directors												
Chris Silva	**500**	400	**42**	40	—	—	**525**	500	—	15,002	**1,067**	15,942
Mark Pritchard[4]	**339**	350	**1**	7	—	—	—	450	—	—	**340**	807
Non-Executive Directors												
Rick Davis[5]	**85**	80	—	—	—	—	—	—	**33**	—	**118**	80
Peter Dolan	**124**	55	—	—	—	—	—	—	**33**	—	**157**	55
Jeff Rohr	**100**	65	—	—	—	—	—	—	**33**	—	**133**	65
Kevin Sharer[6]	**49**	—	—	—	—	—	—	—	—	—	**49**	—
Jill Smith[7]	—	—	—	—	—	—	—	—	—	—	—	—

Notes

(1) Actual Non-Executive Directors' fees, pro-rated for the portion of the year they served on the Board

(2) Includes, where applicable, Company contribution to medical and dental insurance premiums car allowance, and reimbursement for personal legal and tax advice

(3) Equity-based payments in 2014 include awards under the US Stock Plan All equity awards including stock options and restricted stock, under the US Stock Plan became vested and fully exercisable, or vested and fully transferable, in connection with the IPO in 2014 Also includes the value of restricted stock granted to the non-executive directors that vested in 2015 No equity based awards vested under the LTIP during 2015 or 2014 In addition, no equity-based awards are expected to vest under the LTIP during 2016, however the performance period for LTIP awards made during 2014 ends on 31 December 2016, and such awards may vest in April 2017

(4) Mr Pritchard resigned as an Executive Director in September 2015

(5) Includes fees of $50,000 per year as director of Allied Minds, Inc (now Allied Minds, LLC) before becoming director of Allied Minds plc in 2014

(6) Mr Sharer was appointed as a Non- Executive Director in June 2015

(7) Ms Smith was appointed as a Non-Executive Director in January 2016

(8) In addition, in connection with the IPO, Chris Silva and Rick Davis exercised stock options under the US Stock Plan resulting in pre-tax gain of $6 0 million and $1 7 million, respectively

Individual Elements of Remuneration

Base Salary and Cash Incentive Bonus Awards during 2015

The Remuneration Committee engaged the Hay Group to conduct a compensation benchmarking study for the Company's senior management in conjunction with the Company's 2015 year-end compensation process, including an analysis of the traditional elements of executive pay (base salary, annual cash incentive bonus, long-term equity incentives and total direct compensation) The Hay Group utilised a variety of information sources to evaluate the market for executive compensation, including an analysis of eight publicly-traded companies For the purpose of benchmarking salaries and other remuneration the principal peer grouping used by the Company consisted of listed companies within similar industry sectors with a range of capitalisation

Directors' Remuneration Report *(continued)*

Based upon the results of the benchmarking study, the Remuneration Committee concluded each of the Executive Directors' total direct compensation was still at or below the 50th percentile of the peer group Given the strong Company performance in 2015, and the achievement of Company and individual goals, the Remuneration Committee recommended to the Board a modest 5% increase in the level of cash incentive bonus award, and a 25% increase in base salary, to move the Executive Director total direct compensation towards the 50th percentile of the peer group The Remuneration Committee designed the increases to reflect its 2015 policy of moving the Executive Director compensation, in connection with superior performance, towards the 50th percentile of the peer group The Remuneration Committee also designed the increases to emphasise the variable component of compensation, by allocating more of the increase to the cash incentive bonus award and not base salary Notwithstanding the increases, the Executive Director total direct compensation remained below the median for the peer group during 2015 The increase in base salary is set forth in the Remuneration Policy tables above The increase in cash incentive bonus award is reflected in the table above

LTIP Awards made during 2015 (audited)

	Type	Basis of award	Number of shares	Face value of award ($'000)	% of value to vest at threshold	% of value to vest at target	Vesting conditions
Executive Directors							
Chris Silva	RSU	See below	126,630	$1,163	33%	67%	Based on performance achievement, 100% at end of 2017
Non-Executive Directors							
Rick Davis	RSU	See below	5,446	$50	n/a	n/a	Based on service, annually over three years to June 2018
Peter Dolan	RSU	See below	8 170	$75	n/a	n/a	Based on service, annually over three years to June 2018
Jeff Rohr	RSU	See below	5 446	$50	n/a	n/a	Based on service, annually over three years to June 2018
Kevin Sharer	RSU	See below	5 446	$50	n/a	n/a	Based on service, annually over three years to June 2018

At 04 June 2015, the LTIP award above was granted to the Chief Executive Officer The total value of the award has been calculated using the closing share price of 599p on such date The level of award was determined by the Committee after giving due consideration to the 2014 Hay Group compensation benchmarking study which concluded that the target amount of the award ($775,000), or approximately 150% of base salary, would position the CEO below the median for the peer group for total compensation during 2015 Vesting of the LTIP award is dependent upon performance metrics measured over the three years to 31 December 2017, details of which are set out in the Remuneration Policy table on page 79 of the Report The level of vesting for threshold performance is 33 33% of the maximum The level of vesting for target performance is 66 67% of the maximum

At 04 June 2015, the LTIP awards above were granted to the Non-Executive Directors The total value of the award has been calculated using the closing share price of 599p on such date The level of award was determined by the Committee after giving due consideration to the 2014 Hay Group compensation benchmarking study which recommended such awards in light of the US-based nature of the Group's business, and the need to attract and retain independent directors with significant US business and

Directors' Remuneration Report *(continued)*

leadership experience Vesting of the LTIP award is based upon time of service, with each award vesting in three equal installments over a three year period There are no performance conditions attached to the vesting under the awards granted under the LTIP

Long Term Incentive Plan Vesting during 2015 (audited information)

The Company did not make any awards under the LTIP prior to 2014 Accordingly, no equity-based awards vested under the LTIP during 2015 or 2014 In addition, no equity-based awards are expected to vest under the LTIP during 2016, however, the performance period for LTIP awards made during 2014 ends on 31 December 2016, and such awards may vest in April 2017

US Stock Plan Awards made during 2015 (audited information)

The Company did not make any grants under the US Stock Plan in 2015, and does not intend to make any further grants The interests of the Executive Directors in outstanding options under the US Stock Plan are shown in the statement of directors' shareholding and share interest on page 90 of this Annual Report

Payments to Past Directors (audited information)

No payments to past Directors were made during the last financial year

Loss of Office Payments (audited information)

No payments for loss of office were made to past Directors during the last financial year

Total Pension Entitlements (audited information)

No payments for pension entitlements were made to Directors during the last financial year The Company offers a retirement plan in accordance with subsection 401(k) of the Internal Revenue Code (401(k) Plan) in which Executive Directors may make voluntary pre-tax contributions toward their own retirement The Company does not make any payments or contributions to such 401(k) Plan

Directors' Remuneration Report *(continued)*

Statement of Directors' Shareholding and Share Interests (audited)

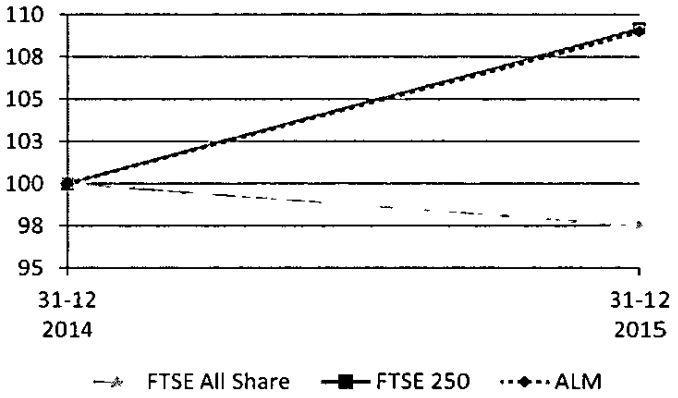
Share ownership plays a key role in the alignment of our executives with the interests of shareholders In April 2016, the Remuneration Committee adopted a share ownership policy for Executive Directors and persons discharging managerial responsibility (PDMRs) The policy requires Executive Directors and PDMRs to acquire and maintain a minimum ownership level of ordinary shares in the capital of the Company, thereby helping to align their interests with those of shareholders The Committee has set the current requirements at share value of 400% of base salary for Executive Officers, and share value of 300% of base salary for PDMRs The Committee has not set a timeframe during which Executive Officers and PDMRs are required to accumulate their share ownership level Whilst the policy was not in effect during the period, the Executive Director met this requirement, and all but one PDMR (the Chief Executive Officer) met this requirement, who had only been appointed in August 2015 The table below sets out the number of shares held by Directors as at 31 December 2015, and the Company is not aware of any changes through 25 April 2016

	Shares held outright	Shares conditional on performance	Shares conditional on service	Options to purchase shares	Total
Executive Directors					
Chris Silva	2,844,402	1,524,971	—	3,105,498	7,474,871
Non-Executive Directors					
Rick Davis	259,600	—	5,446	—	265,046
Peter Dolan	39,600	—	8,170	—	47,770
Jeff Rohr	39,600	—	5,446	—	45,046
Kevin Sharer	—	—	5,446	—	5,446
Jill Smith	—	—	—	—	—

Directors' Remuneration Report *(continued)*

Performance Graph

The graph below illustrates the Company's Total Shareholder Return (TSR) performance relative to the constituents of the FTSE 250 index excluding investment companies and the FTSE All Share index of which the Company is a constituent, from the start of conditional share dealing on 25 June 2014 The graph shows performance of a hypothetical £100 invested and its performance over that period



Change in remuneration of Chief Executive Officer compared to US Group employees

The table below sets out the increase in total remuneration of the Chief Executive Officer and that of our US Group employees (excluding Directors) from 2014 to 2015

	% change in base salary	% change in cash bonus	% change in benefits
CEO	**25 0%**	5 0%	5 5%
US Group Employees	**5 8%**	5 2%	4 3%

Directors' Remuneration Report *(continued)*

Historical CEO remuneration outcomes

The table below summarises the Chief Executive Officer single total figure for total remuneration, annual cash incentive bonus award, LTIP vesting as a percentage of maximum opportunity, and US Stock Plan share award vesting as a percentage of maximum opportunity, for the last financial year As the company listed in 2014, the comparative begins with the 2013 period

	2015	2014	2013
CEO single total figure for remuneration ($'000)	**$1,067**	$15,942	$1,236
Annual cash incentive bonus award pay-out (% of maximum)[1]	**n/a**	n/a	n/a
LTIP award vesting (% of maximum)[2]	**n/a**	n/a	n/a
US Stock Plan award vesting (% of maximum)[3]	**n/a**	100%	100%

Notes

(1) The percentage of maximum is not applicable because the Company did not have any cap on cash incentive bonus award payments in those financial years As a percentage of base salary, the award was 65 7% in 2013, 125 0% in 2014 and 105 0% in 2015 For 2016, the Remuneration Committee has adopted a maximum cash incentive bonus award of 150% of base salary for Executive Officers

(2) No equity-based awards vested under the LTIP during 2015, 2014 or 2013 In addition, no equity-based awards are expected to vest under the LTIP during 2016 however, the performance period for LTIP awards made during 2014 ends on 31 December 2016, and such awards may vest in April 2017

(3) Equity-based payments include awards under the US Stock Plan All equity awards, including stock options and restricted stock under the US Stock Plan became vested and fully exercisable, or vested and fully transferable, in connection with the IPO

Relative importance of spend on pay

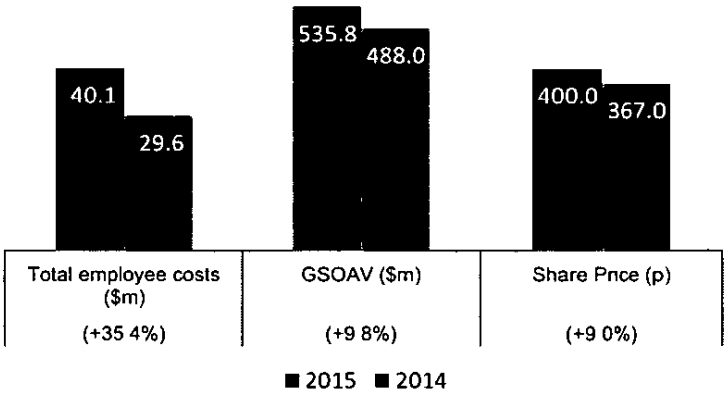
The chart below shows the total employee costs, change in Group Subsidiary Ownership Adjusted Value, and change in share price from 2014 to 2015

The information shown in this chart is based on the following

- Total employee pay Total US Group employee staff costs from note 5 on page 126, including wages and salaries, social security and healthcare costs, and share-based payments
- Change in Group Subsidiary Ownership Adjusted Value (GSOAV) taken from page 21

Directors' Remuneration Report *(continued)*

- Returns to shareholders since the Group does not currently pay a dividend, returns to shareholders are represented by the change in the Group's share price over the period from 31 December 2014 to 31 December 2015



Statement of implementation of remuneration policy in the following financial year

Base Salary and Benefits

Effective from 01 January 2016, the base salary of the Executive Director will be

	Base Salary	Increase	% Increase
Chris Silva	$515,000	$15,000	3%

The Committee considers that, as part of a competitive overall package, base salaries should be within a market-competitive range, which is considered to be up to median level compared with the Company's peer groups As noted above, based upon the results of the peer benchmarking study, the strong Company performance in 2015, and the achievement of Company and individual goals, the Board recommended a modest 3% increase in base salary In addition, the 3% increase is consistent with the target cost-of-living increase that was implemented across the Group to US employees

The benefits package during 2016 will continue to be in line with US employment market practice and the Remuneration Policy

Cash Incentive Bonus Awards

The Remuneration Committee expects to implement the following changes to the cash incentive bonus awards, which are permitted under the current Remuneration Policy and shall permitted under the revised Remuneration Policy in this Annual Report During 2015, there was no cap on the amount of bonus to be paid to Executive Directors Under the revised Remuneration Policy, each year the Committee will determine the maximum opportunity for each Executive Director The maximum opportunity for each Executive Director in 2016 is set at 150% of base salary, which is considered to be up to median level compared with the Company's peer groups

The Executive Director's cash incentive bonus awards shall be considered by the Committee upon completion of the financial year The decision to provide any cash incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by

Directors' Remuneration Report *(continued)*

the Committee at the start of the financial year The annual MBOs, including financial, operational, technical and other performance targets and their weightings for the upcoming year were set at the start of 2016

Long Term Incentive Plan

The Remuneration Committee expects to implement the following changes to the LTIP awards, which are permitted under the current Remuneration Policy and shall permitted under the revised Remuneration Policy in this Annual Report During 2015, there was no cap on the amount of LTIP award to be made to Executive Directors, other than the cap of 300% of base salary per financial year as specified in the LTIP Under the revised Remuneration Policy, each year the Committee will determine the maximum opportunity for each Executive Director The maximum opportunity for each Executive Director in 2016 is set at 225% of base salary, which is considered to be up to median level compared with the Company's peer groups

Starting in 2016, the Committee expects to make annual awards under the LTIP with 100% of each award subject to performance conditions based on the Company's relative total shareholder return (rTSR) performance in respect of a three-year period The Group TSR will be measured relative to the FTSE 250, the S&P 500, and a peer group of four publicly-traded companies The level of vesting for threshold performance is 16 67% of the maximum The level of vesting for target performance is 66 67% of the maximum

In respect of the 2014 and 2015 awards, the Committee expects vesting to continue to be dependent upon performance metrics as follows

- 60% of each award will be subject to performance conditions based on the Company's total shareholder return performance in respect of a three-year period, and
- 40% of each award will be subject to performance conditions based on a basket of shareholder value metrics, including but not limited to (i) the increase in quality of pipeline intellectual property reviewed, (ii) the increase in quality of the partnership pipeline, and (iii) subsidiary level performance (assessed by reference to such matters as external funding raised, corporate collaborations, product co-development and proof of principal commercial pilots and revenues) Performance will be assessed on these measures on a scorecard basis over a three year period

In respect of the 2014 and 2015 awards, at the end of the three year period, performance against the relevant measures will be calculated to determine the number of Ordinary Shares capable of vesting The level of vesting for threshold performance will be 33 33% of the maximum The level of vesting for target performance will be 66 67% of the maximum

Directors' Remuneration Report *(continued)*

Chairman and Non-Executive Directors
Effective from 01 January 2016, the base salaries of the Chairman and Non-Executive Directors will be

	2016
Cash Component	
Non-Executive Director Annual Fee	$75,000
Audit Committee Chair Annual Fee	$25,000
Remuneration Committee Chair Annual Fee	$10,000
Nomination Committee Chair Annual Fee	$10,000
Chairman of the Board Annual Fee	$75,000
Equity Component	
Non-Executive Director LTIP Award Value	$50,000
Chairman of the Board LTIP Award Value	$75,000

The Chairman, Non-Executive Director and Committee Chair annual fees set forth in the table above remain unchanged from 2015 The additional fee for serving as Chairman shall only be payable where the Chairman is a Non-Executive Director Given the US-based nature of the Group's business, and the need to attract and retain independent directors with significant US business and leadership experience, the proposed fees above include an equity component, which will have a time-based vesting schedule Chris Silva, as an Executive Director, will not be entitled to any Board fees

Outside Appointments for Executive Directors

Any proposed external directorships are considered and approved by the Board to ensure they do not cause a conflict of interest but, subject to this, Executive Directors may accept outside non-executive appointments

Limits on the number of shares used to satisfy share awards (dilution limits)

All of the Group's incentive schemes that contain an element that may be satisfied in Allied Minds plc shares incorporate provisions that in any ten-year period (ending on the relevant date of grant), the maximum number of the shares that may be issued or issuable under all such schemes shall not exceed 10% of the issued ordinary share capital of the Company from time to time (excluding shares issued pursuant to awards granted prior to IPO under the US Stock Plan)

The Committee regularly monitors the position and prior to the making of any share-based award, considers the effect of potential vesting of outstanding awards to ensure that the Company remains within these limits Any awards which are required to be satisfied by market purchased shares are excluded from such calculations No treasury shares were held or utilised in the year ended 31 December 2015

Consideration by the Directors of matters relating to Directors' remuneration

The full terms of reference of the Committee, which are reviewed annually, are available on the Group's website at www alliedminds com In summary, the Remuneration Committee has specific responsibility for advising the Board on the remuneration and other benefits of executive directors, an overall policy in respect of remuneration of other employees of the Group and establishing the Group's policy with respect to employee incentivisation schemes

Directors' Remuneration Report *(continued)*

The Remuneration Committee is currently comprised of the following independent Non-Executive Directors, all of whom served from 04 June 2015 through the end of the financial year, and whose backgrounds and experience are summarised on pages 46 to 47

- Kevin Sharer (Chair)
- Rick Davis
- Jeff Rohr

From 01 January 2015 through 04 June 2015, the Committee was comprised of Rick Davis (Chair), Peter Dolan and Jeff Rohr

Committee meetings are administered and minuted by the Company Secretary In addition, the Committee received assistance from the Chief Executive Officer, President, Chief Financial Officer and Director of Finance, each of who attend certain meetings by invitation, except when matters relating to their own remuneration were being discussed

During the year, the key activities carried out by the Committee were

- In connection with the appointment of a new Chairman of the Remuneration Committee, carried out a thorough review of all elements of remuneration for Executive Directors and senior management,
- Reviewed feedback received from major shareholders and shareholder advisory services in connection with the implementation and adoption of the initial Remuneration Policy in 2015,
- In connection with the annual review of the Remuneration Policy, revised and proposed the adoption of the new Remuneration Policy set forth on pages 74 to 86, which considered the shareholder feedback and was designed to be appropriate for a UK listed company, whilst also ensuring that it was designed to continue to attract and retain US-based management and employees of the highest caliber,
- In the new Remuneration Policy, provided for (i) a revised process for the determination of annual cash incentive bonus awards which will utilize specific performance targets and weighting set in advance from year to year, and (ii) revised performance metrics for future LTIP awards to be solely based upon relative total shareholder return (rTSR),
- Reviewed the LTIP to ensure that it continues to advance the Committee's policy to provide a competitive, performance-linked long-term incentive mechanism that will (i) attract, retain and motivate individuals with the required personal attributes, skills and experience, (ii) provide a real incentive to achieve the Company's long-term strategic objectives, and (iii) and align the interests of management and shareholders,
- Considered (i) the individual performance of the Executive Directors, (ii) the general performance of the Company, and (iii) KPIs, the achievement of Company milestones, and other Company and individual objectives, and carried out benchmarking, in order to determine the cash incentive bonus awards for the Executive Officers for the last financial year,
- Considered the (i) scale, scope and responsibility of the role, (ii) skills and experience of the individual, (iii) retention risk, (iv) base salary of other employees, (v) and economic environment, and carried out benchmarking, in order to determine base salaries of the Executive Directors, for the period starting 01 January 2016,

Directors' Remuneration Report *(continued)*

- Issued LTIP awards at 04 June 2015,
- Reviewed progress against 2014 and 2015 LTIP award performance targets for the last financial year,
- Established 2014 and 2015 LTIP award performance targets for the current financial year, and
- Reviewed the remuneration reporting regulations in connection with the review and revision of the Group's Remuneration Policy and preparation of the Directors' Remuneration Report

External advisers

The Remuneration Committee is authorised, if it wishes, to seek independent specialist services to provide information and advice on remuneration at the Company's expense, including attendance at Committee meetings

During the year, the Remuneration Committee continued its review of executive remuneration and took into consideration professional advice from Hay Group carried out in the period from June 2015 through December 2015 Hay Group performed peer benchmarking to assist the Committee with determinations regarding base salary, cash incentive bonus awards, and proposed LTIP awards Fees paid to Hay Group in connection with advice to the Committee in 2015 were $28,000 (2014 $83,000) Hay Group did not provide any other services or advice to the Group during the year They are a member of the Remuneration Consultants Group and adhere to its Code of Conduct in relation to executive remuneration consulting in the UK

Statement of voting at general meeting

The table below sets out the proxy results of the vote on the Group's Remuneration Report and Remuneration Policy at the Group's 2015 AGM

	Votes for		Votes against			
	Number	% of cast votes	Number	% of cast votes	Votes cast	Votes withheld
Remuneration Report	160,918,780	97 02%	4,945,679	2 98%	165,864,459	1,069,036
Remuneration Policy	155,007,391	92 86%	11,926,105	7 14%	166,933,496	0

Remuneration disclosure

This report complies with the requirements of the Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (September 2014) and the Listing Rules

Approval

This Directors' Remuneration Report, including both the Remuneration Policy and Annual Remuneration Report has been approved by the Board of Directors

Kevin Sharer
Chairman of the Remuneration Committee

25 April 2016

Audit Committee Report

The Audit Committee plays an integral role in assisting the Board fulfil its oversight responsibilities In performing its duties, the Committee strives to maintain effective working relationships with the Board, the Company's management and the external auditors The Committee reviews the integrity of the financial statements of the Group, reviews all proposed half-yearly and annual results, and advises the Board whether it believes the annual report and accounts, taken as a whole, fairly present the Company's financial position and provide the necessary information to the shareholders of the Company to assess the Company's position and performance, business model, and strategy

Membership

The Committee comprises three independent Non-executive Directors Members of the Committee are appointed by the Board The CEO, COO, Director of Finance, General Counsel and external auditors also participate in Committee meetings by invitation As Chair of the Audit Committee, Mr Jeff Rohr has relevant, recent financial experience being a Certified Public Accountant with over thirty years of senior management and executive experience At the beginning of 2015, Mr Peter Dolan and Mr Rick Davis served as the other two independent members of the Committee In June 2015, Mr Kevin Sharer was appointed to replace Mr Dolan Subsequent to year end in January 2016, Ms Jill Smith was appointed to replace Mr Sharer

The Committee met four times in 2015, and the external auditors participated in three of these meetings Messrs Rohr, Davis, Dolan and Sharer were present at all meetings during the year during their term of service

Responsibilities

The Committee's main responsibilities are to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and accounts and any other formal announcement relating to its financial performance, and reviewing and reporting to the Board on significant financial reporting issues and judgements made and matters communicated to it by the auditor The roles and responsibilities of the Audit Committee additionally include to

- Review the Company's internal financial controls and the Company's internal control and risk management systems,
- Advise on the need and monitor and review the effectiveness of the Company's internal audit function,
- Make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor,
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements,
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken, and
- Report to the Board on how it has discharged its responsibilities

The Committee carries out these duties for the Company, major subsidiary undertakings and the Group as a whole, as appropriate

Audit Committee Report *(continued)*

Activities during the year

The Committee's activities for the year ended 31 December 2015 included the responsibilities set forth above, as well as the items set forth below

Financial reporting

- Reviewed and approved the appropriate audit plan, before the start of the annual audit cycle,
- Reviewed and provided comments and recommendations in respect of the financial statements in the half-yearly report for the period ended 30 June 2015, and the financial statements in the Annual Report and Accounts for the year ended 31 December 2015,
- Reviewed the Company's approach and methodology for determining the fair value of investments, including review of the fair value reports on the individual investments Considered and recommended the involvement of external valuation specialist firm to assist management and the Board in deriving the fair value of the subsidiary undertakings,
- Considered significant matters, risk areas, and areas of judgement in relation to the Group's financial statements taking into account the areas highlighted by the external auditors in their presentations to the Committee, and challenged where necessary

The Committee is satisfied with the integrity of the financial statements of the Company in all material aspects, including the application of significant accounting policies, the methods used to account for significant transactions, use of judgements and estimates made by management, including those made in deriving the fair value of the subsidiary undertakings, and the quality and completeness of the disclosures in the financial statements of the Company

Internal controls and risk management systems

- Reviewed the principal elements of the Company's risk management framework as set out on pages 40 to 45 of this Annual Report The Committee gives consideration and provides guidance on enhancing the internal controls and risk management framework, as needed,
- Reviewed the established procedures, which provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the financial position and prospects (FPP) procedures of the Company following the adopted risk approach,
- Reviewed the whistleblower policy that was established and approved by the Board in 2014, which has been communicated to employees The Audit Committee is satisfied that the policy has been designed to encourage staff to report suspected wrongdoing as soon as possible, provide staff with guidance on how to raise those concerns, and ensure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken

Significant areas reported to the Board

Valuation of Group subsidiaries

At the close of each annual financial period, the Directors formally approve the value of all subsidiary businesses in the Group, which is used to derive the Group Subsidiary Ownership Adjusted Value (GSOAV) This Group Subsidiary Ownership Adjusted Value is a sum-of-the-parts ("SOTP") valuation of all the subsidiaries that make up the Group

Audit Committee Report *(continued)*

The Audit Committee discusses with management and the auditors the appropriateness of the adopted methodology and approach in deriving the GSOAV Further details of the Group valuation methodology are outlined in note 11 on pages 138 to 141 Although the fair values of the Group's investments in subsidiaries are not included in the Group's Consolidated Statement of Financial Position, additional disclosures are provided in the notes to the Consolidated Financial Statements This is a significant performance metric for the Group

Financial instruments – subsidiary preferred shares

Certain of the Group's subsidiaries have outstanding preferred shares which have been classified as subsidiary preferred shares in current liabilities as the subsidiaries have a contractual obligation to deliver cash or other assets to the holders under certain future liquidity events, and/or a requirement to deliver an uncertain number of common shares upon conversion Significant judgement is used in determining the classification of these financial instruments in terms of liability or equity and significant estimates are made when determining the appropriate valuation methodology and deriving the estimated fair value of the subsidiary preferred shares As such, they present a significant risk for the financial statements

Capitalisation of development cost

Given the nature of our business, the Group incurs significant research and development costs Due to the early stage of development of most of our subsidiaries, there is a limited history of achieving both technical feasibility and commercial viability that can be used as a base for assessing and determining whether the development costs have met the criteria for capitalisation As such, key judgements are made in determining whether the capitalisation criteria are met, there is a risk of development cost not being appropriately capitalised, which in turn, is a significant risk for the financial statements

External audit

- Reviewed and approved the scope of the external audit procedures over the half-yearly report for the period ended 30 June 2015, and the Annual Report and Accounts for the year ended 31 December 2015,
- Discussed with management and agreed upon the terms of the engagement of the external auditors and the auditors' remuneration for audit and non-audit services In assessing independence, the Audit Committee received the auditor's presentation and confirmation that in its professional judgment, KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired The Committee was satisfied that throughout the year that the objectivity and independence of KPMG was not in any way impaired by the non-audit services they provided to the Group during the year, by the amounts of non-audit fees, or by any other factors,
- Assessed the independence, objectivity and qualifications of KPMG as the external auditor and evaluated the quality and effectiveness of the audit procedures In doing so, the Committee reviewed the audit plan and monitored performance against the plan, reviewed the periodic reports of KPMG to the Committee that highlighted key areas of focus during the audit and the applied audit approach, and obtained feedback from the finance department in respect to quality and status of KPMG work in the course of the audit The Committee concluded that the audit process during the year was effective,
- Reviewed and discussed the principal areas of financial reporting risk, as highlighted above, and reported to the Board

Audit Committee Report *(continued)*

KPMG has been the external auditor of the Group since the first audit of the consolidated financial statements in 2008. The total fees to KPMG for the year ended 31 December 2015 were $0.5 million, of which $49 thousand were for non-audit services primarily related to tax compliance services (see note 5 of the consolidated financial statements) The Audit Committee has considered the recent European Union audit reforms in terms of tendering and auditor's tenure. Given that the Group listed on the London Stock Exchange during 2014 and became a public interest entity (PIE), the next anticipated requirement to tender audit will be for the 2024 calendar year.

Internal audit

Given the size and composition of the Group, taking into account relevant significant matters, risk areas, areas of judgement in relation to the Group's financial statements, and the centralised internal controls system in respect to the Group's financial reporting process, the Board did not consider it necessary to have an internal audit function during the year. The Board will keep this decision under annual review.

Jeff Rohr
Chairman of the Audit Committee

25 April 2016

Independent Auditor's Report to the members of Allied Minds plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Allied Minds plc for the year ended 31 December 2015 set out on pages 107 to 164 In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2015 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU),
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows (in decreasing order of significance)

***Group Subsidiary Ownership Adjusted Value** ($535 8 million) **Risk vs 2014** ◀▶*

Refer to pages 99 to 100 (Audit Committee Report) and pages 138 to 141 (financial disclosures)

The risk — The Group owns 28 subsidiaries in which it has ownership stakes of between 48% and 100% The results and financial position of the subsidiaries are consolidated in the group accounts Although the Group's holdings in subsidiaries are not included in the Group's Statement of Financial Position at fair value, the financial statements do include additional disclosure in relation to the **Group Subsidiary Ownership Adjusted Value** of the subsidiaries, as, in the directors' view, the fair value of the subsidiaries is very pertinent to the shareholders and other users of the financial statements The valuation methodologies are based primarily on net present value or risk-adjusted net present value from discounted cash flows A small minority of the valuations are based on recent third party investment or asset-based methodologies (see note 11 for more details) In the current year not all of the subsidiaries have been subject to a new valuation as at 31 December 2015 as management believes that the value of these subsidiaries has not changed significantly when compared to 31 December 2014 The Group's subsidiaries are, for the most part, still at the development stage and the majority do not yet generate revenues Due to the inherent uncertainty involved in forecasting the trading of such companies the **Group Subsidiary Ownership Adjusted Value** disclosures in the group accounts, this has been determined to be a significant risk

Our response — In this area our audit procedures included,

- Assessing the appropriateness of the valuation model used for each subsidiary and obtaining an understanding of how the forecasts are compiled
- We obtained and analysed the valuations prepared by an external expert on behalf of the Company We used our own valuation specialist to assist us in evaluating the assumptions and methodologies used in the valuations

Independent Auditor's Report to the members of Allied Minds plc only *(continued)*

- We critically assessed the appropriateness of the assumptions underlying the forecasts, including assumptions over projected revenue and operating costs and the discount rates applied, assessing also for consistency with the assumptions used in the prior year In doing this we used our knowledge of each subsidiary and its industry with reference to both internal management information and externally derived data and benchmarks, including market size data, royalty rates and competitor analyses based on information publically available
- Where values are based on recent transactions from third party investments we assessed the accuracy of the data used
- Where no new valuations have been prepared in the current year or there was no third party funding round in the year we assessed the trading performance of the related subsidiaries compared to forecasts We challenged the Group's explanation of variances and considered the progression of the entity towards achieving milestones set
- We also assessed whether the Group's disclosures were consistent with the valuations performed and whether the Group's disclosures adequately highlight the uncertainty inherent in the valuations

Financial instruments** – preferred shares classification and valuation ($94.1 million) **Risk vs 2014 (New risk)

Refer to page 100 (Audit Committee Report), pages 114 to 116 (accounting policy) and pages 146 to 147 and 149 to 150 (financial disclosures)

The risk – The Group finances its operations and subsidiaries partly through financial instruments such as preferred shares There is a significant level of judgement in relation to assessing the terms of the instruments to identify whether the instruments meets the criteria to be classified as debt or equity (and the resulting NCI impact), Further, the Group has elected to fair value the financial instruments through profit and loss There is a significant level of judgement around the assumptions used Due to these factors this has been determined to be a significant risk

Our response – in this area our audit procedures included,

- We critically assessed the conclusions reached by the Group in relation to the debt versus equity classification of the issued financial instruments by considering the key terms and features of the contracts through applying and interpreting the relevant sections of the accounting standards and also assessing the impact of the classification on the NCI disclosure,
- We obtained and analysed the valuations prepared by an external expert on behalf of the Company and we critically assessed the appropriateness of the valuation models used in determining the fair value of the financial instruments,
- We used our own valuation specialist to assist us in critically assessing the key inputs which require significant estimation and judgement in their selection and can have a significant impact on the derived fair value, specifically the time to the conversion event which is relevant where there are conversion options, the probability weighting, the discount rate and the volatility assumptions These key inputs were assessed for reasonableness by reference to external data or internal information such as available market information,

Independent Auditor's Report to the members of Allied Minds plc only *(continued)*

- We also assessed whether the Group's disclosures were consistent with the conclusions reached in relation to both the classification of the financial instruments and in relation to the key assumptions related to the valuations and whether the Group's disclosures adequately highlight the uncertainty inherent in the valuations

***Capitalisation of development costs** (\$0 2 million) **Risk vs 2014** ◀▶*

Refer to page 100 (Audit Committee Report), pages 116 to 117 (accounting policy) and pages 134 to 135 (financial disclosures)

The risk – The Group incurs significant research and development costs Due to the early stage of development of most of the Group's subsidiaries, management has limited history on which to base its assessment of both technical feasibility and commercial viability in order to ascertain whether the development costs have met the criteria for capitalisation There is therefore a risk that development costs which have met the requirements of the relevant accounting standards have not been capitalised, and this is therefore one of the key judgemental areas of our audit

Our response — In this area our audit procedures included,

- Critically assessing on a product by product basis the group's assessment of whether technical and commercial feasibility had been achieved The assessment of technical viability included considering whether successful product testing had been performed and whether regulatory approval had been achieved In relation to commercial viability we challenged the assumptions made as to whether the current market proposition, sales recorded or orders received in relation to specific products were indicative of commercial feasibility, using our knowledge of each subsidiary and of the industry in which it operates
- We have also considered the adequacy of the Group's disclosures and related judgements in relation to the capitalisation of development costs

In our audit report for the year ended 31 December 2014 we included Share Based Payments accounting and disclosures as one of the risks of material misstatement that had the greatest effect on our audit We continue to perform procedure over this risk, however, given that there were no new plans introduced in the year and also that the basis and mechanics of the calculation were reviewed and concluded on in the prior year with no issues noted, we have not assessed this as one of the risk that had the greatest effect on our audit and, therefore, it is not separately identified in our report this year

3. Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at \$1m This has been determined with reference to a benchmark of total expenses (being cost of revenue, selling and general administrative expenses and research and development expenses) (of which it represents 1 0%), which we consider to be one of the principal considerations for the members of the company in assessing the financial performance of the Group, since the Group's activities are currently principally in relation to expenditure on developing forms of intellectual property which can be exploited commercially to generate income and growth in the future

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of \$50,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds

Independent Auditor's Report to the members of Allied Minds plc only *(continued)*

The Group consists of two reporting components, one containing all the US subsidiary companies and the second containing the UK parent Company We subjected both to audits for group reporting purposes All of the US subsidiaries are centrally administered and therefore the audit of the component containing these is performed by the US component auditors as if it was a single aggregated set of financial information The parent Company component audit was performed by the Group audit team Both component audits were performed to a component materiality of $0 9 million approved by the Group audit team These audits covered 100% of total Group revenue, Group profit before tax, and total Group assets

The UK Group audit team issued detailed audit instructions to the component auditor These instructions covered the significant audit areas that should be covered by the audit (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team

The Group audit team maintained close communication with the component audit team throughout the engagement including but not limited to discussions and meetings in relation to risks identified, the audit approach to be adopted, the results of procedures performed and significant findings and visited the site at which the components are located

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- information given in the Corporate Governance Statement set out on pages 65 to 66 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to

- the directors' Viability Statement on page 54, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the two years to 31 December 2017, or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading

Independent Auditor's Report to the members of Allied Minds plc only *(continued)*

In particular, we are required to report to you if

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a Corporate Governance Statement has not been prepared by the Company

Under the Listing Rules we are required to review

- the directors' statements, set out on page 67 and 54, in relation to going concern and longer-term viability, and
- the part of the Corporate Governance Statement on page 57 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 55, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Charles le Strange Meakin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

25 April 2016

Consolidated Statement of Comprehensive Loss

For the year ended 31 December	Note	2015 $'000	2014 $'000
Revenue	3	**3,300**	7,715
Operating expenses			
Cost of revenue	4,5	**(3,925)**	(5,416)
Selling, general and administrative expenses	4,5	**(46,888)**	(38,032)
Research and development expenses	4,5	**(49,209)**	(22,195)
Operating loss		**(96,722)**	(57,928)
Finance income	7	**723**	545
Finance cost	7	**(53)**	(323)
Finance cost from IAS 39 fair value accounting	7	**(1,937)**	—
Finance (cost)/income, net		**(1,267)**	222
Loss before taxation		**(97,989)**	(57,706)
Taxation		**—**	—
Loss for the period		**(97,989)**	(57,706)
Other comprehensive loss.			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		**46**	(159)
Other comprehensive income/(loss), net of taxation		**46**	(159)
Total comprehensive loss		**(97,943)**	(57,865)
Loss attributable to.			
Equity holders of the parent		**(77,797)**	(45,478)
Non-controlling interests	17	**(20,192)**	(12,228)
		(97,989)	(57,706)
Total comprehensive loss attributable to:			
Equity holders of the parent		**(77,752)**	(45,637)
Non-controlling interests		**(20,191)**	(12,228)
		(97,943)	(57,865)
Loss per share		**$**	$
Basic	8	**(0 36)**	(0 24)
Diluted	8	**(0.36)**	(0 24)

See accompanying notes to consolidated financial statements

Consolidated Statements of Financial Position

As of 31 December	Note	2015 $'000	2014 $'000 (restated, see note 1)
Non-current assets			
Property and equipment	9	34,173	16,330
Intangible assets	10	4,384	3,409
Investment in equity accounted investees	11	1,612	1,560
Other investments	12	51,545	22,176
Other financial assets	22	842	418
Other non-current assets		228	146
Total non-current assets		92,784	44,039
Current assets			
Cash and cash equivalents	13	105,555	224,075
Other investments	12	37,648	15,231
Inventories	14	1,511	2,919
Trade and other receivables	15	7,342	6,305
Subscription receivable	18	6,000	—
Other financial assets	22	371	461
Total current assets		158,427	248,991
Total assets		251,211	293,030
Equity			
Share capital	16	3,429	3,411
Share premium	16	155,867	153,442
Merger reserve	16	185,544	185,544
Translation reserve	16	(16)	(61)
Accumulated deficit	16	(182,660)	(107,557)
Equity attributable to owners of the Company		162,164	234,779
Non-controlling interests	16,17	(20,790)	(4,946)
Total equity		141,374	229,833
Non-current liabilities			
Deferred revenue	3	—	197
Loans	19	112	338
Other non-current liabilities	20	751	182
Total non-current liabilities		863	717
Current liabilities			
Trade and other payables	20	14,268	11,339
Deferred revenue	3	395	947
Loans	19	228	213
Subsidiary preferred shares	18	94,083	49,981
Total current liabilities		108,974	62,480
Total liabilities		109,837	63,197
Total equity and liabilities		251,211	293,030

See accompanying notes to consolidated financial statements

Registered number 8998697

The financial statements on pages 107 to 157 were approved by the Board of Directors and authorised for issue on 25 April 2016 and signed on its behalf by

Chris Silva
Chief Executive Officer

CA Sil

Consolidated Statements of Changes in Equity

For the year ended 31 December 2015

	Note	Share capital Shares	Share capital Amount $'000	Share premium $'000	Merger reserve $'000	Translation reserve $'000	Accumulated deficit $'000	Total parent equity $'000	Non-controlling interests $'000	Total equity $ 000
Balance at 31 December 2013		157 463 790	2 445	–	185 544	98	(70 834)	117 253	2 606	119,859
Total comprehensive loss for the year										
Loss from continuing operations		–	–	–	–	–	(45 478)	(45,478)	(12 228)	(57 706)
Foreign currency translation		–	–	–	–	(159)	–	(159)	–	(159)
Total comprehensive loss for the year						(159)	(45 478)	(45 637)	(12 228)	(57 865)
Issuance of ordinary shares	16 17	48 164 365	818	142 243	–	–	–	143 061	–	143 061
New funds into non-controlling interest	16 17	–	–	–	–	–	–	–	4,492	4,492
Gain/(loss) arising from change in non-controlling interest	17	–	–	–	–	–	(184)	(184)	184	–
Exercise of stock options	6	8 817 424	148	11,199	–	–	–	11 347	–	11 347
Equity settled share based payments	6	–	–	–	–	–	8 939	8 939	–	8 939
Balance at 31 December 2014 (restated, see note 1)		214 445 579	3 411	153 442	185 544	(61)	(107 557)	234 779	(4 946)	229 833
Total comprehensive loss for the year										
Loss from continuing operations		–	–	–	–	–	(77,797)	(77,797)	(20,192)	(97,989)
Foreign currency translation		–	–	–	–	45	–	45	1	46
Total comprehensive loss for the year						45	(77,797)	(77,752)	(20,191)	(97,943)
Gain/(loss) arising from change in non-controlling interest	17	–	–	–	–	–	(3 228)	(3 228)	3 228	–
Exercise of stock options	6	1,191,784	18	2,425	–	–	–	2,443	–	2,443
Equity settled share based payments	6	–	–	–	–	–	5,922	5,922	1,119	7,041
Balance at 31 December 2015		215,637,363	3,429	155,867	185,544	(16)	(182,660)	162,164	(20,790)	141,374

See accompanying notes to consolidated financial statements

Financial Statements

Consolidated Statements of Cash Flows

For the year ended 31 December	Note	2015 $'000	2014 $'000
Cash flows from operating activities:			
Net operating loss		**(96,722)**	(57,928)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	9	**3,339**	2,312
Amortisation	10	**747**	580
Impairment losses on property and equipment	9	**308**	416
Impairment losses on intangible assets	10	**1**	1,063
Share-based compensation expense	5,6	**7,041**	8,939
Changes in working capital			
Decrease/(increase) in inventory	14	**1,408**	(1,874)
Increase in trade and other receivables	15	**(1,505)**	(3,626)
Increase in trade and other payables	20	**2,929**	6,301
Increase/(decrease) in other non-current liabilities	20	**569**	(96)
Decrease in deferred revenue	3	**(749)**	(1,686)
Interest received	7	**721**	545
Interest paid	7	**(41)**	(320)
Other finance income/(cost)	7	**36**	(3)
Net cash used in operating activities		**(81,918)**	(45,377)
Cash flows from investing activities:			
Purchases of property and equipment, net of disposals	9	**(21,490)**	(1,217)
Purchases of intangible assets, net of disposals	10	**(1,723)**	(547)
Purchases of investment in equity accounted investees	11	**—**	(1,560)
Purchases of other investments	12	**(51,786)**	(37,407)
Net cash used in investing activities		**(74,999)**	(40,731)
Cash flows from financing activities:			
Proceeds from exercise of stock options	16	**2,443**	11,347
Repayment of notes payable	19	**(211)**	(3,249)
Proceeds from issuance of share capital	16	**—**	143,061
Proceeds from issuance of share capital in subsidiaries	17	**—**	4,492
Proceeds from issuance of preferred shares in subsidiaries	18	**36,165**	49,981
Net cash provided by financing activities		**38,397**	205,632
Net (decrease)/increase in cash and cash equivalents		**(118,520)**	119,524
Cash and cash equivalents at beginning of the period		**224,075**	104,551
Cash and cash equivalents at end of the period		**105,555**	224,075

Notes to the Consolidated Financial Statements

(1) Accounting Policies

Basis of Preparation

Allied Minds plc ("Allied Minds" or the "Company") is a company incorporated and domiciled in the UK The Annual Report and Accounts of Allied Minds and its subsidiaries (together referred to as the "Group") are presented for the year ended 31 December 2015 The group financial statements consolidate those of the Company and its subsidiaries and the Group's interest in associates The Group financial statements have been prepared and approved by the directors in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs") The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements

Prior Year Restatement

At the end of the previous year one of the Group's subsidiaries issued subsidiary preferred shares to existing shareholders of the Group These subsidiary preferred shares were accounted for as equity (Non-controlling interests ("NCI") and Accumulated deficit) in the previous year During the current period management have further analysed the subsidiary preferred shares and believe that, due to nature of their conversion features, they should have been accounted for as subsidiary preferred shares in current liabilities As a result, as at 31 December 2014 management have increased current liabilities in the prior period by $50 0 million, reduced NCI by $36 9 million and increased accumulated deficit $13 1 million in the consolidated statement of financial position This adjustment had no material effect on the Group's consolidated comprehensive loss for the prior period As a result of this restatement the following items in the Group's consolidated statement of financial position have changed in the prior year non-controlling interests have decreased by $36 9 million, accumulated deficit has increased by $13 1 million, equity attributable to owners of the Company has decreased by $13 1 million, total equity has decreased by $50 0 million, "Subsidiary preferred shares" has been recognised as a new current liability category, at a value of $50 0 million, and total current liabilities and total liabilities have increased by $50 0 million

There has been no impact on the 31 December 2014 balance sheet of the Company

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis

Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses Actual results may differ from these estimates Estimates and underlying assumptions are reviewed on an on-going basis Revisions to estimates are recognised prospectively

Significant estimates are made when determining the appropriate valuation methodology and deriving the estimated fair value of subsidiary undertakings and subsidiary preferred shares These judgments include making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability and other industry and company specific risk factors Significant judgement is used in determining the classification of financial

Notes to the Consolidated Financial Statements
(continued)

instruments in terms of liability or equity Significant judgments are involved in determining the point of capitalisation of development costs Other significant estimates made by the Group also include those used in calculating share-based payment expense and related valuations, in particular when using Black Scholes or Monte Carlo models to determine the value of the equity based awards, the judgments used in considering any impairment required in relation to intangible assets, and the judgments made in determining control over subsidiaries Information about these critical judgments and estimates is included in the following notes

Changes in Accounting Policies
No other new standards, interpretations and amendments effective for the first time from 1 January 2015 have had a material effect on the Group's financial statements

Going Concern
The Directors have prepared trading and cash flow forecasts for the Group covering the period to 31 December 2017 Despite the fact that the Group is currently loss making and is likely to continue to be so, at least in the short term, after making enquiries and considering the impact of risks and opportunities on expected cashflows, and given the fact that the Group has $195 million of available funds in the form of cash and fixed income securities as at 31 December 2015, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the foreseeable future For this reason, they have adopted the going concern basis in preparing the financial statements

Basis of Consolidation
Allied Minds plc was formed on 15 April 2014 and on 19 June 2014 acquired Allied Minds Inc (now Allied Minds, LLC) by share exchange Each issued and outstanding common stock of Allied Minds Inc held by stockholders of Allied Minds, Inc (now Allied Minds, LLC) was converted into the right to receive twenty-two ordinary shares of Allied Minds plc This has been accounted for as a common control transaction under IFRS 3 B1 (see note 16), therefore the consolidated financial statements for each of the years ended 31 December 2015 and 2014 comprises the financial statements of Allied Minds plc and the consolidated financial statements of Allied Minds, Inc (now Allied Minds, LLC) and its subsidiaries

Subsidiaries
The financial information of the subsidiaries is prepared for the same reporting period as the parent Company, using consistent accounting policies 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 The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity Any resulting gain or loss

Notes to the Consolidated Financial Statements
(continued)

is recognised in profit or loss Any interest retained in the former subsidiary is measured at fair value when control is lost

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

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee

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

Acquisitions and disposals of non-controlling interests
Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent

Functional and Presentation Currency
This consolidated financial statements are presented in US dollars, which is the functional currency of most of the entities in the Group

Foreign Currency
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the

Notes to the Consolidated Financial Statements
(continued)

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 U S dollar 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 or non-controlling interest, as the case may be When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the Translation reserve, net of amounts previously attributed to non-controlling interests, is reclassified to profit or loss as part of the gain or loss on disposal When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests When the Group disposes of only part of its investment in a subsidiary or an associate that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss

Cash and Cash Equivalents
Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less

Inventories
Inventories are measured at the lower of cost and net realisable value The cost of inventories is based on the specific identification or weighted-average method The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

Financial Instruments
Financial Assets
The Group initially recognises loans and receivables and deposits on the date that they are originated All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred

Notes to the Consolidated Financial Statements
(continued)

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously

The Group classifies its financial assets into the following categories cash and cash equivalents, trade and other receivables, security and other deposits, other investments Such financial assets are recognised at fair value

Other investments comprise fixed income debt securities, including government agency and corporate bonds, are stated at amortised cost less impairment It is the Group policy to hold these investments till maximum maturity of three years

Financial Liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire

The Group classifies non-derivative financial liabilities into the following categories trade and other payables and loans Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method

Warrants are accounted for as equity instruments and recorded at fair value

The Group's financial liabilities include subsidiary preferred shares some of which incorporate embedded derivatives In accordance with IAS 39 11 the Group has elected not to bifurcate the embedded derivative but fair value the entire instrument at each reporting date The gain or loss on remeasurement to fair value is recognised immediately in profit or loss

Financial instruments issued by the Group
Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions

- they include no contractual obligations upon the group 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 Group, and
- 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 financial instrument is classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in the financial information for share capital and merger reserve account exclude amounts in relation to those shares

Notes to the Consolidated Financial Statements
(continued)

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy

Share Capital
Ordinary shares are classified as equity The Group considers its capital to comprise share capital, share premium, merger reserve, translation reserve, and accumulated deficit Other reserve historically presented separately is now included in accumulated deficit

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses Cost includes expenditure that is directly attributable to the acquisition of the asset Assets under construction represent machinery and equipment to be used in operations, R&D activities, or to be leased to customers once completed

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets

Computers and electronics	3 years
Furniture and fixtures	5 years
Machinery and equipment	5 – 20 years
Under construction	Not depreciated until transferred into use
Leasehold improvements	Shorter of the lease term or estimated useful life of the asset

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if appropriate

Intangible Assets
Licenses and Purchased In Process Research & Development
Licenses represent licenses provided by universities and scientists in exchange for an equity ownership in the entities Purchased in process research & development ("IPR&D") represents time and expertise already invested by the scientist and provided in exchange for an equity interest in the entity Licenses and purchased IPR&D are valued based on the amount of cash contributed by Allied Minds, at inception of the subsidiary, and the proportionate amount of equity ascribed to Allied Minds The licenses and IPR&D are capitalised only when they meet the criteria for capitalisation, namely separately identifiable and measurable and it is probable that economic benefit will flow to the entity

Capitalised Development Costs
Research and development costs include charges from universities based on sponsored research agreements (SRAs) that the subsidiaries of Allied Minds enter into with universities Under these agreements, the universities perform research on the technology that is being licensed to the subsidiaries Research and development costs also include charges from independent research and development contractors, contract research organisations (CROs), and other research institutions

Expenditure on research activities is recognised in profit or loss as incurred Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and if the Group can measure reliably

Notes to the Consolidated Financial Statements
(continued)

the expenditure attributable to the intangible asset during its development The point at which technical feasibility is determined to have been reached is when regulatory approval has been received, where applicable Management determines that commercial viability has been reached when a clear market and pricing point have been identified, which may coincide with achieving recurring sales Development activities involve a plan or design for the production of new or substantially improved products or processes The expenditure considered for capitalisation includes the cost of materials, direct labour and an appropriate proportion of overhead costs Otherwise, the development expenditure is recognised in profit or loss as incurred Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses

Software
Software intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses

Finite-lived intangible assets are amortised on a straight-line basis over their estimated useful lives, from the date that they are available for use Intangible assets which are not yet available for use (and therefore not amortised) are tested for impairment at least annually

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date Other intangible assets are amortised from the date they are available for use Amortisation methods, useful lives and residual values are reviewed at least annually and adjusted if appropriate

The estimated useful lives of the Group's intangible assets are as follows

Licences	Over the remaining life of the underlying patents
Purchased IPR&D	Over the remaining life of the underlying patents, once commercial viability has been achieved
Development cost	Over the remaining life of the underlying technology
Software	2 years

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

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

Deferred Income Tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences

Notes to the Consolidated Financial Statements
(continued)

to the extent that it is probable that future taxable profits will be available against which they can be used Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities where the Group intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously

Deferred taxes are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income

Impairment

Impairment of Non-Financial Assets

Non-financial assets consist of property and equipment and intangible assets, including licences, purchased IPR&D, capitalised development cost, with finite lives and such intangible assets which are not yet available for use

The Group reviews the carrying amounts of its property and equipment and finite-lived intangibles 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 Intangible assets which are not yet available for use are tested annually for impairment

For impairment testing, assets 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 cash-generating units ("CGUs")

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU

An impairment loss is recognised in profit and loss if the carrying amount of an asset or CGU exceeds its recoverable amount Impairment losses are allocated to reduce the carrying amounts of assets in a CGU on a pro rata basis

Impairment of Financial Assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment

Objective evidence that financial assets are impaired includes

- default or delinquency by a debtor,
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise,
- indications that a debtor or issuer will enter bankruptcy,

Notes to the Consolidated Financial Statements
(continued)

- adverse changes in the payment status of borrowers or issuers,
- the disappearance of an active market for a security, or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets

Financial Assets Measured at Amortised Cost
The Group considers evidence of impairment for these assets at both an individual asset and a collective level All individually significant assets are individually assessed for impairment Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified Assets that are not individually significant are collectively assessed for impairment Collective assessment is carried out by grouping together assets with similar risk characteristics

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate Losses are recognised in profit or loss and reflected in an allowance account When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss

Share-based Payments
Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group

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

Employee Benefits
Short-term Employee Benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably

Notes to the Consolidated Financial Statements
(continued)

Defined Contribution Plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the periods during which related services are rendered by employees Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available

Phantom Plan
The Phantom Plan is a cash settled bonus plan Expense is accrued when it is determined that it is probable that a payment will be made and when the amount can be reasonably estimated

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

Revenue Recognition
Sale of Goods
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably

The transfer of significant risks and rewards of ownership usually occurs when products are shipped and the customer takes ownership and assumes risk of loss

Rendering of Services
The Group recognises revenue from rendering of services at the time services are provided to the customer and the Group has no additional performance obligation to the customer

Government Grants
Grants received are recognised as revenue when the related work is performed and the qualifying research and development costs are incurred

Finance Income and Finance Costs
Finance income mainly comprises interest income on funds invested and foreign exchange gains Finance costs mainly comprise loan interest expense and foreign exchange losses Interest income and interest payable are recognised as they accrue in profit or loss, using the effective interest method

Fair Value Measurements
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

Notes to the Consolidated Financial Statements
(continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices)
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred

The carrying amount of cash and cash equivalents, accounts receivable, deposits, accounts payable, accrued expenses and other current liabilities in the Group's Consolidated Statements of Financial Position approximates their fair value because of the short maturities of these instruments

Operating Leases
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease

Operating Segments
Allied Minds determines and presents operating segments based on the information that internally is provided to the executive management team, the body which is considered to be Allied Minds' Chief Operating Decision Maker ("CODM")

An operating segment is a component of Allied Minds that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Allied Minds' other components The operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment, to assess its performance, and for which discrete financial information is available

(2) **New Standards and Interpretations not yet Adopted**
A number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2016, and have not therefore been applied in preparing this consolidated financial information Management has yet to complete an analysis of these new standards, interpretations and amendments to existing standards on the results of its operations, financial position, and disclosures The Group intends to adopt these standards on their respective effective dates

Notes to the Consolidated Financial Statements
(continued)

The following are amended or new standards and interpretations that may impact the Group The Group is currently considering the impact of the proposed changes but their adoption is not expected to have a material effect on the financial statements unless otherwise indicated

IFRS 9, 'Financial instruments' (effective 1 January 2018)

IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018)

IFRS 16, 'Leases' (effective 1 January 2019)

Amendment to IFRS 11,'Joint arrangements on acquisition of an interest in a joint operation', (effective 1 January 2016)

Amendment to IAS 1, 'Presentation of Financial Statements' (effective 1 January 2016)

Amendment to IAS 16 ,'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation (effective 1 January 2016)

Amendment to IFRS 9, 'Financial instruments', on general hedge accounting (effective date 1 Jan 2018)

Amendments to IAS 27, 'Separate financial statements' on equity accounting (effective 1 January 2016)

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets (effective 1 January 2016)

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation exemption (effective 1 January 2016)

Annual improvements 2014 (effective 1 January 2016)

Amendments to IAS 1,'Presentation of financial statements' disclosure initiative (effective 1 January 2016)

(3) **Revenue**

Revenue recorded in the statement of comprehensive loss consists of the following

For the year ended 31 December.	**2015 $'000**	**2014 $'000**
Product revenue	**2,208**	7,396
Service revenue	**606**	230
Grant revenue	**486**	89
Total revenue in consolidated statement of loss	**3,300**	7,715

Notes to the Consolidated Financial Statements
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Deferred revenue recorded in the statement of financial position consists of the following

As of 31 December:	2015 $'000	2014 $'000
Customer deposits	-	526
Other deferred revenue, current	395	421
Deferred revenue, current	395	947
Deferred revenue, non-current	-	197
Total deferred revenue in statement of financial position	395	1,144

(4) Operating Segments

Basis for Segmentation

For management purposes, the Group's principal operations are currently organised in two reportable segments

(I) Early stage companies – subsidiary businesses that are in the early stage of their lifecycle characterised by incubation, research and development activities, and

(II) Commercial stage companies – subsidiary businesses that have substantially completed their research and development activities and that have developed one or more products that are actively marketed

Due to their size and nature Spin Transfer Technologies, Inc (or "STT", an early stage company) and RF Biocidics, Inc (or "RFB", a commercial stage company) are not aggregated and presented as two additional separate reportable segments The Group's principal operations are therefore presented as four reportable segments being early stage company – STT, early stage companies – other, commercial stage company – RFB, and commercial stage companies – other

The Group's CODM reviews internal management reports on these segments at least quarterly in order to make decisions about resources to be allocated to the segment and to assess its performance

Other operations include the management function of the head office at the parent level of Allied Minds

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(continued)

Information about Reportable Segments

The following provides detailed information of the Group's reportable segments as of and for the years ended 31 December 2015 and 2014, respectively

	2015 $'000					
	Early stage		Commercial		Other	
	STT	Other	RFB	Other	operations	Consolidated
Statement of Comprehensive Loss						
Revenue	–	1,141	957	1,202	–	3,300
Cost of revenue	–	(205)	(2,791)	(929)	–	(3,925)
Selling, general and administrative expenses	(7,591)	(14,116)	(5,162)	(5,255)	(14,764)	(46,888)
Research and development expenses	(11,752)	(35,145)	(217)	(2,095)	–	(49,209)
Finance income/(cost), net	(1,506)	(330)	–	(43)	612	(1,267)
Loss for the period	(20,849)	(48,655)	(7,213)	(7,120)	(14,152)	(97,989)
Other comprehensive income/loss	–	–	(26)	–	72	46
Total comprehensive loss	(20,849)	(48,655)	(7,239)	(7,120)	(14,080)	(97,943)
Total comprehensive loss attributable to						
Equity holders of the parent	(11,331)	(42,404)	(4,230)	(5,707)	(14,080)	(77,752)
Non-controlling interests	(9,518)	(6,251)	(3,009)	(1,413)	–	(20,191)
Total comprehensive loss	(20,849)	(48,655)	(7,239)	(7,120)	(14,080)	(97,943)
Statement of financial position						
Non-current assets	31,692	4,568	2,810	1,687	52,027	92,784
Current assets	34,531	52,590	5,068	1,774	64,464	158,427
Total Assets	66,223	57,158	7,878	3,461	116,491	251,211
Non-current liabilities	(113)	(339)	(271)	(115)	(25)	(863)
Current liabilities	(55,265)	(48,757)	(1,140)	(1,149)	(2,663)	(108,974)
Total Liabilities	(55,378)	(49,096)	(1,411)	(1,264)	(2,688)	(109,837)
Net Assets	10,845	8,062	6,467	2,197	113,803	141,374

Notes to the Consolidated Financial Statements
(continued)

	2014 $'000					
	Early stage		Commercial		Other	
	STT	Other	RFB	Other	operations	Consolidated
Statement of Comprehensive Loss						
Revenue	–	345	6 457	913	–	7 715
Cost of revenue	–	–	(4,898)	(518)	–	(5,416)
Selling, general and administrative expenses	(5 722)	(7,232)	(5,854)	(4,003)	(15,221)	(38,032)
Research and development expenses	(7,350)	(13,104)	(184)	(1,557)	–	(22,195)
Finance income/(cost), net	(268)	–	3	(51)	538	222
Loss for the year	(13,340)	(19,991)	(4 476)	(5,216)	(14,683)	(57 706)
Other comprehensive income/loss	–	–	(34)	–	(125)	(159)
Total comprehensive loss	(13 340)	(19 991)	(4,510)	(5,216)	(14 808)	(57,865)
Total comprehensive loss attributable to						
Equity holders of the parent	(7 057)	(17,100)	(2,542)	(4 130)	(14,808)	(45,637)
Non-controlling interests	(6 283)	(2,891)	(1,968)	(1 086)	–	(12,228)
Statement of Financial Position						
Non-current assets	14,354	3,325	2,912	1,356	22,092	44,039
Current assets	68,750	15,851	8,523	2 293	153,574	248,991
Total Assets	83 104	19 176	11,435	3,649	175 666	293,030
Non-current liabilities (restated)	(50,014)	(281)	–	(344)	(59)	(50,698)
Current liabilities	(3,420)	(2,691)	(2,888)	(750)	(2,750)	(12,499)
Total Liabilities (restated)	(53,434)	(2,972)	(2,888)	(1 094)	(2,809)	(63,197)
Net Assets (restated)	29,670	16,204	8,547	2,555	172,857	229,833

In 2015, Cost of revenue and Selling, general and administrative expenses included of segments STT, Early stage – other, RFB, Commercial stage – other, and Other operations included depreciation and amortisation expense of $2,316,000, $936,000, $554,000, $232,000, and $49,000 respectively (2014 $1,538,000, $477,000, $646,000, $179,000, and $52,000)

At the end of 2015, the Group's CODM has determined that Biotectix reached commercial stage and as such its financial information has been presented in the respective reportable segment as of and for the year ended 31 December 2015 and 2014

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed further in notes 11 and 17

Geographic Information

Whilst the Group includes RF Biocidics (UK) Limited, which is a UK company, the revenues and net operating losses of that subsidiary are not considered material to the Group, and therefore the Group revenues and net operating losses for the years ended 31 December 2015 and 2014 are considered to be entirely derived from its operations within the United States and accordingly no additional geographical discloses are provided

Notes to the Consolidated Financial Statements
(continued)

(5) Operating Expenses

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

For the year ending 31 December	2015	2014
Selling, general and administrative	73	58
Research and development	87	50
Total	160	108

The aggregate payroll costs of these persons were as follows

For the year ending 31 December:	2015 $'000	2014 $'000
Selling, general and administrative	22,416	19,751
Research and development	17,710	9,865
Total	40,126	29,616

Total operating expenses were as follows

For the year ending 31 December.	2015 $'000	2014 $'000
Salaries and wages	27,602	17,128
Payroll taxes	1,781	1,496
Healthcare benefit	2,328	1,473
Other payroll cost	1,374	580
Share-based payments	7,041	8,939
Total	40,126	29,616
Cost of revenue	3,925	5,416
Other SG&A expenses	24,472	18,281
Other R&D expenses	31,499	12,330
Total operating expenses	100,022	65,643

	2015 $'000	2014 $'000
Auditor's remuneration		
Audit of these financial statements	435	261
Audit of the financial statements of subsidiaries	20	20
Audit-related assurance services	—	89
Other assurance services	—	1,848
Taxation compliance services	49	36
	504	2,254

Notes to the Consolidated Financial Statements
(continued)

In 2014, auditor's remuneration included $1,796,000 of other assurance services provided in relation to the Group's listing on the London Stock Exchange, which were offset against equity

See note 6 for further disclosures related to share-based payments and note 24 for management's remuneration disclosures

(6) **Share-Based Payments**

UK Long Term Incentive Plan

On 19 June 2014, Allied Minds plc established the UK Long Term Incentive Plan ("LTIP") Under the LTIP, awards over Ordinary Shares may be made to employees, officers and Directors, and other individuals providing services to the Company and its subsidiaries Awards may be granted in the form of share options, share appreciation rights, restricted or unrestricted share awards, performance share awards, restricted share units, phantom-share awards and other share-based awards Awards have been made under the LTIP during 2015 and 2014 in respect of a total of 450,251 and 4,618,842 Ordinary Shares, respectively It is intended that awards will normally vest only after a minimum period of three years from the date of grant Vesting will normally be subject to the achievement of performance conditions and continued services of the participant In respect of the initial awards, which have been made conditionally on Admission, vesting is dependent upon performance metrics as follows

- 60% of each award will be subject to performance conditions based on the Company's total shareholder return ("TSR") performance in respect of the period from Admission until 31 December 2016, and
- 40% of each award will be subject to performance conditions based on a basket of shareholder value metrics ("SVM"), including but not limited to (i) the increase in quality of pipeline intellectual property reviewed, (ii) the increase in quality of the partnership pipeline, and (iii) subsidiary level performance (assessed by reference to such matters as external funding raised, corporate collaborations, product co-development and proof of principal commercial pilots and revenues) Performance will be assessed on these measures on a scorecard basis over a three year period

In respect of the initial awards, at the end of the three year period, performance against the relevant measures will be calculated to determine the number of Ordinary Shares which have satisfied the vesting criteria and 50% of the award will then vest at that time The remaining 50% will vest in two equal tranches in years 4 and 5 subject to the relevant participant still being employed within (or being a director of a company within) the Group at the relevant vesting date (or being an earlier good leaver as described further in the LTIP)

A summary of stock option activity under the UK LTIP for the year ended 31 December 2015 and 2014, respectively, is shown below

	2015		2014	
For the year ended 31 December:	**TSR**	**SVM**	**TSR**	**SVM**
Number of shares granted at maximum ('000)	**170**	**280**	2,771	1,848
Weighted average fair value (pence)	**701**	**599**	114	190
Fair value measurement basis	**Monte Carlo**	**Market Value**	Monte Carlo	Market Value

Notes to the Consolidated Financial Statements
(continued)

The share grants that vest upon the occurrence of a market condition (i e the TSR performance) and service condition were adjusted to current market price at the date of the grant to reflect the effect of the market condition on the non-vested shares' value The Company used a Monte Carlo simulation analysis utilising a Geometric Brownian Motion process with 50,000 simulations to value those shares The model takes into account share price volatilities, risk-free rate and other covariance of comparable UK public companies and other market data to predict distribution of relative share performance This is applied to the reward criteria to arrive at expected value of the TSR awards

The share grants that vests only upon the occurrence of a performance condition (i e the SVM grants) and service condition were valued at the fair value of the shares on the date of the grants

Accounting charge does not necessarily represent the intended value of share-based payments made to recipients, which are determined by the Remuneration Committee according to established criteria The share-based payment charge for the fiscal year ended 31 December 2015 related to the UK LTIP was $3 1 million (2014 $1 3 million)

U.S. Stock Option/Stock Issuance Plan

The U S Stock Option/Stock Issuance Plan (the "U S Stock Plan") was originally adopted by Allied Minds, Inc (now Allied Minds, LLC) in 2008 The U S Stock Plan provides for the grant of share option awards, restricted share awards, and other awards to acquire common stock of Allied Minds, Inc (now Allied Minds, LLC) All stock options granted to employees under this plan are equity settled, for a ten-year term Pursuant to the reorganisation discussed above, Allied Minds plc adopted and assumed the rights and obligations of Allied Minds, Inc (now Allied Minds, LLC) under this plan except that the obligation to issue Common Stock is replaced with an obligation to issue ordinary shares to satisfy awards granted under the U S Stock Plan

Measurement of Fair Values

No new stock option grants were awarded in 2015 under the Allied Minds 2008 Plan The fair value of the stock option grants awarded in 2014 under the Allied Minds 2008 Plan was estimated as of the date of grant using a Black-Scholes-Merton option valuation model that uses the following weighted average assumptions, respectively

	2015	2014
Expected option life (in years)	—	5 51
Expected stock price volatility	—	37 40%
Risk-free interest rate	—	1 85%
Expected dividend yield	—	—
Grant date option fair value	—	$ 0 93
Share price at grant date	—	$ 2 49
Exercise price	—	$ 2 49

Grant date option fair value, share price at grant date, and exercise price disclosed above take into account the reorganisation described in note 16 Expected volatility has been based on an evaluation of the historical volatility of the share price of publicly traded companies comparable to Allied Minds, particularly over the historical period commensurate with the expected term The expected term of the instruments has been based on historical experience and general option holder behavior

Notes to the Consolidated Financial Statements
(continued)

Reconciliation of Outstanding Share Options
A summary of stock option activity in the U S Stock Plan is presented in the following table, taking into account the reorganisation described in note 16

	Number of options 2015	Weighted average exercise price 2015	Number of options 2014	Weighted average exercise price 2014
Outstanding as of 1 January	**10,396,496**	**$ 2 09**	17,505,268	$ 1 61
Granted during the year	**—**	**—**	1,708,652	$ 2 49
Exercised during the year	**(1,191,784)**	**$ 2.05**	(8,817,424)	$ 1 28
Forfeited during the year	**—**	**—**	—	—
Outstanding as of 31 December	**9,204,712**	**$ 2.10**	10,396,496	$ 2 09
Exercisable as of 31 December	**9,204,712**	**$ 2.10**	10,396,496	$ 2 09
Intrinsic value of Exercisable	**$ 35 2 million**		$ 37 5 million	

The options outstanding as of 31 December 2015 and 31 December 2014 had an exercise price in the range of $0 68 to $2 60

As of 19 June 2014, the maximum number of options reserved under the plan were issued and outstanding and as a result of the reorganisation discussed in note 16, all issued and outstanding options vested on 19 June 2014 and some options were exercised, resulting in the accelerated share-based payment charge of additional $2 4 million for the period The Company does not intend to make any further grants under the U S Stock Plan

Restricted share awards are outstanding over 118,800 ordinary shares, which were granted under the U S Stock Plan to the non-executive Directors These ordinary shares vest in three equal tranches on each of the first three anniversaries of Admission provided that the non-executive Director in question is still providing services to the Group on the relevant vesting date

Other Plans
Spin Transfer Technologies
Stock compensation expense was approximately $1,937,000 and $1,435,000 and for the year ended 31 December 2015 and 2014, respectively Deferred stock compensation expense under these grants was approximately $1,277,000 and $1,623,000 as of 31 December 2015 and 2014, respectively

The fair value of the stock option grants awarded in 2015 and 2014 under the 2012 Equity Incentive Plan was estimated as of the date of grant using a Black-Scholes-Merton option valuation model that uses the following weighted average assumptions

Notes to the Consolidated Financial Statements
(continued)

	2015	2014
Expected option life (in years)	**5.79**	5 99
Expected stock price volatility	**41.54%**	44 45%
Risk-free interest rate	**1.79%**	1 91%
Expected dividend yield	**—**	—
Grant date option fair value	**$ 3.23**	$ 3 47
Share price at grant date	**$ 7.77**	$ 7 77
Exercise price	**$ 7.77**	$ 7 77

Expected volatility has been based on an evaluation of the historical volatility of the share price of publicly traded companies comparable to STT, particularly over the historical period commensurate with the expected term The expected term of the instruments has been based on historical experience and general option holder behavior

A summary of stock option activity in the STT plans is presented in the following table

	Number of options 2015	Weighted average exercise price 2015	Number of options 2014	Weighted average exercise price 2014
Outstanding as of 1 January	**1,440,394**	**$ 7.29**	1,044,260	$ 7 00
Granted during the year	**434,746**	**$ 7 77**	447,680	$ 7 77
Exercised during the year	**—**	**—**	—	—
Forfeited during the year	**(25,773)**	**$ 5 40**	(51,546)	$ 5 40
Outstanding as of 31 December	**1,849,367**	**$ 7 43**	1,440,394	$ 7 29
Exercisable as of 31 December	**964,632**	**$ 7.30**	529,972	$ 7 64
Intrinsic value of Exercisable	**$ 0 5 million**		$ 4 1 million	

The options outstanding as of 31 December 2015 had an exercise price in the range of $6 97 to $7 77 (2014 $5 40 to $7 77) and a weighted-average contractual life of approximately 9 1 years (2014 9 3 years)

Plans Under Other Subsidiaries

The stock compensation expense under other subsidiaries of the Company, which adopted stock option incentive plans in 2015 and prior was $1,871,000 and $2,047,000 for the year ended 31 December 2015 and 2014, respectively Deferred stock compensation expense under these grants was approximately $1,655,000 and $2,496,000 as of 31 December 2015 and 2014, respectively

Allied Minds Phantom Plan

In 2007, Allied Minds established a cash settled bonus plan for Allied Minds employees, also known as its Phantom Plan In 2012, the board of directors adopted the Amended and Restated 2007 Phantom Plan Under the terms of the Amended and Restated Plan, upon a liquidity event Allied Minds will allocate 10% of the value (after deduction of the amount invested by Allied Minds and accrued interest

Notes to the Consolidated Financial Statements
(continued)

at a rate not exceeding 5% per annum) of the invested capital owned by Allied Minds of each operating company to the plan account Upon a liquidity event, plan participants holding units will receive their proportionate share of the plan account The allocated shares at all times remain the sole and exclusive property of Allied Minds and holders of units have no rights or interests in Allied Minds No amount has been paid out to employees under the Phantom Stock Plan through 31 December 2015

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2015 or 2014 Management will record an expense relating to this plan when it is probable that a subsidiary will be sold and the amount of the payout is reasonably estimable

Share-based Payment Expense
The Group recorded share-based payment expense related to stock options of approximately $7,041,000 and $8,939,000 for the years ended 31 December 2015 and 2014, respectively There was no income tax benefit recognised for share- based payment arrangements for the years ended 31 December 2015 and 2014, respectively, due to operating losses Shared-based payment expenses are included in selling, general and administrative expenses and research and development expenses in the Consolidated Statement of Comprehensive Income

(7) **Finance (Cost)/Income, Net**
The following table shows the breakdown of finance income and cost

For the year ended 31 December:	2015 $'000	2014 $'000
Interest income on		
– Bank deposits	721	545
Foreign exchange gain	2	—
Finance income	723	545
Interest expense on		
– Financial liabilities at amortised cost	(41)	(320)
Foreign exchange loss	(12)	(3)
Finance cost contractual	(53)	(323)
Loss on fair value measurement of subsidiary preferred shares	(1,937)	—
Finance cost	(1,990)	(323)
Total finance (cost)/income, net	(1,267)	222

See note 18 for further disclosure related to subsidiary preferred shares

Notes to the Consolidated Financial Statements
(continued)

(8) Loss Per Share

The calculation of basic and diluted loss per share as of 31 December 2015 was based on the loss attributable to ordinary shareholders of $77 8 million (2014 $45 4 million) and a weighted average number of ordinary shares outstanding of 214,958,849 (2014 186,389,605), calculated as follows

Loss attributable to ordinary shareholders

	2015 $'000		2014 $'000	
	Basic	**Diluted**	**Basic**	**Diluted**
Loss for the year attributed to the owners of the Company	**(77,797)**	**(77,797)**	(45,478)	(45,478)
Loss for the year attributed to the ordinary shareholders	**(77,797)**	**(77,797)**	(45,478)	(45,478)

Weighted average number of ordinary shares

	2015		2014	
	Basic	**Diluted**	**Basic**	**Diluted**
Issued ordinary shares on 1 January	**214,445,579**	**214,445,579**	157,463,790	157,463,790
Effect of share capital issued	**—**	**—**	28,786,582	28,786,582
Effect of share options exercised	**513,270**	**513,270**	139,233	139,233
Weighted average ordinary shares	**214,958,849**	**214,958,849**	186,389,605	186,389,605

Loss per share

	2015 $		2014 $	
	Basic	**Diluted**	**Basic**	**Diluted**
Loss per share	**(0 36)**	**(0 36)**	(0 24)	(0 24)

Notes to the Consolidated Financial Statements
(continued)

(9) Property and Equipment

Property and equipment, net, consists of the following at

Cost in $'000	Machinery and Equipment	Furniture and Fixtures	Leasehold Improve-ments	Computers and Electronics	Under Construction	Total
Balance as of 31 December 2013	12,309	280	1,822	367	5,272	20,050
Additions, net of transfers	2,115	171	254	234	(1,717)	1,057
Disposals	(62)	(48)	(540)	—	(24)	(674)
Balance as of 31 December 2014	14,362	403	1,536	601	3,531	20,433
Additions, net of transfers	**18,184**	**169**	**3,135**	**564**	**(562)**	**21,490**
Disposals	**(168)**	**—**	**—**	**—**	**—**	**(168)**
Balance as of 31 December 2015	**32,378**	**572**	**4,671**	**1,165**	**2,969**	**41,755**

Accumulated Depreciation and Impairment loss in $'000	Machinery and Equipment	Furniture and Fixtures	Leasehold Improve-ments	Computers and Electronics	Under Construction	Total
Balance as of 31 December 2013	(1,524)	(134)	(482)	(197)	288	(2,049)
Depreciation	(1,709)	(58)	(426)	(119)	—	(2,312)
Impairment loss	(9)	(5)	(402)	—	—	(416)
Disposals	62	48	540	—	24	674
Balance as of 31 December 2014	(3,180)	(149)	(770)	(316)	312	(4,103)
Depreciation	**(2,371)**	**(198)**	**(235)**	**(223)**	**(312)**	**(3,339)**
Impairment loss	**(422)**	**150**	**(6)**	**(30)**	**—**	**(308)**
Disposals	**168**	**—**	**—**	**—**	**—**	**168**
Balance as of 31 December 2015	**(5,805)**	**(197)**	**(1,011)**	**(569)**	**—**	**(7,582)**

Property and equipment, net in $'000	Machinery and Equipment	Furniture and Fixtures	Leasehold Improve-ments	Computers and Electronics	Under Construction	Total
Balance as of 31 December 2014	11,182	254	766	285	3,843	16,330
Balance as of 31 December 2015	26,573	375	3,660	596	2,969	34,173

Impairment of property and equipment is included in selling, general and administrative expenses in the consolidated statement of comprehensive income

Property and equipment under constructions represents assets that are in the process of being built and not placed in service as of the reporting date During 2014, certain of those assets with carrying amount of $1 2 million were moved to inventory with the intent to be sold and others with carrying amount of $0 5 million were moved to the machinery and equipment category

Notes to the Consolidated Financial Statements
(continued)

(10) Intangible Assets

Information regarding the cost and accumulated amortisation of intangible assets is as follows

Cost in $'000	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of 31 December 2013	4,543	1,549	79	125	6,296
Additions – Acquired separately	192	—	178	—	370
Additions – Internally developed	—	—	—	178	178
Disposals	(350)	(781)	—	—	(1,131)
Balance as of 31 December 2014	4,385	768	257	303	5,713
Additions – Acquired separately	**1,032**	**—**	**490**	**—**	**1,522**
Additions – Internally developed	**—**	**—**	**—**	**201**	**201**
Disposals	**—**	**—**	**(3)**	**—**	**(3)**
Balance as of 31 December 2015	**5,417**	**768**	**744**	**504**	**7,433**

Accumulated amortisation and Impairment loss in $'000	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of December 31, 2013	(1,702)	(57)	(26)	(7)	(1,792)
Amortisation	(469)	(22)	(72)	(17)	(580)
Impairment loss	(282)	(781)	—	—	(1,063)
Disposals	350	781	—	—	1,131
Balance as of December 31, 2014	(2,103)	(79)	(98)	(24)	(2,304)
Amortisation	**(512)**	**(23)**	**(180)**	**(32)**	**(747)**
Impairment loss	**—**	**—**	**(1)**	**—**	**(1)**
Disposals	**—**	**—**	**3**	**—**	**3**
Balance as of December 31, 2015	**(2,615)**	**(102)**	**(276)**	**(56)**	**(3,049)**

Intangible assests, net in $'000	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of 31 December 2014	2,282	689	159	279	3,409
Balance as of 31 December 2015	2,802	666	468	448	4,384

Amortisation expense is included in selling, general and administrative expenses in the consolidated statement of comprehensive loss Amortisation expense, recorded using the straight-line method, was approximately $747,000 and $580,000 for the years ended 31 December 2015 and 2014, respectively

Impairment of intangible assets of $1,000 and $1,063,000 for the years ended 31 December 2015 and 2014, respectively, is mainly attributed to the abandonment of the rights to certain intellectual property per the licensing agreement with a partner university and to the closing of subsidiary companies, which resulted in the associated intangible assets being impaired to zero Impairment expense is included in selling, general and administrative expenses in the consolidated statement of comprehensive income

Notes to the Consolidated Financial Statements
(continued)

At each reporting period, management considers qualitative and quantitative factors that define the future prospects of the respective investment and assesses whether it supports the value of the underlying intangible

(11) Investment in Subsidiaries and Associates

Group Subsidiaries

Allied Minds has 28 subsidiaries as of 31 December 2015 As of and for the two years ended 31 December 2015 the capitalisation of all subsidiary companies in the Group portfolio is in the form of ordinary shares only, except for Precision Biopsy, SciFluor Life Sciences and Spin Transfer Technologies where Series A preferred shares were issued to both the parent company and third parties in 2014 and 2015 financing rounds, see further discussion below

Notes to the Consolidated Financial Statements
(continued)

The following outlines the formation of each subsidiary and evolution of Allied Minds' equity ownership interest over the two year period ended 31 December 2015

	Inception Date	Location	Ownership percentage of voting stock at 31 December[2] 2015	2014
Active subsidiaries				
Holding companies				
Allied Minds, LLC[1][3]	19/06/14	Boston, MA	**100 00%**	100 00%
Allied Minds Securities Corp[3]	21/12/15	Boston, MA	**100 00%**	—
Early stage companies				
Allied-Bristol Life Sciences, LLC	31/07/14	Boston, MA	**80 00%**	80 00%
ABLS I, LLC	24/09/14	Boston, MA	**80 00%**	80 00%
ABLS II, LLC	24/09/14	Boston, MA	**80 00%**	80 00%
Allied Minds Federal Innovations, Inc	09/03/12	Boston, MA	**100 00%**	100 00%
Federated Wireless, Inc	08/08/12	Arlington, VA	**90 58%**	90 88%
Foreland Technologies, Inc	23/01/13	Boston, MA	**100 00%**	100 00%
BridgeSat, Inc	09/02/15	Boston, MA	**100 00%**	—
Cephalogics, LLC	29/11/06	Cambridge, MA	**95 00%**	95 00%
HawkEye 360, Inc	16/09/15	Herndon, VA	**81 25%**	—
HawkEye 360 Federal, Inc[3]	22/09/15	Herndon, VA	**81 25%**	—
LuxCath, LLC	29/05/12	Boston, MA	**98 00%**	98 00%
Optio Labs, Inc	28/02/12	Baltimore, MD	**81 23%**	79 86%
Percipient Networks, LLC	29/01/14	Wakefield, MA	**100 00%**	100 00%
Precision Biopsy, Inc	17/06/08	Denver, CO	**68 32%**	80 35%
ProGDerm, Inc (dba Novare Pharmaceuticals)	19/09/08	Napa, CA	**90 38%**	90 38%
SciFluor Life Sciences, LLC	14/12/10	Cambridge, MA	**69 89%**	79 00%
Seamless Devices, Inc	14/10/14	San Jose, CA	**79 41%**	80 00%
SiEnergy Systems, LLC	21/09/07	Cambridge, MA	**100 00%**	100 00%
Spin Transfer Technologies, Inc	03/12/07	Fremont, CA	**48 40%**	48 40%
Whitewood Encryption Systems, Inc	21/07/14	Boston, MA	**100 00%**	100 00%
Commercial stage companies				
Biotectix, LLC	16/01/07	Richmond, CA	**64 35%**	64 35%
CryoXtract Instruments, LLC	23/05/08	Woburn, MA	**93 24%**	93 24%
RF Biocidics, Inc	12/06/08	Vacaville, CA	**67 14%**	67 14%
RF Biocidics (UK) Ltd[3]	10/09/10	United Kingdom	**100 00%**	100 00%
SoundCure, Inc	04/06/09	San Jose, CA	**84 62%**	84 62%
Tinnitus Treatment Solutions, LLC[3]	26/02/13	San Jose, CA	**100 00%**	100 00%
Closed subsidiaries				
Allied Minds Devices, LLC	25/07/11	Boston, MA	—	100 00%
Broadcast Routing Fountains, LLC	28/06/12	Boston, MA	—	100 00%
Number of active subsidiaries as 31 December			**28**	26

Notes

(1) On 19 June 2014, Allied Minds plc completed a reorganisation of its corporate structure whereby Allied Minds plc acquired the entire issued share capital of Allied Minds Inc first incorporated on 4 June 2004 which at the same time changed its name to Allied Minds, LLC

(2) Represents ownership percentage used in allocations to non-controlling interests except for Precision Biopsy, SciFluor Life Sciences, and Spin Transfer Technologies in which cases the percentage used to allocate the non-controlling interests was 80 35% 86 86%, and 56 13%, respectively, where in these cases there are liability classified preferred shares in issue, which are excluded

(3) These subsidiaries do not represent separate subsidiary businesses referred to earlier within the annual report

Notes to the Consolidated Financial Statements
(continued)

In October 2014, Spin Transfer Technologies ("STT") completed a Series A financing round as a result of which the Allied Minds' ownership percentage in STT decreased from 56 13% to 48 40%, see note 18 for further detail Whilst Allied Minds owns less than 50 00% of the voting share capital after the transaction and as of 31 December 2014, the company remains the largest single shareholder at 48 40% of the voting share capital, and retains control over the majority of the voting rights on the board of directors of STT Under the terms of the STT organisational documents, the board of directors effectively controls the policies and management of STT, and in all instances, the board acts by majority vote In addition, all material shareholder voting provisions of the STT organisational documents require a simple majority for approval, giving the Company substantial influence over the outcome of all action which require a shareholder vote As a result, following the transaction, Allied Minds continues to exercise effective control over STT and as such will continue to be fully consolidated within the group's financial statements

The following tables summarise the financial information related to the Group's subsidiaries with material non-controlling interests, aggregated for interests in similar entities, and before intra-group eliminations

As of and for the year ended 31 December

	2015 $'000			
	Early stage		Commercial	
	STT	Other	RFB	Other
Statement of Comprehensive Loss				
Revenue	—	654	957	1,104
Loss for the year	(20,849)	(42,119)	(7,213)	(7,171)
Other comprehensive loss	—	—	(26)	—
Total comprehensive loss	(20,849)	(42,119)	(7,239)	(7,171)
Comprehensive loss attributed to NCI	(9,518)	(6,250)	(3,009)	(1,413)
Statement of Financial Position				
Non-current assets	31,692	5,920	2,810	1,685
Current assets	34,531	51,774	5,068	1,725
Total Assets	66,223	57,694	7,878	3,410
Non-current liabilities	(113)	(38)	(271)	(117)
Current liabilities	(55,265)	(48,198)	(1,140)	(1,142)
Total Liabilities	(55,378)	(48,236)	(1,411)	(1,259)
Net Assets	10,845	9,458	6,467	2,151
Carrying amount of NCI	(4,281)	(3,550)	(7,031)	(5,928)
Statement of Cash Flows				
Cash flows from operating activities	(17,142)	(41,293)	(8,237)	(9,369)
Cash flows from investing activities	(19,629)	(4,079)	(198)	(348)
Cash flows from financing activities	1,863	75,974	7,228	9,154
	(34,908)	30,602	(1,207)	(563)

Notes to the Consolidated Financial Statements

(continued)

	2014 $'000			
	Early stage		Commercial	
	STT	Other	RFB	Other
Statement of Comprehensive Loss				
Revenue	—	256	6,457	884
Loss for the year	(13,340)	(16,107)	(4,476)	(5,225)
Other comprehensive loss	—	—	(34)	—
Total comprehensive loss	(13,340)	(16,107)	(4,510)	(5,225)
Comprehensive loss attributed to NCI	(6,283)	(2,891)	(1,968)	(1,086)
Statement of Financial Position				
Non-current assets	14,354	2,854	2,912	1,356
Current assets	68,750	14,532	8,523	2,250
Total Assets	83,104	17,386	11,435	3,606
Non-current liabilities	(50,014)	(280)	—	(344)
Current liabilities	(3,420)	(2,197)	(2,888)	(749)
Total Liabilities	(53,434)	(2,477)	(2,888)	(1,093)
Net Assets	29,670	14,909	8,547	2,513
Carrying amount of NCI	4,244	(607)	(4,064)	(4,519)
Statement of Cash Flows				
Cash flows from operating activities	(8,948)	(15,599)	(9,539)	(7,054)
Cash flows from investing activities	(3,932)	(664)	1,983	(378)
Cash flows from financing activities	66,443	28,292	8,557	7,676
	53,563	12,029	1,001	244

As disclosed above in note 4, at the end of 2015, the Group's CODM has determined that Biotectix reached commercial stage and as such its financial information has been presented in the respective reportable segment as of and for the year ended 31 December 2015 and 2014

Portfolio Valuation

At the close of each annual financial period, the Directors formally approve the value of all subsidiary businesses in the Group, which is used to derive the "Group Subsidiary Ownership Adjusted Value" The Group Subsidiary Ownership Adjusted Value ("GSOAV") was $535 8 million as at 31 December 2015 (2014 $488 0m), as set out in the table below This Group Subsidiary Ownership Adjusted Value is a sum-of-the-parts ("SOTP") valuation of all the subsidiaries that make up the Group The increase in the Group Subsidiary Ownership Adjusted Value during the year principally reflects the increase in value at Federated Wireless and Precision Biopsy supported by their valuations at recent fund raising transactions, offset by reductions at CryoXtract and RF Biocidics

The methodology for Group's subsidiary company valuations, extracts of which are set out below, is based on the American Institute of Certified Public Accountants' Valuation of Privately-Held-Company Equity Securities Issued as Compensation ("AICPA Guidelines") The AICPA Guidelines do not

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represent, but are consistent with valuation principles adopted under, International Financial Reporting Standards

As of 31 December 2015, the Group's estimated Group Subsidiary Ownership Adjusted Value was distributed across the Group's operating segments as follows

	2015		2014	
Company	**$m**	**% of GSOAV**	**$m**	**% of GSOAV**
Biotectix, LLC	**12 2**	**2.3%**	11 7	2 4%
CryoXtract, LLC	**12.6**	**2.4%**	17 8	3 6%
Cephalogics, LLC	**22 9**	**4.3%**	22 3	4 6%
Federated Wireless, Inc	**59.9**	**11.2%**	9 1	1 9%
Optio Labs, Inc	**33 6**	**6.3%**	32 8	6 7%
Precision Biopsy, Inc	**61 8**	**11.5%**	16 2	3 3%
ProGDerm, Inc	**16.8**	**3.1%**	16 7	3 4%
RF Biocidics, Inc	**40.0**	**7.5%**	69 6	14 3%
SciFluor Life Sciences, Inc	**91.3**	**17.0%**	91 4	18 7%
Spin Transfer Technologies, Inc	**121.0**	**22.6%**	121 0	24 8%
Other companies	**63.7**	**11.8%**	79 4	16 3%
Total Group Subsidiary Valuation	**535.8**	**100.0%**	488 0	100 0%

Ownership adjusted value represents Allied Minds' interest in the equity value of each subsidiary

= (Business Enterprise Value – Long Term Debt + Cash) x Allied Minds percentage ownership plus the value of debt provided by Allied Minds plc to each subsidiary business Allied Minds commits post-seed funding to its subsidiaries in the form of loans

The Group Subsidiary Ownership Adjusted Value includes cash balances held by Allied Minds subsidiaries at 31 December 2015 amounting to $79 7 million, on an ownership-adjusted basis (2014 $86 1m), including those subsidiaries valued based on recent financing rounds The Group Subsidiary Ownership Adjusted Value above excludes cash balances held at the parent level As at 31 December 2015, the Group total consolidated cash and other investments balances was $194 8 million including cash, cash equivalents and investments (2014 $261 5m), the balance being cash and investments of $115 0 million (2014 $175 4m) held at the parent level and available for investment in the Group

The Group Subsidiary Ownership Adjusted Value has been calculated on the basis of Allied Minds' percentage ownership as at 31 December 2015 Where subsidiaries have raised financing from external parties since 31 December 2015, the ownership adjusted value in the table above has been updated to reflect the current percentage ownership and the valuation implied by that external investment on a post new money basis Federated Wireless completed a funding round of $22 million in January 2016, see note 26 for further detail

Valuation Methodology

Each subsidiary company is regularly evaluated based on a range of inputs, including company performance and progress towards development milestones, market and competitor analyses based on information from databases and public material, and interviews with scientists and physicians

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The Group Subsidiary Ownership Adjusted Value represents the sum-of-the-parts ("SOTP") of, principally, net present value ("NPV") or risk-adjusted net present value ("rNPV") from discounted cash flow ("DCF") valuations, valuations based on recent third party investment at the subsidiary level A DCF valuation is used for the majority of Allied Minds subsidiaries The DCF valuations are updated when the underlying assumptions for the valuations warrant a change Otherwise, the DCF valuations are kept constant When available, financing transactions are used as the basis for the subsidiary valuation In limited instances other techniques such as based on asset values are utilised

Set out below are the two principal methodologies applied to value each Group company to derive the Group Subsidiary Ownership Adjusted Value as at 31 December 2015

Discounted cash flow		Funding transaction
Biotectix, LLC	Percipient Networks, LLC	Allied-Bristol Life Sciences, LLC
BridgeSat, Inc	ProGDerm, Inc dba Novare Pharmaceuticals	Federated Wireless, Inc
Cephalogics, LLC	RF Biocidics, Inc	HawkEye 360, Inc
CryoXtract Instruments, LLC	Seamless Devices, Inc	Optio Labs, Inc
Foreland Technologies, Inc	SoundCure, Inc	Precision Biopsy, Inc
LuxCath, LLC	Whitewood Encryption Systems, Inc	SciFluor Life Sciences, Inc
		Spin Transfer Technologies, Inc
As per cent of GSOAV	26 5% (2014 44 9%)	70 7% (2014 51 9%)

In addition to the two principal valuation methodologies, the Directors have valued using alternative valuation methodologies Allied Minds Federal Innovations, Inc ("AMFI"), representing 2 8% of the group Subsidiary Ownership Adjusted Value (2014 3 2%) AMFI was valued using an asset-based methodology that reflects the intellectual property to which it has access as at 31 December 2015 and 2014

Net Present Valuation ("NPV") method

NPV is a standard technique used in valuation and can be defined as the difference between the present value of the future cash flows from an investment and the amount of investment Present value of the estimated cash flows is computed by discounting them at the required rate of return which includes an adjustment for risk

The following are important factors when determining fair value based on NPV

- Estimated income generally consists of sales, co-development revenues, one-time payments and royalty payments on sales depending on the company, its business model and industry These are estimated based on a variety of factors including, inter alia total addressable market, competitive factors, barriers to competition, pricing, typical standards for contract value, royalty rates, and likelihood of development of a product that is commercially viable
- Costs and capital expenditures are estimated for each phase of development based on the companies' information or according to industry standards Costs are typically forecasted for cost of goods, SG&A (selling, general and administrative), research and development as well as a variety of other expenses These are typically developed "from the ground up" for earlier years and for later years depicted as a factor or percentage of sales

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- The terminal or exit value represents the aggregate value of an entity at the end of the discrete forecast period Terminal value may be estimated using the terminal multiple method, which inherently assumes that the business will be valued at the end of the projection period based on reference valuations Under this methodology, the terminal value is typically calculated by applying one of two commonly accepted methodologies
  - Multiple base terminal value Use of an appropriate multiple to the relevant financial metric forecasted for the last projected year taking into consideration the ongoing growth potential of the business in the terminal year Exit values included in the analysis are typically projected as a multiple of EBIT, EBITDA or Sales based on the final year results for the forecast period Where available, a set of guideline public companies that are similar to the company to be used for comparative purposes and the multiple is derived from this set,
  - Gordon growth model based terminal value Use of a formula that calculates the present value of cash flow in the terminal year growing into infinity at an ascribed terminal growth rate The terminal growth rate is derived by estimating the long-term annual growth potential of the business at the terminal year
- rNPV is a technique typically used when valuing pharmaceutical or biological companies and has been used in estimating the value of ProGDerm When using rNPV, it is the same process as developing an NPV analysis though costs and revenues are probability adjusted downward based on the phase of development
- Selection of discount rates is based on part utilising American Institute of Certified Public Accountants (AICPA) practice standards varying by stage of development of the subsidiary as well as other risk factors and typically range from 20-45% When utilising rNPV, discount rates are typically lower reflecting the probability adjustment of the cash flows already made
- Significant events occurring after the date of valuation according to the previous paragraph have been taken into account in the valuation to the extent that such events would have affected the value on the closing date
- Where available NPV results are compared against peer companies and to valuations for similar companies

Due to the early stage nature of the Group's subsidiary companies, projections are particularly sensitive to certain key assumptions namely

- Discount rate and in particular risk premium,
- The ability to predict the cost and timing of achieving technical and commercial viability,
- Projected revenue and operating costs in the post-product development phase of each company, and
- The size and share of addressable market for intellectual property, products and services developed

Whilst the Board considers the methodologies and assumptions adopted in valuation are supportable, reasonable and robust, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant

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Associates

	Location	Registered number	Ownership percentage 31 December 2015	2014
Stalam S p A	Vicenza, Italy	2083930244	**28.5%**	28 5%

	2015 $'000	2014 $'000
Stalam S p A	1,612	1,560
Carrying amount for equity accounted investees	1,612	1,560

In December 2013, RF Biocidics ("RFB") entered into a manufacturing agreement with the strategic partner Stalam S p A ("Stalam") in Italy, which made Stalam an exclusive manufacturer of the Apex product line series, as well as any new generation RF Systems that incorporates both Stalam and RFB technologies which the parties develop jointly as part of the agreement Following this transaction in March 2014, RF Biocidics acquired ordinary shares representing 28 5% of the capital of that manufacturer in exchange for 1 1 million Euro ($1 5 million)

The Group's interest in Stalam is presented in the below table as of 31 December

	2015 $'000	2014 $'000
Carrying amount of interest in associates		
Share of		
Profit from continuing operations	52	39
Total comprehensive income	52	39

(12) Other Investments

As of 31 December	2015 $'000	2014 $'000
Fixed income securities		
Treasury and government agencies	**3,468**	2,745
Corporate bonds	**34,180**	12,486
– Other investments, current	**37,648**	15,231
Fixed income securities		
Treasury and government agencies	**10,871**	–
Corporate bonds	**40,674**	22,176
Other investments, long-term	**51,545**	22,176
Total other investments	**89,193**	37,407

Other investments represent investments in fixed income securities issued by government agencies and US and non-US corporations As of 31 December 2015, the investments had a credit rating of BBB to A, maturities of up to 3 years and original coupon rate from 0 500% to 7 650% (2014 0 875% to 5 750%)

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(13) Cash and Cash Equivalents

As of 31 December	2015 $'000	2014 $'000
Bank balances	105,687	224,206
Restricted cash	(132)	(131)
Total cash and cash equivalents	105,555	224,075

Restricted cash represents cash reserved as collateral against a letter of credit with a bank issued for the benefit of a landlord in lieu of a security deposit to an office space lease for one of the Group's subsidiaries The amount is classified as other financial assets, non-current in the statement of financial position

(14) Inventories

As of 31 December.	2015 $'000	2014 $'000
Finished units	1,007	1,725
Work in progress	149	1,034
Raw materials	355	160
Total inventories	1,511	2,919

(15) Trade and Other Receivables

As of 31 December.	2015 $'000	2014 $'000
Trade receivables	1,012	1,608
Prepayments and other current assets	6,330	4,697
Total trade and other receivables	7,342	6,305

(16) Equity

On 19 June 2014 Allied Minds plc acquired the entire issued share capital of Allied Minds, Inc (now Allied Minds, LLC) at a rate of twenty-two £0 01 Ordinary Shares in Allied Minds plc for every $0 01 of common stock in Allied Minds, Inc This has been accounted as a common control transaction and the comparative historical financials have been presented as if the transaction had already taken place It has therefore been deemed that the share capital was issued in line with movements in share capital as shown prior to the transaction taking place In addition the merger reserve records amounts previously recorded as share premium net of differences arising between share capital on the restructured basis and the former basis

On 25 June 2014 the Company's entire issued ordinary share capital of 209,499,425 ordinary shares of one pence each were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the LSE's Main Market for listed securities The IPO was for 61,695,208 shares at 190 pence per ordinary share, of which 44,254,411 were new ordinary shares issued by the Company and 17,440,797 were sold by selling shareholders

This resulted in approximately $131 8 million of net proceeds from the IPO (net of issue cost of $11 0 million) reflected in the share premium balance as of 30 June 2014 The IPO also included an over-

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allotment option equivalent to 15% of the total number of new ordinary shares, or 6,638,161 The over-allotment period expired on 19 July 2014 and the stabilisation manager exercised in part their over-allotment option As a result, the Company issued 3,791,154 Shares at the offer price of 190 pence per share achieving further gross proceeds for the Company of £7 2 million, or approximately $12 3 million The total number of shares and voting rights in the Company after issuing the over-allotment shares was 213,290,579 Additionally, various option holders in the U S Stock Plan exercised their options, resulting in additional share premium of $10 5 million

Subsequent to the IPO, during 2015 existing shareholders exercised options to purchase 1,191,784 shares of the Company under the U S Stock Plan (2014 1,155,000), resulting in additional share premium of $2,443,000 (2014 $780,000)

Movements below explain the movements in share capital taking into account the reorganisation described above Each movement in share capital reflects the number of shares and nominal value of the shares as if the reorganisation had been in place at that date and the shares were those of Allied Minds plc

As of 31 December	2015 $'000	2014 $'000 (restated, see note 1)
Equity		
Share capital, £0 01 par value, issued and fully paid 215,637,363 and 214,445,579, respectively	**3,429**	3,411
Share premium	**155,867**	153,442
Merger reserve	**185,544**	185,544
Translation reserve	**(16)**	(61)
Accumulated deficit	**(182,660)**	(107,557)
Equity attributable to owners of the Company	**162,164**	234,779
Non-controlling interests	**(20,790)**	(4,946)
Total equity	**141,374**	229,833

Holders of Ordinary Shares are entitled to vote, on all matters submitted to shareholders for a vote Each Ordinary Share is entitled to one vote Each ordinary share is entitled to receive dividends when and if declared by the Company's board of directors The Company has not declared any dividends in the past

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations

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(17) Acquisition of Non-Controlling Interest ("NCI")

For the two years ended 31 December 2015, the Group recognised the following changes in common stock ownership in subsidiaries

2014

- Federated Wireless closed an internal round of financing of $5 0 million equity investment from Allied Minds As a result of the transaction, after covering the anti-dilutive protection of certain shareholders, Allied Minds' interest in Federated Wireless increased from 90 0% to 90 9%,
- Optio Labs closed a round of financing of $10 0 million in March 2014 with existing and new shareholders of the Group, of which Allied Minds subscribed to contribute $7 7 million by January 2015 should no other investors opt to participate by July 2014 New and existing shareholders of the Group exercised that option in the amount of $150 thousand and Allied Minds completed its obligation for the balance in January 2015,
- Allied-Bristol Life Sciences, LLC ("ABLS") was formed in July 2014 as a partnership between Allied Minds and Bristol-Myers Squibb Company ("BMY") to identify and foster research and pre-clinical development of biopharmaceutical innovations Allied Minds and BMY have jointly funded ABLS with $10 0 million of initial capital, of which $8 0 million were contributed by Allied Minds ABLS will form and fund new companies to conduct feasibility studies and where appropriate, full-phase discovery programs,

The following summarises the changes in the non-controlling ownership interest in subsidiaries by reportable segment

	Early Stage		Commercial		Consolidated
	STT	Other	RFB	Other	
	$'000	$'000	$'000	$'000	$'000
Non-controlling interest as of 31 December 2013	**9,860**	**(1,542)**	**(2,270)**	**(3,442)**	**2,606**
New funds into non-controlling interest	—	4,492	—	—	4,492
Share of comprehensive loss	(6,283)	(2,891)	(1,968)	(1,086)	(12,228)
Effect of change in Company's ownership interest	667	(666)	174	9	184
Non-controlling interest as of 31 December 2014 (restated, see note 1)	**4,244**	**(607)**	**(4,064)**	**(4,519)**	**(4,946)**
Share of comprehensive loss	(9,518)	(6,251)	(3,009)	(1,413)	(20,191)
Effect of change in Company's ownership interest	143	3,077	8	—	3,228
Equity-settled share based payments	850	231	34	4	1,119
Non-controlling interest as of 31 December 2015	**(4,281)**	**(3,550)**	**(7,031)**	**(5,928)**	**(20,790)**

As disclosed above in note 4, at the end of 2015, the Group's CODM has determined that Biotectix reached commercial stage and as such its financial information has been presented in the respective reportable segment as of and for the year ended 31 December 2015 and 2014

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(18) Subsidiary Preferred Shares

Certain of the Group's subsidiaries have outstanding preferred shares which have been classified as a subsidiary preferred shares in current liabilities in accordance with IAS 39 as the subsidiaries have a contractual obligation to deliver cash or other assets to the holders under certain future liquidity events, and/or a requirement to deliver an uncertain number of common shares upon conversion The preferred shares do not contain mandatory dividend rights The preferred shares are convertible into common stock of the subsidiary at the option of the holder and mandatorily convertible into common stock of the subsidiary upon a qualified public offering at or above certain value and gross proceeds specified in the agreements or upon the vote of the holders of a majority of the subsidiary preferred shares Under certain scenarios the number of common stock shares receivable on conversion will change The Group has elected not to bifurcate the variable conversion feature as a derivative liability, but account for the entire instrument at fair value through the income statement The preferred shares are entitled to a vote with holders of common stock on an as converted basis The holders of the preferred shares are entitled to a liquidation preference amount in the event of a liquidation or a deemed liquidation event of the respective subsidiary The Group recognises the subsidiary preferred shares balance upon the receipt of cash financing, and records the change in its fair value for the respective reporting period through profit and loss Preferred shares are not allocated shares of the subsidiary losses

The following summarises the subsidiary preferred shares balance

As of 31 December:	2015 $'000	2014 $'000 (restated, see note 1)
Spin Transfer Technologies	**51,518**	49,981
SciFluor Life Sciences	**25,583**	—
Precision Biopsy	**16,982**	—
Total subsidiary preferred shares	**94,083**	49,981

In the event of any voluntary or involuntary liquidation, dissolution or winding up of a subsidiary, the holders of subsidiary preferred shares then outstanding shall be entitled to be paid out of the assets of the subsidiary available for distribution to shareholders and before any payment shall be made to holders of common shares A merger, acquisition, sale of voting control or other transaction of a subsidiary in which the shareholders of the subsidiary do not own a majority of the outstanding shares of the surviving company shall be deemed to be a liquidation event Additionally, a sale, lease, transfer or other disposition of all or substantially all of the assets of the subsidiary shall also be deemed a liquidation event

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The minimum liquidation preference that would be payable to the subsidiary preferred holders upon a liquidation event of the subsidiaries, is as follows

As of 31 December:	2015 $'000	2014 $'000 (restated, see note 1)
Spin Transfer Technologies	**50,000**	50,000
SciFluor Life Sciences	**25,200**	—
Precision Biopsy	**17,000**	—
Total minimum liquidation preference	**92,200**	50,000

For the two years ended 31 December 2015, the Group recognised the following changes in subsidiary preferred shares

2015

- SciFluor Life Sciences completed a $30 0 million round of Series A financing in April 2015 Of the $30 0 million raised in this financing, Allied Minds contributed approximately $4 8 million for the purchase of 501,857 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round
- Precision Biopsy completed a $33 6 million round of Series A financing in October 2015 Of the $33 6 million raised in this financing, Allied Minds contributed approximately $16 6 million for the purchase of 3,140,608 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round The round was funded in two tranches and the second tranche of $10 0 million is due after one year from closing of the round, of which $4 0 million will be contributed by Allied Minds and other existing shareholders of the Group will contribute with the remainder $6 0 million

2014

- Spin Transfer Technologies completed a $70 0 million round of Series A financing in October 2014 Of the $70 0 million raised in this financing, Allied Minds contributed approximately $20 0 million for the purchase of 1,686,340 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round

(19) Loans

As of 31 December:	2015 $'000	2014 $'000
Non-current liabilities — Loans		
Secured bank loan	**—**	—
Unsecured loan	**112**	338
	112	338
Current liabilities — Loans		
Secured bank loan	**—**	—
Unsecured loan	**228**	213
	228	213
Total loans	**340**	551

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The terms and conditions of outstanding loans are as follows

As of 31 December	Currency	Nominal interest rate	Year of maturity	2015 $'000 Face value	2015 $'000 Carrying amount	2014 $'000 Face value	2014 $'000 Carrying amount
Unsecured loan	USD	6 5%	2013-17	**340**	**340**	551	551
Total interest bearing liabilities				**340**	**340**	551	551

CryoXtract Instruments, LLC Promissory Note

In May 2012, CryoXtract Instruments, LLC signed a promissory note with a state financing authority in the amount of $800,000 to provide working capital for materials and fund salaries The note fully matures in May 2017 and bears interest of 6 5% Payment of interest only is due in the first 18 months As of 31 December 2013, CryoXtract had drawn the full balance of the note, of which $221,000 and $210,000 was repaid during 2015 and 2014, respectively, and $28,000 (2014 $213,000), net of discount, is included in current liabilities Interest expense paid on the note was $41,000 and $42,000 for the years ended 31 December 2015 and 2014, respectively

As part of the consideration for the loan, CryoXtract had issued to the lender a warrant entitling the lender to purchase an aggregate of 65,310 membership units in the subsidiary's ordinary shares, representing 0 01% of the total membership units The fair value of the warrant issued of $35,000 is amortised over the life of the loan as a discount against the note balance

(20) Trade and Other Payables

As of 31 December:	2015 $'000	2014 $'000
Trade payables	**6,326**	4,769
Accrued expenses	**7,690**	6,570
Other current liabilities	**252**	–
Trade and other payables, current	**14,268**	11,339
Other non-current payables	**751**	182
Total trade and other payables	**15,019**	11,521

(21) Leases

Office and laboratory space is rented under non-cancellable operating leases These lease agreements contain various clauses for renewal at the Group's option and, in certain cases, escalation clauses typically linked to rates of inflation

Minimum rental commitments under non-cancellable leases were payable as follows

For the year ended 31 December	2015 $'000	2014 $'000
Less than one year	**2,421**	1,772
Between one and five years	**4,822**	2,066
More than five years	**1,183**	38
Total minimum lease payments	**8,426**	3,876

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Total rent expense under these leases was approximately $2,673,000 and $2,478,000 in 2015 and 2014, respectively Rent expenses are included in selling, general and administrative expenses and research and development expenses in the consolidated statements of comprehensive loss

(22) Financial Instruments and Related Disclosures

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy

	2015 $'000					
	Carrying amount		Fair value			
As of 31 December	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	105,555	—	—	105,555	—	105,555
Fixed income securities	89,193	—	14,360	75,385	—	89,745
Trade and other receivables	7,342	—	—	7,342	—	7,342
Subscription receivable	6,000	—	—	6,000	—	6,000
Security and other deposits	1,213	—	—	1,213	—	1,213
Total	209,303	—	14,360	195,495	—	209,855
Financial liabilities						
Unsecured loan	—	340	—	359	—	359
Trade and other payables	—	15,019	—	15,019	—	15,019
Deferred revenue	—	395	—	395	—	395
Subsidiary preferred shares	—	94,083	—	—	94,083	94,083
Total	—	109,837	—	15,773	94,083	109,856

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	2014 $'000					
	Carrying amount		Fair value			
As of 31 December	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets						
Cash and cash equivalents	224,075	—	—	224,075	—	224,075
Fixed income securities	37,407	—	2,761	34,882	—	37,643
Trade and other receivables	6,305	—	—	6,305	—	6,305
Security and other deposits	879	—	—	879	—	879
Total	268,666	—	2,761	266,141	—	268,902
Financial liabilities						
Unsecured loan	—	551	—	581	—	581
Trade and other payables	—	11,521	—	11,521	—	11,521
Deferred revenue	—	1,144	—	1,144	—	1,144
Subsidiary preferred shares	—	49,981	—	—	49,981	49,981
Total	—	63,197	—	13,246	49,981	63,227

The fair value of financial instruments that are not traded is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2 Where the inputs for determining the fair value of financial instruments are not based on observable market data, the instrument is included in Level 3

The Group has determined that the carrying amounts for cash and cash equivalents, trade and other receivables and payables, security and other deposits, and customer deposits are a reasonable approximation of their fair values and are included in Level 2

The following presents the quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's subsidiary preferred shares liability designated as Level 3

Option Pricing Model Inputs

Measurement Date	Time to Liquidity	Volatility	Risk-Free Rate
31-Dec-2014	4 78 years	60 0%	1 59%
31-Dec-2015	3 78 – 4 76 years	60 0% – 70 0%	1 48% – 1 71%

The change in fair value of the subsidiary preferred shares is recorded in Finance (cost)/income, net in the consolidated statement of comprehensive loss

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(23) Capital and Financial Risk Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business Management monitors the level of capital deployed and available for deployment in subsidiary projects The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position

The Group's executive management and board of directors have overall responsibility for establishment and oversight of the Group's risk management framework The Group is exposed to certain risks through its normal course of operations The Group's main objective in using financial instruments is to promote the commercialisation of intellectual property through the raising and investing of funds for this purpose The Group's policies in calculating the nature, amount and timing of funding are determined by planned future investment activity Due to the nature of activities and with the aim to maintain the investors' funds secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and reduce the exposure to other financial risks

The Group has exposure to the following risks arising from financial instruments

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 Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, other investments in the form of fixed income securities, and trade and other receivables

The Group held following balances

As of 31 December:	2015 $'000	2014 $'000
Cash and cash equivalent	**105,555**	224,075
Other investments	**89,193**	37,407
Trade and other receivables	**7,342**	6,305
	202,090	267,787

The Group maintains money market funds, certificates of deposits, and fixed income securities with financial institutions, which the Group believes are of high credit quality Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors Individual risk limits are set based on ratings in accordance with limits set by the board The utilisation of credit limits is regularly monitored The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates

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(continued)

Group policy is to maintain its funds in highly liquid deposit accounts with reputable financial institutions

The aging of trade receivables that were not impaired was as follows

As of 31 December:	2015 $'000	2014 $'000
Neither past due nor impaired	784	784
Past due 30-90 days	110	276
Past due over 90 days	118	548
	1,012	1,608

The Group has no significant concentration of credit risk The Group assesses the credit quality of customers, taking into account their current financial position An analysis of the credit quality of trade receivables that are neither past due nor impaired is as follows

As of 31 December:	2015 $'000	2014 $'000
Customers with less than three years of trading history with the Group	1,012	1,608
	1,012	1,608

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

The Group seeks to manage liquidity risk, ensuring that sufficient liquidity is available to meet foreseeable requirements

The following are the remaining contractual maturities of financial liabilities at the reporting date The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements The current portion of the carrying amount of lease obligations is included in trade and other payables

		Contractual cash flows			
As of 31 December 2015 $'000	Carrying amount	Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	14,268	14,268	14,268	—	—
Other non-current liabilities	751	751	358	365	28
Unsecured bank loans	340	370	252	118	—
	15,359	15,389	14,878	483	28

Notes to the Consolidated Financial Statements
(continued)

As of 31 December 2014: $'000	Carrying amount	Contractual cash flows Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	11,339	11,339	11,339	—	—
Other non-current liabilities	182	182	83	97	2
Unsecured bank loans	551	622	252	370	—
	12,072	12,143	11,674	467	2

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts

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 objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return The Group maintains the exposure to market risk from such financial instruments to insignificant levels The Group exposure to changes in interest rates is determined to be insignificant

Capital Risk Management

The Group is funded by equity finance and long term borrowings Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital In order to maintain or adjust the capital structure, the Group may issue new shares or borrow new debt The Group has some external debt and no material externally imposed capital requirements The Group's share capital is set out in note 16

(24) **Related Parties**

Key Management Personnel Compensation

Key management personnel compensation received comprised the following

For the year ended 31 December:	2015 $'000	2014 $'000
Short-term employee benefits	3,341	2,863
Share-based payments	1,708	7,430
Total	5,049	10,293

Short-term employee benefits of the Group's key management personnel include salaries and bonuses, health care and other non-cash benefits

Share-based payments include the value of awards granted under the U S Stock Plan and the LTIP during the year Approximately $5 0 million of the value of share-base payment in 2014 represents the value of restricted stock units granted under the LTIP established in June 2014 Share-based

Notes to the Consolidated Financial Statements
(continued)

payments under the LTIP are subject to vesting terms over future periods Share-based payments granted under the U S Stock Plan fully vested upon the reorganisation described in note 16 See further details of the two plans in note 6

Bonuses to key management for the year of $1,260,000 were outstanding at 31 December 2015 (2014 $1,500,000) and were paid in January of 2016

Key Management Personnel Transactions
Key management personnel transactions comprised the following

For the year ended 31 December:	2015 $'000	2014 $'000
Non-executive Directors' fees	**357**	199
Non-executive Directors' share-based payments	**225**	295
Total	**582**	494

Fees to non-executive Directors of $105,000 were outstanding at 31 December 2015 (2014 $67,500) and were paid in shortly after the year end

Executive management and Directors of the Company control 2 2% of the voting shares of the Company as of 31 December 2015 (2014 12 7%)

The Group has not engaged in any other transactions with key management personnel or other related parties

Other related party transactions
Consolidated Statement of Comprehensive Loss

For the year ended 31 December	2015 $'000	2014 $'000
Purchase of goods		
Equity-accounted investee	**1,334**	1,879

Consolidated Statement of Financial Position

As of 31 December:	2015 $'000	2014 $'000
Purchase of goods outstanding balance		
Equity-accounted investee	**171**	33

Notes to the Consolidated Financial Statements
(continued)

(25) Taxation

Amounts recognised in profit or loss

No current income tax expense was recorded for US jurisdictions for the years ended 31 December 2015 and 2014 due to accumulated losses

For the year ended 31 December:	2015 $'000	2014 $'000
Net loss	**97,989**	57,706
Income taxes	**—**	—
Net loss before taxes	**97,989**	57,706

In January 2016, the Company paid to HM Revenue & Customs $67,000 of UK income taxes of Allied Minds plc for the 2014 tax year

Reconciliation of Effective Tax Rate

The Group is primarily subject to taxation in the US, therefore the reconciliation of the effective tax rate has been prepared using the US statutory tax rate A reconciliation of the US statutory rate to the effective tax rate is as follows

	2015 %	2014 %
Weighted average statutory rate	**35.0**	35 0
Effect of state tax rate in US	**5.3**	5 4
Credits	**3.7**	2 8
Share-based payment remeasurement	**(2.6)**	26 6
Other	**(2.6)**	(8 2)
Current year losses for which no deferred tax asset is recognised	**(38.8)**	(61 6)
	—	—

Factors that may affect future tax expense

The Group is primarily subject to taxation in the US and UK Additionally, the Group is exposed to state taxation in various jurisdictions throughout the US Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit) Reductions in the UK corporation tax rate to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015 The maximum corporate tax rate in the US for the corresponding periods is 35%

Notes to the Consolidated Financial Statements
(continued)

Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom

As of 31 December:	2015 $'000	2014 $'000
Operating tax losses (1)	**87,280**	59,586
Capital losses (2)	**1,612**	1,952
Research credits (1)	**6,558**	3,820
Temporary differences (3)	**15,390**	17,829
Deferred tax assets	**110,840**	83,187
Other temporary differences (3)	**(398)**	(974)
Deferred tax liabilities	**(398)**	(974)
Deferred tax assets, net, not recognised	**110,442**	82,213

(1) expire starting in 2024

(2) expire starting in 2015

(3) generally will expire 20 years subsequent to the time the deduction is taken

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the statement of financial position date The reduction in the main rate of UK corporation tax to 20% (from 23%) was substantially enacted on 2 July 2013 and applied from 1 April 2015 However, the UK corporation tax rate initially reduced from 23% to 21% from 1 April 2014 The change in the UK corporate tax rate did not materially impact the calculation of the deferred tax assets as these assets are generally exposed to tax in US jurisdiction

There were no movements in deferred tax recognised in income or equity in 2015 or 2014 as the deferred tax asset was not recognised in any of those years

(26) Subsequent Events

The Company has evaluated subsequent events through 25 April 2016, which is the date the consolidated financial information is available to be issued

Federated Wireless, Inc

In February 2016, Federated Wireless successfully raised $22 0 million in Series A preferred stock financing, of which Allied Minds participated with $5 0 million for 2,727,580 shares of the preferred stock and the remainder was provided by existing shareholders of the Group

ABLS III, LLC

In March 2016, ABLS III (dba ißeCa Therapeutics) was formed and licensed proprietary compounds from NYU School of Medicine that target the Wnt signaling pathway The Wnt pathway plays a key role in the development and progression of a number of cancers affecting large numbers of patients ißeCa Therapeutics will focus on further discovery and development activities needed to identify candidates for human clinical testing

Notes to the Consolidated Financial Statements
(continued)

Discontinued Subsidiaries
Operations at SiEnergy, LLC, a wholly-owned subsidiary of the Group, were discontinued subsequent to year end The impact of this was assessed in the Group financials as of 31 December 2015 and unrecoverable amounts were written off

Company Balance Sheet

As of 31 December	Note	2015 $'000	2014 $'000
Non-current assets			
Investment in subsidiary	2	190,055	199,429
Total non-current assets		190,055	199,429
Current assets			
Cash and cash equivalents	3	1,564	1,639
Trade and other receivables		480	33
Loan to subsidiary	4	126,109	131,500
Total current assets		128,153	133,172
Total assets		318,208	332,601
Equity			
Share capital	5	3,429	3,411
Share premium	5	155,867	153,442
Merger reserve	5	185,544	185,544
Other reserve	5	4,357	1,286
Translation reserve	5	(25,852)	(10,209)
Accumulated deficit	5	(5,169)	(1,036)
Total equity	5	318,176	332,438
Current liabilities			
Trade and other payables		32	163
Total current liabilities		32	163
Total liabilities		32	163
Total equity and liabilities		318,208	332,601

Registered number 8998697

The financial statements on pages 158 to 164 were approved by the Board of Directors and authorised for issue on 25 April 2016 and signed on its behalf by

Chris Silva
Chief Executive Officer

CA Sil

Company Statement of Changes in Equity

	Share capital		Share	Merger	Translation	Accumulated	Total
	Shares	Amount $'000	premium $'000	reserve $'000	reserve $'000	deficit $'000	equity $'000
Balance at 15 April 2014	–	–	–	–	–	–	–
Issuance of ordinary shares	205 628,155	3,263	142,244	185 544	62	–	331,113
Exercise of stock options	8 817 424	148	11,198	–	(74)	–	11,272
Equity-settled share based payments	–	–	–	–	–	1 346	1 346
Loss for the year	–	–	–	–	–	(1,036)	(1 036)
Foreign currency translation	–	–	–	–	(10,197)	(60)	(10 257)
Balance at 31 December 2014	214 445 579	3 411	153 442	185,544	(10,209)	250	332 438
Exercise of stock options	1,191,784	18	2 425	–	–	–	2 443
Equity settled share based payments	–	–	–	–	–	3 233	3,233
Loss for the year	–	–	–	–	–	(4,268)	(4 268)
Foreign currency translation	–	–	–	–	(15 643)	(27)	(15 670)
Balance at 31 December 2015	215 637 363	3 429	155 867	185,544	(25,852)	(812)	318 176

Company Statement of Cash Flows

	Note	Year ended 31 December 2015 $ '000	Period from 15 April to 31 December 2014 $ '000
Cash flows from operating activities			
Net operating loss		(4,270)	(1,037)
Adjustments to reconcile net loss to net cash used in operating activities			
Share-based compensation expense	5	3,233	1,346
Changes in working capital			
Increase in trade and other receivables		(447)	(33)
Increase/(decrease) in trade and other payables		131	(163)
Interest received		2	1
Other finance cost		(352)	(10,352)
Net cash used in operating activities		(1,703)	(10,238)
Cash flows from investing activities:			
Issuance of note receivable to subsidiary, net of repayments	4	(815)	(142,531)
Net cash used in investing activities		(815)	(142,531)
Cash flows from financing activities.			
Proceeds from issuance of share capital	5	—	143,061
Proceeds from exercise of stock options	5	2,443	11,347
Net cash provided by financing activities		2,443	154,408
Net (decrease)/increase in cash and cash equivalents		(75)	1,639
Cash and cash equivalents at beginning of the period		1,639	—
Cash and cash equivalents at end of the period		1,564	1,639

Notes to the Financial Statements

(1) Accounting Policies

Basis of Preparation and Measurement

The financial statements of the parent company have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and the International Financial Reporting Standards ("IFRS") The Company is preparing its financial statements in accordance with Adopted IFRSs for the first time and consequently has applied IFRS 1 In preparing its opening IFRS Balance Sheet, the Company has identified no differences in its financial statements as compared to those reported previously in accordance with its old basis of accounting (UK GAAP) A summary of the more important accounting policies which have been applied consistently throughout the year are set out below

Functional and Presentation Currency

The functional currency of the parent company is British Pounds The financial statements of the parent company are presented in US dollars

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of the parent company at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined

On translation of the Company financial statements from functional currency to presentational currency the assets and liabilities are translated at the closing exchange rates Profit and loss accounts are translated at the average rates of exchange during the year Gains and losses arising on these translations are taken to reserves

Investments

Investments are stated at historic cost less any provision for impairment in value and are held for long-term investment purposes Provisions are based upon an assessment of events or changes in circumstances that indicate that an impairment has occurred such as the performance and/or prospects (including the financial prospects) of the investee company being significantly below the expectations on which the investment was based, a significant adverse change in the markets in which the investee company operates or a deterioration in general market conditions

Intercompany Loans

All intercompany loans are initially recognised at fair value and subsequently measured at amortised cost Where intercompany loans are intended for use on a continuing basis in the Company's activities and there is no intention of their settlement in the foreseeable future, they are presented as current assets

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less

Notes to the Financial Statements

(continued)

Impairment

If there is an indication that an asset might be impaired, the Company will perform an impairment review An asset is impaired if the recoverable amount, being the higher of net realisable value and value in use, is less than its carrying amount Value in use is measured based on future discounted cash flows ("DCF") attributable to the asset In such cases, the carrying value of the asset is reduced to recoverable amount with a corresponding charge recognised in the profit and loss account

Financial Instruments

Currently the Company does not enter into derivative financial instruments Financial assets and financial liabilities are recognised and cease to be recognised on the basis of when the related titles pass to or from the Company

Share-based Payments

Share-based payment arrangements in which the Company 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 Company

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

(2) Investment in subsidiary

	2015 $'000	2014 $'000
Balance at 1 January	**199,429**	—
Additions	—	218,085
Impairment	—	—
Disposals	—	—
Effect from currency translation	(9,374)	(18,656)
Balance at 31 December	**190,055**	**199,429**

Investment in subsidiary represents the Company's investment in Allied Minds, LLC as a result of the reverse acquisition described above in note 16 to the consolidated financial statements, immediately prior to the Company's the initial public offering on the London Stock Exchange in June of 2014 Allied Minds, LLC operates in the US as a US-focused science and technology development and commercialisation company For a summary of the Company's indirect subsidiaries see note 11 to the consolidated financial statements

Notes to the Financial Statements

(continued)

(3) Cash and cash equivalents

As of 31 December:	2015 $'000	2014 $'000
Bank balances	1,564	1,639
Cash and cash equivalents	1,564	1,639

(4) Loan to subsidiary

	2015 $'000	2014 $'000
Balance at 1 January	131,500	—
Additions	3,913	142,531
Repayments	(3,098)	—
Effect from currency translation	(6,206)	(11,031)
Balance at 31 December	126,109	131,500

The Company has loaned its excess cash to its operating subsidiary Allied Minds, LLC to be further deployed in support of the continuing operations of the Group The note bears an interest of 1 25% and is repayable upon demand However, there is no intention of its settlement in the foreseeable future

(5) Share capital and reserves

Allied Minds plc was incorporated with the Companies House under the Companies Act 2006 as a public company on 15 April 2014 Full detail of the share capital and reserves activity for the year can be found in note 16 to the consolidated financial statements

As of 31 December	2015 $'000	2014 $'000
Equity		
Share capital, £0 01 par value, issued and fully paid 215,637,363 and 214,445,579, respectively	3,429	3,411
Share premium	155,867	153,442
Merger reserve	185,544	185,544
Translation reserve	(25,852)	(10,209)
(Accumulated deficit)/retained earnings	(812)	250
Total equity	318,176	332,438

(6) Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements The Company's loss for the year was $4,268,000 (2014 $1,036,000)

Notes to the Financial Statements

(continued)

(7) Directors' remuneration, employee information and share-based payments

The remuneration of the Directors of the Company is disclosed in note 24 to the consolidated financial statements Full details for their remuneration can be found in the Directors' Remuneration Report on pages 70 to 97 Full detail of the share-based payment charge and related disclosures can be found in note 6 to the consolidated financial statements

The Company had no employees during 2015 and 2014

Company Information

Company Registration Number
08998697

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(Non-Executive Chairman)

Chris Silva
(Chief Executive Officer)

Rick Davis
(Senior Independent Director)

Jeff Rohr
(Independent Non-Executive Director)

Kevin Sharer
(Independent Non-Executive Director)

Jill Smith
(Independent Non-Executive Director)

Company Secretary
Michael Turner

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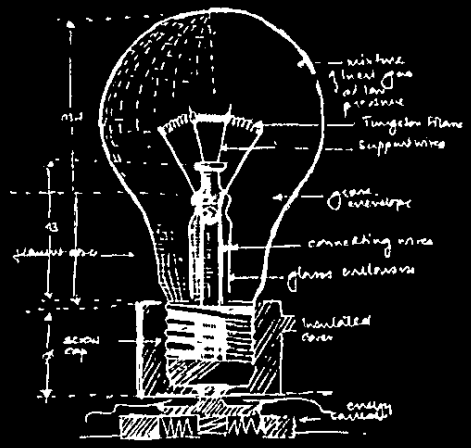

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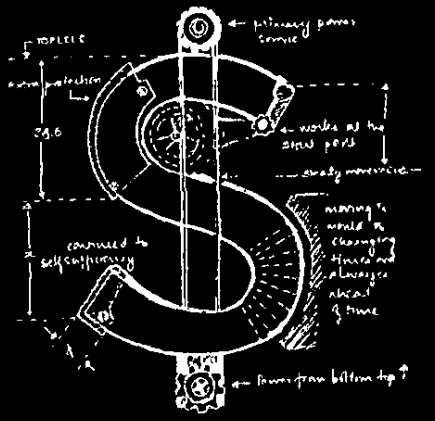

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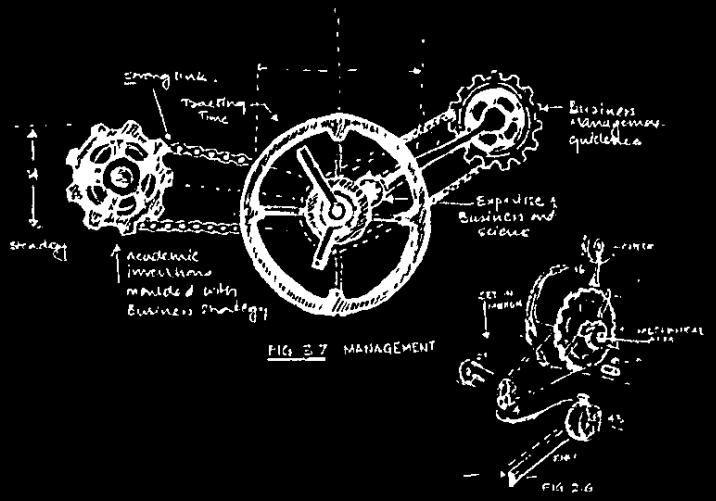
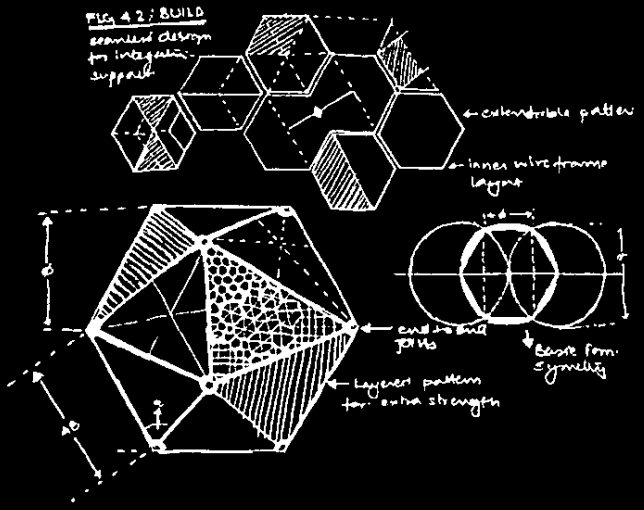


FIG. 3.7 MANAGEMENT

MANAGE



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