

Company no. 08998697



ALLIED MINDS™

Annual Report and Accounts
For the year ended 31 December 2014

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TRANSFORMING U.S. INVENTION INTO INNOVATION

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Overview

Allied Minds is an innovative US-focused science and technology development and commercialisation company. 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 22 subsidiary businesses at varying stages of maturity across the life sciences and high technology sectors with a range of technological innovations in medical devices, biologics, pharmaceutical compounds, cyber security, wireless communications, semiconductors, medical diagnostics and food safety.

Chairman's Report

It gives me great pleasure to present our first annual report as a public company and to welcome you as a shareholder in Allied Minds plc

I am pleased to note that 2014 was a year of significant milestones for the Group, with strong performance and third-party equity investments driving a meaningful increase in the value of the Group. Both the Group and its subsidiary businesses had a very active year. The execution of a successful initial public offering (IPO) on the Main Market of the London Stock Exchange, raising gross proceeds of \$155.0 million, was the highlight of the first half of 2014, and provided the Group with the capital necessary to support its business strategy and long-term growth.



Investment Model and Opportunity

The funding of basic research to generate new intellectual property (IP) is now largely driven by government sources, be it through higher education systems or directly funded research bodies. Once created, these ideas require an effective, efficient and sustainable channel to develop and mature into products or services which can benefit the wider economy.

A strong economy requires innovation to drive new products, new markets and ultimately enhance productivity and promote employment. There are a number of paths to commercialising promising technology, the most obvious being the formation of a new company. The disruptive force of start-ups has been shown to be a significant driver of innovation and an important and necessary feature of productive, growing economies.

In our experience there is no shortage of high-quality IP being generated by research institutions, particularly in the United States where Allied Minds operates. What is often lacking is an active and supportive eco-system to enable start-ups to mature and evolve into high-growth, impactful and valuable companies. Building a successful start-up is not easy and requires not only great ideas, but also high-quality management and consistent access to capital, ideally delivered within a model which can also ensure high-fidelity control and governance. Above all, start-ups often require considerable time to mature in order to truly deliver value.

Competition for investment funds amongst different asset classes is driving the need for shorter investment time frames. Few venture funds have the flexibility or the operational emphasis to focus on early-stage investment in IP-centric projects. This has meant that many venture investors, particularly in the US, have increasingly focused on internet and media deals with the inevitable escalation of asset valuations. True early-stage investment in IP-based start-ups still remains a relatively rare commodity.

I believe we are seeing the emergence of a new type of investment model to help address this problem, which is better suited for building the next generation of technology companies and seeks to deliver above average returns for investors. These public venture companies focus on developing portfolios of IP-based early-stage start-ups and seek to help build them into companies over a much longer time horizon, providing capital and management support along the way.

Chairman's Report *(continued)*

I am proud to say that Allied Minds has been at the forefront of pioneering this model in the US and is its leading proponent. The United States is the most important market in the world for both generating valuable technology and in consuming the end product or services. The market opportunity facing our company is truly enormous, we are the market leader in the leading market.

In utilising the strengths of our investment model and successfully executing to our strategic plan, I believe there is every opportunity to take Allied Minds to the next level as one of the most significant and valuable global technology driven businesses.

People

During the year and in anticipation of our IPO, we reviewed the Board composition and welcomed two new independent Directors, Peter Dolan and Jeff Rohr. Peter has 30 years of operating experience, including 18 years at Bristol-Myers Squibb, where he served as Chairman and CEO. He is currently the Chairman of the Board of Trustees of Tufts University in Massachusetts. Jeff has 30 years of senior management experience at Deloitte LLP, having last served in the role of Vice Chairman and Chief Financial Officer.

In order that we fully comply with UK corporate governance guidelines, the Group Chairman needs to be an independent director and accordingly I will be standing down at our forthcoming Annual General Meeting. I am delighted to report that Peter, who currently serves as the Senior Independent Director, has agreed to transition to the role of Non-Executive Chairman. I will remain on the Group Board in an executive capacity in the short term but intend to step down from the Board later in the year, although I expect to stay actively engaged with the Group. The Nomination Committee is actively considering adding an additional independent director in the near future.

We are fortunate at Allied Minds to have a dynamic and dedicated group of people both at the corporate level and at our subsidiary businesses who are all determined to build further on the success we have had to date. The Group would not be in the position it is today without the contributions of our employees and, as always, I am proud of and thankful for their efforts. On behalf of the Board I also want to express our particular thanks to those employees directly involved in the stock market listing for their tremendous hard work and dedication.

Finally, I would like to formally note my thanks to all the Group's stakeholders, but particularly for the strong support from shareholders for the Group's IPO and subsequent subsidiary financings.

Outlook

It has been both a highly active and exciting year for the Group. I believe that the Group's track record and expertise in its field, coupled with extensive US university and US federal research institution partnerships, and strong balance sheet, leaves Allied Minds well placed to continue to generate significant value for shareholders over the medium and long term. I look forward to the future with much confidence.

Mark Pritchard
Executive Chairman

28 April 2015

Highlights

Period Highlights

Corporate

Completed successful initial public offering (IPO), and admission to the premium listing segment of the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange (LSE), raising proceeds of \$155.0 million

New Businesses

Formed and funded four new businesses

- Allied-Bristol Life Sciences (ABLS), in collaboration with Bristol-Myers Squibb, to identify and foster research and pre-clinical development of biopharmaceutical innovations
- Seamless Devices, with technology from Columbia University, to develop a novel signal processing technique for analog to digital converters
- Percipient Networks, with technology from The MITRE Corporation, to develop next-generation security technologies for enterprise network defence
- Whitewood Encryption Systems, with technology from Los Alamos National Laboratory, to develop the next-generation systems of data encryption that leverage advanced quantum cryptography technologies

Team

Hired additional key senior leadership at Allied Minds and its subsidiaries, including the first General Counsel of the Group, a new Vice President to lead the partnerships with US research universities, and new experienced CEOs at each of ABLS, Federated Wireless, Novare Pharmaceuticals and Optio Labs, as well as an overall increase of more than 90 new employees and consultants during the year

Investment

Attracted third-party investment and grants directly into several subsidiaries, including

- Spin Transfer Technologies, in connection with a \$70.0 million equity financing
- Optio Labs, in connection with a \$10.0 million equity financing
- SiEnergy, which was awarded a \$2.65 million US government ARPA-E REBELS grant

Valuation

Increased Group Subsidiary Ownership Adjusted Value (GSOAV) from \$367.3 million to \$488.0 million, an increase of \$120.7 million, or 32.9%

Subsidiary Milestones

Achieved numerous technical milestones, including

- STT completing its first phase of integration of magnetic and CMOS wafer technology to demonstrate the technology's capability to integrate with existing fabrication processes standard in the industry
- SciFluor advancing two lead compounds through key in-vivo, pre-clinical tests, successfully testing its retinal disease lead in a leading choroid neovascular study in rabbits, and successfully testing its lead focused on neurological disease through an agency within the US National Institutes of Health (NIH)

Highlights *(continued)*

- RF Biocidics quadrupling revenues during 2014 to \$6.5 million, acquiring a 28.5% interest in its supplier Stalam SpA in Italy, a manufacturer of radio frequency equipment, and successfully launching its new fourth generation APEX machine
- Precision Biopsy continuing development of its commercial system in preparation for eventual regulatory submissions, successfully completing in-vivo human feasibility study in patients undergoing prostatectomies, and additional testing of ex-vivo post-prostatectomy showing favourable results when compared to traditional pathology
- LuxCath demonstrating real time heart lesion visualisation proof of concept system in large animals using LuxCath catheter system, expanding potential applications by incorporating LuxCath optics into leading 3rd party ablation catheters, and demonstrating real-time tissue contact assessment as well as cardiac lesion progression monitoring in animals, all while preparing for First-In-Man studies with a leading cardiologist in 2015

Intellectual Property

Received grant of numerous patents, including two patents granted by the US Patent and Trade Office to SciFluor for claims covering novel compounds for retinal and neurological diseases

Partner Network

Welcomed three new universities and seven new federal laboratories to the Allied Minds partner network

Financial Highlights

Net cash and deposits*	\$261.5m (2013: \$104.6m)
Revenue	\$7.7m (2013: \$2.9m)
Net loss	\$57.9m (2013: \$42.7m), of which \$45.6m (2013: \$34.5m) attributable to Allied Minds
Group Subsidiary Ownership Adjusted Value (GSOAV)	\$488.0m (2013: \$367.3m), an increase of 32.9%
Share price performance	367p at 31 December 2014, an increase of 93.2% over the initial public offering price of 190p at 25 June 2014, welcomed to the FTSE 250 in December 2014

* includes excess cash in form of fixed income securities

Post-Year-End Highlights

- In February 2015, Allied Minds formed and funded BridgeSat, in collaboration with The Aerospace Corporation, Draper Laboratory, Massachusetts Institute of Technology Assistant Professor Dr. Kerri L. Cahoy and the graduate student team in the Space, Telecommunications, Astronomy, and Radiation (STAR) Laboratory, to develop an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit (LEO) satellites compared to traditional radio frequency solutions

Highlights *(continued)*

- In April 2015, SciFluor successfully raised \$30.0 million in a Series A preferred stock financing. Significant participants in the funding round were Invesco Asset Management and Woodford Investment Management, demonstrating their continued support for the commercialisation model of academic and federal research pioneered in the US by Allied Minds.
- In April 2015, Optio Labs purchased the assets of Maryland-based security company Oculis Labs, and its CEO, Dr. Bill Anderson, joined Optio Labs as Chief Product Officer. Oculis Labs develops products that protect data displayed on a user's computer and mobile device screen from visual eavesdroppers.
- In April 2015, the Federal Communications Commission (FCC), in a unanimous decision, 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 Spectrum Access System.

CEO's Report

I am pleased to present my first report as Allied Minds plc's CEO. Allied Minds has been at the forefront of developing a US-based public venture company that creates, invests in, and actively manages high-potential technology businesses. Prior to our London Stock Exchange listing on 25 June 2014, Allied Minds dedicated itself to building a strong foundation to this purpose. Before our listing, we created and managed 18 subsidiary businesses, employed more than 200 people, of which 125 held advanced degrees, including 65 PhDs, and developed a robust pipeline emanating from a network of 64 leading US universities and federal research centres of excellence. During the IPO roadshow, the Chairman and I outlined Allied Minds' near-term objectives, which were to invest in (with third party participation) the acceleration of key subsidiary businesses, to create the Group's first corporate partnership with a major international conglomerate, to progress the commercial development across our portfolio of businesses, and to create new high-impact businesses. I am happy to report that Allied Minds accomplished all of these objectives.



The Group's significant expertise across a range of science and technology disciplines, its highly skilled workforce, as well as its capital resources, allowed it to expand upon its strong foundations. Since mid-2014, Allied Minds attracted third-party investment and grants and co-invested \$123 million into Spin Transfer Technologies (STT), Optio Labs, SiEnergy, Allied-Bristol Life Sciences (ABLS) and SciFluor. In August 2014, we formed ABLS, a partnership with Bristol-Myers Squibb (BMS), to create 10 new businesses that aim to develop novel biopharmaceutical assets. Further, the Group established collaborations with additional university and federal labs that led to the formation of new businesses, and continued to progress ongoing scientific research and development for the commercialisation of products in its portfolio.

Allied Minds is building a diversified portfolio of businesses in the life and high-technology sectors. I believe that the US continues to produce a wealth of potentially world-class intellectual property from its universities and federal government laboratories, and that the Group is well-positioned to continue to back IP-based early-stage projects and businesses given its strong track record, patient development timelines, strong management and cash position. The Group aims to achieve growth and value creation over the medium and long term as its subsidiary businesses' products and services mature through the commercialisation cycle.

Milestones Achieved

Allied Minds has access to an extensive array of intellectual property and technology opportunities in the US through its network of universities and federal government laboratories. In 2014, our partner network grew to 68 partners, to include the addition of three new universities and seven new federal laboratories: University of Massachusetts, Lowell, Worcester Polytechnic Institute, University of Texas, San Antonio, Los Alamos National Laboratory, Oak Ridge National Laboratory, Pacific Northwest National Laboratory, Sandia National Laboratories, Georgia Tech Research Institute, MITRE National Cyber Security Centre of Excellence, and Charles Stark Draper Laboratory.

CEO's Report *(continued)*

The partner network and technology pipeline led the Group to form three new businesses

- Seamless Devices, with technology from Columbia University, to develop a novel signal processing technique for analog to digital converters,
- Percipient Networks, with technology from The MITRE Corporation, to develop next-generation security technologies for enterprise network defence, and
- Whitewood Encryption Systems, with technology from Los Alamos National Laboratory, to develop next-generation systems of data encryption that leverage advanced quantum cryptography technologies

2014 also marked the year that we completed our first corporate partnership. We teamed with BMS to form ABLS to identify and foster research and pre-clinical development of biopharmaceutical innovations. ABLS plans to create 10 subsidiary companies, each developing a novel biopharmaceutical asset with the intention of exiting the subsidiary business to BMS at the end of pre-clinical development.

Our subsidiary businesses progressed well in 2014, achieving numerous technical milestones. Notably, STT completed its first phase of integration of magnetic and CMOS wafer technology, demonstrating the technology's capability to integrate with existing fabrication processes that are standard in the industry. The Group also saw significant growth in its intellectual property estate, receiving grant of numerous patents, including two by the US Patent and Trade Office to SciFluor for claims covering the novel compounds for retinal and neurological diseases.

Allied Minds attracted third-party investment and grants directly into several subsidiaries, including a \$70.0 million equity financing in STT, a \$10.0 million investment in the formation of ABLS, a \$10.0 million equity financing in Optio Labs, and a \$2.65 million US government ARPA-E REBELS grant for SiEnergy.

The Group Subsidiary Ownership Adjusted Value increased to \$488.0 million as of 31 December 2014 from \$367.3 million at 31 December 2013, an increase of \$120.7 million, or 32.9%.

Continuing Momentum

Allied Minds has continued this progress into 2015. The Group recently announced the formation and funding of BridgeSat, which is developing an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit (LEO) satellites compared to traditional radio frequency solutions. BridgeSat was formed in collaboration with The Aerospace Corporation, Draper Laboratory, Massachusetts Institute of Technology Assistant Professor Dr. Kerri L. Cahoy, and the graduate student team in the Space, Telecommunications, Astronomy, and Radiation (STAR) Laboratory.

In addition, SciFluor recently raised a \$30.0 million equity financing, which included \$25.2 million of third-party funds, to commence clinical trials of its patent-protected compounds in retinal and neurological diseases.

The Group also has two additional transactions near completion. ABLS I, LLC was formed to execute on the first project approved for investment under our ABLS partnership with BMS. This project involves licensing intellectual property with respect to prostate oncology from an Ivy League institution, and proceeding to pre-clinical evaluation and development. In addition, ABLS II, LLC was formed to execute on a second project approved for investment. This project involves licensing intellectual property with respect to fibrotic diseases from a second Ivy League institution, and proceeding to pre-clinical evaluation and development.

CEO's Report *(continued)*

The Group is currently assessing new technologies we believe can have a significant commercial impact. We have 13 technologies in final due diligence and 89 technologies in early due diligence. The Group expects that its significant technology pipeline is likely to lead to the creation of a number of new subsidiaries during the remainder of 2015, and aims to form and fund 5 to 10 new projects annually.

We continue to scale and add resources at the Group and its subsidiary businesses. Since the IPO, we have added an additional 98 employees and contractors across our businesses. Our total workforce has reached 298 employees and contractors, of which 180 hold advanced degrees, including 87 PhDs. We intend to strengthen our highly skilled workforce as business needs require.

Outlook

As we continue to build from our strong foundation, the momentum we achieved with a successful IPO, and the meeting of the near-term goals set out during the IPO process, I believe Allied Minds is well positioned for meaningful further growth. In 2015, we will continue to focus on the commercial advancement of our subsidiary businesses, intend to invest further in our businesses and together with third-party investment where appropriate, expand our portfolio of high-impact businesses, and add key industry managers and expertise to the Group. Importantly, as the Group and the subsidiary businesses mature, we aspire to attract new corporate alliances, which we believe will further validate our model and the commercial potential of the subsidiaries. Future corporate collaborations could include co-development agreements, licensing, joint ventures, and direct equity investment. The Company and its businesses are well positioned for continued execution excellence, commercial maturation and expansion, which should result in increased value for shareholders over the medium and long term. In closing, I believe the outlook for Allied Minds is strong.

Chris Silva

Chief Executive Officer

28 April 2015

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 and advance science and technology innovation developed at many of the leading US universities. The Company's business model is to form, fund, manage and build start-up companies which undertake research and product development and ultimately to commercialise scientific research and innovations emerging from US universities, and scientific research and innovations emerging from US federal research institutions and laboratories.

Allied Minds' strategy is to build a significant and diversified group of businesses and achieve strong growth over the medium to long term through the maturation of its products through the commercialisation cycle. Allied Minds' business model centralises the support functions at the Group level, thereby enabling its businesses to focus efforts primarily on commercialisation activities whilst achieving operational and financial efficiency. We believe one of the foundations 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 total, the Group currently has relationships with 68 research universities and US federal government laboratories, providing it with an extensive pipeline of scientific and technological innovations from which the Group can identify technology for potential development to commercially viable products.

Since inception, the Group has invested significant capital and resources in companies that focus on laboratory based scientific research and product development. This has enabled Allied Minds to successfully progress and complete testing of a number of innovative products. The Group currently comprises 22 subsidiary businesses in the life sciences and high 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 significant expertise throughout the Group across a range of science and technology disciplines. The Group has 298 employees and consultants of whom 180 hold advanced degrees and 87 have PhDs (as at 31 March 2015). 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.

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 R&D investment. 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 licence the invention and carry concepts forward. As a result, many universities licence only a relatively small number

Company Overview *(continued)*

of patents a 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 subsequently licensing those inventions into subsidiaries formed and funded by the Company. By providing requisite commercial direction and management talent together with funding the research and product development activities of its businesses, we believe Allied Minds has the potential to be able to unlock the 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 innovative intellectual property. Allied Minds is actively engaged in focused scientific research and product development within its businesses, with the objective of bringing commercially viable 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 commercialising scientific research.

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 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 practical 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. Where the commercial potential of a business merits significant further investment, we may deem it to be in the best interests of the Company to dilute our shareholding in that business to below 50%. In such circumstances, we believe that Allied Minds is likely to remain the largest shareholder for a further period and should therefore retain influence over the strategic direction of the businesses for that period.

The Company's strategy is to drive each subsidiary business toward commercialisation but it does not mandate a specific timeline in which this has to be accomplished. 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.

Company Overview *(continued)*

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 Allied Minds campus visits and interaction between Allied Minds staff and university technology transfer personnel and researchers. The strategic relationships that Allied Minds maintains with universities provide Allied Minds with direct access to scientific research which is potentially capable of developing into transformative technologies and products.

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 Defence 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 Defence 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 2014, Allied Minds evaluated approximately 2,160 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 terms of a number of key technical assessment criteria. The starting point for this process is an assessment of the science that underpins the project. As part of this assessment, projects are assessed on the following criteria: value proposition, advantaged technology, initial commercial application, addressable market, business model, potential intellectual property protection, competitive landscape, and regulatory path, if applicable.

Company Overview *(continued)*

Approximately 5% of those projects reviewed are typically selected for further evaluation. At this stage Allied Minds coordinates the involvement of domain 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 five to ten new projects per annum in the near and medium term.

After selecting a project, Allied Minds typically establishes a subsidiary that receives a licence for the commercial rights (which is normally exclusive subject to certain exceptions) 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.

Fund

Following the due diligence procedures to identify the technology and form a subsidiary to incubate, develop and ultimately commercialise such technology, the subsidiary and partner university or federal government agency often enter into a sponsored research agreement (SRA), cooperative research and development agreement (CRADA) or equivalent. Pursuant to such agreements, the subsidiary will work with the partner and fund a targeted scope of research, focused on validating the core scientific principles of the intellectual property, to be performed by the principal investigator (PI) and other personnel qualified to advance the science. This approach to developing technology allows an Allied Minds subsidiary to evaluate the progress and likelihood of commercial success of a technology prior to making a significant additional commitment to fund, develop and commercialise such technology.

Following this initial seed funding from the Company, Allied Minds aims to provide further incremental funding to support the scientific research and product development activity within its subsidiaries.

Disbursement of funding and future rounds of financing for further research and 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. Since inception, Allied Minds has terminated 11 underperforming businesses having spent approximately \$1.0 million, on average, on each business.

As its businesses mature further, Allied Minds will also seek funding from third parties for its businesses should it be in the Group's strategic interests to do so. Allied Minds has a track record with certain 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 activity towards commercialisation. During the early stages, Allied Minds typically utilises technical and executive leadership to provide oversight of progress of its businesses toward preliminary milestones. As those businesses evolve, Allied Minds actively contributes to the board composition of

Company Overview *(continued)*

the companies and often appoints externally sourced dedicated management to advance the businesses towards commercialisation. Scientific advisors are often integrated into the decision making processes to ensure the appropriate technical direction is pursued. We believe the Company is well placed to 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 continue to directly provide strategic and other advice or retain expert advisors for the businesses, as needed.

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 can provide 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 Group 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 take strategy and funding decisions based on the achievement of key milestones. The Company's policy is, wherever feasible, to look for each subsidiary to capture early revenue as a means of commercially validating the technology and business case.

Portfolio Summary

During 2014, the Group, together with third parties, deployed \$125.0 million of capital into the Company's businesses, which includes, together with the ordinary course annual funding of the subsidiaries, the \$10.0 million invested in ABLIS at formation, and the equity financing transactions at STT (\$70.0m), Optio Labs (\$10.0m) and Federated Wireless (\$5.0m). Allied Minds currently has majority ownership in, or operating control of, all of its subsidiary investments, and continues to invest in and support its most promising companies. Below we provide an overview of our current existing subsidiary companies, including year formed, and Allied Minds' ownership interest.

Subsidiary	Year Formed	Ownership Interest (%)	Overview
Life Sciences			
Allied-Bristol Life Sciences, LLC	2014	80.00%	Created with Bristol-Myers Squibb to identify and foster research and pre-clinical development of biopharmaceutical innovations, and convert discoveries from university research institutions into therapeutic candidates for clinical development.
ABLS I, LLC	2014	80.00%	Formed to execute the first ABLIS project approved for investment, this project involves licensing intellectual property with respect to prostate oncology from an Ivy League institution, and proceeding to pre-clinical evaluation and development.
ABLS II, LLC	2014	80.00%	Formed to execute the second ABLIS project approved for investment, this project involves licensing intellectual property with respect to fibrotic diseases from a second Ivy League institution, and proceeding to pre-clinical evaluation and development.
Biotechix, 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.
Cephalogics, LLC	2006	95.00%	Developing a non-invasive, bedside neuroimaging system, which seeks to improve monitoring of patients with neurological injury.
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.

Portfolio Summary *(continued)*

Subsidiary	Year Formed	Ownership Interest ⁽¹⁾	Overview
Life Sciences <i>(continued)</i>			
LuxCath, LLC	2012	98 00%	A catheter-based real-time tissue and lesion visualisation technology for potential use during cardiac ablation procedures initially focused on atrial fibrillation ablation
Precision Biopsy, LLC	2008	80 35%	A medical device platform utilising tissue spectroscopy, which seeks to distinguish tissue characteristics in real-time and seeks to guide clinicians toward areas of disease for optimum therapy initially focused on prostate cancer
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
SciFluor Life Sciences, Inc	2010	69 94%	Developing a portfolio of proprietary compounds by harnessing the transformational power of fluorine with a view to optimising drug discovery and accelerating the clinical development of innovative new therapeutics
SoundCure, Inc	2009	84 62%	Developed an FDA-cleared consumer medical device for tinnitus therapy offering customised acoustic technology
High 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 compared to traditional radio frequency solutions

Portfolio Summary *(continued)*

Subsidiary	Year Formed	Ownership Interest ⁽¹⁾	Overview
High Technology <i>(continued)</i>			
Federated Wireless, Inc	2012	90 88%	Focused on enabling technologies for the next-generation of wireless communications by seeking to improve supply, demand, and delivery of spectrum for future cellular communications
Foreland Technologies, Inc	2013	100 00%	A cyber security platform company which aims to discover, incubate and commercialise emerging technologies
Optio Labs, Inc	2012	81 23%	Developer of mobile security technologies for the evolving cyber operating environment
Percipient Networks, LLC	2014	100 00%	Developing next-generation security technologies for 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 85%	Developer of semiconductor devices using a novel approach to analog signal processing, building upon patented switched-mode signal processing technology and algorithms
SiEnergy Systems, LLC	2007	100 00%	Developing thin film low temperature solid oxide fuel cells that seek to bring efficient, and affordable clean energy systems for broad application
Spin Transfer Technologies, Inc	2007	48 40%	MRAM computer memory that is being developed with the aspiration of becoming a leading universal memory technology in the \$60 billion per annum worldwide computer memory market
Whitewood Encryption Systems, Inc	2014	100 00%	Develop the next-generation systems of data encryption that leverage advanced quantum cryptography technologies uniquely capable of meeting intensifying market demand for secure, computationally efficient, and low-latency encryption

Notes

(1) Ownership interests are as at 27 April 2015 (being the latest practicable date prior to the publication of this Annual Report). Allied Minds' ownership of SciFluor was 79.00% as at 31 December 2014, prior to a funding round (involving both Allied Minds and external investors) of \$30.0 million in April 2015. Allied Minds ownership of Optio Labs was 79.86% as at 31 December 2014, prior to its final contribution and purchase of shares in January 2015 in the \$10.0 million financing round. Allied Minds ownership of Seamless Devices was 80.00% as at 31 December 2014, prior to an exercise of employee stock options that reduced its ownership percentage.

Subsidiary Valuation

The Group currently has 22 subsidiary businesses, whose activities are principally in the life sciences and high 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 this 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 \$488.0 million as at 31 December 2014, 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 this Annual Report. We believe there has been no significant change in the Group Subsidiary Ownership Adjusted Value since 31 December 2014.

Subsidiary Valuation *(continued)*

The Group Subsidiary Ownership Adjusted Value (GSOAV) of \$488.0 million as of 31 December 2014, compared to \$367.3 million at 31 December 2013, was an increase of \$120.7 million, or 32.9%.

Subsidiary Business	Allied Minds Invested Capital \$'000	Total Invested Capital \$'000	OAV as at 31 December 2014 \$'000	OAV as at 31 December 2013 \$'000
Early Stage				
Spin Transfer Technologies, Inc	28.5	107.5	121.0	76.9
SciFluor Life Sciences, Inc	17.9	43.1	91.4	30.8
Optio Labs, Inc	9.1	11.6	32.8	33.0
Cephalogics, LLC	8.2	8.2	22.3	22.5
ProGDerm, Inc. d/b/a Novare Pharmaceuticals	3.9	3.9	16.7	15.6
Precision Biopsy, LLC	7.5	7.5	16.2	15.9
SiEnergy Systems, LLC	7.2	7.2	15.3	22.7
Commercial Stage				
RF Biocidics, Inc	23.4	31.4	69.6	62.8
CryoXtract Instruments, LLC	12.9	12.9	17.8	16.5
SoundCure, Inc	16.3	16.3	11.5	14.3
Top 10 Subsidiaries by Value			414.6	311.0
Other Subsidiaries	30.6	32.8	73.4	56.3
Group Subsidiary Ownership Adjusted Value			488.0	367.3

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 2014 amounting to \$86.1 million (including those valued based on recent financing rounds, of which \$68.6 million was held by STT) on an ownership adjusted basis. As at 31 December 2014, the Group reported total consolidated net cash and other investments balances of \$261.5 million, the balance being net cash and investments of \$175.4 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 2014, 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. SciFluor Life Sciences completed a funding round of \$30.0 million in April 2015.

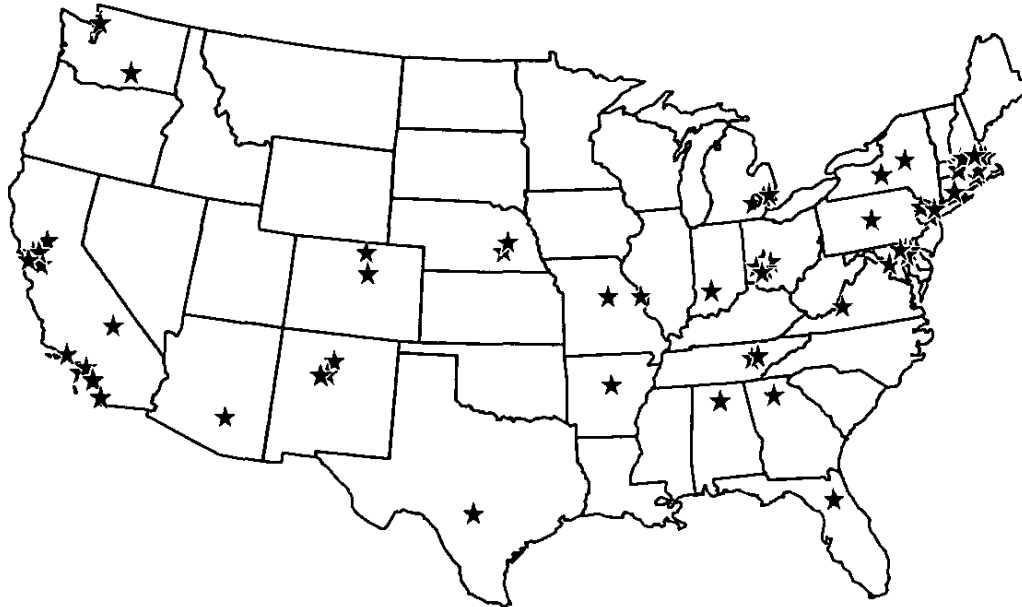
The Group Subsidiary Ownership Adjusted Value above excludes net cash and other investments balances of \$175.4 million held at the parent level as at 31 December 2014 (2013: \$85.7 million).



Partner Network

The Group has established relationships with 34 of the most prestigious academic research institutions across the United States, as set out below. 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 34 US Department of Defence laboratories and other federal agency laboratories, such as the Department of Energy, with the objective of systematically commercialising the US federal government's technological inventions developed in the corresponding US federal government laboratory.



University Partners (East)

Boston University
Brown University
Columbia University
Cornell University
University of Florida
George Washington University
Harvard University
New York University
Penn State
Tufts University
University of Massachusetts, Lowell
Virginia Polytechnic Institute
Worcester Polytechnic Institute
Yale University

University Partners (West)

Arizona State University
Colorado State University
UC Berkeley
UC Davis
UC Irvine
UCLA
UC San Diego
UC San Francisco



University of New Mexico
University of Colorado
University of Washington

University Partners (Central)

Univ. of Arkansas for Medical Science
University of Michigan
University of Missouri
University of Nebraska, Lincoln
Univ. of Nebraska Medical Centre
University of Texas, San Antonio
Vanderbilt University
Washington University in St. Louis
Wayne State University

Department of Defence

Air Force Research Lab - Avionics
Air Force Research Lab - Electronics Tech
Air Force Research Lab - Flight Dynamics
Air Force Research Lab - Material
Air Force Research Lab - Aero



Propulsion and Power Laboratory
Air Force Research Lab - Armament
Air Force Research Lab - Information Directorate
Naval Air Weapons Station - China Lake
Naval Air Weapons Station - Point Mugu
Naval Surface Warfare Centre - Crane
U.S. Army AMRDEC
U.S. Army ARDEC
U.S. Army CERDEC
U.S. Army ECBC
U.S. Army Natick Soldier Labs
U.S. Army RDECOM
U.S. Army Research Lab
U.S. Army TARDEC

Department of Energy

Lawrence Berkeley National Laboratory
Lawrence Livermore National Laboratory
Los Alamos National Laboratory

Oak Ridge National Laboratory
Pacific Northwest National Laboratory
Sandia National Laboratories

Other Key Federal R&D Organisations

Aerospace Corporation
Georgia Tech Research Institute
Charles Stark Draper Laboratory
MITRE National Security Engineering Centre
MITRE National Cyber Security Centre of Excellence
MITRE Centre for Advanced Aviation System Development
MITRE Centre for Enterprise Modernisation
MITRE Homeland Security Systems Eng. & Dev.
MITRE Judiciary Engineering and Modernisation Centre
MITRE CMS Alliance to Modernise Healthcare

Key Performance Indicators

We believe the following Key Performance Indicators (KPIs) accurately measure the performance of the Company

- 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

2014 KPIs are set forth below:

KPI	2014	2013	Performance
Subsidiary Businesses	22	18	+4/ 22 2% growth
Group Subsidiary Ownership Adjusted Value	\$488.0 million	\$367.3 million	+\$120.7 million / 32.9% growth
Revenue	\$7.7 million	\$2.9 million	+\$4.8 million / 165.5% growth
Commercial Stage Subsidiaries	3	3	No change

Portfolio Review and Developments

For the purposes of this section, the Company's top 10 operating businesses by estimated value, accounting for approximately 85% of the Group Subsidiary Ownership Adjusted Value as at 31 December 2014, have been identified as Material Subsidiaries

Material Subsidiaries

Early Stage

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.

During 2014, STT completed its first phase of integration of magnetic and CMOS wafer technology. This is an important step to demonstrate the technology's capability to integrate with existing fabrication processes standard in the industry. Also, the company successfully raised \$70.0 million in a Series A preferred stock financing, the proceeds of which will be used to procure capital equipment and other infrastructure, strengthen the company's product development, sales and operations teams, and expand the intellectual property portfolio.

For 2015, key milestones include the development of a fully functional technology demonstrator memory integrated circuit, completion of the company's expansion of its clean room to accommodate the installation of a variety of fabrication equipment and expansion of existing partnership relationships and development of new ones.

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 PTO entered a judgment on the IPR and cancelled several claims under the NYU patent as being invalid over prior art references. The Company believes that STT's ability to develop and market its technology and products will not be materially impaired by this judgment. IPR proceedings do not make any findings regarding patent infringement, and thus this judgment provides no legal authority holding that STT infringes any patents held by third parties. In addition, the NYU patent portfolio licensed by STT contains other patent claims that are unaffected by the IPR action. Further, as STT has developed its technology, it has filed its own additional patents. The Company believes that the claims remaining under the licensed NYU patents, as well as under STT's owned patents, provide substantial defense against other competitors who may enter the market.

SciFluor Life Sciences, Inc.

SciFluor Life Science, Inc. (SciFluor) engages in drug discovery and development using fluorine and is building a portfolio of proprietary fluorinated compounds serving billion dollar markets. Fluorine modification of the underlying chemical structure of a drug has been demonstrated to improve potency, selectivity, rates of absorption and metabolic stability in many cases, and approximately 25% of drugs currently marketed or in the pipeline contain fluorine. SciFluor's principal products are two lead compounds.

Portfolio Review and Developments *(continued)*

- 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 intended to replace drugs requiring injection into the eye.
- SF0034, a KCNQ2/3 modulator and a fluorinated derivative of ezogabine, is also patented and is wholly owned by SciFluor. SF0034 could eliminate key safety issues associated with ezogabine and serve markets totaling \$5 billion in aggregate including epilepsy/seizures, tinnitus, amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease), and channelopathies (genetic orphan rare diseases).
- OptioGnzzly, is an application which leverages OptioCore to provide real-time identification of malware on mobile devices. Additional features include the remediation of the malware and notification at both the enterprise and end user level.
- Kodomo is Optio Labs' consumer offering allowing parents to "monitor, teach and trust" their child's mobile behaviour and experiences. Kodomo allows parents the ability to review and control SMS traffic, YouTube video review, bad language notification and driver's speed.

In April 2015, SciFluor successfully raised \$30.0 million in a Series A preferred stock financing. For the remainder of 2015, the company expects to advance the pre-clinical research so that SF0166 and SF0034 will be ready to enter Phase I clinical trials late in the year or early 2016. It is envisaged that the Phase I trials will cover up to four indications for these two drugs. Additionally the company will execute pre-clinical tests on its existing pipeline compounds in respiratory disease, pain therapy, fibrosis, cardiovascular disease, and neurology.

Optio Labs, Inc

Optio Labs, Inc (Optio Labs) is a software security company engaged in the development and deployment of mobile security solutions for global organisations. The company's three current prototype/early stage products include:

- OptioCore, an adaptive, policy-driven mobile device software solution secures information and applications for Google's Android operating system. OptioCore has the distinct advantage over all other platforms because it monitors, informs and resolves mobile security threats at the Inter-process, Communication (IPC) layer.

In March 2014, Optio Labs closed a Series A round of funding. The company continued development of its products with OptioCore placed with a large aerospace OEM and beta roll-out for Kodomo. During 2014 and early 2015, Optio Labs welcomed several new executives. Gregg Smith, the former Chief Executive Officer of KoolSpan, Inc and Acuity Mobile, Inc, joined to become Optio Labs' CEO. Bryan Glancey, the former Chief Technology Officer of CellTrust and Director of Public Sector and Security for Samsung Electronics Co., joined Optio Labs as its new CTO. Francis Knott, whose corporate development experience included Aether Systems and Telecommunications Systems, joined as Senior Vice President, Corporate Development.

In April 2015, Optio Labs purchased the assets of security company Oculis Labs, and its CEO, Dr. Bill Anderson, joined Optio Labs as Chief Product Officer. Oculis Labs developed products that protect data displayed on a user's computer and mobile device screen from visual eavesdroppers. The company's enterprise and consumer product, PrivateEye, protects computer screens against unauthorised viewers by using computer vision technology. For 2015, the company intends to focus on market deployment and sales development for its three main products: Gnzzly, Private Eye and Kodomo.

Portfolio Review and Developments *(continued)*

Cephalogics, LLC

Cephalogics, LLC (Cephalogics) is working to develop and commercialise a non-invasive bedside neuroimaging system. The Cephalogics system aims to provide continuous data and imaging from clinically relevant cerebrovascular regions. This technology is aimed at improving on current neuro-monitoring technologies and bringing non-invasive neuro monitoring and imaging to the bedside in this estimated \$1 billion market.

During 2014, the company continued development as well as bench, phantom, and clinical testing of its algorithms and prototype system. Cephalogics has collected data on normal subjects as well as a total of 24 patients at three hospitals and was able to utilise the data to interpret system performance and for input into algorithm development.

The focus for 2015 is to complete the company's commercial prototype and initiate testing on blood phantoms, animals and human subjects. A variety of tests are to be completed on healthy human volunteers or "normals." Patient testing should follow through existing relationships at university hospitals such as Duke University, Washington University or Tufts University.

ProGDerm, Inc. d/b/a Novare Pharmaceuticals
ProGDerm, Inc., d/b/a Novare Pharmaceuticals (Novare) holds the exclusive licence 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 unique anti-inflammatory properties and directed stem cell activation.

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 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 and adults with Idiopathic Pulmonary Fibrosis.

During 2014, Dr. Mike Delmage joined the company to serve as Chief Executive Officer. Dr. Delmage earned his PhD in cellular and molecular biology, is an expert in Hyaluronic Acid and has served as Chief Technical Officer and CEO at Senetek PLC and Transvivo, Inc., respectively, with experience in the aesthetics, medical device and therapeutic drug sectors. Novare licensed additional RHAMM compounds discovered by Dr. Turley for research and development into therapeutics for inflammatory conditions and expanded the company's focus beyond aesthetics.

For 2015, the company intends to optimise peptide targets for the indications highlighted above. These peptides will be characterised and supported by a variety of in-vitro tests as well as limited animal studies. Expansion of the patent portfolio is intended to support these advancements.

Precision Biopsy, LLC

Precision Biopsy, LLC (Precision Biopsy) is developing a next generation prostate cancer biopsy system, with the aim of being able to analyse prostate tissue in real-time for signs of cancer during the biopsy procedure, and of minimising unnecessary tissue coring 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.

In 2014, Precision Biopsy continued development of its commercial system by evaluating multiple product design options, developing prototypes, and conducting testing on bench and in human

Portfolio Review and Developments *(continued)*

excised prostate tissue to select optimum design. The company also established its own quality management system (QMS) to adhere to the FDA and CE Mark regulatory requirements. The company expanded its team and began evolving its reimbursement strategy.

In 2015, Precision Biopsy intends to complete its product development and complete FDA 510k and IDE (investigational device exemption) submissions. The current US regulatory strategy includes these two separate submissions to support commercialisation based on the indications for use. Precision Biopsy also intends to initiate a clinical trial to evaluate its commercial system in humans. This clinical data is expected to support the regulatory approvals. Precision Biopsy aims to expand its intellectual property portfolio.

SiEnergy Systems, LLC

SiEnergy Systems, LLC (SiEnergy) is developing thin film Solid Oxide Fuel Cell (SOFC) technology. The technology uses silicon-based microfabrication and nanometer scale electrolytes with the aim of creating SOFCs that operate at a commercially desirable temperature and are scalable to meet various power requirements. Thin film SOFC could be a promising technology for meeting cost and reliability challenges facing fuel cell developers. SiEnergy seeks to integrate its ultra-thin film SOFC technology into fuel cells and stacks, and will target joint development partners to integrate its technology into systems and end applications.

In 2014, SiEnergy continued to develop its technology and received an award of \$2.65 million in US government ARPA-E funds under their Reliable Electricity Based on Electrochemical Systems (REBELS) programme. Under this programme, SiEnergy will collaborate with Harvard University to develop a multi-functional electrode to allow the cell to perform both as a battery and fuel cell, which enables the system to respond rapidly to changes in power demand. In addition, non-precious catalysts will be developed to allow the direct use of hydrocarbon fuels, such as natural gas, at

300-500 °C without the use of a fuel reformer. The awarded 3-year project entails the commitment by SiEnergy of cost share funds, part of which is offset by a \$300,000 convertible grant provided by Massachusetts Clean Energy Centre in 2015, under their AmplifyMass programme.

In 2015, the company will continue to improve yield, degradation and power characteristics of its fuel cells and stacks. Additionally, as part of the ARPA-E programme, the company will seek to demonstrate in-situ charge storage to enable the battery-like capability.

Commercial Stage

RF Biocidics, Inc

RF Biocidics, Inc (RF Biocidics) engages in the development, manufacturing, and sale of environmentally friendly, chemical-free food safety solutions using radio frequency technology. RF Biocidics operates in the area of disinfection and disinfestation of agricultural products for the elimination of 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.

In March 2014, RF Biocidics acquired a minority interest of 28.5% in its supplier Stalam SpA (Stalam) in Italy, a manufacturer of radio frequency equipment, for \$1.5 million. With Stalam, RF Biocidics successfully designed, built, and launched our new fourth generation APEX machine. 2014 also marked the transition to our new office and lab in Sacramento.

Portfolio Review and Developments *(continued)*

In addition to pursuing further sales opportunities, in 2015 the company will apply for additional regulatory approvals for pasteurisation, roasting and other capabilities. Treatment for new commodities could also be pursued.

CryoXtract Instruments, LLC

CryoXtract Instruments, LLC (CryoXtract) develops automated solutions to protect the long-term biological integrity and quality of biosamples used to advance next generation life-science R&D. The company has commercialised a frozen biospecimen sampling (aliquotting) technology platform that enables the research community to access and re-access biospecimens in the frozen state, avoiding the damaging freeze/thaw cycles common today. The technology does not require US FDA approval and the company's instruments are currently being marketed and sold both in and outside the US.

CryoXtract has developed two principal products to date:

- The CXT 750 Fully-Automated Frozen Sample Aliquotter is directed at large-scale automated access to frozen biofluids and feces.
- The CXT 350 Frozen Sample Aliquotter is a semi-automated solution directed at smaller-scale semi-automated access to frozen tissue samples, bone, and cells as well as frozen biofluids and feces. It is specifically designed to service a lower volume lab or biobank.

In 2014, the company focused its efforts on building its commercial capabilities, strengthening its global distributor network, restructuring its work force, developing application specific data sets and working with customers to enhance the company's products.

In 2015, the company will pursue sales and expand its installed base of units. Additional US direct sales resources added in 2014 and early 2015 are being augmented by an expanded set of international distributors. Recent expansion has focused on Asia with new distributors targeted for Japan, Korea and

Singapore. Scientific data supporting the company's products are critical for the sales process and is best achieved with industry partners. The company will build on data sets and publications completed in 2014 with GSK, IBBL and others.

SoundCure, 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 researchers consider may 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.

Sales growth in 2014 has not been as robust as first envisioned and 2015 will see an expanded emphasis on market development. With e-commerce sister company, Tinnitus Treatment Solutions (TTS), the company will be focused on becoming the number one online tinnitus therapy source. TTS is a cutting edge telemedicine tinnitus health care provider and will offer for sale, in addition to the Serenade medical device, a variety of tinnitus and hearing products from other manufacturers. As of this writing, supply agreements had been completed among others with hearing aid companies Starkey, Widex and Resound (note that most tinnitus sufferers also have hearing loss).

In April 2015, SoundCure received FDA clearance for the Remote Programming of the SoundCure Serenade. To the company's knowledge, this is the first FDA clearance for a tinnitus therapy device to be programmed in a patient's home via telemedicine.

Portfolio Review and Developments *(continued)*

This would represent a unique tinnitus care tool for telemedicine providers such as TTS, and potentially the US Veterans Administration (VA) – many returning soldiers suffer from tinnitus and look to the VA for therapies upon return from duty

Other Subsidiaries

Allied-Bristol Life Sciences, LLC

Allied-Bristol Life Sciences, LLC (ABLS) is a drug discovery and development platform company created in August 2014 through a partnership between Allied Minds and Bristol Myers Squibb (BMS). Allied Minds and BMS provided \$10.0 million to the company resulting in Allied Minds ownership of 80.0% and BMS ownership of 20.0%. The company's mission is to create novel drug candidates (Early Candidate Nominations, "ECNs" or New Chemical Entities, "NCEs") against serious diseases with large market size. These include fibrosis, genetically defined diseases, cardiovascular and immunological diseases, immune-oncology, oncology, and virology. The focus on these diseases is by design well aligned with the strategy of BMS. It is intended that up to 10 drug candidates will be sourced from US universities and national labs and a new subsidiary will be formed around each of these candidates. Additional funding will be required to further advance these subsidiaries.

We believe that this partnership is a "win-win" for both parties. It provides Allied Minds with a seasoned large pharmaceutical partner as well as a natural early stage acquirer of developing assets. It provides BMS access to Allied Minds' broad university network and experienced licensing practices and provides a capital efficient, structured format through which early university breakthrough research can be advanced into the formal drug discovery process at BMS. This partnership is structured to reduce risk for both partners since it is intended to drive exits of novel early stage assets to BMS prior to human testing or clinical trials. Both parties intend to agree on development milestones for each subsidiary programme 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 exit milestones is typically deemed "early" relative to most exits in the pharmaceutical marketplace which require additional capital to enter clinical testing.

Since formation, ABLS has achieved the following milestones:

- Hired Chief Executive Officer, Satish Jindal, Ph.D., formerly Vice President of R&D within BMS, with prior executive positions at Vedantra Inc., Verastem Inc., and NeoGenesis Inc.,
- Retained Catherine D. Strader, Ph.D. and Ben Askew, Ph.D., each with more than 20 years of experience in senior research and executive leadership positions in the biotechnology and pharmaceutical industries, as advisors to ABLS,
- Retained Synergy Partners R&D Solutions, LLC (Synergy) to assist with due diligence and project management, utilizing their team of scientists with expertise in areas such as disease biology, medicinal chemistry, process chemistry, toxicology, pharmacology and drug safety, with proven track records at many of the world's leading biopharmaceutical companies, including Bristol-Myers Squibb, Merck & Co., AstraZeneca, Pfizer Inc., Johnson & Johnson and Eli Lilly & Co.,
- Sourced more than 625 potential projects from our US university partner network,
- Completed initial evaluation of more than 450 projects, with due diligence teams from Allied Minds, BMS and Synergy,
- Selected approximately 20 projects for continued due diligence, based upon strength of the project and alignment with BMS disease area focus, and
- Two companies have been formed as described below. Three additional projects are in final due diligence.

Portfolio Review and Developments *(continued)*

ABLS I, LLC

ABLS I, LLC was formed to execute on the first project approved for investment. This project involves licensing intellectual property with respect to prostate oncology from an Ivy League institution, and proceeding to pre-clinical evaluation and development. Allied Minds expects this investment to be completed in the second quarter of 2015.

ABLS II, LLC

ABLS II, LLC was formed to execute on the second project approved for investment. This project involves licensing intellectual property with respect to fibrotic diseases from a second Ivy League institution, and proceeding to pre-clinical evaluation and development. Allied Minds expects this investment to be completed in the second quarter of 2015.

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 public private partnerships (PPP) with a number of US federal research institutions. The company represents the first PPP formed between the US Department of Defence and a US technology commercialisation firm dedicated to bringing government inventions to market. AMFI has a team of six employees, all of whom have advanced degrees. As at the date of this Annual Report, five companies have been created from federally sourced intellectual property, including BridgeSat, Inc, Federated Wireless, Inc, Foreland Technologies, Inc, Whitewood Encryption Systems, Inc, and Percipient Networks, LLC each described further below.

Biotectix, LLC

Biotectix, LLC (Biotectix) aims to develop a new class of conductive polymer materials and coatings for medical devices which electrically communicate with the body including implantable medical devices and sensors as well as other markets. The company's technology seeks to address key limitations faced by the medical device

industry including foreign body reactions, surgical invasiveness, component stability, and long-term electrical performance in vivo. The company's first commercially available coating, AmpliCoat™, is under evaluation by prospective medical device manufacturing customers. The company has had the following patent issue in 2014: AUSTRALIAN PATENT# 2011224383 – Electrically Conductive And Mechanically Supportive Materials For Biomedical Leads (the corresponding US Patent # 8,577,476 was granted on 11/5/2013). We believe that this technology has the potential to offer key benefits such as improved electrical performance, biocompatibility and tissue response. The core technology underlying Biotectix was sourced from the University of Michigan.

BridgeSat, Inc.

BridgeSat, Inc (BridgeSat) was formed in February 2015 to seek out new applications for technologies at partner Federally Funded Research and Development Centre, The Aerospace Corporation. 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 MIT. 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 at a reduced cost compared with traditional radio frequency 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. Near term, BridgeSat will deploy a downlink payload and its associated ground stations to fully demonstrate its advantages in volume, mass, power, and bandwidth.

Portfolio Review and Developments *(continued)*

Federated Wireless, Inc

Federated Wireless, Inc (Federated Wireless) engages in the development and deployment of mobile connectivity and spectrum management software and hardware for mobile enterprises, building and venue owners and small businesses. The company's flagship product, Spectrum Management System (SAS), is a cloud-based dynamic spectrum management platform built to support FCC spectrum rules for the 3.55 GHz band, and it allows customer to deploy high quality in-building LTE systems at costs competitive with enterprise Wi-Fi products.

Founded in August 2012 (originally as Allied Communications, LLC), Federated Wireless was formed to develop and commercialise innovative spectrum management systems to capitalise on the planned restructuring by the Federal Communications Commission (FCC) of the way in which wireless spectrum is made available to commercial and government users. The core technologies underlying Federated Wireless were sourced from Virginia Polytechnic Institute, The Aerospace Corporation and the Naval Surface Warfare Centre Crane Division.

In April 2015, the Federal Communications Commission (FCC), in a unanimous decision, 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 Spectrum Access System.

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' partner network. The company focuses on the following areas:

- large scale data management, infusion and analytics,

- information provenance and integrity,
- native IPv6 security technologies,
- forensics and attribution automation,
- geo- location and data tagging / tracking,
- self-configuring and self-optimising autonomous systems,
- cloud computing, cloud-based information assurance, and virtualisation security,
- active defence and cyber exploitation,
- supply chain security and hardware integrity verification, and
- secure data storage

In 2014, Foreland 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 Oak Ridge National Laboratories, the Massachusetts Institute of Technology Lincoln Laboratory, and the Massachusetts Institute of Technology.

LuxCath, LLC

LuxCath, LLC (LuxCath) is developing a catheter based real-time visualisation technology for use during cardiac ablation procedures to ensure electrophysiologists are treating the right parts of the heart in atrial fibrillation patients effectively. LuxCath seeks to significantly improve the speed of ablation procedures and outcomes and is initially focused on optimising atrial fibrillation ablation. The technology has been proven to identify and distinguish viable from ablated cardiac tissue in preclinical tests. 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 preclinical testing. All of these accomplishments have been

Portfolio Review and Developments *(continued)*

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 these tests were presented at the Heart Rhythm Society conference on May 8, 2014.

Atrial fibrillation is a commonly occurring cardiac arrhythmia or irregular heartbeat and leads to an increased risk of stroke, affecting approximately 2.5 million people in the US alone. Atrial fibrillation catheter ablation is a minimally invasive procedure used to disconnect electrical pathway and restore normal heartbeat and is expected to be one of the fastest growing catheter-based cardiac procedures in Europe in the next 5-10 years. In conjunction with its product development partner, Nocturnal Product Development, the LuxCath technology is the basis of a US government STTR (Small Business Technology Transfer) grant titled "New Generation of Catheters for Treatment of Atrial Fibrillation" amounting to \$200,000. The LuxCath technology is based on discoveries by cardiologist Dr. Marco Mercader and colleagues at George Washington University.

Percipient Networks, LLC

Percipient Networks, LLC (Percipient) is developing cyber security technologies to provide network defenders more options against advanced threats. 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 enterprise network defence. Percipient Networks is currently in the commercialisation stage on its first enterprise focused cybersecurity product. The company's first technology to be brought to market is STRONGARM, a malware protocol parser that automates precise malware identification and remediation on proprietary networks. The core technology underlying Percipient was sourced from The MITRE Corporation and was formally licenced in Q4 2014 as the company transitioned development

efforts of the technology from the MITRE lab to the company's own development team, which is led by Todd O'Boyle (CTO) and Steven DiCato (VP, Engineering) both previously malware analysts at MITRE.

Since transitioning the technology from MITRE to Percipient in late 2014 the company has introduced its first product STRONGARM Intelligent DNS Blackhole, an enterprise level solution to ingest threat intelligence and operationalise the analysis of DNS traffic to fingerprint malware and support incidence response in an automated fashion, saving enterprise time and money. The product has achieved significant technical milestones by completing a SaaS deployment mechanism with a multi-tenant architecture in its commercially available version 1.0. The company completed its first corporate partnership agreement with Threatconnect, a leader in threat intelligence aggregation with its threat intelligence framework. The relationship will help Percipient customers derive more value during testing, pilots and ultimately in commercial use given the high fidelity nature of this intelligence. The company has also filed a subsequent utility patent around the intelligent DNS black-hole capability.

Seamless Devices, Inc.

Seamless Devices, Inc. (Seamless) is a fabless semiconductor company based in Silicon Valley, California, that is developing devices using a novel approach to analog signal processing. The Seamless technology aims to simplify production of high-performance devices even as transistors are scaled down deep into the nanoscale. Developed in the Columbia University Electrical Engineering laboratory of Professor Peter Kinget, Seamless builds upon patented switched-mode signal processing algorithms and extends their capability to serve a wide range of applications across several industries, including consumer electronics, telecommunications hardware, instrumentation, network hardware, healthcare devices and even transportation and military systems. As semiconductor chips scale to increasingly finer

Portfolio Review and Developments *(continued)*

features, the available voltage to circuit elements also diminishes, presenting difficulties in analog and mixed-signal applications. Typically these issues are addressed by adding additional complexity to the design or suffer with lower efficiency. Seamless Devices' switched-mode analog signal processing technology takes advantage of the fact that as timing resolution in integrated circuits becomes more accurate, transforming analog signals into a time-based form can preserve a high degree of signal fidelity in an elegant, lower power solution. Seamless Devices will initially develop solutions for the semiconductor intellectual property (IP) market, which involves licensing IP blocks that are incorporated into system-on-chip integrated circuits. Within the analog IP market, the company expects to offer analog-to-digital converters (ADC) for wireless connectivity applications, meeting an accelerating demand for ADCs that can operate at high bandwidth and high resolution in a low power environment.

Whitewood Encryption Systems, Inc.

Whitewood Encryption Systems, Inc. (Whitewood) commenced operations in August 2014 with a seed round of funding following incubation at Foreland Technologies, Allied Minds' cyber security platform company, to produce next generation systems of data encryption that leverage advanced quantum cryptography technologies originating from Los Alamos National Lab (LANL). In current network infrastructures, the increasing mass quantity and speed requirements of data being transferred is considered to be presently at odds with the market demand for more ubiquitous encryption to protect consumers and businesses from malicious, costly attacks and data leakages. While businesses and government entities have expressed a greater need for encryption of data both at rest and in transit, the performance of current encryption technologies may not scale linearly to address this need, rather, as encryption algorithms become more complex given improving adversarial capabilities, the encryption keys necessary to support the encryptor will become increasingly longer and more prolific.

As a result, scaling current software and hardware encryption systems may have a significant impact on network latency and computational intensity, making the widespread adoption of improved data encryption potentially costly and discouraging. Additionally, the development of high performance quantum computing capabilities in the future puts into jeopardy the cryptographic capabilities of existing systems of public key cryptography.

Against this backdrop, Whitewood is producing key management systems for encryption which are designed to be of lower computational intensity and lower latency, while providing for a high level of data integrity believed to be impervious to quantum computing attacks and offered at lower price points than that of existing competitive systems. Since the company's inception, Whitewood has formally licenced 21 patents and patent submissions from LANL and has funded a Cooperative Research and Development Agreement (CRADA) at LANL for the further technical development and productisation of the company's first product, a high throughput, high entropy quantum random number generator and entropy management system for providing the necessary randomness to support existing systems of key management, which is anticipated for market release in Q3 2015. Additionally, the company received a new patent approval in February 2015 for the patent Secure Multi-Party Communication with Quantum Key Distribution Managed by Trusted Authority.

Dissolved Subsidiaries

Consistent with the Allied Minds' model, where a project has failed to deliver sufficient additional proof points 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 terminate the investment early.

Allied Minds Devices, LLC

In April 2015, Allied Minds terminated and dissolved its subsidiary Allied Minds Devices, LLC (AMD).

Portfolio Review and Developments *(continued)*

The company was initially formed to develop commercially viable medical device products. Allied Minds determined that the two technologies in the development stage did not meet key milestones which were designed to measure technological and commercial progress. At the time of dissolution, Allied Minds had invested \$1.3 million in AMD, and had an Ownership Adjusted Value (OAV) in the investment of \$nil.

Broadcast Routing Fountains, LLC

In April 2015, Allied Minds terminated and dissolved its subsidiary Broadcast Routing Fountains, LLC (BRF). The company was initially formed to develop an internet infrastructure technology that would supplement the border gateway protocol with a view to improving the way networks communicate. Allied Minds determined that the technology did not meet key milestones which were designed to measure technological and commercial progress. At the time of dissolution, Allied Minds had invested \$0.6 million in BRF, and had an Ownership Adjusted Value (OAV) in the investment of \$nil.

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. We significantly strengthened our balance sheet with the proceeds from the Company's listing on the London Stock Exchange in 2014 which raised \$155.0 million (before issue costs) as well as \$54.5 million raised from external investors directly into our subsidiaries.

Consolidated Statement of Comprehensive Loss

For the years ended 31 December

	2014 \$'000	2013 \$'000
Revenue	7,715	2,936
Cost of revenue	(5,416)	(2,342)
Selling, general and administrative expenses	(38,032)	(27,472)
Research and development expenses	(22,195)	(15,689)
Finance income/(cost)	222	(140)
Other comprehensive (loss)/income	(159)	35
Total comprehensive loss of which attributable to	(57,865)	(42,672)
Equity holders of the parent	(45,637)	(34,466)
Non-controlling interests	(12,228)	(8,206)

Revenue increased by \$4.8 million, to \$7.7 million in 2014 (2013: \$2.9 million). This increase is mainly attributable to the higher product revenue at RF Biocidics, as well as the increasing sales at CryoXtract systems when compared to last year. The revenue in the early stage companies segment remained relatively consistent at \$0.4 million in 2014 (2013: \$0.5 million). Cost of revenue increased by \$3.1 million, proportionately to the increase in revenue from prior year.

Selling, general and administrative (SG&A) expenses increased by \$10.5 million, to \$38.0 million for the year ended 31 December 2014 (2013: \$27.5 million) largely due to incremental cost incurred due to the IPO in June 2014 as well as the overall growth of the Group. Of this increase \$4.9 million relates to an increase in personnel expenses reflecting the increase in headcount and salaries as well as the increase in non-cash share-based compensation expense by \$2.7 million, of which \$2.4 million was due to the acceleration of vesting of options under the old US Stock Plan upon the IPO in addition to instituting the new UK LTIP plan under Allied Minds plc. The increase is also attributed to some incremental cost incurred in 2014 associated with the listing of Allied Minds on the London Stock Exchange, which is not otherwise offset against the net proceeds from the offering, reflected mainly in a \$3.0 million increase in professional services to \$5.6 million (2013: \$2.6 million).

Research and development (R&D) expenses increased by \$6.5 million to \$22.2 million for the year ended 31 December 2014 (2013: \$15.7 million). The increase is attributed to the overall growth of the Group's research and development activities, reflecting the creation of six new subsidiaries in 2014 and ramping up full scale of R&D activities of companies created in late 2012 and into 2013.

As a result of the above discussed factors, total comprehensive loss increased by \$15.2 million to \$57.9 million for the year ended 31 December 2014 (2013: \$42.7 million). Total comprehensive loss for the

Financial Review *(continued)*

year attributed to the equity holders of the Group was \$45.6 million (2013: \$34.5 million) and \$12.2 million (2013: \$8.2 million) was attributable to the owners of non-controlling interests.

Consolidated Statement of Financial Position

As of 31 December

	2014 \$'000	2013 \$'000
Non-current assets	44,039	23,027
Current assets	248,991	108,778
Total assets	293,030	131,805
Non-current liabilities	717	3,210
Current liabilities	12,499	8,736
Equity	279,814	119,859
Total liabilities and equity	293,030	131,805

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

- Property and equipment decreased by \$1.7 million to \$16.3 million as at 31 December 2014 (2013: \$18.0 million), mainly reflecting depreciation expense of \$2.3 million for the period, the sale of machines in normal trade for \$2.8 million and reclass of remaining systems into inventory for \$1.3 million at RF Biocidics, offset by capital purchases for the period of approximately \$4.7 million, of which \$3.9 million by Spin Transfer,
- Intangible assets as of 31 December 2014 decreased by \$1.1 million to \$3.4 million (2013: \$4.5 million) mainly as a result of amortisation expense of \$0.6 million and impairment of \$1.1 million of intellectual property returned by SciFluor, offset by new additions of \$0.4 million in software and licences purchases and \$0.2 million in capitalised development costs in CryoXtract,
- Investment in associate increased to \$1.6 million (2013: nil) as a result of the investment by one of the subsidiaries. In March 2014, RF Biocidics acquired a minority interest of 28.5% in Stalam SpA (Stalam) in Italy, a manufacturer of radio frequency equipment for \$1.5 million,
- Other investments, non-current increased to \$22.2 million (2013: nil) reflecting the investment of excess cash into fixed income government and corporate securities that have maturities longer than twelve months,
- Other non-current assets, including non-current financial assets remained relatively consistent at \$0.5 million when compared to prior year,
- Cash and cash equivalents increased by \$119.5 million to \$224.1 million at 31 December 2014 from \$104.6 million at 31 December 2013. The increase is mainly attributed to the net proceeds from the IPO of approximately \$142.9 million and \$11.5 million from the exercise of options in Allied Minds, plus approximately \$54.5 million from the third-party investors in subsidiary rounds in 2014, of which \$50 million was invested in Spin Transfer. The increase in cash and equivalents for the year was offset by \$45.4 million net cash used in operations, \$40.7 million used in capital and other investing activities,

Financial Review *(continued)*

of which \$37.4 million for the purchase of fixed income security investments, and \$3.3 million used in financing activities for repayment of loans,

- Other investments, current increased to \$15.2 million (2013: nil) reflecting the investment of excess cash into fixed income government and corporate securities that have maturities shorter than twelve months,
- Inventories increased by \$1.9 million to \$2.9 million as at 31 December 2014 (2013: \$1.0 million) reflecting the purchases of inventories of \$2.2 million and the reclass of \$1.3 million from property and equipment mentioned above, offset by cost of goods sold of \$2.5 million,
- Trade and other receivables increased by \$3.4 million to \$6.3 million at 31 December 2014 (2013: \$2.9 million) as a result of increase in prepaid and other current assets of \$4.2 million, net of their amortisation, mainly from advance payments for inventory units at RF Biocidics of \$3.0 million, offset by trade receivables net decrease of \$0.8 million reflecting collections of receivables from sales that were invoiced close to 31 December 2013 at RF Biocidics and CryoXtract,
- The loans balance, current and non-current, decreased to \$0.6 million as of 31 December 2014 (2013: \$3.8 million) reflecting the repayment of the loans at CryoXtract and Spin Transfer. The loan at Spin Transfer was fully repaid in 2014,
- With the increase of its sales and pipeline, RF Biocidics is collecting deposits from customers as installment payments against purchases of its products. This accounts for the majority of the deferred revenue balance (current and non-current) of \$1.1 million as of 31 December 2014, which decreased from \$2.8 million as of 31 December 2013 as revenue from these sales was recognised in 2014, and
- As noted above, Allied Minds completed an IPO and listed on the Main Market of the LSE in June 2014, which is the main factor for the increase in the share premium to \$153 million as of 31 December 2014 (2013: nil). Additionally, other reserve increased by approximately \$9.0 million to \$28.8 million (2013: \$19.8 million) as a result of the share-based compensation expense charge for the period. Due to the merger of Allied Minds, Inc. (now Allied Minds LLC) into Allied Minds plc as part of the IPO process in June 2014 all issued and outstanding options under the US Stock Plan vested on 19 June 2014 and 7,662,424 options were exercised, resulting in the accelerated share-based payment charge of additional \$2.4 million for the period. Furthermore, \$54.5 million from the third-party investors in subsidiary rounds were contributed to non-controlling interests in 2014. The additions to total equity were offset by the net comprehensive loss for the year of \$57.9 million (2013: \$42.7 million).

Financial Review *(continued)*

Consolidated Statement of Cash Flows

For the years ended 31 December

	2014 \$'000	2013 \$'000
Net cash outflow from operating activities	(45,377)	(35,078)
Net cash outflow from investing activities	(40,731)	(10,675)
Net cash inflow from financing activities	205,632	116,555
Net increase in cash and cash equivalents	119,524	70,802
Cash and cash equivalents in the beginning of the year	104,551	33,749
Cash and cash equivalents at the end of the year	224,075	104,551

The Group's net cash outflow from operating activities of \$45.4 million in 2014 (2013: \$35.1 million) was primarily due to the net operating losses for the year of \$57.9 million plus the net effect from movement in working capital and other net finance cost of \$1.0 million, offset by adjustment for non-cash items such as depreciation, amortisation, and share-based expenses of \$13.3 million and interest received net of paid of \$0.2 million.

The Group had a net cash outflow from investing activities of \$40.7 million in 2014 (2013: \$10.7 million) mainly reflecting the purchases of fixed income investment securities of \$37.4 million and the acquisition of minority interest in associate by RF Biocidics of \$1.6 million. These outflows were offset by \$9.3 million lower purchases of property and equipment, when compared to higher capital purchases in 2013 due to the build out of a 'clean room' for the research and development activities at Spin Transfer Technologies, as well as capital purchases of equipment at some of the other subsidiaries.

The Group's net cash inflow from financing activities of \$205.6 million in 2014 (2013: \$116.6 million) largely reflects the net proceeds from the IPO of approximately \$142.9 million and \$11.5 million proceeds from the exercise of stock options under the US Stock Plan, compared to net proceeds from the Series B round in Allied Minds, Inc. (now Allied Minds, LLC) in 2013. Additionally, this increase reflected higher proceeds from issuance of share capital in subsidiaries of \$54.5 million from the rounds in Allied-Bristol Life Sciences, Optio Labs and Spin Transfer in 2014, compared to the second tranche of \$14.5 million from STT's financing round received in 2013. The cash provided in financing activities was offset by the net repayments of loans at CryoXtract and STT of \$3.2 million compared to net borrowings against the loans of \$2.9 million in 2013.

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 main risks facing the Group and develop a robust and effective framework to ensure that the risks are both well understood and appropriate 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 on 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 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 certain 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 efficient 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 contact with the senior management of the subsidiary business.
- During incubation phase, we closely monitor milestone developments. Should a project fail to achieve sufficient progress, we terminate the investments.
- The investment committee carries out face to face quarterly reviews with the management of each of the subsidiary businesses.
- The shared services model provides significant administrative support to the subsidiary business whilst the budgetary and financial controls ensure good governance.

Risk Management *(continued)*

- Within the Group there is a wealth of management expertise which can be called upon to support each of the subsidiary businesses where necessary
 - In addition, the Group actively uses third party advisors and consultants, specific to the particular domain in which 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 so, 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 Group's deal flow. This may in turn prevent the Company from achieving its stated aim of completing five to ten new deals per year. This could potentially have an adverse effect on the Group's long term prospects and performance

Mitigation:

- The Group currently receives in excess of 2,000 items of intellectual property per year from its 68 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 add partners to its network
- The Group has recently hired a dedicated resource to manage and expand the partner network

Risk Management *(continued)*

- 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 licences to use this intellectual property there are certain limitations inherent in these licences, for example as required by the Bayh-Dole Act of 1980

Impact: There are certain circumstances where the US government have 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 subsidiary business.

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 licences 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 foreign person.

Impact: If the Group were to breach restrictions on the use of certain licenced technologies, particularly those derived from federally funded research facilities, this could materially impact upon the Group's ability to licence additional IP from these establishments. In certain circumstances it may also lead to the termination of existing licences. 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 licenced IP is strictly in accordance with government guidelines.
- The Group employs a number of individuals with experience of working with various government agencies.
- Senior management are 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.

- 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

Risk Management *(continued)*

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 was terminated this would have a material adverse impact on the overall value of the Group's businesses.

Impact: The termination of critical IP licences 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 one subsidiary is not disproportionate.

Risk Management *(continued)*

- 8 Clinical studies and other tests to assess the commercial viability of the 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 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 resource 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.

This Strategic Report has been approved by the Board of Directors

ON BEHALF OF THE BOARD

Mark Pritchard
Executive Chairman

Chris Silva
Chief Executive Officer

28 April 2015

The Board

Executive Directors

Mark Pritchard – Executive Chairman

Mark founded Allied Minds in 2004 and has been directly involved in its strategic direction and growth since inception. Mark spent his earlier career as an investment banker based in the City of London, latterly working as a director in the corporate finance department of Nomura International. He has been an active investor in a number of early stage companies, including FuturaGene a spin out from Purdue University, Indiana. FuturaGene PLC was admitted to the AIM market in 2005 and Mark was Chairman from 2006 until its acquisition by Suzano Papel e Celulose, a Brazilian based multinational in 2010. He graduated from Cass Business School, London in 1984 with a B Sc (Hons). Mark was appointed to the Board in April 2014, but was a member of the predecessor company board since 2004.

Christopher Silva – Chief Executive Officer

Chris joined Allied Minds in March 2006. Before joining Allied Minds, Chris was a Partner at JSA Partners, a professional M&A and strategy consultancy in Boston, MA, which provides high 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 – Senior Independent Non-Executive Director

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 CEO. He subsequently served as Chairman and CEO 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 serves on each of the Audit, Nomination (Chairman), and Remuneration Committees.

Jeffrey Rohr – 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 CFO, 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.

The Board *(continued)*

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 for nine years served 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.

Richard Davis – Non-Executive 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 Board in May 2014, but was a member of the predecessor company board since 2011, and serves on each of the Audit, Nomination, and Remuneration Committees (Chairman).

Table of Board Attendance

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

Director	Board	Meetings Attended		
		Audit Committee	Nomination Committee	Remuneration Committee
Mark Pritchard	11 of 11	–	–	–
Chris Silva	11 of 11	–	–	–
Rick Davis	10 of 11	4 of 4	1 of 1	2 of 2
Peter Dolan	10 of 11	4 of 4	1 of 1	2 of 2
Jeff Rohr	10 of 11	4 of 4	1 of 1	2 of 2

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 2014. The Company was incorporated on 15 April 2014 under the UK Companies Act 2006.

Directors

The Directors of the Company as at 31 December 2014 were those listed on pages 43 to 44. The only changes to the composition of the Board during the year were the appointments of Peter Dolan and Jeffrey Rohr as Non-Executive Directors prior to the completion of the initial public offering. 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 81. None of the Directors was 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 51 to 60 and is incorporated into this Report of the Directors by reference.

Employees

The Group's policies in relation to employees are disclosed on page 62.

Results and Dividends

During the period, the Group generated a net loss after taxation for the year ended 31 December 2014 of \$57.9 million (2013: \$42.7 million). The Directors do not recommend the payment of a dividend for 2014 (2013: nil).

Strategic Report

The Group's Strategic Report can be found on pages 5 to 42, and includes information as to the likely future development of the Group. Financial key performance indicators can be found on page 22.

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 38 to 42 and in the Governance Report on pages 58 to 59. Further 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 22 to the consolidated financial statements, along with further information on the Group's use of financial instruments.

Directors' Report *(continued)*

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 lock-up agreements entered into by all Executive Directors and Allied Minds' employees in connection with the IPO which expire on 25 June 2015, 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.

Articles of Association

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

Substantial Shareholders

As at 31 December 2014, the Company had been advised of the following shareholders with interests of 3% or more in its ordinary share capital. 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	89,957,038	41.95%
Woodford Investment Management	34,260,094	15.98%
Mark Pritchard	22,407,704	10.45%
SandAire	10,227,867	4.77%
P3 Private Equity Fund	8,701,330	4.06%

Between the year end and 27 April 2015, the Company was advised pursuant to DTR 5 that Woodford Investment Management had increased its holdings to 36,328,342 shares, or 16.94%.

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 Investment Asset Management Limited, which will come into force at the IPO. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of Invesco.

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

Directors' Report *(continued)*

The Relationship Agreement provides that Invesco undertakes to use all reasonable endeavors to procure that its associates and any person with whom it is 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,
- not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or precludes or inhibits any member of the Group from carrying on its business independently of Invesco, its associates and any person with whom it is acting in concert,
- not propose or procure the proposal of a shareholder resolution which is intended to, or appears 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 enable the Company to carry on its business independently from Invesco and its affiliates, and ensure that all transactions and relationships between the Company and Invesco are, and will be, 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. 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 2013 or 2014

Corporate and Social Responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities is included in the Sustainability section on pages 61 to 62

Directors' Indemnity and Liability Insurance

During the year, the Company has maintained liability insurance in respect of its directors. 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

On 9 October 2014, the Company's major subsidiary, Spin Transfer Technologies (STT), raised \$70.0 million to accelerate commercialisation of its innovative computer memory technology. Of the \$70.0 million raised in the financing, the Company contributed \$20.0 million for the purchase of 1,686,340 preferred shares, Woodford Investment Management (Woodford) contributed \$27.85 million for the purchase of 2,348,561 preferred shares, Invesco Asset Management (Invesco) contributed \$21.65 million for the purchase of 1,825,133 preferred shares, and SandAire contributed \$0.5 million for the purchase of 42,158 preferred shares. Woodford and Invesco are each a substantial shareholder of Allied Minds pursuant to the Listing

Directors' Report *(continued)*

Rules, and thus this transaction was a smaller related party transaction falling within the scope of Listing Rule 11.1.10R.

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 63
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	Directors' Report, page 47
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 46 to 47

Post Balance Sheet Events

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

- In February 2015, Allied Minds formed and funded BridgeSat, in collaboration with The Aerospace Corporation, Draper Laboratory, Massachusetts Institute of Technology Assistant Professor Dr. Kern L. Cahoy and the graduate student team in the Space, Telecommunications, Astronomy, and Radiation (STAR) Laboratory, to develop an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit (LEO) satellites compared to traditional radio frequency solutions.
- In April 2015, SciFluor successfully raised \$30.0 million in a Series A preferred stock financing.
- In April 2015, Optio purchased the assets of Maryland-based security company Oculis Labs, and its CEO, Dr. Bill Anderson, joined Optio as Chief Product Officer. Oculis Labs developed products that protect data displayed on a user's computer and mobile device screen from visual eavesdroppers.

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

Directors' Report *(continued)*

- the Director has taken all steps that he ought to have taken as a Director in order to make himself 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 28 May 2015. 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 appoint KPMG LLP as the Company's Auditors.

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 in accordance with UK Accounting Standards.

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,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements, 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.

Directors' Report *(continued)*

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 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 issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

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

Mark Pritchard
Executive Chairman

Chris Silva
Chief Executive Officer

28 April 2015

Corporate Governance

Compliance with the UK Corporate Governance Code

The Directors are committed to a high standard of corporate governance and to 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 2012. The Code is available at the Financial Reporting Council website at www.frc.org.uk. During the twelve months ended 31 December 2014, 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 has served as our Chairman since our IPO, is 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. The Company has announced that Peter Dolan, the Senior Independent Director, will succeed Mark Pritchard as Chairman effective as of the conclusion of the AGM to be held on 28 May 2015.
- Contrary to provision B 6.1 of the Code, due to the short period of time since the Board was constituted in connection with the IPO, a performance evaluation of the Board and its Committees was not undertaken in 2014. Beginning in 2015, a performance evaluation of the Board and its Committees will be carried out annually to ensure that they continue to be effective and that each of the Directors demonstrates commitment to his respective role and has sufficient time to meet his commitment to the Company.
- Contrary to provision D 1.3 of the Code, each of the Non-Executive Directors holds restricted ordinary shares that vest over time, as set out on page 81 of the Directors' Remuneration Report. 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.

Further explanation as to how the provisions set out in the Code have been applied by the Company is set out 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 statement reflects 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 decisionmaking 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 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.

Corporate Governance *(continued)*

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 58 to 59. 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
- Considering and, where appropriate, approving directors' conflicts of interest
- Approval, subject to shareholder approval, of the appointment and remuneration of the auditors

Corporate Governance *(continued)*

- 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 Group's initial public offering, were adopted by the Board during 2014. These were reviewed in January 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 2014, there were five Directors on the Board: the Executive Chairman, one Executive Director and three Non-Executive Directors. The biographies of all of these Directors are provided on pages 43 and 44. During the year, Peter Dolan and Jeffrey Rohr joined the Board prior to the Group's initial public offering.

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 66 to 78.

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 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 250 company, in accordance with the Code, all Directors will submit themselves for annual re-election by shareholders at the AGM of the Company to be held on 28 May 2015 (2015 AGM). The Board recommends to shareholders the reappointment of all Directors retiring at the meeting and offering themselves for re-election on the basis that the independent performance reviews demonstrated that they are all effective Directors of the Company and continue to display the appropriate level of commitment in their respective roles. New directors may be appointed by the Board, but their appointment is subject to election by shareholders at the first opportunity after their appointment.

Corporate Governance *(continued)*

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 which were adopted during the year 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 number of persons who were Directors of the Company and senior managers during the period covered by this Annual Report can be found on page 62.

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 own fields, robust opinions and an independent judgement on issues of strategy, performance, risk and people through their contribution and 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 considered Non-Executive Director independence prior to the Company's initial public offering during 2014, and will consider it 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 Executive 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

Mark Pritchard is the Executive Chairman. 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 membership of the Board is appropriate to the needs of the business and 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, depending on its proximity to the meeting of the relevant committee.

Corporate Governance *(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

Peter Dolan is the Senior Independent Director. 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. 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 their 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 wilful misconduct. The Company has also arranged appropriate insurance cover in respect of legal action against its directors and officers.

Board Meetings and Decisions

The Board meets regularly during the year, as well as on an ad hoc basis as required by business need. The Board had eleven scheduled Board meetings in 2014. Messrs Pritchard and Silva were present at all meetings during the year, and Messrs Davis, Dolan and Rohr were present at all but one meeting during their term in 2014. The Senior Independent Director and Non-Executive Directors also met without the presence of the Executive Directors once 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 in advance of each scheduled meeting detailed Board packs, which include an agenda based upon the schedule of matters reserved for its approval and appropriate reports and briefing papers. If a director is unable to attend a meeting due to exceptional circumstances, he will still receive the supporting papers and is expected to discuss any matters he wishes to raise with the Chairman in advance of the meeting. The Chairman, Chief Executive Officer, Director of Finance and Company Secretary work together to ensure that the Directors receive relevant information to enable them to discharge their duties and that such information is accurate, timely and clear. This

Corporate Governance *(continued)*

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. The Board may have at least one of its scheduled meetings at one of the Company's subsidiary offices in Silicon Valley, California, USA, which is 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 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 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 or 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, USA, and, upon request, site visits to a number of the Group's subsidiary companies, which will include

Corporate Governance *(continued)*

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, Jefferies Hoare Govett 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. It is also intended that, through 2015, other members of senior management will 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 startups based on early-stage technology originating from US universities and federally funded research institutions.

As a further aspect of their ongoing development, each Director will also receive 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

Due to the short period of time since the Board was constituted in connection with the IPO, a performance evaluation of the Board and its Committees was not undertaken in 2014. Beginning in 2015, a performance evaluation of the Board and its Committees will be carried out annually to ensure that they continue to be effective and that each of the Directors demonstrates commitment to his respective role and has sufficient time to meet his 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 online 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.

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 diagram on page 44. The terms of reference of each committee are available

Corporate Governance *(continued)*

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 85 to 86 and pages 88 to 91 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 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. 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 Peter Dolan and its other members as at 31 December 2014 were Richard Davis and Jeffrey Rohr, 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 one time during 2014 to review the structure, size and composition of the Board, following which it discussed the conclusions with the Chief Executive Officer. Messrs Dolan, Davis and Rohr 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 enough 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 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 and the appointment is the responsibility of the whole Board following recommendation from the Committee.

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 Internal Control: Guidance for Directors on the Code (Turnbull). The Group's internal controls, which are Groupwide, were in place during the whole of 2014, were reviewed by the Board of Directors and were considered to be effective throughout the year ended 31 December 2014.

Corporate Governance *(continued)*

The Board is 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 2014.

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 quarterly basis. The key risks and uncertainties faced by the Group, as well as the relevant mitigations, are set out on pages 38 to 42.

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 at least annually and appropriate procedures are put in place to monitor and, to the extent possible, mitigate these risks. Were 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 38 to 42.

Relations with stakeholders

The Company is committed to a continuous dialogue with shareholders as it believes that it is essential to ensure a greater understanding of and confidence amongst its shareholders in the medium and longer term.

Corporate Governance *(continued)*

strategy of the Group and in the Board's ability to oversee its implementation. 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 shall use the AGM as an opportunity to communicate with its shareholders. Notice of the AGM, which will be held at 2 p.m. on 28 May 2015 at the offices of DLA Piper LLP, 3 Noble Street, London EC2V 7EE, United Kingdom, is enclosed with this report. In line 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.

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.

Peter Dolan

Chairman of the Nomination Committee

28 April 2015

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 based on such laws.

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

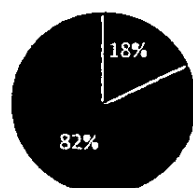
Sustainability *(continued)*

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 has 298 employees and consultants of whom 180 hold advanced degrees and 87 have PhDs (as at 31 March 2015). A breakdown of staff 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.

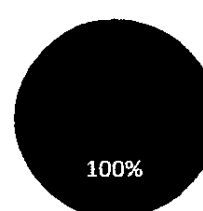
Total Employees



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 first remuneration report of the Remuneration Committee following the initial public offering (IPO) on 25 June 2014

The Work of the Remuneration Committee

The year ended 31 December 2014 was a major milestone in the history of Allied Minds. The Committee was formally constituted at IPO, but a significant amount of its work took place prior to that event with a full review of the Company's Remuneration Policy undertaken by the Non-Executive Directors who now constitute the membership of the Remuneration Committee. The Committee met on two occasions during the year subsequent to the IPO. Messrs Davis, Dolan and Rohr were present at all meetings during the year.

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.

Additionally, since its formation, the Committee has adopted a UK Long-Term Incentive Plan (LTIP) and made initial awards under the LTIP, reviewed the cash incentive bonus awards and progress against LTIP performance targets for the last financial year, and established base salaries and LTIP performance targets for the current financial year. The Committee received professional advice from the Hay Group where appropriate.

Objectives of the Remuneration Policy

In setting the 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 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 and designed taking into account best practice guidelines for UK listed companies.

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

Performance and Reward for 2014

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 to \$488.0 million as of 31 December 2014, compared to \$367.3 million at 31 December 2013, an increase of \$120.7 million, or 32.9%. In addition, the Group share price of 367p at 31 December 2014, was an increase of 93.2% over the initial public offering price of 190p at 25 June 2014.

Directors' Remuneration Report *(continued)*

As detailed in this Directors' Remuneration Report, the Committee determined to provide cash incentive bonus awards to the Executive Directors that reflected the level of performance and achievement in 2014. In addition, upon IPO, the Executive Directors received their first awards under the Company's new LTIP, which was adopted at IPO. These awards will vest after three years, and be paid out over the two years following vesting, provided that stretching performance targets are met. The Committee intends to make annual awards under the LTIP. Prior to the IPO, the Executive Directors had received awards under the Company's US Stock Option/Stock Issuance Plan (US Stock Plan). All outstanding options issued to the Executive Directors have already vested and become exercisable in accordance with the terms upon which they were granted and/or as a consequence of the IPO. The Committee does not intend to make any further grants under the US Stock Plan.

Shareholder Feedback

The Committee recognises that building a close relationship with shareholders can complement the work of the Committee in developing the Remuneration Policy. Prior to the publication of our first Directors' Remuneration Report we consulted with a number of our major shareholders. 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 have adopted the LTIP to encourage share ownership and included malus and clawback provisions in LTIP.

As this is the first time we are reporting to you, and the first time we will be asking you to approve the Remuneration Policy, we appreciate any feedback you may have.

Richard Davis

Chairman of the Remuneration Committee

28 April 2015

What is in this report?

The Directors' Remuneration Report sets out the Remuneration Policy for the Company on pages 66 to 78, describes the implementation of that Remuneration Policy and discloses the amounts paid relating to the year ended 31 December 2014. 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 2013, the Listing Rules and shareholders' executive remuneration guidelines.

The Remuneration Policy for the Executive and Non-Executive Directors on pages 66 to 78, will be put to a binding shareholder vote at the AGM on 28 May 2015. The Remuneration Policy will take formal effect from that date.

The Statement by Chairman of the Remuneration Committee on pages 63 to 64, and the Annual Remuneration Report on pages 79 to 87, 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 preexisting 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.

Directors' Remuneration Report *(continued)*

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.

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 the 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 66 to 78)

The Remuneration Policy for the Executive and Non-Executive Directors will be put to a binding shareholder vote at the AGM on 28 May 2015. The Remuneration Policy will take formal effect from that date.

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.

The Committee is conscious that this is the first time that shareholders will vote on the Remuneration Policy since the Company's IPO and with this in mind we offered our largest shareholders the opportunity to discuss our Remuneration Policy in advance of publication. In addition, we will consider any shareholder feedback received in relation to the AGM.

This, plus any additional feedback received from time to time, 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. As Allied Minds has not held an AGM since listing, no voting outcomes are available and we will publish details of remuneration related voting outcomes in next year's Directors' Remuneration Report.

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	<p>The Committee's overall policy is to set a total on target reward of up to median level compared with the Company's peer groups. Salaries are set as part of this Remuneration Policy and to achieve this objective. The Company is required to provide a basic salary at this level in order to be competitive and to maintain its ability to recruit and retain Executive Directors.</p> <p>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.</p> <p>The Committee wishes to ensure that fixed costs are minimised and that total actual payments to executives will only exceed the median level within the Company's peer groups through the operation of the performance related element of the package.</p> <p>As described in this Remuneration Policy, the performance elements of total reward are directly linked to the achievement of the Company's strategy.</p>	<p>An Executive Director's basic salary is considered by the Committee on appointment and normally reviewed once a year or when there is a significant change to role or responsibility.</p> <p>When making a determination as to the appropriate remuneration the Committee where it is relevant, benchmarks the remuneration against the Company's peer groups.</p> <p>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:</p> <ul style="list-style-type: none">• scale, scope and responsibility of the role,• skills and experience of the individual,• retention risk,• base salary of other employees, and• economic environment.	<p>The Remuneration Committee policy in relation to salary is:</p> <ul style="list-style-type: none">• up to median salary on appointment depending on the experience and background of the new Executive Director;• on promotion up to the median salary for the new role. <p>The current salaries for the Executive Directors are:</p> <table><tr><th></th><th>2015 \$'000</th><th>2014 \$'000</th><th>Review Date</th></tr><tr><td>Christopher Silva</td><td>\$500</td><td>\$400</td><td>1 Jan</td></tr><tr><td>Mark Pritchard</td><td>\$425</td><td>\$350</td><td>1 Jan</td></tr></table> <p>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.</p>		2015 \$'000	2014 \$'000	Review Date	Christopher Silva	\$500	\$400	1 Jan	Mark Pritchard	\$425	\$350	1 Jan	<p>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.</p>
	2015 \$'000	2014 \$'000	Review Date													
Christopher Silva	\$500	\$400	1 Jan													
Mark Pritchard	\$425	\$350	1 Jan													

Directors' Remuneration Report *(continued)*

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics						
Benefits	<p>The Committee's policy is to provide a benefits package with a value up to median level within the peer group and in line with US employment market practice</p> <p>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</p>	<p>The Executive Directors may be entitled to the following benefits</p> <ul style="list-style-type: none"> • life assurance, • disability insurance • medical benefits and dental care, • a car allowance • an annual payment to cover personal legal and tax advice <p>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</p> <p>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</p>	<p>This is the cost of providing those benefits detailed above which in 2014 was as follows</p> <table> <tr> <th></th> <th>Benefits Cost \$'000</th> </tr> <tr> <td>Christopher Silva</td> <td>\$40</td> </tr> <tr> <td>Mark Pritchard</td> <td>\$7</td> </tr> </table> <p>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 under the policy. There is therefore no overall maximum opportunity under this component of the Remuneration Policy</p>		Benefits Cost \$'000	Christopher Silva	\$40	Mark Pritchard	\$7	There are no performance conditions attached to the payment of benefits
	Benefits Cost \$'000									
Christopher Silva	\$40									
Mark Pritchard	\$7									

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	<p>The Committee's overall policy is to set a total on target reward of up to median level compared with the Company's peer groups. Cash incentive bonus awards are set as part of this Remuneration Policy and to achieve this objective. The cash incentive bonus award, taken together with salary, is required in order to be competitive and to maintain the ability to recruit and retain Executive Directors.</p> <p>For the purpose of benchmarking cash incentive bonus awards, 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.</p> <p>As described below, the performance elements of total reward are directly linked to the achievement of the Company's strategy. In addition, given the absolute discretionary nature of the cash incentive bonus awards, the Committee is able to support the Company's strategic objectives because (i) there is a risk adjustment mechanism in that awards need not be granted, (ii) the interests of shareholders are served by having a substantial amount of cash remuneration subject to annual discretion, and (iii) the Committee can tailor the awards to recognise expected and unexpected performance outcomes.</p>	<p>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, shall be in the sole and absolute discretion of the Committee. Any award is based on performance against criteria and subject to such conditions as the Committee may impose.</p> <p>When exercising this discretion to provide an award, and making a determination as to the appropriate remuneration, the Committee, where it is relevant, benchmarks the remuneration against the Company's peer groups. 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 those set forth in "Performance Metrics".</p>	<p>There are no caps on the amount of bonus which may be paid. This cash incentive bonus awards in 2014 were as follows:</p> <table><tr><th colspan="2">Cash Incentive Bonus Award \$'000</th></tr><tr><td>Christopher Silva</td><td>\$500</td></tr><tr><td>Mark Pritchard</td><td>\$450</td></tr></table>	Cash Incentive Bonus Award \$'000		Christopher Silva	\$500	Mark Pritchard	\$450	<p>As noted in "Operation", decision to provide any cash incentive bonus award and the amount and terms of any such award, shall be in the sole and absolute discretion of the Committee. Any award is based on performance against criteria and subject to such conditions as the Committee may impose.</p> <p>The Committee may consider any and all performance criteria in making its determination to provide an award, and may generally consider:</p> <ul style="list-style-type: none">the individual performance of the Executive Director;the general performance of the Company, andKPIs, the achievement of company milestones, and other company and individual objectives.
Cash Incentive Bonus Award \$'000										
Christopher Silva	\$500									
Mark Pritchard	\$450									

Directors' Remuneration Report *(continued)*

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Pension	<p>It is the Committee's policy to provide pension benefits in line with US employment market practice</p> <p>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</p>	<p>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.</p> <p>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.</p>	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 plc Long Term Incentive Plan (LTIP)	<p>The LTIP provides a competitive, performance-linked long-term incentive mechanism that will</p> <ul style="list-style-type: none"> attract, retain and motivate individuals with the required personal attributes, skills and experience provide a real incentive to achieve our long-term strategic objectives and align the interests of management and shareholders 	<p>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</p> <p>Financial and/or non-financial performance targets are set at or around the start of each financial year</p> <p>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)</p> <p>Calculations of the achievement of the vesting targets are reviewed and approved by the Committee</p> <p>Awards are subject to cancellation or clawback 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</p>	<p>Save in relation to the awards granted at IPO, 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% in limit in exceptional circumstances such as where there was a need to do so to attract a new executive</p> <p>Awards were made under the LTIP to the Chief Executive Officer at the IPO in respect of a total of 1,398,341 Ordinary Shares. This was considered an appropriate level of award by the Committee after giving due consideration to the fact that the Chief Executive Officer would have no unvested equity following the IPO</p>	<p>In respect of the initial awards which were made at the IPO, vesting is dependent upon performance metrics measured as follows</p> <ul style="list-style-type: none"> 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 the date of the IPO until 31 December 2016, 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 <p>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. 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</p> <p>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</p> <p>The Committee expects to make annual awards under the LTIP with similar vesting criteria, including as to the percentage levels of vesting for threshold and target performance, and as to the weighting of the performance criteria between TSR and other conditions, as applied to these IPO awards, with such vesting ordinarily occurring on or about three years from grant</p>

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 policy 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	<p>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.</p> <p>Participation in the Phantom Plan is evidenced by "units".</p> <p>Vesting of units is determined at the time of grant of the units. Current policy is for a proportion of the units to vest at grant and the remainder on an annual basis over a two year period.</p>	<p>The maximum aggregate number of units that may be awarded under the Phantom Plan is 200,000 units. The maximum number of units which will be awarded in aggregate to any Executive Director will not exceed 20,000 units.</p> <p>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.</p>	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)*

The Future Remuneration Policy Table for the Chairman and the Non-Executive Directors

The Company Chairman's fee is determined by the Committee (other than the Company Chairman himself)

The fees for the Non-Executive Directors are reviewed by the Board, excluding the Non-Executive Directors

The table summarises the key aspects of the Remuneration Policy for the Chairman and Non-Executive Directors

Element of Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics																																														
Non-Executive Directors Fees	<p>The Company's policy is to set fees at up to median level and 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.</p> <p>An additional fee is paid for Chairmanship of a Board Committee and to the Chairman of the Board.</p>	<p>Non-Executive Directors have specific terms of engagement provided in formal letters of appointment. Their remuneration is determined by the Board 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.</p> <p>Non-Executive Directors do not receive any cash incentive bonus and do not participate in any Company pension scheme.</p> <p>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.</p>	<p>The Company's policy is to set fees at up to median on appointment depending on the experience and background of the new Non-Executive Director.</p> <p>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 a Board Committee or as Senior Independent Director.</p> <table><thead><tr><th></th><th>2014 \$'000</th><th>2013 \$'000</th><th>Review Date</th></tr></thead><tbody><tr><td>Richard Davis</td><td>\$80</td><td>\$50</td><td>1 Jan</td></tr><tr><td>Peter Dolan</td><td>\$55</td><td>—</td><td>1 Jan</td></tr><tr><td>Jeffrey Rohr</td><td>\$65</td><td>—</td><td>1 Jan</td></tr></tbody></table> <p>The fees for the Non-Executive Directors were reviewed in December 2014 and the decision taken to set the fees for 2015, for any Non-Executive Directors serving in the following capacities, as follows:</p> <table><thead><tr><th></th><th>2015 \$'000</th><th>2014 \$'000</th></tr></thead><tbody><tr><td colspan="3">Cash Component</td></tr><tr><td>Non-Executive Director Annual Fee</td><td>\$75</td><td>\$75</td></tr><tr><td>Audit Committee Chair Annual Fee</td><td>\$25</td><td>\$25</td></tr><tr><td>Remuneration Committee Chair Annual Fee</td><td>\$10</td><td>\$10</td></tr><tr><td>Nomination Committee Chair Annual Fee</td><td>\$10</td><td>\$10</td></tr><tr><td>Chairman of the Board Annual Fee</td><td>\$75</td><td>—</td></tr><tr><td colspan="3">Equity Component</td></tr><tr><td>Non-Executive Director LTIP Award Value</td><td>\$50</td><td>—</td></tr><tr><td>Chairman of the Board LTIP Award Value</td><td>\$75</td><td>—</td></tr></tbody></table> <p>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.</p>		2014 \$'000	2013 \$'000	Review Date	Richard Davis	\$80	\$50	1 Jan	Peter Dolan	\$55	—	1 Jan	Jeffrey Rohr	\$65	—	1 Jan		2015 \$'000	2014 \$'000	Cash Component			Non-Executive Director Annual Fee	\$75	\$75	Audit Committee Chair Annual Fee	\$25	\$25	Remuneration Committee Chair Annual Fee	\$10	\$10	Nomination Committee Chair Annual Fee	\$10	\$10	Chairman of the Board Annual Fee	\$75	—	Equity Component			Non-Executive Director LTIP Award Value	\$50	—	Chairman of the Board LTIP Award Value	\$75	—	<p>There are no performance conditions attached to the payment of fees or the vesting under the awards granted under the LTIP.</p>
	2014 \$'000	2013 \$'000	Review Date																																															
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Chairman of the Board LTIP Award Value	\$75	—																																																

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. The employees of the subsidiary businesses do not participate in any of the Group level incentive plans.

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 81 of this Annual Report.

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



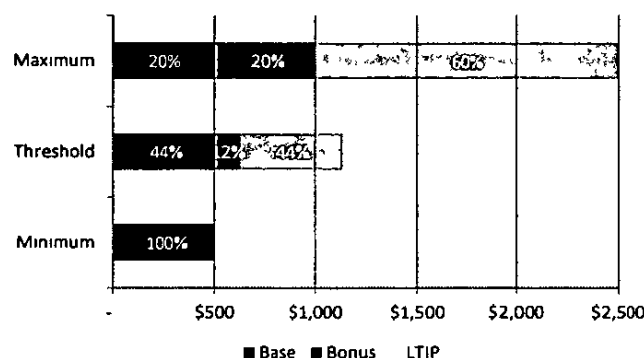
Directors' Remuneration Report *(continued)*

Illustration of the Application of the Remuneration Policy

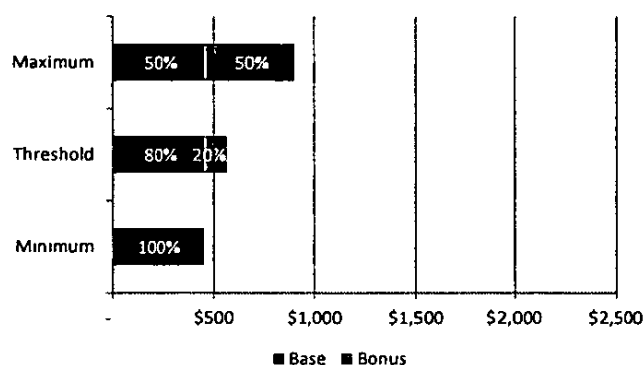
The value and composition of the Executive Directors' remuneration packages for the year ending 31 December 2015 at minimum, threshold and maximum scenarios under the Remuneration Policy are set out in the charts below. The charts depict an estimate of the remuneration that could be received by each executive director 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.

CEO



President



Notes

Fixed remuneration reflects base salary as in effect as of 1 January 2015, and expected cost of benefits.

Cash incentive bonus award is not capped, but for the purposes of this illustration is assumed to be 100% of base salary at maximum, 25% of base salary at threshold, and nil below threshold.

Awards are capped at 300% of base salary at maximum, 100% 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.

The current President, Mark Pritchard, is eligible to participate in the LTIP, but has currently elected to waive such remuneration.

Directors' Remuneration Report *(continued)*

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 (i.e. no cap under the cash incentive bonus awards, and 300% of salary under the LTIP, 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 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 apply 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 Directors (Christopher Silva and Mark Pritchard) each have a service contract that commenced in May 2014 and has an initial term of employment that expires in May 2016. Beginning in May 2016, and at each anniversary thereafter, the service contracts shall be deemed to be automatically extended for

Directors' Remuneration Report *(continued)*

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

None of the Executive Directors' contracts 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 an 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")

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

Mr Silva 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 Directors may terminate their service contract without Good Reason at any time during the term of the employment, provided they give at least ninety (90) days' advance written notice. If an 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 the Non-Executive Directors (Richard Davis, Peter Dolan and Jeffrey Rohr) have letters of appointment that commenced May 2014, 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 annual re-election by shareholders at each AGM

Directors' Remuneration Report *(continued)*

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 interest of Allied Minds and its shareholders and reflecting the directors' contractual and legal rights

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 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 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 79 to 87)

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 2014 and 2013

in \$'000	Base salary/ fees ⁽¹⁾		Benefits ⁽²⁾		Pension		Annual Bonus		EBP ⁽³⁾		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Executive Directors												
Christopher Silva	400	335	40	34	–	–	500	220	15,002	647	15,942	1,236
Mark Pritchard	350	294	7	2	–	–	450	210	–	–	807	506
Non-Executive Directors												
Rick Davis ⁽⁴⁾	80	50	–	–	–	–	–	–	–	–	80	50
Peter Dolan	55	–	–	–	–	–	–	–	–	–	55	–
Jeffrey Rohr	65	–	–	–	–	–	–	–	–	–	65	–

Notes

- (1) Actual Non-Executive Directors' fees, prorated 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 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. No equity-based awards vested under the LTIP during 2014 or 2013. In addition, no equity-based awards are expected to vest under the LTIP in 2015 or 2016.
- (4) 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.
- (5) In addition, in connection with the IPO, Christopher Silva and Richard 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 2014

In January 2014, prior to the IPO, the independent member of the Board engaged the Hay Group to conduct a compensation benchmarking study for the Company's senior management in conjunction with the Company's 2013 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 nine US publicly-traded companies and three UK publicly-traded companies. For the purpose of benchmarking salaries and other remuneration the principal peer grouping used by the Company consisted of companies within similar industry sectors which are either US or UK listed with a range of capitalisations.

Based upon the results of the benchmarking study, the independent director concluded that based upon the modest cash incentive bonus awards that had been paid in the previous financial year, each of the Executive Directors total direct compensation was below the 25th percentile of the peer group. Given the strong company performance in 2013, and the achievement of company and individual goals, the Board recommended an increase in the level of cash incentive bonus awards, and an increase in base salary to

Directors' Remuneration Report *(continued)*

move the Executive Director total direct compensation above the 25th percentile of the peer group. The increase in base salary is reflected in the table above.

In December 2014, 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 2014 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 US publicly-traded companies and three UK publicly-traded companies. 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.

Based upon the results of the benchmarking study, the Remuneration Committee concluded that based upon the continued modest cash incentive bonus awards that had been paid in the previous financial year, each of the Executive Directors total direct compensation was still at or below the 25th percentile of the peer group. Given the strong company performance in 2014, and the achievement of company and individual goals, the Board recommended an increase in the level of cash incentive bonus awards, and an increase in base salary to move the Executive Director total direct compensation above the 25th percentile of the peer group, and towards the 50th percentile of the peer group. The Remuneration Committee designed the increases to reflect its 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 2014. 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 2014 (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							
Christopher Silva	RSU	See below	1,398,341	\$ 4,500	33%	67%	Based on performance achievement, 50% end of 2016, 25% end of 2017, 25% end of 2018

On the date of the IPO, the LTIP award above was granted to the Chief Executive Officer. The total value of the award has been calculated using the IPO price of 190p. The level of award was determined by the Committee after giving due consideration to the fact that the Chief Executive Officer would have no unvested equity following the IPO.

Vesting of the LTIP award is dependent upon performance metrics measured over the three years to 31 December 2016, details of which are set out in the Remuneration Policy table on page 71 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.



Directors' Remuneration Report *(continued)*

Long Term Incentive Plan Vesting during 2014 (audited information)

As described above, the Company did not make any awards under the LTIP prior to the IPO. Therefore, no awards vested under the LTIP in 2014, or are expected to vest in 2015.

US Stock Plan Awards made during 2014 (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							
Christopher Silva	Option	Pre-IPO	634,326	\$ 1,576	n/a	n/a	Fully vested at IPO
Non-Executive Directors							
Rick Davis	Shares	Pre-IPO	39,600	\$ 98	n/a	n/a	Three years to June 2017
Peter Dolan	Shares	Pre-IPO	39,600	\$ 98	n/a	n/a	Three years to June 2017
Jeffrey Rohr	Shares	Pre-IPO	39,600	\$ 98	n/a	n/a	Three years to June 2017

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.

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. While we have not imposed minimum requirement for our Executive Directors, each of them has a very significant shareholding and would exceed a reasonable limit that we would impose. The table below sets out the number of shares held outright by Directors as at 28 April 2015.

	Shares held outright	Shares conditional on performance	Options to purchase shares	Total
Executive Directors				
Mark Pritchard ⁽¹⁾	22,407,704	–	550,000	22,957,704
Christopher Silva	2,844,402	1,398,341	3,105,498	7,348,241
Non-Executive Directors				
Rick Davis	259,600	–	–	259,600
Peter Dolan	39,600	–	–	39,600
Jeffrey Rohr	39,600	–	–	39,600

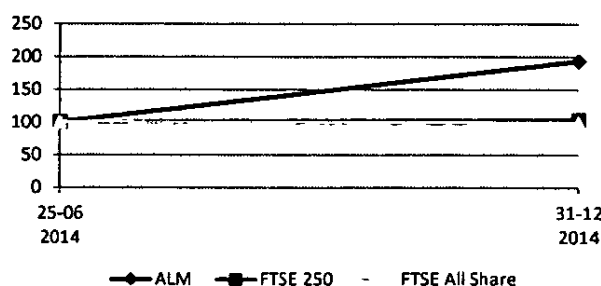
Notes

(1) Includes shares held through connected persons.

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 compared to US Group employees

The table below sets out the increase in total remuneration of the Chief Executive and that of our US Group employees (excluding Directors) from 2013 to 2014.

	% change in base salary	% change in cash bonus	% change in benefits
CEO	19.5%	127.3%	15.4%
US Group Employees	5.5%	9.3%	13.6%

Historical CEO remuneration outcomes

The table below summarises the Chief Executive single total figure for total remuneration, annual cash incentive bonus award, and share award (US Stock Plan) as a percentage of maximum opportunity for the last financial year. As the company listed in 2014, the comparative for 2013 only is provided.

	2014	2013
CEO single total figure for remuneration	\$15,942	\$1,236
Annual cash incentive bonus award pay-out (% of maximum) ⁽¹⁾	n/a	n/a
Share award vesting (US Stock Plan) (% of maximum) ⁽²⁾	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, and 125.0% in 2014.
- (2) 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. No equity-based awards vested under the LTIP during 2013 or 2014. In addition, no equity-based awards are expected to vest under the LTIP in 2015 or 2016.

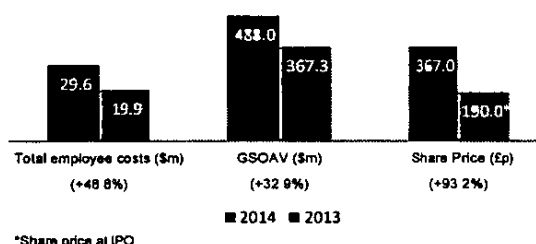
Directors' Remuneration Report *(continued)*

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 2013 to 2014

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 115, including wages and salaries, social security and healthcare costs, and share-based payments
- Change in Group Subsidiary Ownership Adjusted Value (GSOAV) taken from page 20
- 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 25 June 2014 to 31 December 2014 (annualised)



Statement of implementation of remuneration policy in the following financial year Base Salary and Benefits

Effective from 1 January 2015, the base salaries of the Executive Directors will be

	Base Salary	Increase	% Increase
Christopher Silva	\$500,000	\$100,000	25.0%
Mark Pritchard	\$425,000	\$75,000	21.4%

As noted above, based upon the results of the benchmarking study, the Remuneration Committee concluded that based upon the continued modest cash incentive bonus awards that had been paid in the previous financial year, each of the Executive Directors total direct compensation was still at or below the 25th percentile of the peer group. Given the strong company performance in 2014, and the achievement of company and individual goals, the Board recommended an increase in the level of cash incentive bonus awards, and an increase in base salary to move the Executive Director total direct compensation above the 25th percentile of the peer group, and towards the 50th percentile of the peer group. The Remuneration Committee designed the increases to reflect its policy of moving the Executive Director compensation, in connection with superior performance, towards the 50th percentile of the peer group.

Directors' Remuneration Report *(continued)*

Cash Incentive Bonus Awards

The Remuneration Committee does not expect to implement any changes to the cash incentive bonus awards. 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, shall be in the sole and absolute discretion of the Committee. Any award shall be based on performance against criteria and subject to such conditions as the Committee may impose.

When exercising this discretion to provide an award, and making a determination as to the appropriate remuneration, the Committee where it is relevant, shall benchmark the remuneration against the Company's peer groups. 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 those set forth below.

The Committee may consider any and all performance criteria in making its determination to provide an award, and may generally consider

- the individual performance of the Executive Director,
- the general performance of the Company, and
- KPIs, the achievement of company milestones, and other company and individual objectives

Long Term Incentive Plan

The Remuneration Committee expects to make LTIP awards subsequent to the release of this Annual Report. The number of awards is expected to be at a reduced level as compared to the awards made at the time of the IPO. Whilst 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, the Committee expects that any grant to Executive Directors will not exceed 200% of base salary per financial year.

In respect of the 2015 awards, the Committee expects vesting 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 the period from the date of the IPO until 31 December 2016, 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 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 1 January 2015, the base salaries of the Chairman and Non-Executive Directors will be

2015

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 Non-Executive Director annual fees, and Committee Chair annual fees set forth in the table above remain unchanged from 2014. 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, which will have a time-based vesting schedule. Christopher Silva and Mark Pritchard, as Executive Directors, 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 2014.

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 Group's 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 comprises the following independent non-executive directors, all of whom served from the IPO through the end of the financial year, and whose backgrounds and experience are summarised on pages 43 to 44

- Richard Davis (Chair)
- Peter Dolan
- Jeffrey Rohr

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

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

- Reviewed and approved an appropriate Remuneration Policy 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,
- Designed and adopted a UK LTIP 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 our long-term strategic objectives, and (iii) 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 1 January 2015,
- Issued the initial LTIP awards at the time of the IPO,
- Reviewed progress against LTIP performance targets for the last financial year,
- Established LTIP performance targets for the current financial year, and
- Reviewed of the remuneration reporting regulations in connection with the development 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 January 2014, in the months leading up to the IPO in June 2014, and in December 2014 Hay Group performed peer benchmarking to assist

Directors' Remuneration Report *(continued)*

the Committee with determinations regarding base salary and cash incentive bonus awards, and assisted in the design of the LTIP adopted at the IPO. Fees paid to Hay Group in connection with advice to the Committee in 2014 were \$83,000 (2013: nil). 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

As mentioned previously, Allied Minds has not held an AGM since listing and therefore no voting outcomes are available. We will publish details of remuneration related voting outcomes in next year's Directors' Remuneration Report.

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 2012) 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.

Richard Davis

Chairman of the Remuneration Committee

28 April 2015

Audit Committee Report

The 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 Group 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 Committee, Mr Jeffrey Rohr has the relevant financial experience being a Certified Public Accountant with over thirty years of senior management and executive experience. In 2014, Mr Peter Dolan and Mr Rich Davis served as the other two independent members of the Committee.

Being the first year since incorporation of the Company, the Committee met four times in 2014, of which the external auditors participated in three of the meetings. Messrs Rohr, Davis and Dolan were present at all meetings during the year.

Duties

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, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor. The roles and responsibilities of the Audit Committee additionally include:

- 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 2014, are set out 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 2014, the financial information included in the short form of the prospectus prepared in connection with the Company's initial public offering, covering the three year period ended 31 December 2013, and the financial statements in the annual report and accounts for the year ended 31 December 2014,
- 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 38 to 42 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,
- A formal whistleblower policy was established and approved by the Board, 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 127 to 131. 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 and an important part of the annual audit.

Share-based incentives

In 2014, the Group adopted the UK Long Term Incentive Plan (LTIP) and made awards under the LTIP upon the Company's admission to the LSE in respect of a total of 4,618,842 Ordinary Shares. The respective share-based payment charge to the financial statements is determined by reference to the fair value of the award and based on key judgements. The choice of valuation methodology and the inputs used to calculate the initial fair value and number of shares expected to be issued is one of the key areas of the audit based on the materiality of the awards.

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, as key judgements are made in determining whether the capitalisation criteria are met and there is therefore a risk of development cost not being appropriately capitalised, which is a significant risk for the financial statements and an important part of the annual audit.

External audit

- Reviewed and approved the scope of the external audit procedures over the half-yearly report for the period ended 30 June 2014, and the annual report and accounts for the year ended 31 December 2014,
- Discussed with management and agreed 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 their 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, 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 report 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 2014 were \$2.3 million, of which \$1.9 million were for non-audit services primarily related to the listing on the LSE in June 2014 (see note 5 of the consolidated financial statements).

The Audit Committee currently intends to recommend to the Board a resolution to shareholders to appoint KPMG LLP as the external audit firm at the AGM to be held on 28 May 2015.

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.

Jeffrey Rohr

Chairman of the Audit Committee

28 April 2015

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 2014 set out on pages 97 to 151. 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 2014 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 UK Accounting Standards, 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:

Group Subsidiary Ownership Adjusted Value (\$488.0 million)

Refer to page 89 (Audit Committee Report) and pages 127 to 131 (financial disclosures).

The Group owns 25 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 fair values of the Group's holdings in subsidiaries are not included in the Group's Statement of Financial Position, 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 x for more details). 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 and the relevance of 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, among others,

- Assessing the appropriateness of the valuation model used for each subsidiary, obtaining an understanding of how the forecasts are compiled and assessing for consistency with the approach taken in the prior year.
- 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 from public material.
- Where valuations are based on the implied value from the most recent third party investment we assessed the accuracy of the data used and the reasonableness of the conclusion in the context of the wider value of the entity.
- 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.

Share based incentives – Long Term Incentive Plan (LTIP) (\$1.3 million)

Refer to page 90 (Audit Committee Report), page 108 (accounting policy) and pages 117 to 118 (financial disclosures)

The risk – During 2014 the group made equity-settled awards over 4,619,842 ordinary shares under a Long Term Incentive Plan (LTIP) made to employees, officers and directors of, and other individuals providing services to the Company and its subsidiaries which has resulted in a share based payments charge in the Group's financial statements. The respective share based payments charges are principally determined by reference to the fair value of the equity instruments awarded and the number of shares expected to be issued. The choice of valuation methodology and the inputs used to calculate the initial fair value and number of shares expected to be issued is one of the key judgemental areas of our audit. This is deemed to be an area of significant risk in view of the materiality of the amounts involved, the sensitivity of these amounts to a change in the assumptions used and the technical complexity (for example, in order to value the total shareholder return element the Group utilises the Monte Carlo simulation analysis).

Our response – In this area our audit procedures included, among others,

- Assessing the appropriateness of the valuation model used and evaluating the assumptions and methodologies used by the Group to value awards and estimate the number of shares that will eventually be issued.
- We agreed key inputs in the models to internally and externally derived sources.
- We used our own valuation specialists 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 and estimate of the number of shares that will be issued, specifically the risk free rate, share volatility, leaver assumptions and performance conditions. These key inputs were assessed for reasonableness by reference to external data or internal information such as past history in the case of leaver assumptions, along with reports from the group's external consultants.
- We also considered the adequacy of the Group's disclosures in relation to the key assumptions related to the scheme.

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

Capitalisation of development costs (\$0.2 million)

Refer to page 90 (Audit Committee Report), page 106 (accounting policy) and pages 123 to 124 (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, among others,

- 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 reviewing 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.

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 \$0.9m. This has been determined with reference to a benchmark of total expenses (of which it represents 1.5%), 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 \$45,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

All subsidiaries in the Group are located in the US and are centrally administered and therefore we performed the audit as if it was a single aggregated set of financial information using the materiality level set out above. The audit covered 100% of total Group revenue, Group profit before tax, and total Group assets. The audit is performed by the UK Group team assisted by a US component auditor. 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.

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

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

5. 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

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 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

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 60, in relation to going concern, and
- the part of the Corporate Governance Statement on page 51 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 49, 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

28 April 2015

Consolidated Statement of Comprehensive Loss

For the year ended 31 December	Note	2014 \$'000	2013 \$'000
Revenue	3	7,715	2,936
Operating expenses			
Cost of revenue	4,5	(5,416)	(2,342)
Selling, general and administrative expenses	4,5	(38,032)	(27,472)
Research and development expenses	4,5	(22,195)	(15,689)
Operating loss		(57,928)	(42,567)
Finance income/(cost), net	7	222	(140)
Loss before taxation		(57,706)	(42,707)
Taxation		—	—
Loss for the year		(57,706)	(42,707)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss		(159)	35
Foreign currency translation differences			
Other comprehensive (loss)/income, net of taxation		(159)	35
Total comprehensive loss		(57,865)	(42,672)
Loss attributable to:			
Equity holders of the parent		(45,478)	(34,501)
Non-controlling interests	17	(12,228)	(8,206)
		(57,706)	(42,707)
Total comprehensive loss attributable to:			
Equity holders of the parent		(45,637)	(34,466)
Non-controlling interests		(12,228)	(8,206)
		(57,865)	(42,672)
Loss per share		\$	\$
Basic	8	(0.24)	(0.24)
Diluted	8	(0.24)	(0.24)

See accompanying notes to consolidated financial statements

Consolidated Statements of Financial Position

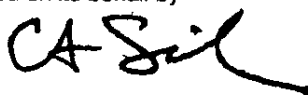
As of 31 December	Note	2014 \$'000	2013 \$'000
Non-current assets			
Property and equipment	9	16,330	18,001
Intangible assets	10	3,409	4,504
Investment in equity accounted investees	11	1,560	—
Other investments	12	22,176	—
Other financial assets	21	418	484
Other non-current assets		146	38
Total non-current assets		44,039	23,027
Current assets			
Cash and cash equivalents	13	224,075	104,551
Other investments	12	15,231	—
Inventories	14	2,919	1,045
Trade and other receivables	15	6,305	2,870
Other financial assets	21	481	312
Total current assets		248,991	108,778
Total assets		293,030	131,805
Equity			
Share capital	16	3,411	2,445
Share premium	16	153,442	—
Merger reserve	16	185,544	185,544
Other reserve	16	28,753	19,814
Translation reserve	16	(61)	98
Accumulated deficit	16	(123,186)	(90,648)
Equity attributable to owners of the Company		247,903	117,253
Non-controlling interests	16,17	31,911	2,606
Total equity		279,814	119,859
Non-current liabilities			
Loans	18	338	2,744
Deferred revenue	3	197	188
Other non-current liabilities	19	182	278
Total non-current liabilities		717	3,210
Current liabilities			
Trade and other payables	19	11,339	5,038
Deferred revenue	3	947	2,642
Loans	18	213	1,056
Total current liabilities		12,499	8,736
Total liabilities		13,216	11,946
Total equity and liabilities		293,030	131,805

See accompanying notes to consolidated financial statements

Registered number 8998697

The financial statements on pages 97 to 147 were approved by the Board of Directors and authorised for issue on 28 April 2015 and signed on its behalf by

Christopher Silva
Chief Executive Officer



Consolidated Statements of Changes in Equity

For the year ended 31 December 2014

	Note	Share capital Shares	Amount \$ '000	Share premium \$ '000	Merger reserve \$ '000	Other reserve \$ '000	Translation reserve \$ '000	Accumulated deficit \$ '000	Total parent equity \$ '000	Non- controlling interests \$ '000	Total equity \$ '000
Balance at 31 December 2012		122 923 416	1 922	-	86 957	14,839	63	(55 142)	48,639	9 675	58 314
Total comprehensive loss for the year											
Loss from continuing operations		-	-	-	-	-	-	(34 501)	(34 501)	(8 206)	(42 707)
Foreign currency translation		-	-	-	-	-	35	-	35	-	35
Total comprehensive loss for the year							35	(34 501)	(34 466)	(8 206)	(42 672)
Issuance of ordinary shares	16 17	34 468 742	522	-	98 612	-	-	-	99 134	-	99 134
New funds into non-controlling interest	16 17	-	-	-	-	-	-	-	-	52	52
Gain/(loss) arising from change in non-controlling interest	16 17	-	-	-	-	-	-	(2 212)	(2 212)	2 212	-
Deconsolidation of subsidiaries	17	-	-	-	(80)	-	-	1 207	1 127	(1,127)	-
Exercise of stock options	6	71 632	1	-	55	-	-	-	56	-	56
Equity-settled share based payments	6	-	-	-	-	4 975	-	-	4 975	-	4 975
Balance at 31 December 2013		157 463,760	2 445	-	185 544	19 814	98	(90 648)	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	-	-	-	-	-	-	-	-	54 473	54 473
Gain/(loss) arising from change in non-controlling interest	16 17	-	-	-	-	-	-	12,940	12,940	(12,940)	-
Exercise of stock options	6	8,817,424	148	11,189	-	-	-	-	11,347	-	11 347
Equity settled share based payments	6	-	-	-	-	8,939	-	-	8,939	-	8,939
Balance at 31 December 2014		214,445,579	3,411	153,442	185,544	28,753	(61)	(123,186)	247,903	31,911	279 814

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

For the year ended 31 December	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Net operating loss		(57,928)	(42,567)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	9	2,312	1,352
Amortisation	10	580	532
Impairment losses on property and equipment	9	416	5
Impairment losses on intangible assets	10	1,063	884
Share-based compensation expense	5,6	8,939	4,975
Changes in working capital			
Increase in inventory	14	(1,874)	(402)
Increase in trade and other receivables	15	(3,626)	(2,540)
Increase in trade and other payables	19	6,301	951
Decrease in other non-current liabilities	19	(96)	(51)
(Decrease)/increase in deferred revenue	3	(1,686)	1,923
Interest received	7	545	324
Interest paid	7	(320)	(306)
Other finance cost	7	(3)	(158)
Net cash used in operating activities		(45,377)	(35,078)
Cash flows from investing activities			
Purchases of property and equipment, net of disposals	9	(1,217)	(10,527)
Purchases of intangible assets, net of disposals	10	(547)	(148)
Purchases of investment in equity accounted investees	11	(1,560)	—
Purchases of other investments	12	(37,407)	—
Net cash used in investing activities		(40,731)	(10,675)
Cash flows from financing activities			
Proceeds from exercise of stock options	16	11,347	55
(Repayment)/issuance of notes payable	18	(3,249)	2,865
Proceeds from issuance of share capital	16	143,061	99,135
Proceeds from issuance of share capital in subsidiaries	17	54,473	14,500
Net cash provided by financing activities		205,632	116,555
Net increase in cash and cash equivalents		119,524	70,802
Cash and cash equivalents at beginning of the year		104,551	33,749
Cash and cash equivalents at end of the year		224,075	104,551

See accompanying notes to consolidated financial statements

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 2014. 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.

Basis of Measurement

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

Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, 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 made by the Group 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 judgements involved in determining the point of capitalisation of development costs, the judgements used in considering any impairment required in relation to intangible assets, and the judgements made in determining control over subsidiaries. Significant estimates are also made when determining the appropriate valuation methodology and deriving the fair estimated fair value of subsidiary undertakings. These judgements 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. Information about these critical judgements and estimates is included in the following notes.

Changes in Accounting Policies

In these financial statements the Group has changed its accounting policies in the following areas:

IFRS 10 Consolidated Financial Statements As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees at 1 January 2014. No modifications of previous conclusions about control regarding the Group's investees were required.

IFRS 12 Disclosure of Interest in Other Entities As a result of IFRS 12, the Group has expanded disclosures about its interests in subsidiaries and equity-accounted investees.

Notes to the Consolidated Financial Statements

(continued)

Going Concern

The Directors have prepared trading and cash flow forecasts for the Group covering the period to 31 December 2016. 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 in excess of \$250 million of available funds in the form of cash and fixed income securities as at 31 December 2014, 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 2014 and 2013 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 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



Notes to the Consolidated Financial Statements

(continued)

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 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 US 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

Notes to the Consolidated Financial Statements

(continued)

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 an associate or joint venture 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.

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.

Notes to the Consolidated Financial Statements

(continued)

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.

Share Capital

Ordinary shares are classified as equity. The Group considers its capital to comprise share capital, share premium, merger reserve, other reserve, translation reserve, and 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

Licences and Purchased In Process Research & Development

Licences represent licences 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. Licences 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 licences 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.

Notes to the Consolidated Financial Statements

(continued)

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 licenced 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 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

Notes to the Consolidated Financial Statements

(continued)

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 substantively 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 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.

Notes to the Consolidated Financial Statements

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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,
- 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

Notes to the Consolidated Financial Statements

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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.

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.

Notes to the Consolidated Financial Statements

(continued)

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.

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.

Notes to the Consolidated Financial Statements

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(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 2015, 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.

The following are amended or new standards and interpretations that may impact the Group. 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 2017)

Amendment to IFRS 11, 'Joint arrangements on acquisition of an interest in a joint operation', (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

	2014	2013
For the year ended 31 December.	\$'000	\$'000
Product revenue	7,396	2,396
Service revenue	230	387
Grant revenue	89	153
Total revenue in consolidated statement of loss	7,715	2,936

Notes to the Consolidated Financial Statements

(continued)

Deferred revenue recorded in the statement of financial position consists of the following

As of 31 December	2014 \$'000	2013 \$'000
Customer deposits	526	2,253
Other deferred revenue, current	421	389
Deferred revenue, current	947	2,642
Deferred revenue, non-current	197	188
Total deferred revenue in statement of financial position	1,144	2,830

(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.

Notes to the Consolidated Financial Statements

(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 2014 and 2013, respectively

As of and for the year ended 31 December

	2014 \$'000				
	Early stage		Commercial		Other operations
	STT	Other	RFB	Other	
Statement of Comprehensive Loss					
Revenue	-	444	6,457	814	-
Cost of revenue	-	-	(4,898)	(518)	-
Selling, general and administrative expenses	(5,722)	(7,347)	(5,854)	(3,888)	(15,221)
Research and development expenses	(7,350)	(13,692)	(184)	(969)	-
Finance income/(cost), net	(268)	-	3	(51)	538
Loss for the year	(13,340)	(20,595)	(4,476)	(4,612)	(14,683)
Other comprehensive income/loss	-	-	(34)	-	(125)
Total comprehensive loss	(13,340)	(20,595)	(4,510)	(4,612)	(14,808)
Total comprehensive loss attributable to					
Equity holders of the parent	(7,057)	(17,275)	(2,542)	(3,954)	(14,808)
Non-controlling interests	(6,283)	(3,320)	(1,968)	(658)	-
Statement of Financial Position					
Non-current assets	14,354	3,852	2,912	829	22,092
Current assets	68,750	16,051	8,523	2,093	153,574
Total Assets	83,104	19,903	11,435	2,922	175,666
Non-current liabilities	(33)	(281)	-	(344)	(59)
Current liabilities	(3,420)	(2,755)	(2,888)	(686)	(2,750)
Total Liabilities	(3,453)	(3,036)	(2,888)	(1,030)	(2,809)
Net Assets	79,651	16,867	8,547	1,892	172,857



Notes to the Consolidated Financial Statements

(continued)

As of and for the year ended 31 December

	2013 \$'000				
	Early stage		Commercial		Other operations
	STT	Other	RFB	Other	
Statement of Comprehensive Loss					
Revenue	-	476	1,429	1,031	-
Cost of revenue	-	-	(1,476)	(866)	-
Selling, general and administrative expenses	(4,201)	(5,876)	(4,566)	(4,787)	(8,062)
Research and development expenses	(4,471)	(9,349)	(86)	(1,783)	-
Finance income/(cost) net	(224)	-	(158)	(68)	310
Loss for the year	(8 896)	(14 749)	(4 857)	(8 453)	(7 752)
Other comprehensive income	-	-	27	-	8
Total comprehensive loss	(8 896)	(14 749)	(4 830)	(8,453)	(7 744)
Total comprehensive loss attributable to					
Equity holders of the parent	(4,783)	(13 592)	(2,838)	(5,509)	(7 744)
Non-controlling interests	(4,113)	(1 157)	(1 992)	(944)	-
Statement of Financial Position					
Non-current assets	11,967	3,977	6,132	794	157
Current assets	15,106	3 677	2,333	1,871	85,791
Total Assets	27 073	7 654	8 465	2 665	85 948
Non-current liabilities	(2 241)	(310)	(18)	(562)	(79)
Current liabilities	(2,337)	(1,422)	(2,839)	(821)	(1,317)
Total Liabilities	(4,578)	(1 732)	(2,857)	(1 383)	(1,396)
Net Assets	22 495	5,922	5,608	1,282	84 552

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 2014 and 2013 are considered to be entirely derived from its operations within the United States and accordingly no additional geographical disclosures are provided

Notes to the Consolidated Financial Statements

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(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.	2014	2013
Selling, general and administrative	58	65
Research and development	50	33
Total	108	98

The aggregate payroll costs of these persons were as follows

For the year ending 31 December:	2014 \$'000	2013 \$'000
Selling, general and administrative	19,751	14,870
Research and development	9,865	5,033
Total	29,616	19,903

Total operating expenses were as follows

For the year ending 31 December:	2014 \$'000	2013 \$'000
Salaries and wages	17,128	12,714
Payroll taxes	1,496	845
Healthcare benefits	1,473	931
Other payroll cost	580	438
Share-based payments	8,939	4,975
Contributions to defined contribution plans	-	-
Total	29,616	19,903
Cost of revenue	5,416	2,342
Other SG&A expenses	18,281	12,602
Other R&D expenses	12,330	10,656
Total Operating expenses	65,643	45,503

	2014 \$'000	2013 \$'000
Auditor's remuneration		
Audit of these financial statements	261	440
Audit of the financial statements of subsidiaries	20	-
Audit-related assurance services	89	-
Other assurance services	1,848	-
Taxation compliance services	36	-
	2,254	440

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 23 for management's remuneration disclosures

(6) Share-Based Payments

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 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 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

The fair value of the stock option grants awarded in 2014 and 2013 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

	2014	2013
Expected option life (in years)	5.51	5.60
Expected stock price volatility	37.40%	48.85%
Risk-free interest rate	1.85%	1.89%
Expected dividend yield	—	—
Grant date option fair value	\$ 0.93	\$ 1.21
Share price at grant date	\$ 2.49	\$ 2.60
Exercise price	\$ 2.49	\$ 2.60

Grant date option fair value, share price at grant date, and exercise price disclosed above take into account the reorganisation described above in note 1. 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 behaviour.



Notes to the Consolidated Financial Statements

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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 above in note 1

	Number of options 2014	Weighted average exercise price 2014	Number of options 2013	Weighted average exercise price 2013
Outstanding as of 1 January	17,505,268	\$ 1.61	15,607,768	\$ 1.41
Granted during the year	1,708,652	\$ 2.49	3,415,500	\$ 2.60
Exercised during the year	(8,817,424)	\$ 1.28	(71,632)	\$ 0.77
Forfeited during the year	—	—	(1,446,368)	\$ 1.80
Outstanding as of 31 December	10,396,496	\$ 2.09	17,505,268	\$ 1.61
Exercisable as of 31 December	10,396,496	\$ 2.09	13,502,368	\$ 1.48
Intrinsic value of Exercisable	\$ 37.5 million		\$ 13.5 million	

The options outstanding as of 31 December 2014 and 31 December 2013 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.

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 upon the Company's admission to the LSE in respect of a total of 4,618,842 Ordinary Shares. 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

Notes to the Consolidated Financial Statements

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- 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 2014 and 2013, respectively, is shown below

For the year ended 31 December:	2014		2013	
	TSR	SVM	TSR	SVM
Number of shares granted at maximum (000)	2,771	1,848	–	–
Weighted average fair value (£p)	114	190	–	–
Fair value measurement basis	Monte Carlo	Market Value	n/a	n/a

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 2014 related to the UK LTIP was \$1,255,000 (2013: nil)

Other Plans

Spin Transfer Technologies

Stock compensation expense was approximately \$1,435,000 and \$1,315,000 and for the year ended 31 December 2014 and 2013, respectively Deferred stock compensation expense under these grants was approximately \$1,623,000 and \$1,853,000 as of 31 December 2014 and 2013, respectively

Notes to the Consolidated Financial Statements

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The fair value of the stock option grants awarded in 2014 and 2013 under the 2011 and 2012 Plans was estimated as of the date of grant using a Black-Scholes- Merton option valuation model that uses the following weighted average assumptions

	2014	2013
Expected option life (in years)	5.99	6.10
Expected stock price volatility	44.45	51.33%
Risk-free interest rate	1.91	1.74%
Expected dividend yield	—	—
Grant date option fair value	\$ 3.47	\$ 3.76
Share price at grant date	\$ 7.77	\$ 7.50
Exercise price	\$ 7.77	\$ 7.50

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 2014	Weighted average exercise price 2014	Number of options 2013	Weighted average exercise price 2013
Outstanding as of 1 January	1,044,260	\$ 7.00	808,109	\$ 6.77
Granted during the year	447,680	\$ 7.77	281,924	\$ 7.50
Exercised during the year	—	—	—	—
Forfeited during the year	(51,546)	\$ 5.40	(45,773)	\$ 6.09
Outstanding as of 31 December	1,440,394	\$ 7.29	1,044,260	\$ 7.00
Exercisable as of 31 December	529,972	\$ 7.64	257,574	\$ 6.50
Intrinsic value of Exercisable	\$ 4.1 million		\$ 2.3 million	

The options outstanding as of 31 December 2014 had an exercise price in the range of \$5.40 to \$7.77 (2013: \$5.40 to \$7.50) and a weighted-average contractual life of approximately 9.3 years (2013: 9.6 years).

Plans Under Other Subsidiaries

The stock compensation expense under other subsidiaries of the Company, which adopted stock option incentive plans in 2014 and prior was \$2,047,000 and \$1,137,000 for the year ended 31 December 2014 and 2013, respectively. Deferred stock compensation expense under these grants was approximately \$2,496,000 and \$1,221,000 as of 31 December 2014 and 2013, respectively.

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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 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 2014.

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2014 or 2013. 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 \$8,939,000 and \$4,975,000 for the years ended 31 December 2014 and 2013, respectively. There was no income tax benefit recognised for share-based payment arrangements for the years ended 31 December 2014 and 2013, respectively, due to operating losses. Share-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, Net

The following table shows the breakdown of finance income and cost

	2014 \$'000	2013 \$'000
For the year ended 31 December		
Interest income on		
– Bank deposits	545	324
Foreign exchange gain	—	51
Finance income	545	375
Interest expense on		
– Financial liabilities at amortised cost	(320)	(306)
Foreign exchange loss	(3)	(209)
Finance cost	(323)	(515)
Finance income/(cost), net	222	(140)

Notes to the Consolidated Financial Statements

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(8) Loss Per Share

The calculation of basic and diluted loss per share as of 31 December 2014 was based on the loss attributable to ordinary shareholders of \$45.4 million (2013: \$34.5 million) and a weighted average number of ordinary shares outstanding of 186,389,605 (2013: 142,949,815), calculated as follows:

Loss attributable to ordinary shareholders

	2014 \$'000		2013 \$'000	
	Basic	Diluted	Basic	Diluted
Loss for the year attributed to the owners of the Company	(45,478)	(45,478)	(34,501)	(34,501)
Loss for the year attributed to the ordinary shareholders	(45,478)	(45,478)	(34,501)	(34,501)

Weighted average number of ordinary shares

	2014		2013	
	Basic	Diluted	Basic	Diluted
Issued ordinary shares on 1 January	157,463,790	157,463,790	122,923,416	122,923,416
Effect of share capital issued	28,786,582	28,786,582	19,973,677	19,973,677
Effect of share options exercised	139,233	139,233	52,722	52,722
Weighted average ordinary shares	186,389,605	186,389,605	142,949,815	142,949,815

Loss per share

	2014 \$		2013 \$	
	Basic	Diluted	Basic	Diluted
Loss per share	(0.24)	(0.24)	(0.24)	(0.24)

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(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 2012	2,055	222	725	257	6,405	9,664
Additions, net of transfers	10,267	71	1,097	118	(1,026)	10,527
Disposals	(13)	(13)	—	(8)	(107)	(141)
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
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 2012	(692)	(86)	(160)	(116)	186	(868)
Depreciation	(892)	(54)	(322)	(84)	—	(1,352)
Impairment loss	—	—	—	(5)	—	(5)
Disposals	60	6	—	8	102	176
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)	(0)	—	(416)
Disposals	62	48	540	—	24	674
Balance as of 31 December 2014	(3,180)	(149)	(770)	(316)	312	(4,103)
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 2013	10,785	146	1,340	170	5,560	18,001
Balance as of 31 December 2014	11,182	254	766	285	3,843	16,330

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

As of 31 December 2013, properties with a carrying amount of \$11.6 million were subject to a registered debenture that formed security for a bank loan with net carrying amount of \$3.0 million as of 31 December 2013 and total aggregate advanced amount of \$4.0 million. The loan was repaid in 2014 and those debentures were removed (see note 18)

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 the year, 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



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(10) Intangible Assets

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

Cost in \$'000	Licences	Purchased IPR&D	Software	Development cost	Total
Balance as of 31 December 2012	4,884	2,139	14	42	7,079
Additions – Acquired separately	84	—	65	—	149
Additions – Internally developed	—	—	—	83	83
Disposals	(425)	(590)	—	—	(1,015)
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
Accumulated amortisation and impairment loss in \$'000	Licences	Purchased IPR&D	Software	Development cost	Total
Balance as of December 31, 2012	(1,316)	(34)	(5)	(4)	(1,359)
Amortisation	(485)	(23)	(21)	(3)	(532)
Impairment loss	(325)	(559)	—	—	(884)
Disposals	424	559	—	—	982
Balance as of December 31, 2013	(1,702)	(57)	(26)	(7)	(1,793)
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)
Intangible assests, net in \$'000	Licences	Purchased IPR&D	Software	Development cost	Total
Balance as of 31 December 2013	2,841	1,492	53	118	4,504
Balance as of 31 December 2014	2,282	689	159	279	3,409

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 \$580,000 and \$532,000 for the years ended 31 December 2014 and 2013, respectively.

Impairment of intangible assets of \$1,063,000 and \$884,000 for the years ended 31 December 2014 and 2013, 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 25 active operating subsidiaries as of 31 December 2014. As of and for the two years ended 31 December 2014 the capitalisation of all subsidiary companies in the Group portfolio is in the form of ordinary shares only, except for Spin Transfer Technologies where Series A preferred shares were issued in the October 2014 round to both the parent company and third parties, see further discussion below

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(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 2014

	Inception Date	Location	Ownership percentage at 31 December	
			2014	2013
Active subsidiaries				
Early stage companies				
Allied-Bristol Life Sciences, LLC	31/07/14	Boston, MA	80 00%	—
ABLS I, LLC	24/09/14	Boston, MA	80 00%	—
ABLS II, LLC	24/09/14	Boston, MA	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 88%	90 00%
Foreland Technologies, Inc	23/01/13	Boston, MA	100 00%	100 00%
Biotectix, LLC	16/01/07	Ann Arbor, MI	64 35%	64 35%
Cephalogics, LLC	29/11/06	Cambridge, MA	95 00%	95 00%
LuxCath, LLC	29/05/12	Boston, MA	98 00%	98 00%
Optio Labs, Inc	28/02/12	Baltimore, MD	79 86%	85 00%
Percipient Networks, LLC	29/01/14	Wakefield, MA	100 00%	—
Precision Biopsy, LLC	17/06/08	Denver, CO	80 35%	80 35%
ProGDerm, Inc	19/09/08	Boston, MA	90 38%	90 38%
SciFluor Life Sciences, LLC	14/12/10	Cambridge, MA	79 00%	79 00%
Seamless Devices, Inc	14/10/14	San Jose, CA	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%	56 13%
Tinnitus Treatment Solutions, LLC	26/02/13	San Jose, CA	100 00%	100 00%
Whitewood Encryption Systems, Inc	21/07/14	Boston, MA	100 00%	—
Commercial stage companies				
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	10/09/10	United Kingdom	100 00%	100 00%
SoundCure, Inc	04/06/09	San Jose, CA	84 62%	84 62%
Closed subsidiaries				
Allied Minds Devices, LLC	25/07/11	Boston, MA	100 00%	100 00%
Broadcast Routing Fountains, LLC	28/06/12	Boston, MA	100 00%	100 00%
Number of active subsidiaries as 31 December			25	19

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 17 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 actions.

Notes to the Consolidated Financial Statements

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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

	2014 \$'000			
	Early stage		Commercial	
	STT	Other	RFB	Other
Statement of Comprehensive Loss				
Revenue	–	355	6,457	785
Loss for the year	(13,340)	(16,711)	(4,476)	(4,621)
Other comprehensive loss	–	–	(34)	–
Total comprehensive loss	(13,340)	(16,711)	(4,510)	(4,621)
Comprehensive loss attributed to NCI	(6,283)	(3,320)	(1,968)	(658)
Statement of Financial Position				
Non-current assets	14,354	3,381	2,912	829
Current assets	68,750	14,733	8,523	2,049
Total Assets	83,104	18,114	11,435	2,878
Non-current liabilities	(33)	(280)	–	(344)
Current liabilities	(3,420)	(2,261)	(2,888)	(685)
Total Liabilities	(3,453)	(2,541)	(2,888)	(1,029)
Net Assets	79,651	15,573	8,547	1,849
Carrying amount of NCI	41,101	(2,752)	(4,064)	(2,374)
Statement of Cash Flows				
Cash flows from operating activities	(8,948)	(16,764)	(9,539)	(5,888)
Cash flows from investing activities	(3,932)	(714)	1,983	(328)
Cash flows from financing activities	66,443	29,524	8,557	6,444
	53,563	12,046	1,001	228



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	2013 \$'000			
	Early stage		Commercial	
	STT	Other	RFB	Other
Statement of Comprehensive Loss				
Revenue	–	476	1,429	1,025
Loss for the year	(8,896)	(14,063)	(4,857)	(6,451)
Other comprehensive income	–	–	27	–
Total comprehensive loss	(8,896)	(14,063)	(4,830)	(6,451)
Comprehensive loss attributed to NCI	(4,113)	(1,110)	(1,992)	(944)
Statement of Financial Position				
Non-current assets	11,967	2,492	6,132	663
Current assets	15,106	3,024	2,333	1,994
Total Assets	27,073	5,516	8,465	2,657
Non-current liabilities	(2,241)	(310)	(18)	(562)
Current liabilities	(2,337)	(1,247)	(2,839)	(817)
Total Liabilities	(4,578)	(1,557)	(2,857)	(1,379)
Net Assets	22,495	3,959	5,608	1,278
Carrying amount of NCI	9,860	(3,258)	(2,270)	(1,726)
Statement of Cash Flows				
Cash flows from operating activities	(6,455)	(11,006)	(5,399)	(8,835)
Cash flows from investing activities	(8,074)	334	(1,951)	(252)
Cash flows from financing activities	19,235	12,367	7,522	9,350
	4,706	1,695	172	263

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 \$488.0 million (2013: \$367.3m) as at 31 December 2014, 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 Spin Transfer Technologies and SciFluor Life Sciences supported by their valuations at recent fund raising transactions.

Notes to the Consolidated Financial Statements

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

As of 31 December 2014, the Group's estimated Group Subsidiary Ownership Adjusted Value was distributed across the Group's operating segments as follows

Operating Segment	2014		2013	
	\$m	% of GSOAV	\$m	% of GSOAV
Early stage	389.1	79.7%	273.7	74.5%
Commercial stage	98.9	20.3%	93.6	25.5%
Total Group Subsidiary Valuation	488.0	100.0%	367.3	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 2014 amounting to \$86.1 million, on an ownership-adjusted basis (2013 \$18.9m, of which \$15.1m in STT), including those subsidiaries valued based on recent financing rounds, of which \$68.6 million was held by STT. As at 31 December 2014, the Group reported total consolidated cash and other investments balances of \$261.5 million including cash, cash equivalents and investments (2013 \$104.6m), the balance being cash and investments of \$175.4 million (2013 \$85.7m) 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 2014. Where subsidiaries have raised financing from external parties since 31 December 2014, 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. SciFluor completed a funding round of \$30 million in April 2015, see note 25 on page 146 for further detail

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Early stage

Company	2014			2013		
	\$m	% of Total	% of GSOAV	\$m	% of Total	% of GSOAV
Cephalogics, LLC	22.3	5.7%	4.6%	22.5	8.2%	6.1%
Optio Labs, LLC	32.8	8.4%	6.7%	33.0	12.0%	9.0%
Precision Biopsy, LLC	16.2	4.2%	3.3%	15.9	5.8%	4.3%
ProGDerm, Inc	16.7	4.3%	3.4%	15.6	5.7%	4.2%
SciFluor Life Sciences, LLC	91.4	23.5%	18.7%	30.8	11.3%	8.4%
SiEnergy Systems, LLC	15.3	3.9%	3.1%	22.7	8.3%	6.2%
Spin Transfer Technologies, Inc	121.0	31.1%	24.8%	76.9	28.1%	21.0%
Other companies	73.4	18.9%	15.1%	56.3	20.6%	15.3%
Total Early stage	389.1	100.0%	79.7%	273.7	100.0%	74.5%

Commercial stage

Company	2014			2013		
	\$m	% of Total	% of GSOAV	\$m	% of Total	% of GSOAV
CryoXtract Instruments, LLC	17.8	18.0%	3.6%	16.5	17.6%	4.5%
SoundCure, Inc	11.5	11.6%	2.3%	14.3	15.3%	3.9%
RF Bioedics, Inc	69.6	70.4%	14.3%	62.8	67.1%	17.1%
Total Commercial stage	98.9	100.0%	20.3%	93.6	100.0%	25.5%

The Group Subsidiary Ownership Adjusted Value above excludes cash balances held by at the parent level. At 31 December 2014, the date at which the Group Subsidiary Ownership Adjusted Value has been presented, the Group's consolidated cash and other investments balance was \$261.5 million (2013: \$104.6m) of which cash balance held at the parent level was \$175.4 million (2013: \$85.7m).

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.

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. DCF valuation is used for the majority of Allied Minds subsidiaries. If a transaction occurred close to valuation date, then that will generally form the basis for the valuation. In limited instances other techniques such as based on asset values are utilised.

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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 2014

Discounted cash flow		Third party funding transaction
Biotectix, LLC	Precision Biopsy, LLC	Allied Bristol Life Sciences, LLC
BridgeSat, Inc	ProGDerm, Inc dba Novare	Optio Labs, Inc
Cephalogics, LLC	RF Biocidics, Inc	SciFluor Life Sciences, LLC
CryoXtract Instruments, LLC	Seamless Devices, Inc	Spin Transfer Technologies, Inc
Federated Wireless, Inc	SiEnergy Systems, LLC	
Foreland Technologies, LLC	SoundCure, Inc	
LuxCath, LLC	Whitewood Encryption Systems, Inc	
Percipient Networks, LLC		
As per cent of GSOAV	44.9% (2013: 86.3%)	51.9% (2013: 9.0%)

As at 31 December 2013, only Optio Labs, Inc. was valued based on a third party funding transaction

In addition to the two principal valuation methodologies, the Directors have valued using alternative valuation methodologies Allied Minds Federal Innovations, Inc. ("AMFI"), representing 3.2% of the group Subsidiary Ownership Adjusted Value (2013: 4.7%, including Broadcast Routing Fountains). AMFI was valued using an asset-based methodology that reflects the intellectual property to which it has access as at 31 December 2014 and 2013.

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.
- 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

Notes to the Consolidated Financial Statements

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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	
			2014	2013
Stalam S p A	Vicenza, Italy	2083930244	28.5%	—
			2014 \$'000	2013 \$'000
Stalam S p A			1,560	—
Carrying amount for equity accounted investees			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

	2014 \$'000	2013 \$'000
Carrying amount of interest in associates		
Share of		
Profit from continuing operations	39	—
Total comprehensive income	39	—

(12) Other Investments

	2014 \$'000	2013 \$'000
As of 31 December		
Fixed income securities		
Government agencies	2,745	—
Corporate bonds	12,486	—
Other investments, current	15,231	—
Fixed income securities		
Corporate bonds	22,176	—
Other investments, long-term	22,176	—
Other investments	37,407	—

Other investments represent investments in fixed income securities issued by government agencies and US and non-US corporations. As of 31 December 2014, the investments had a credit rating of BBB to A, maturities of up to 3 years and original coupon rate from 0.875% to 5.750%.



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(13) Cash and Cash Equivalents

	2014 \$'000	2013 \$'000
As of 31 December		
Bank balances	224,206	104,682
Restricted cash	(131)	(131)
Cash and cash equivalents	224,075	104,551

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

	2014 \$'000	2013 \$'000
As of 31 December:		
Finished units	1,725	722
Work in progress	1,033	114
Raw materials	160	209
Total inventories	2,919	1,045

(15) Trade and Other Receivables

	2014 \$'000	2013 \$'000
As of 31 December:		
Trade receivables	1,608	2,385
Prepayments and other current assets	4,697	485
Total trade and other receivables	6,305	2,870

(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.

In November 2014, an existing shareholder exercised options to purchase 1,155,000 shares of the Company under the U.S. Stock Plan, resulting in additional share premium of \$780,000.

Movements below explain the movements in share capital taking into account the reorganisation described above in note 1. 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	2014 \$'000	2013 \$'000
Equity		
Share capital, £0.01 par value, issued and fully paid	3,411	2,445
214,445,579 and 157,463,790, respectively		
Share premium	153,442	—
Merger reserve	185,544	185,544
Other reserve	28,753	19,814
Translation reserve	(61)	98
Accumulated deficit	(123,186)	(90,648)
Equity attributable to owners of the Company	247,903	117,253
Non-controlling interests	31,911	2,606
Total equity	279,814	119,859

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.

On 31 May 2013, Allied Minds issued 34,468,742 Ordinary Shares (originally 1,566,761 shares in Allied Minds, Inc. (now Allied Minds, LLC), prior to the reorganisation), of which 14,926,362 shares (originally 678,471 shares in Allied Minds, Inc. (now Allied Minds, LLC), prior to the reorganisation) were issued to its existing shareholders and 19,542,380 shares (originally 888,290 shares in Allied Minds, Inc. (now Allied Minds, LLC), prior to the reorganisation) to new shareholders for total net proceeds of approximately \$99.1 million. The investors provided the full amount of the capital contribution to Allied Minds in June 2013 to fulfill their obligation under the subscription agreement.

Other reserves comprise the cumulative credit to reserves corresponding to IFRS 2 share-based payment charges charged through the income statement.

Notes to the Consolidated Financial Statements

(continued)

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

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

For the two years ended 31 December 2014, the Group recognised the following changes in ownership in subsidiaries

2014

- Federated Wireless closed an internal round of financing of \$5 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 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.
- Spin Transfer Technologies completed a \$70 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.

2013

- ProGDerm closed an internal round of financing of \$1.5 million equity investment from Allied Minds, part of which fulfilled the maximum funding threshold for the anti-dilution protection of the existing non-controlling interest shareholder. As a result of the transaction, after covering the anti-dilute protection of those shareholders, Allied Minds' interest in ProGDerm increase from 90.00% to 90.38%.

Notes to the Consolidated Financial Statements

(continued)

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

	Early Stage		Commercial		Consolidated
	STT \$'000	Other \$'000	RFB \$'000	Other \$'000	\$'000
Non-controlling interest as of					
31 December 2012	12,280	(1,355)	(457)	(793)	9,675
New funds into non-controlling interest	—	52	—	—	52
Share of comprehensive loss	(4,113)	(1,157)	(1,992)	(944)	(8,206)
Effect of change in Company's ownership interest	1,693	329	179	11	2,212
Deconsolidation of subsidiaries	—	(1,127)	—	—	(1,127)
Non-controlling interest as of					
31 December 2013	9,860	(3,258)	(2,270)	(1,726)	2,606
New funds into non-controlling interest	49,981	4,492	—	—	54,473
Share of comprehensive loss	(6,283)	(3,320)	(1,968)	(657)	(12,228)
Effect of change in Company's ownership interest	(12,457)	(666)	174	9	(12,940)
Non-controlling interest as of					
31 December 2014	41,101	(2,752)	(4,064)	(2,374)	31,911

(18) Loans

	2014 \$'000	2013 \$'000
As of 31 December:		
Non-current liabilities – Loans		
Secured bank loan	—	2,195
Unsecured loan	338	549
	<u>338</u>	<u>2,744</u>
Current liabilities – Loans		
Secured bank loan	—	854
Unsecured loan	213	202
	<u>213</u>	<u>1,056</u>
Total loans	<u>551</u>	<u>3,800</u>

Notes to the Consolidated Financial Statements

(continued)

The terms and conditions of outstanding loans are as follows

As of 31 December	Currency	Nominal interest rate	Year of maturity	2014 \$'000		2013 \$'000	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loan USD	USD	Prime + 1.25%	2013-17	—	—	3,049	3,049
Unsecured loan USD	USD	6.5%	2013-17	551	551	751	751
Total interest bearing liabilities				551	551	3,800	3,800

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 \$210,000 and \$21,000 was repaid during 2014 and 2013, respectively, and \$213,000, net of discount, is included in current liabilities. Interest expense paid on the note was \$42,000 and \$60,000 for the years ended 31 December 2014 and 2013, 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.

Spin Transfer Technologies, Inc. Loan and Security Agreement

In October 2012, Spin Transfer Technologies, Inc. (Spin Transfer) signed a loan and security agreement with a bank to finance eligible equipment purchases made on or after 1 June 2012 of up to \$4,000,000. After repayment, no additional advances may be re-borrowed. The loan was originally set up to fully mature in July 2017 and bear interest of 1.25% above the Prime Rate. The loan was collateralised by the financed equipment and Spin Transfer was required to maintain at all times a liquidity ratio of unrestricted cash maintained with the bank to the aggregate amount of all outstanding obligations with the bank of at least 2.0 to 1.0. As of 31 December 2013, Spin Transfer had drawn the full balance of the loan, of which \$806,700 was repaid in 2013 and the remainder of the full balances was repaid in 2014. Interest paid was \$275,000 and \$170,000 for the years ended 31 December 2014 and 2013, respectively.

As part of the consideration for the loan, Spin Transfer had issued to the lender a warrant entitling the lender to purchase an aggregate of 37,500 shares in the subsidiary's ordinary shares, representing 0.2% of the total number of the outstanding shares. The fair value of the warrant issued of \$175,000 was amortised as a discount against the note balance over the life of the loan.

Notes to the Consolidated Financial Statements

(continued)

(19) Trade and Other Payables

As of 31 December	2014 \$'000	2013 \$'000
Trade payables	4,769	1,394
Accrued expenses	6,570	3,644
Trade and other payables, current	11,339	5,038
Other non-current payables	182	278
Total trade and other payables	11,521	5,316

(20) 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	2014 \$'000	2013 \$'000
Less than one year	1,772	1,691
Between one and five years	2,066	3,201
More than five years	38	—
Total minimum lease payments	3,876	4,892

Total rent expense under these leases was approximately \$2,478,000 and \$2,223,000 in 2014 and 2013, respectively. Rent expenses are included in selling, general and administrative expenses and research and development expenses in the consolidated statements of comprehensive loss.

Notes to the Consolidated Financial Statements

(continued)

(21) Financial Instrument – Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy

As of 31 December	2014 \$'000					
	Carrying amount		Fair value			Total
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	
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 financial assets	268,666	—	2,761	266,141	—	268,902
Financial liabilities						
Secured bank loan	—	—	—	—	—	—
Unsecured loan	—	551	—	581	—	581
Trade and other payables	—	11,521	—	11,521	—	11,521
Deferred revenue	—	1,144	—	1,144	—	1,144
Total financial liabilities	—	13,216	—	13,246	—	13,246

Notes to the Consolidated Financial Statements

(continued)

As of 31 December	2013 \$'000					
	Carrying amount		Fair value			Total
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	
Financial assets						
Cash and cash equivalents	104,551	—	—	104,551	—	104,551
Trade and other receivables	2,870	—	—	2,870	—	2,870
Security and other deposits	796	—	—	796	—	796
Total financial assets	108,217	—	—	108,217	—	108,217
Financial liabilities						
Secured bank loan	—	3,048	—	3,048	—	3,048
Unsecured loan	—	751	—	789	—	789
Trade and other payables	—	5,316	—	5,316	—	5,316
Deferred revenue	—	2,830	—	2,830	—	2,830
Total financial liabilities	—	11,945	—	11,983	—	11,983

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.

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 secured bank loan was at a floating interest rate of 1.25% above Prime rate, which was adjustable immediately when Prime rate changes. As such, the Group has determined that the fair value of the secured bank loan equals the carrying amount at 31 December 2013 and is classified as Level 2. The loan was repaid in 2014.

(22) 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

Notes to the Consolidated Financial Statements

(continued)

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 and trade and other receivables.

The Group held following balances

	2014 \$'000	2013 \$'000
As of 31 December.		
Cash and cash equivalent	224,075	104,551
Trade and other receivables	6,305	2,871
	<u>230,380</u>	<u>107,422</u>

The Group maintains money market funds and certificates of deposits 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.

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

	2014 \$'000	2013 \$'000
As of 31 December.		
Neither past due nor impaired	784	2,042
Past due 30-90 days	276	—
Past due over 90 days	548	343
	<u>1,608</u>	<u>2,385</u>

Notes to the Consolidated Financial Statements

(continued)

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:	2014 \$'000	2013 \$'000
Customers with less than three years of trading history with the Group	1,608	2,385
	<u>1,608</u>	<u>2,385</u>

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.

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
Secured bank loans	—	—	—	—	—
Unsecured bank loans	551	622	252	370	—
	<u>12,072</u>	<u>12,143</u>	<u>11,674</u>	<u>467</u>	<u>2</u>

As of 31 December 2013: \$'000	Carrying amount	Contractual cash flows			
		Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	5,038	5,038	5,038	—	—
Other non-current liabilities	278	278	96	182	—
Secured bank loans	3,049	3,457	1,017	2,440	—
Unsecured bank loans	751	873	252	621	—
	<u>9,116</u>	<u>9,646</u>	<u>6,403</u>	<u>3,243</u>	<u>—</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to the Consolidated Financial Statements

(continued)

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.

(23) Related Parties

Key Management Personnel Compensation

Key management personnel compensation received comprised the following

	2014 \$'000	2013 \$'000
For the year ended 31 December:		
Short-term employee benefits	2,863	1,252
Share-based payments	7,430	3,119
Total	10,293	4,371

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 million of the value of share-based payment in 2014 represents the value of restricted stock units granted under the LTIP established in June 2014. Share-based 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 \$1,500,000 were outstanding at 31 December 2014 (2013: \$636,000) and were paid in January of 2015.

Notes to the Consolidated Financial Statements

(continued)

Key Management Personnel Transactions

Key management personnel transactions comprised the following

	2014 \$'000	2013 \$'000
For the year ended 31 December:		
Non-executive Directors' fees	199	50
Non-executive Directors' share-based payments	295	—
Total	494	50

Fees to non-executive Directors of \$67,500 were outstanding at 31 December 2014 (2013 \$12,500) and were paid in shortly after the year end

Executive management and Directors of the Company control 12.7% of the voting shares of the Company as of 31 December 2014 (2013 18.1%)

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

	2014 \$'000	2013 \$'000
For the year ended 31 December:		

Purchase of goods

Equity accounted investee	1,879	—
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Consolidated Statement of Financial Position

	2014 \$'000	2013 \$'000
As of 31 December:		

Purchase of goods outstanding balance

Equity accounted investee	33	—
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(24) Taxation

Amounts recognised in profit or loss

No current income tax expense was recorded for UK or US jurisdictions for the years ended 31 December 2014 and 2013 due to accumulated losses

	2014 \$'000	2013 \$'000
For the year ended 31 December:		
Net loss	57,706	42,707
Income taxes	—	—
Net loss before taxes	57,706	42,707

Notes to the Consolidated Financial Statements

(continued)

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:

	2014 %	2013 %
Weighted average statutory rate	35.0	35.0
Effect of state tax rate in US	5.4	5.3
Credits	2.8	2.6
Share-based payment remeasurement	26.6	(7.9)
Other	(8.2)	(2.9)
Current year losses for which no deferred tax asset is recognised	(61.6)	(32.1)
	—	—

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). The main UK corporate tax rates enacted for the taxation financial years (1 April to 31 March the following calendar year) 2014 and 2013 are 21% and 23%, respectively. The maximum corporate tax rate in the US for the corresponding periods is 35%.

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	2014 \$'000	2013 \$'000
Operating tax losses ⁽¹⁾	59,586	32,170
Capital losses ⁽²⁾	1,952	2,017
Research credits ⁽¹⁾	3,820	2,616
Temporary differences ⁽³⁾	17,829	11,616
Deferred tax assets	83,187	48,419
Other temporary differences ⁽³⁾	(974)	(824)
Deferred tax liabilities	(974)	(824)
Deferred tax assets, net, not recognised	82,213	47,595

(1) expire starting in 2024

(2) expire starting in 2015

(3) generally will expire 20 years subsequent to the time the deduction is taken

Notes to the Consolidated Financial Statements

(continued)

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 will apply 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 2014 or 2013 as the deferred tax asset was not recognised in any of those years.

(25) Subsequent Events

The Company has evaluated subsequent events through 28 April 2015, which is the date the consolidated financial information is available to be issued.

BridgeSat, Inc

BridgeSat, Inc. was formed in February 2015 as a wholly owned subsidiary of Foreland Technologies, Inc. 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 at a reduced cost compared with traditional radio frequency solutions.

SiEnergy Systems, LLC

In March 2015, SiEnergy was awarded a convertible grant of \$300,000 from the Massachusetts Clean Energy Centre ("MassCEC") under their AmplifyMass program. The full amount of the grant was received in March 2015. Funds shall be used solely for the cost of working capital and business activities incurred by SiEnergy related to the ARPA-E award received during 2014. The grant has an automatic conversion provision whereby it automatically converts into securities of SiEnergy upon a consummation of a qualified financing as defined by the grant agreement. Optional conversion may occur at the option of MassCEC (i) immediately prior to, but contingent upon, a Major Transaction as defined by the grant, (ii) any time on or after the fifth anniversary of the grant, or (iii) upon or during the occurrence of an event of default as defined by the agreement. Based on the timing of the conversion, the conversion ratio at which the grant converts into SiEnergy securities equals 75% to 100% of the conversion price.

Optio Labs, Inc

In April 2015, Optio Labs, Inc. acquired substantially all of the assets of Oculis Labs, Inc., the developer and owner of the PrivateEye and Chameleon device screen security software for a total consideration of \$500,000, of which \$380,000 was due at closing (net of \$27,500 advanced by Optio Labs) and \$120,000 due one year from the date of closing (net of \$65,000 advanced by Optio Labs) plus a royalty consideration equal to 10% of net sales of the PrivateEye and Chameleon products for a period of three years following the date of closing, provided, the deferred cash payment and the royalty consideration are subject to offset against indemnification claims by Optio Labs against Oculis Labs.

SciFluor Life Sciences, LLC

In April 2015, SciFluor successfully raised \$30 million in Series A preferred stock financing, of which Allied Minds participated with \$4.8 million for 501,857 shares of the preferred stock and the remainder was provided by existing shareholders of the Group.

Notes to the Consolidated Financial Statements

(continued)

Dissolved Subsidiaries

Allied Minds Devices, LLC and Broadcast Routing Fountains, LLC, wholly-owned subsidiaries of the Group, were dissolved subsequent to year end in April 2015

The impact of this was assessed in the Group financials as of 31 December 2014 and unrecoverable amounts were written off

Company Balance Sheet

As of 31 December	Note	2014 \$ '000
Non-current assets		
Investment in subsidiary	2	199,429
Total non-current assets		199,429
Current assets		
Cash at bank and in hand	3	1,639
Trade and other receivables		33
Loan to subsidiary	4	131,500
Total current assets		133,172
Total assets		332,601
Equity		
Share capital	5	3,411
Share premium	5	153,442
Merger reserve		185,544
Other reserve	5	1,286
Translation reserve	5	(10,209)
Accumulated deficit	5	(1,036)
Total equity		332,438
Current liabilities		
Trade and other payables		163
Total current liabilities		163
Total liabilities		163
Total equity and liabilities		332,601

Registered number 8998697

The company presents its financial statements from the date of incorporation on 15 April 2014 to 31 December 2014. The financial statements on pages 148 to 151 were approved by the Board of Directors and authorised for issue on 28 April 2015 and signed on its behalf by

Christopher Silva
Chief Executive Officer



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 applicable United Kingdom accounting standards. 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

	2014 \$'000
Balance at 15 April	—
Additions	218,085
Impairment	—
Disposals	—
Effect from currency translation	(18,656)
Balance at 31 December	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 on page 133, immediately prior to the Company's 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.

Notes to the Financial Statements *(continued)*

(3) Cash and cash equivalents

	2014 \$'000
As of 31 December	
Bank balances	1,639
Cash and cash equivalents	1,639

(4) Loan to subsidiary

	2014 \$'000
Balance at 15 April	—
Additions	142,531
Impairment	—
Disposals	—
Effect from currency translation	(11,031)
Balance at 31 December	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

	Share capital		Share premium	Merger reserve	Other reserve	Translation reserve	Accumulated deficit	Total equity
	Shares	Amount \$'000	\$'000	\$'000	reserve \$'000	\$'000	\$'000	\$'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	—	—	—	—	(60)	(10,197)	—	(10,257)
Balance at 31 December 2014	214,445,579	3,411	153,442	185,544	1,286	(10,209)	(1,036)	332,438

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 on page 133 to the consolidated financial statements.

(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 \$1,036,000.

(7) Directors' remuneration, employee information and share-based payments

The remuneration of the Directors of the Company is disclosed in note 23 on page 143. Full details for their remuneration can be found in the Directors' Remuneration Report on pages 63 to 87. Full detail of the share-based payment charge and related disclosures can be found in note 6 on page 116 to the consolidated financial statements.

The Company had no employees during 2014.



Directors, Secretary and Advisers to Allied Minds

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(Executive Chairman)

Chns Silva
(Chief Executive Officer)

Peter Dolan
(Senior Independent Non-Executive Director)

Jeffrey Rohr
(Independent Non-Executive Director)

Rick Davis
(Independent Non-Executive Director)

Company Secretary
Michael Turner

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