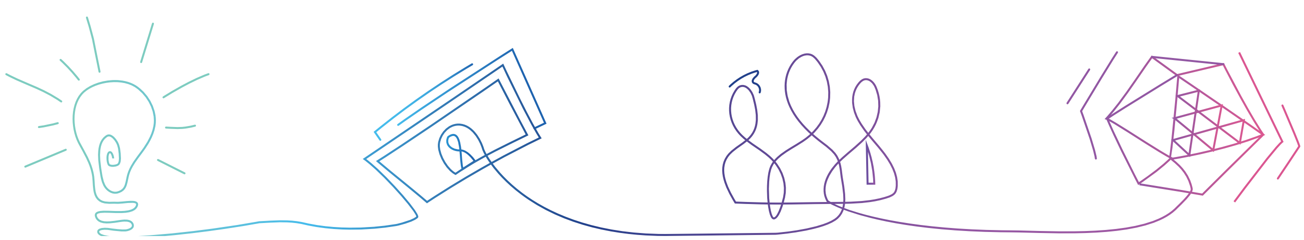
ALLIED MINDS™

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2016

TRANSFORMING U.S. INVENTION INTO INNOVATION



ANNUAL REPORT AND ACCOUNTS 2016

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OVERVIEW

Allied Minds plc (Allied Minds or the Company or the Group) is an IP commercialisation company focused on venture creation within the life science and technology sectors. With extensive access to hundreds of university and federal laboratories across the US, as well as partnerships with leading US corporations, Allied Minds forms, funds, and operates a portfolio of companies to generate long-term value for its investors and stakeholders. Based in Boston, Allied Minds supports its businesses with capital, management, and shared services.

A key strength of the Group lies in its ability to access a wide range of innovative scientific research and technology via its relationships with leading research institutions. In 2016, the Group engaged with more than 200 research universities and US federal government laboratories, providing it with an extensive pipeline of innovations from which the Group can identify technology for potential development to commercially viable products and services. More recently the Group has formed alliances with corporations, adding a third leg to its origination model. Under its strategic alliance with GE Ventures, one of the world's leading innovative companies, Allied Minds has the exclusive ability to spin out cutting edge products selected by GE Ventures for joint investment.

The Group currently comprises 17 subsidiary businesses in the life sciences and technology sectors based upon a broad range of underlying innovative technologies ranging from molecular compounds and medical devices to semiconductors, wireless communications, and low earth orbit space.

CHAIRMAN'S REPORT

I am pleased to present this Annual Report to shareholders for the financial year ended 31 December 2016 which was an important period in Allied Minds' development.

During 2016 we successfully raised funds at both Group and subsidiary level, putting the Company in a stronger financial position to capitalise on the opportunities in front of us. We made solid progress at a number of our subsidiaries, including, for example, Federated Wireless, which has advanced rapidly against its key regulatory and commercial objectives, and HawkEye 360, a younger Allied Minds subsidiary with exciting potential, as evidenced by the participation of Razor's Edge and a defence market leader in the recent Series A funding round. We are also pleased with our developments with corporate partners across the Group, most notably our new strategic alliance with GE Ventures.

In March 2017 the Board appointed Jill Smith as interim CEO, replacing Chris Silva. I would like to thank Chris Silva for his contribution as CEO and co-founder of the Company and to welcome Jill Smith in her new role as interim CEO. Chris played an important role in building Allied Minds into a key player in IP commercialisation in the US – the largest market in the world for R&D investment.

Jill's appointment is aligned to the Board's objective to bring about a material acceleration in the pace of commercialisation activities across our portfolio and pipeline. Jill brings to the role a successful track record over 25 years of leading public and private businesses in the technology and information services sector, including 16 years operating as a CEO. Most recently, Jill served as Chairman, Chief Executive Officer and President of DigitalGlobe Inc. (NYSE: DGI), a global provider of satellite imagery products and services, including through its successful IPO in 2009. Her skills and experience, in particular in driving revenue growth and leading successful monetisation events, are exactly what is required at this stage in the Company's development.

Following Jill's appointment the Board took the difficult decision to undertake a restructuring resulting in the discontinuation of funding at several subsidiary businesses: Biotectix; Cephalogics; CryoXtract; Novare Pharmaceuticals; Optio Labs; RF Biocidics; and SoundCure/Tinnitus Treatment Solutions (the Discontinued Subsidiaries). While many of the Discontinued Subsidiaries had demonstrated progress against technical milestones, the Board determined that the path to commercialisation was unlikely to yield appropriate financial returns and that capital earmarked to these subsidiaries should be diverted to more promising areas of the portfolio and to scaling our pipeline and partnerships. The restructuring has resulted in a mark down to Group Subsidiary Ownership Adjusted Value (GSOAV). However, it places Allied Minds in a stronger position to deliver returns to shareholders over the medium term to longer term through accelerated commercialisation and monetisations, and portfolio growth.

Following the restructuring and Jill's appointment, we are well placed to accelerate commercialisation across the portfolio and increase the pace of pipeline development. Together with the Board I look forward to the outcome of the internal review initiated by Jill and in particular to her proposals to unlock faster progress towards value crystallisation for our shareholders. I would like to thank our shareholders for their continued support and our management team and staff for their hard work and commitment.

Peter Dolan
Chairman

27 April 2017

HIGHLIGHTS

Investment Highlights

During 2016, an aggregate of $108.2 million was invested into new and existing portfolio companies, including:

- $60.2 million from subsidiary fundraisings with $48.5 million coming from third-party investment and $11.7 million from Allied Minds, to support and accelerate the development of four of the Group's existing companies: Federated Wireless; Precision Biopsy; HawkEye 360 and ABLS II.
    - Federated Wireless, a company developing cloud-based software enabling dynamic sharing of surplus spectrum owned by the US military, raised $22.0 million in early 2016. Allied Minds invested $5.0 million in this fundraising and third-party investment totaled $17.0 million.
    - Precision Biopsy, a company developing early intervention technology that detects in real time suspicious tissue during prostate biopsy examinations, raised $5.0 million during 2016, and received $6.0 million from a fundraising completed in 2015, both sums from external investors.
    - Hawkeye 360, a company developing a space-based radio frequency (RF) mapping and analytics system to be operated via a constellation of formation-flying small satellites in Low Earth Orbit (LEO), raised $11.0 million in a funding round led by Razor's Edge Ventures, with additional participation by Allied Minds and a defence market leader. A further $2.75 million of new equity was issued by Hawkeye 360 post-period end, of which $1.5 million was issued in the form of warrants in association with a $3.0 million development programme.
    - ABLS II raised $15.0 million as it moved from initial feasibility studies to fund the lead optimisation programme for its novel small molecule therapeutics for the treatment of fibrotic and autoimmune diseases. $12.0 million of this funding was provided by ABLS Capital (of which Allied Minds provided $2.7 million), with the remaining $3.0 million from Bristol-Myers Squibb (BMS).
    - The balance of the $60.2 million of capital invested via subsidiary fundraisings comprised $1.2 million of initial seed capital raised from external sources at ABLS Capital (net of placing fees) to cover the initial operating expenses of this entity.
- In addition to these fundraisings, $48.0 million was invested by the Group into new and other existing portfolio companies, including investments in four new businesses: Signature Medical (Boston University), ABLS Capital and ABLS III (New York University (NYU)), and Vatic Materials (Penn State). Following further due diligence on Vatic Materials, a decision was taken post-period end not to exercise an option to license underlying IP and the business was terminated.
- Separately, ABLS secured binding equity commitments of up to $80.0 million into ABLS Capital (predominantly from external investors). These commitments, together with up to $20.0 million from BMS, will fund development costs for lead optimisation programmes of promising drug compounds sourced by ABLS, the partnership formed between Allied Minds and BMS in 2014, following successful completion of the initial feasibility phase. Of these commitments, $12.0 million was drawn in 2016 to fund the lead optimisation programme for ABLS II, as described above. Included in the $80.0 million of commitments to ABLS Capital is the $1.2 million of net cash payments made to ABLS Capital by the external investors referred above.
- In December 2016 Allied Minds raised $80.3 million in gross proceeds via a placing of new ordinary shares, equivalent to 8.1% of the existing share capital prior to the placing. Proceeds from the placing will be applied to invest alongside third parties in the Group's later stage subsidiaries and selected earlier stage subsidiaries and to invest in the pipeline of innovative new technologies.

HIGHLIGHTS *(CONTINUED)*

Corporate Operational Highlights

- During the year, Allied Minds engaged with nearly 50 new research institutions, bringing the total US universities and federal laboratories in the Allied Minds partner network to 207.
- The investment team reviewed more than 2,700 new technologies developed by the partner network. Following extensive due diligence on over 20 of the most promising technologies, the Group formed and funded four new businesses, resulting in a total Group portfolio of 27 subsidiary businesses at 31 December 2016 (17 following the closure of ABLS I, Vatic Materials and the Discontinued Subsidiaries post-period end).
- Allied Minds launched a strategic alliance with GE Ventures to jointly identify and commercialise next-generation technologies. Under the terms of the agreement, Allied Minds and GE Ventures agreed to invest in new and existing technologies sourced from both Allied Minds' and GE Ventures' innovation pipelines.
- The Group entered into exciting new strategic partnerships and renewed valuable existing partnerships with leading technology sources, including the MITRE Corporation, the Aerospace Corporation, and Pacific Northwest National Labs.
- During 2016 and post-period, Allied Minds and its subsidiaries further developed existing collaborations with industry leaders including BMS, Intel, Advanced Micro Devices (AMD), Alphabet, Cisco, Ruckus Wireless (Brocade), Qualcomm, Nokia, Telrad Networks, Siemens and others, validating the quality of our platforms, people and technologies.
- During 2016 the total workforce expanded from approximately 359 to 413 employees and consultants. The workforce increase was almost entirely concentrated in the operating subsidiaries. Our workforce comprises approximately 68% engineering and technical development professionals, 11% leadership and management professionals and 21% sales, marketing and other business development professionals.

Financial Highlights

- Net cash and investments* of $226.1 million (2015: $194.8 million) of which $136.7 million (2015: $115.0 million) held at the parent level.

  * includes funds in form of fixed income securities.
- Revenues of $2.7 million (2015: $3.3 million) reflecting the early stage nature of our portfolio businesses
- Net loss of $128.7 million, (2015: $97.9 million) primarily reflecting an increase in the overall growth of the Group's investment in commercial and R&D activities, as well as the non-cash finance cost from fair value accounting of the subsidiary preferred shares liability.
- GSOAV of $416.2 million as of 24 April 2017 ($535.8 million as at 31 December 2015), reflecting the discontinuation of funding at the Discontinued Subsidiaries, partially offset by a net increase in valuation in the remainder of the portfolio (specifically, at Hawkeye 360 and ABLS II).

Corporate Partnership Highlights

- ABLS, a drug development joint venture with BMS:
  - reviewed more than 245 technologies from partner research institutions;
  - called on $12.0 million of pre-committed funds, and received a further $3.0 million of funding from BMS, to finance the lead optimisation phase for ABLS II's novel treatment for fibrotic and autoimmune diseases;
  - formed ABLS III (d/b/a iβeCa Therapeutics), licensing technology sourced from NYU School of Medicine, using proprietary compounds targeting the Wnt signalling (see below); and

HIGHLIGHTS *(CONTINUED)*

- o after the period end, closed ABLS I following Board determination that the ABLS I feasibility programme was not successfully completed.

- Strategic Alliance with GE Ventures
  - o formed in September 2016; and
  - o perform ongoing work to identify candidate technologies for joint investment.

Selected Subsidiary Highlights

- BridgeSat, a developer of optical communications networks for the satellite industry:
  - o initiated development for the three facets of the BridgeSat solution: space terminal, ground station, and management network for targeted completion in 2017;
  - o post-period end entered into a commercial agreement with Swedish Space Corporation (SSC) securing access for BSI equipment at SSC ground sites; and
  - o secured initial customer agreements for hardware and data services.
- Federated Wireless, a developer of software providing spectrum allocation solutions:
  - o received Federal Communications Commission's (FCC) conditional approval for its Spectrum Allocation System (SAS), with full approval expected in 2017;
  - o demonstrated interoperability with Alphabet's SAS system, a key step in the FCC approval process;
  - o founded the CBRS (Citizen's Broadband Radio Service) Alliance with Alphabet, Intel, Qualcomm, Ruckus Wireless (Brocade), Nokia and others, promoting the ecosystem development for shared spectrum; and
  - o signed partnership agreements with Siemens and Telrad Networks and completed trials with these partners as well as Alphabet, Dell, Ruckus and Qualcomm in 2016 and Nokia, Ericsson, Sercomm and Juni post-period end. Trials with a further 9 ecosystem members are pending, including one with a national Mobile Network Operator (MNO).
- Hawkeye360, a company developing a space-based radio frequency (RF) mapping/analytics system:
  - o engaged contractors and commenced manufacturing of satellites and payloads;
  - o announced the formation of an Advisory Board, and the appointment of John Serafini as CEO; and
  - o secured launch on a SpaceX Falcon 9 rocket targeted for Q1 2018.
- Precision Biopsy, a company developing alternative prostate cancer diagnostics and focal therapy:
  - o began clinical trials in the US in a Cohort A study for ClariCore™, to date completing more than 100 patients at 6 US clinical sites.
- SciFluor, a drug discovery and development company making strategic use of fluorine:
  - o commenced Phase I/II FDA trials with SF0166, an eye drop formulation of a drug intended to treat age-related macular degeneration (Wet AMD) and diabetic macular edema (DME) populations, following delays due to FDA requests for additional data;
  - o secured further patent protection covering methods of use of SF0166 in AMD, DME and retinal vein occlusion (RVO); and
  - o completed pre-clinical testing, including toxicology, and prepared IND submission for SF0034 (a fluorinated derivative of retigabine).

HIGHLIGHTS *(CONTINUED)*

- Spin Transfer Technologies (STT), a next-generation computer memory company:
    - o shipped samples of its DM1 Diagnostic Memory chip to target customers;
    - o became only the second company to have shipped perpendicular ST-MRAM samples;
    - o announced fabrication of key magnetic components (pMTJs) as small as 20nm – among the smallest MTJs every reported; and
    - o completed prototypes of memory arrays at megabit level densities, another key step in the commercialisation process.
- In addition, Allied Minds formed four new businesses during the year:
    - o ABLS entered into a licence agreement with NYU School of Medicine, via ABLS III d/b/a iβeCa Therapeutics, in relation to proprietary compounds targeting the Wnt signalling. These compounds were developed by Dr. Ramanuj Dasgupta, Research Associate Professor at NYU School of Medicine, and NYU's drug discovery accelerator, the Office of Therapeutics Alliances (OTA). The Wnt pathway plays a key role in the development and progression of a number of cancers affecting large numbers of patients;
    - o ABLS Capital, a vehicle with binding funding commitments of up to $80.0 million, mostly from external investors, to be drawn down together with up to $20.0 million of funding from BMS to fund lead optimisation studies for ABLS subsidiaries that have successfully completed initial feasibility programmes;
    - o Signature Medical, which secured an exclusive option to license patent rights from Boston University relating to technology for application on a wearable device enabling diagnosis and monitoring of heart failure during hospital therapy and post discharge; and
    - o Vatic Materials, which closed post-period end following a decision not to exercise an option to license underlying technology due to an unsatisfactory due diligence outcome.

HIGHLIGHTS *(CONTINUED)*

Outlook for Selected Subsidiaries

Several of our subsidiaries are nearing important commercial milestones. Highlighted below are some of the key events we expect in 2017. It is in the nature of early stage investing that business plans need to adapt dynamically in response to changing circumstances. Where this becomes necessary we will provide an update on revised plans and timings.

Subsidiary	Expected 2017 Event
ABLS	• Advance ABLS entities through pre-clinical programmes • Create 2 new subsidiaries
BridgeSat	• Complete Series A fund-raise • Acquire launch customers • Demonstrate operation of first BridgeSat ground station
Federated Wireless	• Complete Series B fund-raise • Receive formal SAS and ESC FCC certification • Launch spectrum access commercial product
HawkEye 360	• Prepare for 2018 Pathfinder launch • Initiate contract for development of next commercial satellite clusters
Precision Biopsy	• Complete Cohort A; Initiate Cohort B • Progress ClariCore™ CE Mark and FDA approval
SciFluor	• SF0166: complete Phase I/II trials in DME (AMD in 2018) • SF0034: file IND and complete enrollment
STT	• Advance technology to demonstrate differentiators • Secure strategic development / investing partner • Complete Series B fund-raise

HIGHLIGHTS *(CONTINUED)*

Board and Management Highlights

The Group continued to evolve and strengthen its Board with the appointment of Jill Smith as an Independent Non-executive Director in January 2016.

In addition to Chris Silva's resignation as Chief Executive Officer on 10 March 2017, the Company accepted the resignation of Marc Eichenberger as Chief Operating Officer on 26 April 2017.

CEO'S REPORT

I am delighted to have been appointed interim CEO of Allied Minds and would like to thank my predecessor, Chris Silva, for his contribution in co-founding and building the Company, and our employees and partners for the warm welcome they have extended to me in my new role.

Following my appointment, the Board ratified a recommendation from myself and the senior management team at Allied Minds to undertake a restructuring resulting in the discontinuation of funding at several subsidiary businesses. This was a necessary step in ensuring Allied Minds is set up to direct capital and management resource to the most promising areas of the portfolio and pipeline, consistent with the imperative to accelerate commercialisation and crystallise returns to our shareholders.

An internal review of all facets of Allied Minds' model and strategy is underway, focusing on capital allocation and on priorities to strengthen our competitive advantages and accelerate the growth in shareholder value. We expect to report on conclusions from this review in the summer. I set out some preliminary observations below.

Firstly, a more disciplined, systematic, and dynamic approach to capital allocation will be implemented. There will be more intense interrogation and validation of assumptions underpinning our investment decisions, both in origination and in determining the ongoing business and capital plans for our existing subsidiaries. Out of this process we will allocate capital where we see the greatest opportunities for growth, and we will be quicker and more objective in terminating future investments where the path to commercialisation and external funding becomes unclear.

Secondly, we will seek to broaden our syndication model, bringing in more external investors potentially at an earlier stage in order to provide external validation, and in the case of strategic investors, to bind in commercial partners where this can help accelerate or de-risk progress to commercialisation. The recent HawkEye 360 Series A fundraising, including Razor's Edge and a defence market leader, is a good example of this.

Thirdly, we have an enviable origination platform, in particular via our AMFI network accessing relatively advanced or proven technologies from federally funded laboratories, and will examine options to bring about an acceleration in the velocity of new investments around more consistent and defined themes where we can leverage our competitive advantages.

I look forward to reporting on the conclusions of the internal review in the summer. In the meantime I would like to thank shareholders for their ongoing support.

Jill Smith
Chief Executive Officer

27 April 2017

COMPANY OVERVIEW

THE OPPORTUNITY

The US is the world's largest market for research and development (R&D) investment, with more than $125.0 billion in annual spending by the US federal government, resulting in thousands of US patent applications per annum. Although US universities and federal research institutions have an established technology transfer process designed to commercialise this intellectual property, they face a number of challenges. Universities often lack the resources necessary to adequately and efficiently identify the most marketable opportunities. As a result, many universities license only a relatively small number of patents per year from a base of thousands, of which only a small fraction progress to the next stage of development. Likewise, corporations have large areas of R&D output which may not align with their core strategy and target markets but could be refocused on other markets with cooperation from outside investors.

Allied Minds was established with the objective of collaborating with US universities and federal research institutions, and more recently with corporations, to identify high-potential innovations and inventions at an early stage, and to invest to develop the underlying technology into commercially attractive products and services, bring them to market and ultimately monetise them with a view to delivering attractive returns to shareholders.

OUR STRATEGY AND CAPITAL ALLOCATION

Our origination strategy focuses on leveraging our partner network to uncover innovations in technology and life sciences with the potential to disrupt large and growing markets. We see an opportunity to focus an increasing proportion of our new investments around particular themes or clusters of expertise within certain sectors, providing an opportunity to leverage technical and operating expertise, origination contacts, client and co-investor relationships both at Group level and across our subsidiary businesses. At the same time, we will retain the flexibility to invest opportunistically away from these clusters where we see opportunities to generate attractive shareholder returns.

We seek to invest in projects at an early stage, sometimes immediately following an academic breakthrough or invention. As such our investments have significant upside potential, but also carry significant risk inherent in the early stage model. It is our job to ensure that companies that do not have a clear path to commercial traction are terminated early and with minimum sunk capital, while treating all parties involved fairly and with respect. Although our model assumes that not all of our investments will succeed, we expect to make sufficient successful investments to generate attractive average returns across the portfolio as a whole because we enjoy competitive advantages via our origination platform and central operating expertise, and focus on investing in innovations that are disruptive to large and growing markets and maintaining control positions where appropriate.

Our role in our early stage subsidiaries is to provide equity funding, management, operating expertise and shared service resources to bridge the period from brand new invention to an externally financeable business plan. 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.

We believe that for early-stage businesses it is important to retain initial control of projects. Over time, as our companies mature and raise outside capital from financial, strategic and commercial partners to accelerate their journey to commercialisation, we expect our proportionate ownership levels to be diluted. We will follow our money, or invest to mitigate dilution, to the extent consistent with our goal to maximise risk adjusted returns for our shareholders, taking into account competing uses of capital across our portfolio and pipeline.

As our portfolio has matured, greater Board and management focus has been concentrated on operating and realising key commercial milestones at our more mature subsidiaries, representing a majority of GSOAV. The importance of these subsidiaries to the Group is a key consideration in weighing capital allocation decisions.

COMPANY OVERVIEW *(CONTINUED)*

EVOLUTION OF 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 products and services that transform a market or meet unmet customer needs.

As an extension of its university model, in September 2012, Allied Minds reached agreements for first-of-a-kind Public Private Partnerships (PPP) with several US Department of Defense laboratories and federal government agencies, and subsequently reached agreements with other federal government agencies such as the Department of Homeland Security and the Department of Energy. Under these PPPs, the Company typically receives certain access and licensing rights to inventions originating from the US Department of Defense laboratories and other federal government agencies which can be commercialised for government and/or enterprise customers. More recently our origination model has further evolved with the formation of partnerships and alliances with US corporations, including BMS (via ABLS) and GE Ventures. These relationships provide us with access to technology, expertise and capital, and have the potential to de-risk and accelerate the path to commercialisation and monetisation.

Form

In 2016 Allied Minds evaluated over 2,700 potential projects from across a broad range of university and federal laboratories and addressing a broad range of underlying technologies. We maintain regular contact with our university partners, including via campus visits and interaction between Allied Minds staff and university technology transfer personnel and researchers.

In order for a project to proceed past the first review stage, it must score highly in key technical assessment criteria. Projects are assessed on a number of criteria, including: value proposition; disruptive technology; initial commercial application; addressable market; business model; potential intellectual property protection; competitive landscape; financing profile; regulatory path; and potential exit routes where applicable.

Approximately 2% of those projects reviewed are selected for further evaluation, involving sector experts and academic peers to perform a deeper evaluation of the scientific and commercial potential of the project. Of these projects, approximately half are selected for detailed due diligence resulting in preparation of a detailed product and business development plan and budget structured around key milestones. Following this full diligence process, historically we have invested in 4 to 6 new technologies per annum. We see scope to increase this rate of investment in the future.

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

Fund

The subsidiary businesses use the seed funding to validate the core scientific principles of the intellectual property, and evaluate the likelihood of commercial success of a technology prior to making any significant additional commitment to fund, develop and commercialise the technology.

In certain cases the subsidiary is funded by Allied Minds to conduct deep due diligence over a period of approximately 3 months, at the end of which further seed funding is invested or the subsidiary is terminated.

COMPANY OVERVIEW *(CONTINUED)*

Disbursement of additional funding by Allied Minds and future rounds of financing for further development are dependent on achievement of key milestones designed to measure technological and commercial progress. Where a project has failed to deliver sufficient additional proof points, or new market or technical information renders the opportunity commercially unattractive, and the technology cannot be pivoted to an alternative commercial path, Allied Minds will look to terminate the investment early.

At each stage in the business development cycle we review and explore opportunities to secure third party investment. Going forward we expect to increase our focus on opportunities to enlist strategic investors, potentially at an earlier stage, to validate the commercial opportunity and lock in cooperation with a view to accelerating or de-risking the path to commercialisation and monetisation.

Manage

We evaluate on an on-going basis the progress and potential of each of the Company's businesses, and make strategy and funding decisions based on the achievement of key milestones. The Company sets out to identify key achievements within each subsidiary that indicate growth momentum such as revenue, industry partnerships, and go-to-market agreements, as a means of commercially validating the technology and business case.

Allied Minds actively manages and monitors its businesses throughout the life-cycle towards commercialisation. During the early stages, Allied Minds typically provides technical and executive leadership, as well as shared services support. At the appropriate time we will support a subsidiary business in hiring a full time CEO and other critical talent and in putting in place incentives to drive results. As businesses evolve, Allied Minds builds and leads the Board, recruits advisors and forms advisory Boards comprising of seasoned industry experts who act as mentors, while maintaining dedicated personnel to oversee progress.

Allied Minds provides administrative support, including sales and marketing research, consulting, competitive analysis, technology analysis, payroll and IT support, and operational advice, to enable our businesses to focus on research, product development and commercialisation activities while achieving operational and financial efficiency.

PORTFOLIO SUMMARY

During 2016, an aggregate of $108.2 million was invested into new and existing portfolio companies. This included $60.2 million from fundraisings, of which $48.5 million came from third-party investment, to further accelerate the development of Federated Wireless, ABLS II, Precision Biopsy and HawkEye 360. In addition to these fundraisings, $48.0 million was invested by the Group into new and other existing portfolio companies, including investments in four new businesses: Vatic Materials (Penn State) (closed post-period end); Signature Medical (Boston University); ABLS III (NYU); and ABLS Capital.

Allied Minds currently has majority ownership in, or operating control of, all of its subsidiary businesses. Below we provide an overview of our 17 current existing subsidiary businesses, including year formed, and Allied Minds' ownership interest. These 17 subsidiary businesses include 4 entities which do not directly provide or are not directly developing products and services: Allied-Bristol Life Sciences (ABLS) (the holding company for ABLS drug development subsidiaries); ABLS Capital (a funding vehicle for ABLS drug development subsidiaries); Allied Minds Federal Innovations (AMFI) (a company with contractual sourcing relationships with certain federal laboratory research partners); and Foreland (a holding company for Allied Minds' cyber security investments).

Subsidiary	Year Formed	Ownership Interest [1]	Overview
Corporate partnerships			
Allied-Bristol Life Sciences, LLC	2014	80.00%	Created with BMS to identify and conduct pre-clinical development of therapeutic candidates which are intended to be sold to BMS prior to clinical development
ABLS Capital	2016	30.25%	Funding vehicle with up to $80 million of binding commitments to support development of ABLS drug compounds proceeding to lead optimisation phase
ABLS II, LLC	2014	35.95%	Novel small molecule therapeutics for the treatment of fibrotic and autoimmune diseases, developed in the Harvard University laboratory of Professor Malcolm Whitman
ABLS III, LLC, d/b/a iβeCa Therapeutics	2016	80.00%	Proprietary compounds developed by Dr. Ramanuj Dasgupta at the NYU School of Medicine that target the Wnt signalling pathway and nuclear beta catenin, which plays a key role in the development and progression of a number of cancers affecting large numbers of patients
Life Sciences			
LuxCath, LLC	2012	98.00%	A catheter-based real-time tissue and lesion visualisation technology for use during cardiac ablation procedures initially focused on atrial fibrillation ablation
Precision Biopsy, Inc.	2008	64.59%	A medical device platform, ClariCore™, utilising tissue spectroscopy, which seeks to distinguish tissue characteristics in real-time and to guide clinicians toward areas of disease for optimum therapy initially focused on prostate cancer. Developing focal therapy system using ClariCore™ for abnormal tissue targeting in the prostate
SciFluor Life Sciences, Inc.	2010	69.89%	Developing a best-in-class portfolio of compounds based on the strategic use of fluorine initially focused on retinal, CNS, fibrotic and pain related diseases

PORTFOLIO SUMMARY *(CONTINUED)*

Subsidiary	Year Formed	Ownership Interest [(1)]	Overview
Signature Medical, Inc.	2016	100.00%	Developing cardiac signature technology for application on a wearable device enabling diagnosis and monitoring of heart failure during hospital therapy and post discharge
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 LEO satellites, unmanned aerial systems, and remote terrestrial infrastructure compared to traditional radio frequency solutions
Federated Wireless, Inc.	2012	72.96%	A leader in the emerging market for Shared Spectrum, their CINQ cloud-based platform provides coordinated shared spectrum resources to enterprise customers, network operators and service providers
Foreland Technologies, Inc.	2013	100.00%	A cyber security platform company which aims to discover, incubate and commercialise emerging technologies with greater speed and agility than the rest of the market
HawkEye 360, Inc.	2015	53.11%	Building a constellation of small satellites in LEO to generate reports on wireless signals that can be used to track and monitor global transportation networks and assist with emergencies
Percipient Networks, LLC	2014	100.00%	Developing threat-intelligence driven cloud-based cyber security technologies for proactive enterprise network defence
Seamless Devices, Inc.	2014	79.12%	Developer of semiconductor devices using a novel approach to analog-to-digital signal processing based on switched-mode signal processing technology and algorithms
Spin Transfer Technologies, Inc.	2007	48.40%	MRAM computer memory that is being developed with the aspiration of becoming a leading universal memory technology to address a segment of the $60 billion per annum worldwide computer memory market
Whitewood Encryption Systems, Inc.	2014	100.00%	Developer of the next-generation systems of data encryption that leverage advanced quantum cryptography technologies

In addition Allied Minds is party to an agreement with GE Ventures establishing a Strategic Alliance through which the two parties envisage cooperating to jointly invest in technologies from their pipelines.

Notes:

(1.) Ownership interests are as at 24 April 2017 (being the latest practicable date prior to the publication of this document), and are based upon percentage interest in issued and outstanding share capital in the subsidiary undertakings. Allied Minds' ownership of HawkEye 360 was 56.11% as at 31 December 2016, prior to the second closing of the Series A preferred equity funding round completed in January 2017

PORTFOLIO SUMMARY *(CONTINUED)*

which took Allied Minds' ownership to 53.18%, and the subsequent exercise of employee options taking Allied Minds' ownership to 53.11% as at 24 April 2017. The calculation of this ownership interest excludes the dilutive impact of unexercised warrants issued in association with a $3.0 million development programme.

(2.) In 2016, Allied Minds ceased operations at its subsidiary SiEnergy Systems having determined that the underlying clean energy technology would not meet key milestones. After the period end ABLS I ceased operations and the company was dissolved following Board determination that the feasibility programme was not successfully completed, and Vatic Materials was closed following unsatisfactory due diligence outcomes. Also post-period end funding was discontinued at Biotectix; Cephalogics; CryoXtract; Novare Pharmaceuticals; Optio Labs; RF Biocidics; and SoundCure/Tinnitus Treatment Solutions.

SUBSIDIARY VALUATION

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 as adopted by the EU (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.

While in previous years we have disclosed the ownership adjusted valuations for each of the Group's top ten subsidiary businesses by value, in line with certain peers, this year we are disclosing ownership adjusted value at an aggregate level only for the Group as a whole. We believe this practice will better serve the interests of our shareholders by protecting the Group's position in discussions with potential partners and external investors in our subsidiaries. We will continue to disclose qualitatively against the key drivers of material movements in the ownership adjusted values in the aggregate life sciences and technology portfolios, and in aggregate for the Group. We will also disclose against movements in subsidiary valuations arising specifically from fundraising rounds involving external investors.

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 GSOAV. 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.

The GSOAV was $416.2 million as of the date of this annual report and accounts. Of that, 87.1% is valued by reference to the valuation implied by the most recent third party funding round. Compared to $535.8 million when last disclosed, this reflects a decrease of $119.6 million, or 22.3%. This decrease is primarily attributed to the liquidation of several subsidiary businesses subsequent to year end and write off of their value, namely Biotectix, Cephalogics, CryoXtract, Optio Labs, Novare, RF Biocidics and SoundCure/Tinnitus Treatment Solutions. This decrease was partially offset by an increase in value at HawkEye 360 demonstrated by the consummation of a third-party fundraising and an increase at ABLS due to ABLS II moving into the lead optimisation programme.

Ownership adjusted value represents Allied Minds' interest in the equity value of each subsidiary and is calculated as follows: (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.

PARTNER NETWORK

The Group has well established relationships with the most prestigious academic research institutions across the United States. Allied Minds aims to gain direct access to technologies at the forefront of research by working to deepen our relationships with selected institutions and selectively adding highly regarded research centres across the US.

The Group continues to expand its relationships with US government laboratories and other federal funded research and development centers (FFRDCs), with the objective of commercialising select technological inventions developed in the corresponding US federal government laboratory. In particular, Allied Minds has formalised new technology commercialisation agreements with leading FFRDCs such as the Aerospace Corporation and the MITRE Corporation.

In addition we have added a third leg to our origination platform in the form of corporate partnerships. This began with the formation of our ABLS partnership with BMS, and has continued with our strategic alliance with GE Ventures formed in September 2016. We continue to actively explore additional sources of world-class technology innovation.

During the year Allied Minds engaged with nearly 50 new research institutions, bringing the total US universities and federal laboratories in the Allied Minds partner network to 207. The investment team reviewed more than 2,700 new technologies developed by the partner network, and following extensive due diligence on over 20 of the most promising, formed and funded four new businesses, resulting in a total Group portfolio of 17 subsidiary businesses (following the closure of ABLS I, Vatic Materials and the Discontinued Subsidiaries post-period end), and executed options to license three additional technologies.

Below is a list of research institutions engaged with in 2016.

Aerospace Corporation
Air Force Institute of Technology
Albert Einstein College of Medicine
Argonne National Laboratory
Arizona State University
Army Research Lab CERDEC
Beaumont Health System
Beth Israel Deaconess Medical Center
Binghamton University
Boston Children's Hospital
Boston University
Brandeis University
Brigham and Women's Hospital
Brookhaven National Laboratory
Brown University
California Institute of Technology
Carnegie Mellon University
Case Western University
Cedars-Sinai Hospital
City of Hope
City University of New York
Cleveland Clinic
Columbia University
Cornell University
Dana Farber Cancer Institute
Dartmouth College
Draper Labs
Drexel University
Duke University
Emory University
Fermi National Accelerator Laboratory
Florida Institute of Technology
Florida State University
GE-Hitachi Nuclear Energy Americas
General Electric
George Washington University
Georgetown University
Georgia Institute of Technology
Harvard University
Houston Methodist Hospital
Idaho National Laboratory
Indiana University
Iowa State University
Jet Propulsion Laboratory
Johns Hopkins University
Johns Hopkins University - Applied Physics Lab
Lawrence Berkeley National Laboratory
Lawrence Livermore National Laboratory
Lehigh University
Los Alamos National Laboratory
Louisiana State University
Marshall University
Massachusetts General Hospital
Massachusetts Institute of Technology
Mayo Clinic
McLean Hospital
Memorial Sloan Kettering Cancer Center
Michigan State University
Michigan Technological University
Missouri University of Science and Technology
MIT Lincoln Laboratory
MITRE
Mount Sinai School of Medicine
NASA – Ames Research Center
NASA - Armstrong Flight Research Center
NASA – Glenn Research Center
NASA – Goddard Space Flight Center
NASA – Johnson Space Center
NASA - Kennedy Space Center
NASA - Langley Research Center
NASA – Marshall Space Flight Center
NASA - Stennis Space Center
National Energy Technology Laboratory
National Institute of Standards and Technology
National Institutes of Health
National Institute of Health – NCATS
National Institute of Health – NCINational Oceanic and Atmospheric Administration
National Radio Astronomy Observatory
National Renewable Energy Laboratory
National Security Agency
Naval Air Weapons Station China Lake
Naval Research Laboratory
Naval Surface Warfare Center Crane
New Jersey Innovation Institute
New York University
North Carolina State University
North Dakota State University
Ohio Aerospace Institute
Northeastern University
Northwestern University
Oak Ridge National Laboratory
Ohio State University
Ohio University
Oregon State University
Pacific Northwest National Laboratory
Partners Healthcare
PATH
Pennsylvania State University
Picatinny Arsenal
Princeton University
Purdue University
Rice University
Rockefeller University
Rutgers University

PARTNER NETWORK *(CONTINUED)*

St Louis University
Sandia National Laboratories
Sanford Burnham Prebys Medical Discovery Institute
Savannah River National Laboratory
Scripps Institute
Southern Illinois University
Southern Methodist University
SPAWAR
St Jude's
Stanford University
State University of New York - Binghamton
State University of New York - Downstate
State University of New York - Stony Brook
Stevens Institute of Technology
Temple University
Texas AandM University
Texas Tech
The Children's Hospital of Philadelphia
Tufts University
US Army AMRDEC
US Army ARDEC
US Army Engineer Research and Development Center
US Army Research Laboratory
US Department of Homeland Security
US Department of Agriculture
US Environmental Protection Agency
US Naval Air Station Patuxent River
US Naval Air Weapons Station China Lake
US Naval Surface Warfare Center – Indian Head EOD
US Naval Undersea Warfare Center
Uniformed Services University of the Health Science
University of Alabama
University of Arizona
University of Arkansas for Medical Sciences
University of California - Berkeley
University of California - Davis
University of California - Irvine
University of California - Los Angeles
University of California - Merced
University of California - Riverside
University of California - San Diego
University of California - San Francisco
University of California - Santa Barbara
University of California - Santa Cruz
University of California - System
University of Central Florida
University of Chicago
University of Colorado
University of Colorado - Denver
University of Delaware
University of Florida
University of Houston
University of Idaho
University of Illinois - Chicago
University of Illinois - Urbana Champaign
University of Iowa
University of Kansas
University of Louisville
University of Maryland - Baltimore
University of Maryland - College Park
University of Massachusetts - Amherst
University of Massachusetts - Dartmouth
University of Michigan
University of Minnesota
University of Missouri - Columbia
University of Nebraska
University of Nebraska – Lincoln
University of Nebraska Medical Center
University of New Hampshire
University of North Carolina at Chapel Hill
University of North Carolina at Pembroke
University of North Dakota
University of North Texas
University of Notre Dame
University of Oregon
University of Pennsylvania
University of Pittsburgh
University of Rochester
University of South Carolina
University of South Dakota
University of South Florida
University of Southern California
University of Texas – Austin
University of Texas - Dallas
University of Texas – Southwestern
University of Utah
University of Virginia
University of Washington
University of Wisconsin – Madison
University of Wisconsin - Milwaukee
Utah State University
Utah State University Space Dynamics Laboratory
Vanderbilt University
Vencore Labs
Virginia Polytechnic Institute and State University (Virginia Tech)
Wake Forest University
Washington State University
Washington University in St. Louis
Wayne State University
Wentworth Institute of Technology
Yale University

KEY PERFORMANCE INDICATORS

The following Key Performance Indicators (KPIs) were selected to measure the performance of the Company in 2016:

- number of new subsidiary businesses, strategic transactions, financing transactions and other validating events consummated
- Group Subsidiary Ownership Adjusted Value (GSOAV);
- Group revenue growth; and
- the number of subsidiaries that achieve the majority of their financial, operational, technical and other performance milestones established by the Board.

Performance against 2016 KPIs is set out below:

KPI	2016	2015	Performance
New subsidiary businesses, strategic transactions, financing transactions and other validating events consummated	19	18	5.6% increase
GSOAV	$416.2 million	$535.8 million	$119.6 million / 22.3% decrease
Group revenue	$2.7 million	$3.3 million	$0.6 million decrease
Number of subsidiaries achieving a majority of their financial, operational, technical and other performance milestones	12	15	20.0% decrease

Notes:

(1.) $416.2 million is GSOAV estimated as at 24 April 2017, following the Board's decision to discontinue funding at several subsidiary businesses.

As part of the appointment of Jill Smith as interim Chief Executive Officer, and the Group restructuring announced on 5 April 2017, the Board re-evaluated the previously selected KPIs. The Board, led by Ms. Smith, undertook a comprehensive review of the objectives of the Group, and re-set detailed management and Group objectives for 2017. These revised objectives seek to link financial, operational, technical and other performance milestones established by the Board directly to remuneration and KPIs. As a result of the process, the following KPIs were selected to measure the performance of the Group in 2017:

- Change in Group Subsidiary Ownership Adjusted Value (GSOAV); and
- Change in percentage level of achievement of management by objectives (MBOs).

KEY PERFORMANCE INDICATORS *(CONTINUED)*

The 2017 MBOs, including financial, operational, technical and other performance targets and their weightings for the upcoming year were set at the start of 2017, and refined in April 2017, as follows:

MBO	TARGET WEIGHTINGS
Deliver Validating Events[1] and Technical Milestones[2] for Key Subsidiaries	40.0%
Secure Funding and Strategic Relationships for Subsidiary Companies	20.0%
Strengthen Investment Committee Process:	
Establish Corporate Partner Goals and Commitments	5.0%
Expand New Company Pipeline Development	5.0%
Define Path to Commercialisation, Liquidity Event or Key Commercial or Strategic Differentiators	10.0%
Develop Strategic Plan to Drive Shareholder Value	10.0%
Manage Cash	10.0%
TOTAL PERCENTAGE OF TARGET	100.0%

Notes:

(1.) "Validating Events" represent various material achievements, such as fundraisings, mergers and acquisitions, development partnerships, strategic alliances, customer contracts and other significant corporate events.

(2.) "Technical Milestones" represent various research and development achievements, as well as advancement of clinical trials.

PORTFOLIO REVIEW AND DEVELOPMENTS

This section covers the Group's more advanced subsidiaries, and also includes by way of explanation those subsidiaries subject to material valuation write-downs at the end of 2016.

CORPORATE PARTNERSHIPS

ABLS, LLC

ABLS is a drug discovery and development company created in August 2014 through a partnership between Allied Minds and BMS. The company's mission is to create novel drug candidates against serious diseases with large market potential. These include fibrosis, cardiovascular, immunescience, immuno-oncology, oncology, and genetically-defined disease, aligning to BMS's strategic areas of focus. BMS has the option to acquire drug compounds from ABLS upon completion of the lead optimisation phase for a pre-agreed multiple of invested capital, with Allied Minds retaining rights to potential milestone and royalty payments.

ABLS sources new drug candidates from Allied Minds' network of institutional research partners and funds the initial feasibility study, typically requiring up to approximately $1.0 million of capital, through a newly formed subsidiary. Consistent with Allied Minds' overall strategy, the ABLS model presents an opportunity for us, with BMS, to evaluate each ABLS subsidiary and determine at an early stage and with limited capital invested whether to continue development based on the results of such subsidiary's initial phase of research, development and testing, measured against objectives defined by ABLS and BMS.

If the drug passes the initial feasibility stage, it will enter into the optimisation phase to develop and test a lead drug candidate, typically requiring further capital investment of up to $15.0 million. Funding for lead optimisation is provided by a combination of Allied Minds via ABLS Capital, LLC (ABLS Capital) (80.0%) and BMS (20.0%). The optimisation phase studies are in part carried out at a BMS R&D Site in India, called Biocon-BMS Research Center (BBRC).

ABLS Capital was formed to provide the majority of the capital required to fund up to ten (10) ABLS subsidiaries though the lead optimisation phase. In April 2016 ABLS Capital secured commitments amounting to $80.0 million, including $40.0 million from Woodford Investment Management and $20.0 million from Invesco Perpetual. These funding commitments will be used to invest alongside the up to $20.0 million from BMS to fund these lead optimisation phases.

The ABLS partnership aligns Allied Minds with a seasoned large pharmaceutical partner and creates a natural early stage (pre-clinical) acquirer of developing assets, potentially de-risking the drug development process for Allied Minds and providing attractive risk adjusted returns.

The company reviewed more than 245 technologies in 2016. As of this date, three subsidiaries have been launched, although one of these (ABLS I) ceased operations after the period end following Board determination that results from feasibility studies did not warrant progress to the lead optimisation phase. Pre-clinical work is underway on the other two programmes in collaboration with BBRC. Active negotiations are currently underway in relation to two potential new deals with scope to close in the first half of 2017.

ABLS I, LLC

ABLS I was a company formed in August 2015 pursuing pre-clinical development of a Yale University based technology: Antibody Recruiting Molecules. As described above, the ABLS model is structured to allow decisions to be made early in development with little capital invested, lowering risk and helping to inform better capitalallocation among the ABLS subsidiaries. Consistent with this approach, upon review and assessment of the initial research and testing results completed in ABLS I's initial feasibility phase, ABLS and BMS resolved that

Strategic Report

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

the pre-set objectives were not met and accordingly, the lead optimisation phase for ABLS I was not approved and the company was dissolved post-period end.

ABLS II, LLC

ABLS II was formed in June 2015 to undertake pre-clinical discovery and development of molecules against a novel target (Prolyl tRNA Synthetase) for treatment of fibrotic diseases. Harvard University researchers had earlier identified the mechanism of halofuginone (a natural product with anti-fibrotic properties) as an inhibitor of Prolyl tRNA Synthetase. ABLS II's objective is to discover and develop halofuginone analogues with novel IP, better safety and superior efficacy. ABLS II has synthesised various molecules and is evaluating them for safety and efficacy. In May 2016 ABLS announced that ABLS II had successfully passed feasibility and in August ABLS II successfully raised $15.0 million of funding from ABLS Capital and BMS to fund the lead optimisation phase.

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

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

Strategic Alliance with GE Ventures

Created in September 2016 to jointly identify and invest in technologies from Allied Minds' and GE Ventures' combined pipelines.

OTHER SUBSIDIARY BUSINESSES

BridgeSat, Inc

BridgeSat is reinventing satellite communication with an advanced optical communications network that delivers fast, reliable and affordable data transmission to enable a new era of applications and services. Optical communications is an alternative to RF communications to meet the exponentially growing need for data downlinking from satellites, including LEO satellites. BridgeSat estimates that the immediate addressable optical downlink market is $1.5 billion annually, a sub-set of the $9.6 billion satellite network market. BridgeSat made good progress against its business plan over 2016, developing the three facets of its solution: space terminal, ground station, and management network, and post-period end secured agreement with The Swedish Space Corporation (SSC) to install its equipment at 3 of SSC's ground sites.

Federated Wireless, Inc.

Federated Wireless extends the access of carrier networks through sharing of wireless spectrum amongst multiple tiers of users through an innovative cloud-based wireless infrastructure solution. The allocation and management of spectrum employing a shared-economy model is hugely disruptive to the status quo of large spectrum block auctions. The Federated Wireless platform, consisting of a cloud based Spectrum Allocation System (SAS) and Environmental Sensing Capability (ESC), unlocks commercial access to spectrum in the 3.5 GHz band, called the CBRS, that is owned by the US military and is surplus to its requirements at a given point in time.

In February the company announced the formation of an alliance with other wireless industry leaders to build an ecosystem for the 3.5 GHz band. The other six founding companies in the CBRS Alliance are: Alphabet, Dell, Intel, Qualcomm, Nokia, and Ruckus Wireless (Brocade). The six companies together aim to build a robust ecosystem of industry participants and make CBRS solutions as widely available as possible. The Alliance was formalised in August 2016 as the CBRS Alliance and membership quadrupled by year-end to include cable companies, carriers, and equipment providers.

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

In May 2016 Federated Wireless announced that it officially began the certification process with the FCC for its SAS. Certification is the final phase of the regulatory process as the company prepares its solution for commercial use. Conditional approval of certification was received in December 2016 and final approval is expected in mid-2017. Federated Wireless continues to work closely with the FCC and leads the WInnForum in helping to establish standards for the 3.5 GHz band and shared spectrum.

In June 2016 the first two partner agreements for Federated Wireless were announced with Siemens and Telrad. Both companies currently operate in the 3.65 GHz band and will be early adopters of the FCC's CBRS rules in order to evolve and expand their networks using the Federated Wireless CINQ XP product. In December, Federated Wireless and Alphabet's access team successfully demonstrated interoperability between their respective SASs; a requirement for FCC certification and an important milestone in validating the operational viability of CBRS.

During the year Federated Wireless completed trials with Alphabet, Dell and Qualcomm, and has trials with a 15 further ecosystem members signed or underway and 6 in pipeline. These collaborations re-affirm that the CBRS model is a commercially viable way to allocate and manage limited spectrum resources.

HawkEye 360, Inc.

HawkEye 360, formed in September 2015, is developing a space-based RF mapping and analytics system to be operated via a constellation of company developed formation-flying small satellites in LEO.

HawkEye 360 intends to be a leader in the emerging small satellite industry and its Pathfinder constellation of small satellites, which will be flown in formation 600 kilometres from the Earth's surface, aims to enable commercial applications such as allowing governmental entities and corporate customers to closely monitor transportation networks across air, land and sea to ensure normal and safe activity. For government regulators, telecommunications companies and satellite broadcasters, HawkEye 360's system is being designed with the ability to monitor RF spectrum usage to help identify areas of interference, better understand spectrum deployment, and avoid negative impact to operations. The system could also help to detect and locate activated emergency beacons to improve response times in life-threatening situations.

At the beginning of 2016 HawkEye 360 announced the formation of an Advisory Board including a former Director of the National Reconnaissance Office (NRO), former Director of National Geospatial-Intelligence Agency (NGA) and a former Secretary of Department for Homeland Security (DHS). Over the remainder of the year HawkEye 360 announced the selection of its satellite and payload manufacturers, with manufacturing now underway, and secured launch planned for Q1 2018.

Funds from HawkEye 360's $13.75 million series A round completed in February 2017 will be deployed to complete the development of the Pathfinder Cluster of three small satellites as well as to support the cost of testing and launch in early 2018, and to grow the company's engineering and business development teams.

Precision Biopsy, Inc.

Existing prostate cancer diagnostics rely on biopsy procedures which are performed "blindly", sampling 12-14 cores at random. Precision Biopsy's ClariCore™ live tissue identification technology directs the physician to sample only "suspicious" tissue, potentially reducing by up to 90% the number of core samples subject to pathology and providing immediate feedback to biopsied patients. ClariCore™ may also improve cancer diagnosis and detection rates by enabling the urologist to probe extra locations, including the anterior prostate, when all previous biopsy location have indicated as "normal".

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

Existing therapeutics for prostate cancer suffer in the same way as diagnostics from the inability to definitively localise the cancer tumour. Precision Biopsy has filed patents to develop and is currently developing a three-dimensional prostate mapping system utilising a variation of the ClariCore™ system. It is intended that this mapping system will accurately identify the tumour and selected margins to allow for focal treatment of the affected area of the prostate using RF ablation, HIFU, cryoablation, radiation, or other focal therapy technologies such as drug injection, potentially reducing the need for radical prostatectomy procedures and preserving healthy tissue. The company is also developing a focal therapy system which would enable the urologist to locally and focally ablate selective suspicious segments of the prostate utilising the ClariCore™ system to guide the therapy.

In mid-2016 Precision Biopsy received FDA IDE (Investigational Device Exemption) approval to test ClariCore™ in a Cohort A study intended to collect patient data to develop its commercial tissue classification algorithm. This IDE approval has allowed the company to expand the clinical trial by adding a second arm to the study enrolling patients for the Transrectal Ultrasound (TRUS) and MR/Fusion study. To date, Precision Biopsy has completed over 100 patients in its Cohort A trial at six US clinical sites. A second clinical trial initiation, Cohort B, is planned and trial results are expected to support submission for approval, commercial release and system launch in the US and EU.

SciFluor Life Sciences, Inc.

SciFluor aims to develop a best-in-class portfolio of compounds principally through the strategic use of fluorine. It engages in drug discovery and development and is building a portfolio of proprietary compounds seeking to serve various billion dollar markets. SciFluor has evolved its current portfolio by adding fluorine to drug compounds with the intention of improving potency, selectivity, rates of absorption, metabolic stability, and half-life. These factors all improve the specific drugs and can positively impact delivery, dosing, side effects and more. For reference, approximately 25% of drugs currently marketed or in the pipeline contain fluorine. SciFluor's principal products are based on two patented lead compounds:

- SF0166, a patented small molecule integrin antagonist wholly owned by SciFluor and intended to treat eye conditions, specifically retinal diseases including AMD, DME and retinal vein occlusion (RVO), representing an estimated 50 million patients worldwide and over $8.0 billion market value. What makes SF0166 potentially disruptive is that it is a topical drug delivered via eye drops and is intended to replace current drugs delivered via repeated injection into the back of the eye.
- SF0034, a KCNQ2/3 modulator (a potassium channel activator), which is a fluorinated derivative of retagabine, is also patented and wholly owned by SciFluor. SF0034 could eliminate key safety issues associated with retigabine and could potentially serve markets totaling $5.0 billion in aggregate including: epilepsy/seizures; tinnitus; amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease); and channelopathies (genetically-defined rare diseases based on mutations of the potassium channel).

In February 2016, SciFluor was granted U.S. Patent No. 9,266,884 covering methods of using SF0166 in the treatment of a range of diseases including AMD, DME and RVO. SciFluor had been previously granted U.S. Patent 8,901,144 covering compositions of matter that include SF0166.

In July 2016 the Investigational New Drug (IND) Application to the FDA went into effect for SF0166 Topical Ophthalmic Solution (SF0166). The company has initiated dosing in Phase I/II trials for both DME and wet-AMD in multiple centers in the US.

The company is also evolving a portfolio beyond its two lead compounds.

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

Spin Transfer Technologies, Inc. (STT)

STT engages in the development of OST -MRAM, an innovative memory integrated circuit technology originally sourced from NYU.

Electronic memory devices used in today's computers are specialised to handle different computing and data storage tasks. Non-volatile memories, such as Flash, retain information after power has been turned off, but Flash memory suffers from slow write speed and poor endurance. High-speed memories, such as Dynamic Random-Access Memory (DRAM), offer greater read and write performance, but DRAM is volatile and requires significantly higher power to operate. In addition, both Flash and DRAM have questionable scalability to finer process geometries than currently used in today's state of the art semiconductor micro lithography.

MRAM is a promising technology for the next generation of memory applications. 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.

During 2016 STT announced that it had successfully demonstrated its OST-MRAM technology through the production of a working prototype device. Supported by the 2015 completion of its wafer fabrication clean room used for developing and prototyping the new "magnetic" portion of the chip fabrication process, the company's engineering development cycles have accelerated markedly, reliably achieving under 2-3 week engineering cycle time for wafers, reduced by greater than 75% in comparison to the typical two month or longer cycle time that was the operating norm prior to the clean room completion. This has enabled the company to make rapid strides in its migration to perpendicular magnetic tunnel junction (pMTJ) technology, the so-called third generation of MRAM. As a result, in December 2016 the company began shipping samples of its "DM1" Diagnostic Memory chip to target customers. The samples were prepared and screened to credible standards of function and reliability.

In addition, STT completed prototypes of memory array with megabit-level densities with accompanying performance and yield statistics. In doing so the company completed its first steps in advancing the capability of its pMTJ manufacturing process to support high-density, commercially relevant memory arrays. In September 2016 the company announced that it had fabricated pMTJs as small as 20nm – among the smallest MTJs ever reported. This 'megabit density' technology demonstration, along with the pMTJ DM1 samples, are essential enablers to the company's initial market outreach.

The above progress signals the impending completion of STT's first major phase of development, resulting in a 'baseline pMTJ technology' that the company believes will be both viable against competitors (with typical incremental improvements in time) and highly credible in securing an advanced CMOS (complementary metal-oxide semiconductor) manufacturing partner (with process capabilities compatible with even higher bit density memories, e.g. 20-45nm lithography-capable), strategic joint development partner(s), and early stage license agreements.

The company's early stage cooperative development arrangements with its Asian CMOS foundry partners has progressed as anticipated. STT plans to expand one or both of those relationships, as well as add additional relationships, enabled by the impending readiness of the 'baseline pMTJ technology'.

Discontinued Subsidiaries

Consistent with the Allied Minds' model, where a project has failed to deliver sufficient additional proof points for

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

ultimate commercialisation and financial return, no longer supports on-going development and commercialisation activity, and cannot be successfully redirected to an alternative commercial path, Allied Minds will look to cease operations and terminate the project.

In 2016, Allied Minds ceased operations at its subsidiary SiEnergy having determined that the clean energy technology would not meet key milestones.

Post-period end ABLS I ceased operations and was dissolved following Board determination that it had not successfully completed initial feasibility studies and Vatic Materials was closed following unsatisfactory due diligence outcomes. Also post-period end funding was discontinued at: Biotectix; Cephalogics; CryoXtract; Novare Pharmaceuticals; Optio Labs; RF Biocidics; SoundCure; and Tinnitus Treatment Solutions, following Board determination that these subsidiaries were unlikely to generate appropriate returns and capital and management resource should be diverted to more promising areas of the portfolio and pipeline.

FINANCIAL REVIEW

The financial results of the year reflect the Group's sustainable model of deploying capital into our portfolio of Group controlled businesses at the right pace. During 2016, $108.2 million was invested into new and existing portfolio companies. This included $60.2 million from subsidiary fundraisings (including $6.0 million raised in 2015 but received from investors in 2016), with $48.5 million coming from third-party investment, to further accelerate the development of four of the Group's existing companies, ABLS II, Federated Wireless, Precision Biopsy and HawkEye 360. In addition to these fundraisings, $48.0 million was invested by the Group into new and other existing portfolio companies.

Consolidated Statement of Comprehensive Loss

For the years ended 31 December

	2016 $ '000	2015 $ '000
Revenue	2,664	3,300
Cost of revenue	(5,563)	(3,925)
Selling, general and administrative expenses	(55,484)	(46,888)
Research and development expenses	(55,292)	(49,209)
Finance cost, net	(15,267)	(1,267)
Other comprehensive income	208	46
Total comprehensive loss	(128,734)	(97,943)
of which attributable to:		
Equity holders of the parent	(96,125)	(77,752)
Non-controlling interests	(32,609)	(20,191)

Revenue decreased by $0.6 million, to $2.7 million in 2016 (2015: $3.3 million). This decrease is mainly attributable to the lower product revenue at RF Biocidics. The revenue in the early stage companies' segment decreased to $0.6 million in 2016 (2015: $1.1 million). Cost of revenue increased by $1.6 million to $5.6 million (2015: $3.9 million), reflecting write offs of inventory at RF Biocidics and CryoXtract.

Selling, general and administrative (SG&A) expenses increased by $8.6 million, to $55.5 million, for the year ended 31 December 2016 (2015: $46.9 million), largely due to the overall growth of the Group. Of this increase, $6.5 million relates to an increase in personnel expenses reflecting the increase in headcount and salaries as well as an increase in non-cash share-based compensation expense by $1.7 million. The increase is also attributed to higher non-cash depreciation, amortisation and impairment charges which were higher by $3.8 million compared to prior year, offset by a $0.8 million decrease in sales and marketing cost, a $1.0 million decrease in occupancy and related expenses, and a $0.7 million decrease in professional services.

R&D expenses increased by $6.1 million to $55.3 million for the year ended 31 December 2016 (2015: $49.2 million). The increase is attributed to the overall growth of the Group's research and development activities, reflecting the acceleration of activities at a few companies as supported by third party financing rounds in 2015 and 2016 and ramping up full scale of R&D activities of companies created in late 2014 and into 2015.

Finance cost, net increased by $14.0 million to $15.3 million in 2016 (2015: $1.3 million) primarily due to the finance cost from fair value accounting adjustment of the subsidiary preferred shares liability balance of

FINANCIAL REVIEW *(CONTINUED)*

$17.6 million, offset by exchange rate profits of $1.3 million and interest income, net of interest expense, of $1.0 million.

As a result of the above discussed factors, total comprehensive loss increased by $30.8 million to $128.7 million for the year ended 31 December 2016 (2015: $97.9 million). Total comprehensive loss for the year attributed to the equity holders of the Group was $96.1 million (2015: $77.8 million) and $32.6 million (2015: $20.2 million) was attributable to the owners of non-controlling interests.

Consolidated Statement of Financial Position

As of 31 December	2016	2015
	$ '000	$ '000
Non-current assets	38,282	92,784
Current assets	232,007	158,427
Total assets	270,239	251,211
Non-current liabilities	720	863
Current liabilities	155,402	108,974
Equity	114,117	141,374
Total liabilities and equity	270,239	251,211

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

- Property and equipment decreased by $2.3 million to $31.9 million as at 31 December 2016 (2015: $34.2 million), mainly reflecting depreciation expense of $5.7 million and impairment charges of $0.4 million, offset by purchases of approximately $3.8 million, of which $1.8 million relates to STT;
- Intangible assets as of 31 December 2016 decreased by $1.6 million to $2.8 million (2015: $4.4 million) mainly as a result of amortisation expense of $0.9 million and impairment charges of $1.0 million, offset by additions of $0.3 million in capitalised development costs, acquired licenses and software assets;
- Other investments, non-current decreased to $2.7 million (2015: $51.5 million) reflecting the investment of excess cash into fixed income government and corporate securities that have maturities longer than twelve months;
- Cash and cash equivalents increased by $103.6 million to $209.2 million at 31 December 2016 from $105.6 million at 31 December 2015. The increase is mainly attributed to $128.1 million of cash from financing activities from the Company's equity placing in December 2016 and proceeds from subsidiary financing rounds, and $70.7 million cash from investing activities mainly reflecting the conversion of fixed income security investments into cash and cash equivalents. The overall increase in cash and cash equivalents was offset by $95.2 million of net cash used in operations;
- Other investments, current decreased to $14.2 million (2015: $37.6 million) reflecting the investment of excess cash into fixed income government and corporate securities that have maturities shorter than twelve months;

FINANCIAL REVIEW *(CONTINUED)*

- Inventories increased by $1.1 million to $2.6 million as at 31 December 2016 (2015: $1.5 million) reflecting the purchases of inventories of $2.1 million, offset by cost of goods sold and other obsolescence charges of $1.0 million;
- Trade and other receivables decreased by $1.4 million to $5.9 million at 31 December 2016 (2015: $7.3 million) as a result of decrease in prepaid and other current assets of $0.7 million mainly from write off of advance payments for inventory units at RFB, plus a net decrease of $0.7 million in trade receivables;
- Subscription receivable of $6.0 million reflecting the second tranche of the Series A preferred round at Precision Biopsy due by third party investors was collected in 2016 and the balance decreased to nil as at 31 December 2016 (2015: $6.0 million);
- The loans balance, current and non-current, decreased to $0.1 million as of 31 December 2016 (2015: $0.3 million) reflecting the repayment of the principal balance by CryoXtract Instruments;
- Subsidiary preferred shares increased by $46.8 million to $140.9 million as of 31 December 2016 (2015: $94.1 million) as a result of Series A preferred rounds of $29.2 million at Federated Wireless, Precision Biopsy and HawkEye 360 in 2016 as well as the fair value adjustment for the year of $17.6 million primarily at SciFluor and STT;
- Deferred revenue remained consistent at $0.5 million as of 31 December 2016, when compared to $0.4 million in prior year; and
- Share capital and premium increased by $1.4 million to a combined $160.7 million at 31 December 2016 (2015: $159.3 million) primarily due to exercises of stock options under the U.S. Stock Option Plan. Merger reserve increased by $77.9 million due to the net proceeds from the Company's equity placing in December 2016. The increase in accumulated deficit of $96.6 million to $289.4 million (2015: 192.8 million) reflected the net comprehensive loss attributable to equity holders of the Group for the year of $96.1 million (2015: $77.8 million) and the effect from change in non-controlling interest of $6.2 million (2015: $3.2 million), offset by the share-based compensation expense charge for the year of $5.9 million (2015: $3.2 million).

Consolidated Statement of Cash Flows

For the years ended 31 December	2016 $ '000	2015 $ '000
Net cash outflow from operating activities	(95,220)	(81,918)
Net cash inflow/(outflow) from investing activities	70,729	(74,999)
Net cash inflow from financing activities	128,087	38,397
Net increase/(decrease) increase in cash and cash equivalents	103,596	(118,520)
Cash and cash equivalents in the beginning of the year	105,555	224,075
Cash and cash equivalents at the end of the year	209,151	105,555

FINANCIAL REVIEW *(CONTINUED)*

The Group's net cash outflow from operating activities of $95.2 million in 2016 (2015: $81.9 million) was primarily due to the net operating losses for the year of $113.7 million, offset by the net effect from movement in working capital of $0.5 million, adjustment for non-cash items such as depreciation, amortisation, impairments and share-based expenses of $16.4 million and interest received net of paid and other finance charges of $1.6 million.

The Group had a net cash inflow from investing activities of $70.7 million in 2016 (2015: outflow of $75.0 million) mainly reflecting the disposal of fixed income investment securities of $72.3 million and $2.5 million from disposal of an equity accounted investee, offset by purchases or property and equipment net of disposals of $3.8 million, and purchases of intangible assets net of disposals of $0.3 million.

The Group's net cash inflow from financing activities of $128.1 million in 2016 (2015: $38.4 million) primarily reflects $78.1 million of net proceeds from the Company's equity placing in December 2016, $49.0 million proceeds from subsidiary financing rounds in ABLS II, Federated Wireless, HawkEye 360 and Precision Biopsy, and $1.2 million from exercises of stock options, offset by $0.2 million repayment of notes payable.

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

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

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

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

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

Mitigation:

- Before making any investment, extensive due diligence is carried out by the Group which covers all the major business risks including market size, strategy, adoption and intellectual property.
- The initial seed round investment is typically quite small with additional investment only being made on successful completion of milestones.
- A disciplined approach to capital allocation is pursued such that proof of concept has to be achieved before substantial capital is committed.
- Members of the Group's management team who carry out the initial due diligence initially run the subsidiary in its incubation phase and subsequently move to becoming independent directors staying with the project to help ensure consistency of management. The Group's point of contact will stay in regular communication with the senior management of the subsidiary business.
- Dedicated leadership with deep industry or sector knowledge is recruited and retained as appropriate, and the Group ensures that each subsidiary has independent directors and/or other advisors, as appropriate for the relevant stage of development.
- During incubation stage, we closely monitor milestone developments and should a project fail to achieve sufficient progress, we terminate the investments.
- The Company carries out face-to-face quarterly reviews with the management of each of the subsidiary businesses.
- The shared services model provides significant administrative support to the subsidiary businesses 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.
- The Group actively uses third party advisors and consultants, specific to the particular domain in which a subsidiary business operates, to assist on market strategy and direction.

2.) The Group expects to continue to incur substantial expenditure in further research and development, product development and marketing activities of its businesses. There is no guarantee that the Group will become profitable prior to achieving a sale or other exit event, and, even if it does, it may be unable to sustain profitability.

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

Mitigation:

- The Group retains significant cash balances in order to support its internal cash flow requirements, including to support the cash requirements for each subsidiary and for corporate resources.
- 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, and each subsidiary continually seeks to engage in strategic relationships relevant to their respective markets and to maintain current information on and awareness of potential exit strategies.

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

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

Mitigation:

- The Group currently receives in excess of 2,700 items of intellectual property per year from its 207 partner institutions. The risk of losing deal flow through the termination of relationships is greatly lessened by the wide portfolio and geographic spread of our partners.
- The Group continues to strengthen its partner network. The Group seeks to ensure that it has a diversity of relationships to ensure that no one university or US government laboratory has inordinate influence on our prospects, and at same time we seek to develop deep relationships with select research institutions in order to strengthen the quality and quantity of new deal opportunities.
- The Group dedicates resources to manage and expand the partner network.

RISK MANAGEMENT *(CONTINUED)*

- The Group is fostering new relationships with strategic corporate partners to expand and strengthen its partner network and pipeline for opportunities.

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

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

Mitigation:

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

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

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

Mitigation:

- Prior to licensing any technology under these agreement, the Group's management seeks to identify the commercial and other alternatives available for products and services associated with such technology and innovations, and to ensure that there are sufficient markets available to justify the capital investment.
- Prior to the commercialisation process, the Group's management seeks to obtain all the necessary clearances from applicable regulatory bodies to ensure that the export of products based upon the licensed IP is strictly in accordance with government guidelines.
- The Group employs a number of individuals with experience in working with various government agencies.
- Senior management is fully cognisant with the regulations and sensitivities in relation to this issue and in particular with International Traffic in Arms Regulations (ITAR) which regulate the use of technologies for export, and has numerous mitigating actions available should issues arise.

RISK MANAGEMENT *(CONTINUED)*

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

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

Mitigation:

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

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

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

Mitigation:

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

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

Impact: Significant delays in any of the clinical studies to support the appropriate regulatory approvals could significantly impact the amount of capital required for the subsidiary business to achieve final regulatory approval, which in turn may impact the value of such subsidiary. 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.

RISK MANAGEMENT *(CONTINUED)*

Mitigation:

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

9.) The Group expects to remain viable through December 2019 given its current cash and financial position. However, if the Group is unable to raise capital, generate sufficient revenue, appropriately manage expenses, or exit any of its existing Group businesses prior to the end of such period, then the Group's business, financial condition, results of operations, prospects and future viability could be adversely affected.

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

Mitigation:

- The Group maintains close relationships with its shareholder base, strategic partners, and a wide group of investors to ensure it continuous access to the capital markets.
- The Group has historically had a strong financial position, including prior to its initial public offering (IPO), and holds significant control over the Company's investments and how subsidiary company working capital requirements are met.
- The Company strives to maintain majority ownership and/or control over all of the subsidiary companies, so that it can seek to influence optimal capital allocation, use of cash, and fund-raising strategy.
- The Company has built a valuable portfolio of subsidiary companies since its inception.
- The Company continuously and critically reviews the progress of its subsidiaries against pre-set milestones to ensure its financial capital and human resource is properly allocated to the more promising areas of its portfolio to help strengthen and accelerate the Group's path to monetisation.

BREXIT

On 23 June 2016, the UK electorate voted to leave the European Union in a so-called "Brexit" referendum. The full consequences of the decision to leave the European Union will not be known for some time. The uncertainty surrounding the implementation and effect of Brexit has caused and is likely to continue to cause increased economic volatility.

It is expected that companies based in the UK and with significant UK and EU operational focus will be the most directly impacted by Brexit. All of the Group's subsidiary businesses are based in the US, and substantially all of the business and operations of the Group are conducted in the US. However, the Group has raised significant

RISK MANAGEMENT *(CONTINUED)*

capital in the UK and may need to raise additional capital in the UK in the future to support the growth and development of its subsidiaries. The uncertainty caused by Brexit may result in the Group being unable to obtain additional capital on a timely basis on commercially acceptable terms.

In addition, Brexit exposes the Group to increased foreign currency risk. Foreign exchange risk is an exposure for the Group as it derives substantially all of its revenue in US dollars and the Group's businesses borrow, account in, and are valued in, US dollars, but its shares trade in amounts denominated in pounds sterling. Any capital raised by the Group in the UK would be denominated in pounds sterling, but would be allocated to subsidiary businesses which operate in the US and whose functional currency is US dollars.

If the Group requires and fails to obtain sufficient capital on acceptable terms, it may be forced to curtail or abandon its planned growth activity and to forego further investment in developing certain of its current businesses, and otherwise be subject to a material adverse impact on the Group's business and financial condition.

CORPORATE AND SOCIAL RESPONSIBILITY

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities, including diversity, are included in the Sustainability section on pages 58 to 61 and are incorporated into this Strategic Report by reference.

This Strategic Report has been approved by the Board of Directors.

ON BEHALF OF THE BOARD

Peter R. Dolan

Peter Dolan
Chairman

Jill Smith
Chief Executive Officer

27 April 2017

THE BOARD

EXECUTIVE DIRECTORS

Jill Smith – Chief Executive Officer

Jill joined Allied Minds as a non-executive director in January 2016, and was appointed to the role of interim Chief Executive Officer and Executive Director in March 2017. Jill has more than 25 years of experience as an international business leader, including 16 years as Chief Executive Officer of private and public companies in the technology and information services markets. Most recently, Jill served as Chairman, Chief Executive Officer and President of DigitalGlobe Inc. (NYSE:DGI), a global provider of satellite imagery products and services. Beginning her career as a consultant at Bain & Company, where she rose to become Partner, other leadership capacities in which she has served include Vice President of Sara Lee, Chief Executive Officer and President of eDial, Chief Executive Officer and President of SRDS, L.P., Chief Operating Officer of Micron Electronics, and Co-Founder of Treacy & Company, a consulting and boutique investment business. Currently, Jill serves as an independent director on the Boards of Directors of Endo International plc (NASDAQ: ENDP) and Hexagon (Nasdaq Stockholm: HEXA B). She will not be standing for re-election at the Hexagon AGM in May 2017, but has been proposed for election at the May 2017 AGM of Gemalto N.V. (Euronext: GTO). Jill holds a Master of Science degree in Business Administration from the MIT Sloan School of Management. Jill served as a member of the Audit Committee throughout 2016, but was replaced by Kevin Sharer upon her appointment as interim Chief Executive Officer and Executive Director.

NON-EXECUTIVE DIRECTORS

Peter Dolan – Non-Executive Chairman

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

Rick Davis – Senior Independent Director

Rick joined Allied Minds in August 2011. Rick is an internationally recognised political leader with more than 30 years of experience in business and public affairs. Rick currently serves as a Partner and Chief Operating Officer at Pegasus Capital Advisors, a $2.2 billion private equity fund founded in 1995. He has a long and distinguished career in both the public and private sector. Having served on President Ronald Reagan's political team, Rick also served in three Reagan Administration Cabinet Agencies including as White House Special Assistant to the President for the Domestic Policy Council. In his capacity in the White House, Rick managed all policy development related to Climate, Energy and Environment. President George H.W. Bush appointed him as Deputy Executive Director for the White House Conference on Science and Economic Research Related to Global Climate Change. While in the private sector, Rick built one of the most influential and successful public affairs companies in the United States. In 2000 and 2008, Rick served as Senator John McCain's national campaign manager leading all aspects of the campaign activity. While serving as Senator McCain's chief strategist and political advisor, Rick was integral in the development of some key legislative initiatives including ground breaking Climate Legislation and Campaign Finance Reform. Rick currently serves on the Board of The Environmental Defense

THE BOARD *(CONTINUED)*

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 (Chairman), and Remuneration Committees.

Jeff Rohr – Independent Non-Executive Director

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

Kevin Sharer – Independent Non-Executive Director

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

FORMER EXECUTIVE DIRECTOR

Chris Silva – Chief Executive Officer (resigned)

Chris joined Allied Minds in March 2006, and resigned his appointments as Chief Executive Officer and Executive Director in March 2017. Before joining Allied Minds, Chris was a Partner at JSA Partners, a professional M&A and strategy consultancy in Boston, MA, which provides technology companies with market entry, competitive strategy, acquisitions and investment decisions. His consulting background includes three years with A.T. Kearney's Aerospace Aviation and Defense Practice. Chris was also the Director of Business Development for GRC International, a scientific and technical support contractor to the Department of Defense 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.

THE BOARD *(CONTINUED)*

Table of Board Attendance

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

	MEETINGS ATTENDED			
DIRECTOR	BOARD	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTE
Jill Smith	5 of 6	5 of 5	n/a	n/a
Peter Dolan	6 of 6	n/a	n/a	n/a
Rick Davis	4 of 6	3 of 5	1 of 2	3 of 4
Jeff Rohr	5 of 6	5 of 5	2 of 2	4 of 4
Kevin Sharer	5 of 6	n/a	2 of 2	3 of 4
Chris Silva	6 of 6	n/a	n/a	n/a

(1.) Ms. Smith served as a member of the Audit Committee throughout 2016, but was replaced by Kevin Sharer on 10 March 2017 upon her appointment as interim Chief Executive Officer and Executive Director.

(2.) Mr. Silva resigned as Chief Executive Officer and Executive Director as of 10 March 2017.

(3.) The missed meetings were as a result of unexpected or previously scheduled conflicts, except that one administrative Board meeting was conducted by a quorum of Messrs. Dolan and Silva, and the remaining members were briefed by the Company Secretary before and after such meeting.

(4.) In addition, a special committee of the Board of Directors comprised of Messrs. Silva and Rohr, and Ms. Smith, was formed in connection with the placing of ordinary shares completed on 2 December 2016, and such committee held two meetings to consider and approve such placing.

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 2016. The Company was incorporated on 15 April 2014 under the UK Companies Act 2006 (Companies Act).

DIRECTORS

The Directors of the Company as at 31 December 2016 were those listed on pages 37 to 38, and these pages are incorporated into this Directors' Report by reference. The only change to the composition of the Board during the year was the appointment of Jill Smith as a Non-Executive Director in January 2016. Each of Chris Silva and Rick Davis served on the predecessor company board. Post period on 10 March 2017, Mr. Silva resigned his appointments as Chief Executive Officer and Executive Director, and Ms. Smith was appointed as interim Chief Executive Officer and Executive Director. The Directors' interests in the share capital of the Company are as shown in the Directors' Remuneration Report on pages 82 to 83. None of the Directors were materially interested in any significant contract to which the Company or any of its subsidiaries were party during the year.

CORPORATE GOVERNANCE

Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance Report on pages 48 to 57, the Directors' Remuneration Report on pages 62 to 91, and the Audit Committee Report on pages 92 to 95, and is incorporated into this Report of the Directors by reference.

EMPLOYEES

The Group's policies in relation to employees are disclosed on page 61, and these pages are incorporated into this Directors' Report by reference.

RESULTS AND DIVIDENDS

During the period, the Group generated a net comprehensive loss after taxation for the year ended 31 December 2016 of $128.7 million (2015: $97.9 million). The Directors do not recommend the payment of a dividend for 2016 (2015: nil).

STRATEGIC REPORT

The Group's Strategic Report can be found on pages 3 to 36, and includes information as to the Group's activities in the field of research and development, and as to the likely future development of the Group. Financial key performance indicators can be found on page 19.

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 31 to 36 and in the Governance Report on pages 56 to 57. 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 23 to the consolidated financial statements, along with further

DIRECTORS' REPORT *(CONTINUED)*

information on the Group's use of financial instruments. The pages referenced in this paragraph are incorporated into this Directors' Report by reference.

SIGNIFICANT AGREEMENTS

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

SHARE CAPITAL

Details of the structure of the Company's share capital and the rights attaching to the Company's shares are set out in note 16 to the consolidated financial statements. Other than the minimum share ownership policy adopted by the Board in April 2016 with respect to Executive Directors, 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.

In connection with the strategic alliance entered into with GE Ventures in September 2016, GE Ventures received an option to participate in any future capital raise by the Company for at least 6% of the total raise, subject to current pre-emption rights, applicable authorisations and applicable laws and regulations.

At the last Annual General Meeting of the Company held on 26 May 2016 (2016 AGM), authority was given to the Directors pursuant to the relevant provisions of the Companies Act to allot unissued relevant securities in the Company up to a maximum amount equivalent to approximately one-third of the issued ordinary share capital on 21 April 2016 at any time up to the earlier of the conclusion of the next Annual General Meeting (AGM) of the Company and 1 August 2017. In addition, at the 2016 AGM, the Directors were also given authority effective for the same period as the aforementioned authority to allot relevant securities in the Company up to a maximum of approximately two-thirds of the total ordinary share capital in issue on 21 April 2016 in connection with an offer by way of a fully preemptive rights issue. The Directors propose to renew both of these authorities at the Company's next AGM to be held on 1 June 2017. The authorities being sought are in accordance with guidance issued by the Investment Association.

A further special resolution passed at the 2016 AGM granted authority to the Directors to allot equity securities in the Company for cash, without regard to the pre-emption provisions of the Companies Act, both: (i) up to a maximum of approximately two-thirds of the total ordinary share capital in issue on 21 April 2016 in connection with a fully preemptive rights issue; and (ii) up to a maximum of approximately 10% of the aggregate nominal value of the shares in issue on 21 April 2016, each authority exercisable at any time up to the earlier of the conclusion of the next AGM of the Company and 1 August 2017. The former of these authorities was not used during the year. The latter of these authorities was used in a connection with the equity fundraising to raise $80.3 million which was completed by the Company on 2 December 2016. The Directors will seek to renew these authorities, with certain amendments to comply with guidelines issued by the Pre-emption Group, for a similar period at the next AGM to be held on 1 June 2017. Further details of such authorities are set forth in the Notice of AGM circulated with this Report and Accounts.

The Directors intend to adhere to the provisions in the Pre-emption Group's Statement of Principles, as updated in March 2015, and not to allot shares for cash on a non-pre-emptive basis:

- in excess of an amount equal to 5% of the total issued ordinary share capital of the Company (excluding treasury shares); or

DIRECTORS' REPORT *(CONTINUED)*

- in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company (excluding treasury shares) within a rolling three-year period, without prior consultation with shareholders,

in each case, other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Under the Companies Act, the Company has the power to purchase its own shares in accordance with Part 18, Chapter 5 of the Companies Act. At the 2016 AGM, a special resolution was passed which granted the Directors authority to make market purchases of the Company's shares pursuant to these provisions of the Companies Act up to a maximum of approximately 10% of the Company's issued share capital on 21 April 2016 provided that the authority granted set a minimum and maximum price at which purchases can be made and is exercisable at any time up to the earlier of the conclusion of the next AGM and 1 August 2017. This authority has not been used during the year and therefore the outstanding authority is 21,563,736. The Directors will seek to renew the authority within similar parameters and for a similar period at the next AGM to be held on 1 June 2017.

ARTICLES OF ASSOCIATION

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the Company had been advised of the following notifiable interests in the Company's voting rights under DTR 5. Other than as shown, so far as the Company (and its directors) are aware, no other person holds or is beneficially interested in a disclosable interest in the Company.

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE
Woodford Investment Management	65,939,855	28.21%
Invesco Asset Management Limited	62,969,115	26.93%
Mark Pritchard	15,197,240	6.50%
GIC Private Limited	14,771,343	6.32%
SandAire	9,930,236	4.25%
P3 Private Equity Fund	7,721,846	3.30%

Between the year end and 24 April 2017 (the latest practicable date prior to publication), the Company issued and allotted 501,866 ordinary shares, and was advised pursuant to DTR 5 that (1) GIC Private Limited had increased its holdings to 19,382,360 shares, or 8.27%, and (2) Invesco Asset Management Limited had decreased its holdings to 53,387,490 shares, or 22.79%. As a result, the percentage ownership as of 24 April 2017 is as follows: Woodford (28.15%); Invesco (23.24%); GIC (8.27%); Pritchard (6.49%); SandAire (4.24%); and P3 (3.30%).

RELATIONSHIP AGREEMENT

In accordance with Listing Rule 9.8.4R (14), the Company has set out below a statement describing the relationship agreement entered into by the Company with its principal shareholder which was in force during 2014 and 2015, and was terminated on 9 October 2015.

DIRECTORS' REPORT *(CONTINUED)*

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

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

On 9 October 2015, Invesco reported pursuant to DTR 5 that it had decreased its holdings to 63,502,442 shares, or 29.45%. On 20 April 2017, Invesco further reported pursuant to DTR 5 its holdings as 53,387,490, or 22.79%. On the basis that Invesco no longer exercises or controls, on its own or together with any person with which they are acting in concert, 30% or more of the voting rights over the Company's shares, Invesco is no longer a "controlling shareholder" under the Listing Rules, and the Relationship Agreement terminated on 9 October 2015 in accordance with its terms and conditions.

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

- conduct all agreements, arrangements, transactions and relationships with any member of the Group on an arm's length basis and on a normal commercial basis and in accordance with the related party transaction requirements of Chapter 11 of the Listing Rules;
- not take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules or preclude or inhibit any member of the Group from carrying on its business independently of Invesco, its associates and any person with whom it was acting in concert;
- not propose or procure the proposal of a shareholder resolution which was intended to, or appeared to be intended to, circumvent the proper application of the Listing Rules; and
- not exercise any of its voting rights attaching to the shares held by it to procure any amendment to the Articles of Association of the Company which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement.

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

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

POLITICAL DONATIONS

The Group did not make any political or charitable donations in 2015 or 2016.

CORPORATE AND SOCIAL RESPONSIBILITY

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities are included in the Sustainability section on pages 58 to 61, and are incorporated into this Director's Report by reference.

DIRECTORS' REPORT *(CONTINUED)*

DIRECTORS' INDEMNITY AND LIABILITY INSURANCE

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

ISSUANCE OF EQUITY BY MAJOR SUBSIDIARY UNDERTAKING

None of the Company's major subsidiary undertakings (as defined in the Listing Rules) issued equity in 2016.

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 62
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	Notes to the Consolidated Financial Statements, Note 16
8	Non pre-emptive issues of equity for cash by any major subsidiary undertaking	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contract of significance with director	Not applicable
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Relationship agreements with the controlling shareholder	Directors' Report, pages 42 to 43

POST BALANCE SHEET EVENTS

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

- On 10 March 2017, Jill Smith resigned as a Non-Executive Director, and was appointed interim Chief Executive Officer and Executive Director, replacing Chris Silva who resigned as of such date;
- On 5 April 2017, the Company announced that it would undertake a restructuring, reallocating capital and management resources across the portfolio and pipeline in line with its goal to accelerate commercialisation. The restructuring will result in discontinued funding for several subsidiaries (Discontinued Subsidiaries). A process has been undertaken to seek strategic alternatives for these businesses, which could include sales or transfers of legal entities or assets, or liquidations. The Discontinued Subsidiaries are: Biotectix; Cephalogics; CryoXtract; Novare Pharmaceuticals; Optio Labs; RF Biocidics; and

DIRECTORS' REPORT *(CONTINUED)*

SoundCure/Tinnitus Treatment Solutions; and Treatment Solutions.

- On 26 April 2017, Marc Eichenberger resigned as Chief Operating Officer.

VIABILITY STATEMENT

While the financial statements and accounts have been prepared on a going concern basis, section C.2.2 of the 2014 revision of the UK Corporate Governance Code (Code) requires the Directors to make a statement in the Annual Report with regard to the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time for which they have made the assessment, and why they consider that period to be appropriate. Accordingly, the Directors conducted this assessment over the three years to December 2019, taking into account the Group's current position, investment strategy, the effects of the reallocation of capital resources announced on 5 April 2017, and the principal risks detailed in the Strategic Report. The Directors believe that a three-year assessment is most appropriate as it aligns with the Group's normal and well-established budgeting process. In making their assessment, the Directors considered a wide range of information, including present and future economic conditions, future projections of profitability, cash flows and capital requirements and availability of sources of funding.

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

In summary, the Directors have assessed the viability of the Group over the three year period to December 2019. They were comforted by the Group's strong financial position, its ability to raise or borrow capital, its long-term investment objectives, the stability of the business model, the Group's control over its investments and how working capital requirements are met. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period to December 2019.

DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

DIRECTORS' REPORT *(CONTINUED)*

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held on 1 June 2017. The Notice of AGM circulated with this Report and Accounts contains a full explanation of the business to be conducted at that meeting. This includes a resolution to re-appoint KPMG LLP as the Company's auditors.

DIRECTORS' 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 (IFRS), as adopted by the European Union (EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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

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

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

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

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

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

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

DIRECTORS' REPORT *(CONTINUED)*

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

ON BEHALF OF THE BOARD

Peter Dolan
Chairman

Jill Smith
Chief Executive Officer

27 April 2017

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Directors are committed to a high standard of corporate governance and compliance with the best practice of the UK Corporate Governance Code (Code) which was issued by the Financial Reporting Council in 2010 and revised in September 2014. The Code is available at the Financial Reporting Council website at www.frc.org.uk. During the twelve months ended 31 December 2016, 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 D.1.3 of the Code, certain Non-Executive Directors hold restricted ordinary shares that vest over time. These shares were granted to the Non-Executive Directors prior to the IPO and do not have performance conditions. The Board does not believe that ownership of these shares impacts the independence of the Non-Executive Directors.
- Contrary to provision D.1.3 of the Code, certain Non-Executive Directors hold restricted stock units (RSUs) that vest over time. These RSUs were granted to the Non-Executive Directors in 2015 and 2016, and do not have performance conditions. The Board does not believe that ownership of these RSUs 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 provided in the following statement, the Directors' Remuneration Report, the Audit Committee Report and the Strategic Report.

THE BOARD

Role and Responsibilities of the Board

The Board is responsible to shareholders for the overall management of the Group as a whole, providing entrepreneurial leadership within a framework of controls for assessing and managing risk; defining, challenging and interrogating the Group's strategic aims and direction; maintaining the policy and decision-making framework in which such strategic aims are implemented; ensuring that the necessary financial and human resources are in place to meet strategic aims; monitoring performance against key financial and non-financial indicators; succession planning; overseeing the system of risk management; setting values and standards in governance matters and monitoring policies and performance on corporate social responsibility. The Directors are also responsible for ensuring that obligations to shareholders and other stakeholders are understood and met and a satisfactory dialogue with shareholders is maintained. All Directors are equally accountable to the Company's shareholders for the proper stewardship of its affairs and the long-term success of the Group.

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

The Board reviews strategic issues on a regular basis and exercises control over the performance of the Group by agreeing on budgetary targets and monitoring performance against those targets. The Board has overall responsibility for the Group's system of internal controls and risk management, as described on pages 56 to 57. 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

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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 Guidance and 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.
- Major changes in employee share schemes.
- Insurance and litigation.

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

The Board delegates specific responsibilities to certain Committees that assist the Board in carrying out its functions and ensure independent oversight of internal control and risk management. The three principal Board Committees (Audit, Remuneration and Nomination) play an essential role in supporting the Board in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Group. Each Committee has its own terms of reference which set out the specific matters for which delegated authority has been given by the Board. The initial terms of reference for each of the Committees, which are fully compliant with the provisions of the Code and which reflect both best practice and the recommendations arising from the external evaluation process undergone by the Board and its Committees in connection with the Company's IPO, were adopted by the Board during 2014. These were reviewed in November 2016, 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.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board Size and Composition

As at 31 December 2016, there were six Directors on the Board: the Non-Executive Chairman, one Executive Director and four Non-Executive Directors. During the year, Jill Smith joined the Board as a Non-Executive Director in January 2016. The biographies of all of the Directors are provided on pages 37 and 38. Post period on 10 March 2017, Mr. Silva resigned his appointments as Chief Executive Officer and Executive Director, and Ms. Smith was appointed as interim Chief Executive Officer and Executive Director.

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 62 to 91.

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

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

However, because the Company is a FTSE 350 company, in accordance with the Code, all Directors will submit themselves for annual re-election by shareholders at the AGM of the Company to be held on 1 June 2017 (2017 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 independent performance reviews demonstrated that they each contribute effectively to the Board and continue to display the appropriate level of commitment in their respective roles.

Diversity

The Board is committed to a culture that attracts and retains talented people to deliver outstanding performance and further enhance the success of the Company. In that culture, diversity across a range of criteria is valued, primarily in relation to skills, knowledge and experience and also in other criteria such as gender and ethnicity. The Company will give careful consideration to issues of overall Board balance and diversity in making new appointments to the Board and, in identifying suitable candidates, the Nomination Committee will seek candidates from a range of backgrounds, with the final decision being based on merit against objective criteria. In addition, the terms of reference of the Nomination Committee include a requirement for the Committee to consider diversity, including gender, in evaluating the composition of the Board and in identifying suitable candidates for Board appointments. A breakdown of employee gender showing the percentage of persons who were Directors of the Company and senior managers during the period covered by this Annual Report can be found on page 61.

Non-Executive Directors

The Non-Executive Directors provide a wide range of skills and experience to the Group. They bring their own senior level of experience in each of their respective fields, robust opinions and an independent judgement on issues of strategy, performance, risk and people. They are well-placed to constructively challenge and scrutinise the performance of management at Board and Committee meetings. The Code sets out the circumstances that should be relevant to the Board in determining whether each Non-Executive Director is independent. The Board considers non-executive director independence on an annual basis as part of each non-executive director's performance evaluation. Having undertaken this review and with due regard to provision B.1.1 of the Code, the Board has concluded this year that all of the Non-Executive Directors are considered by the Board to be

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

independent of management and free of any relationship or circumstance which could materially influence or interfere with, or affect, or appear to affect, the exercise of their independent judgement.

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

The Roles of Chairman and Chief Executive

Peter Dolan is the current Non-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 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. The Chairman was deemed to be independent of management upon his appointment to the role.

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

Senior Independent Director

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

Board Support

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

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board Meetings and Decisions

The Board meets regularly during the year, as well as when required by business need. The Board had six scheduled Board meetings in 2016. During their term of service, each of the Directors were present at the meetings during the year as set out in the table on page 39. The Chairman and Non-Executive Directors also met without the presence of the Executive Directors four times during the year.

The schedule of Board and Committee meetings each year is, so far as is possible, determined before the commencement of that year and all Directors or, if appropriate, all Committee members are expected to attend each meeting. Supplementary meetings of the Board and/or the Committees are held as and when necessary. Each member of the Board receives detailed Board packs, including an agenda based upon the schedule of matters reserved for its approval, appropriate reports and briefing papers in advance of each scheduled meeting. If a director is unable to attend a meeting due to exceptional circumstances, he or she will still receive the supporting papers and is expected to discuss any matters he or she wishes to raise with the Chairman in advance of the meeting. The Chairman, Chief Executive Officer, Chief Financial Officer and Company Secretary work together to ensure that the Directors receive relevant information to enable them to discharge their duties and that such information is accurate, timely and clear. This information includes quarterly management accounts containing analysis of performance against budget and other forecasts. Additional information is provided as appropriate or if requested. At each meeting, the Board receives information, reports and presentations from the Chief Executive Officer and, by invitation, other members of senior management as required. This ensures that all Directors are aware of, and are in a position to monitor effectively, the overall performance of the Group, its development and implementation of strategy and its management of risk.

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

The majority of Board meetings are held at the Group's offices in Boston, Massachusetts, USA, which gives members of the Company's senior management team, as well as the senior managers of the subsidiaries, the opportunity to formally present to the Board on business development and new investment opportunities. This assists the Board in gaining a deeper understanding of the breadth, stage of development and diversity of the Group's subsidiaries. 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 to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or may potentially conflict with the interests of the Company. This duty is in addition to the continuing duty that a director owes to the Company to disclose to the Board any transaction or arrangement under consideration by the Company in which he or she is interested. The Company's Articles of Association permit the Board to authorise conflicts or potential conflicts of interest. The Board has established procedures for managing and, where appropriate, authorising any such conflicts or potential conflicts of interest. It is a recurring agenda item at all Board meetings and this gives the directors the opportunity to raise at the beginning of every Board meeting, any actual of potential conflict of interests that they may have on the matters to be discussed, or to update the Board on any change to a previous conflict of interest already declared. In deciding whether to authorise any conflict, the directors must have regard to their general duties under the Companies Act 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

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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 meeting with such companies' management and a presentation from them on their businesses. In addition, the Company facilitates sessions as appropriate with the Group's advisers, in particular its joint corporate brokers, Credit Suisse International and Numis Securities Limited, as well as with appropriate governance specialists, to ensure that any new directors are fully aware of and understand their responsibilities and obligations as a director of a FTSE 250 company and of the governance framework within which they must operate. A new director may also seek to meet major shareholders.

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

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

Board Effectiveness and Performance Evaluation

A performance evaluation of the Board and its Committees is carried out annually to ensure that they continue to be effective and that each of the Directors demonstrates commitment to his or her respective role and has sufficient time to meet his or her commitment to the Company. The Board will seek the assistance of an independent third party provider at least once every three years in its evaluation in compliance with the Code (the next of which is scheduled to take place in 2017), and otherwise carry out an internally facilitated Board evaluation led by the Chairman, assisted by the Company Secretary, and covering the effectiveness of the Board as a whole, its individual Directors and its Committees. This review will include each of the Board and Committee members completing a detailed and tailored survey and one-to-one discussions between the Chairman and each of the individual Directors. A summary of the results of the review, together with the Chairman and Company Secretary's observations and recommendations, will be prepared and shared with members of the Board. In addition to the above, the Non-Executive Directors, led by the Senior Independent Director, will appraise the Chairman's performance, following which the Senior Independent Director will provide feedback to the Chairman. The performance of each of the Directors on the Board will be reviewed by the Chairman and the operational performance of the other Executive Directors will be reviewed by the Chief Executive Officer as part of the annual appraisal process. In addition to the aforementioned annual reviews, the performance of Executive Directors will be reviewed by the Board on an ongoing basis, as deemed necessary, in the absence of the Executive Director under review.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

During the 2016 financial year, the Board assessed its own effectiveness through an internal Board evaluation process. This process was based on: a review of documentation including Board and Committee terms of reference, the completion of a survey to Directors comprising quantitative and qualitative questions; and discussions with all Board members and a number of stakeholders who regularly interact with the Board, including the Company Secretary.

The results were analysed by the Chairman and the Company Secretary, and a detailed discussion was facilitated with the Board to outline the observations and recommendations. Overall it was concluded that the Board continues to work effectively. The changes to the Board composition in 2015 and 2016 have resulted in a well-balanced Board with a range of skills and experience. The Board did not recommend any changes it considered necessary, other than noting that (i) Non-Executive Director meetings with subsidiary Chief Executive Officers are useful to increase awareness of strategic operations, (ii) continued regular Board access to management outside of Board meetings is critical, and (iii) the every other month Board updates on corporate and subsidiary operations are helpful for monitoring operational progress.

COMMITTEES OF THE BOARD

The composition of the three Committees of the Board and the attendance of the members throughout the year is set out in the table on page 39. The terms of reference of each Committee are available on request from the Company Secretary or within the Investors section of the Group's website at www.alliedminds.com.

Remuneration and Audit Committees

Separate reports on the role, composition, responsibilities and operation of the Remuneration Committee and the Audit Committee are set out on pages 89 to 90, and pages 92 to 95, respectively, and are incorporated by reference into this Corporate Governance Report.

Nomination Committee

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

The Committee is chaired by Rick Davis and its other members as at 31 December 2016 were Jeff Rohr and Kevin Sharer, being a majority of independent Non-Executive Directors as prescribed by the Code. The Nomination Committee meets as and when required or requested by the Board and met two times during 2016 to review the structure, size and composition of the Board, following which it discussed the conclusions with the Chairman and the Chief Executive Officer. Messrs. Rohr and Sharer were present at all meetings during the year, and Mr. Davis missed one meeting due to an unexpected scheduling conflict.

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

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

balance is maintained. The Committee shall adopt a formal, rigorous and transparent procedure for the appointment of new directors to the Board. Consideration shall always be given as to whether identified candidates have sufficient time available to devote to the role. When searching for appropriate candidates, the Committee shall give consideration to using an external search company, but may also consider candidates who are proposed by existing Board members or employees of the Group. When the Committee has found a suitable candidate, the Chairman of the Committee will make a proposal to the whole Board. The appointment of a candidate is the responsibility of the whole Board following recommendation from the Committee. The Committee did not use the services of an external search company in 2016.

As part of its annual duties in 2016, the Committee and the full Board fulfilled its duties which resulted in the appointment of Jill Smith as a Non-Executive Director in January 2016. The Committee did not use an external search firm to identify and recruit Ms. Smith, as she was known to members of the Board as a result of her prior business experience leading a technology company, and service on several public and private company boards. In the year ahead, the Nomination Committee will continue to assess the Board's size and composition and how it may be enhanced.

Chief Executive Officer and Executive Director Succession

Last year, we reported the steps taken to enhance our Non-Executive Director representation on the Board, which included the appointment of Jill Smith. Ms. Smith's extensive leadership experience at a number of public and private technology companies was seen as a perfect complement to the life science and other leadership experience possessed by Messrs. Dolan and Sharer.

When the Board determined to accept the post period resignation of Mr. Silva, the Company was well placed to accelerate an orderly CEO succession and transition plan. The Board, with full participation of all the Chairman of the Board and all other Non-Executive Directors, spent time considering the future strategic direction of the Group and, with input from advisors to the Group, compiled a CEO role profile. The profile contained a brief of the requirements and the desired skill-set that a potential successor would need. This brief emphasised the importance that the Board and Committee placed on the CEO being a great business leader and commercial operator.

The Board quickly determined that Ms. Smith's experience and skills, and most importantly, her track record of successful commercialisation and operating experience, made her well-qualified for the CEO role. Ms. Smith interviewed with each of the Non-Executive Directors and certain advisors to the Group, and outlined her preliminary strategy for the Group. Each Non-Executive Director made it clear that they supported Ms. Smith's appointment, and then Ms. Smith met with Mr. Sharer to agree on a remuneration proposal. The Nomination Committee then recommended that Ms. Smith be appointed as interim Chief Executive Officer and Executive Director, to take effect from 10 March 2017.

The Board was unanimous in supporting the appointment of Jill Smith as interim Chief Executive Officer. It was felt that her service as a Non-Executive Director and knowledge of the Company and its business, taken together with her extensive international leadership and operating experience and track record of delivering commercial success, would bring the right experience and skills to the role at an important point in Allied Minds' development.

Since her appointment, Ms. Smith has met extensively with key members of senior management, including the CEOs and general managers of the subsidiary businesses. She has also started to meet with major shareholders to listen to their views on Allied Minds. She will share her final strategic overview and vision for the Group later in the year.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

It is expected that in due course Ms. Smith will notify the Board as to her willingness to transition to serve as "permanent" Chief Executive Officer. Upon any such notification, Ms. Smith and the Board shall mutually agree on the revised terms of such employment, including base salary, annual incentive bonus awards, equity grants and other terms of remuneration. The final terms of Ms. Smith's service contract and remuneration are expected to be in accordance with the Remuneration Policy, subject to the considerations set forth in the approach to remuneration recruitment set forth in this Annual Report.

INTERNAL CONTROL

The Board fully recognises the importance of the guidance contained in Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (Financial Reporting Council). The Group's internal controls, which are Group wide, were in place during the whole of 2016, were reviewed by the Board and Audit Committee and were considered to be effective throughout the year ended 31 December 2016 and up to the date of approval of the Annual Report and Accounts.

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

Control environment and procedures

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

Detailed written policies and procedures have been established covering key operating and compliance risk areas. These are reviewed and updated at least once a year. The effectiveness of the systems of internal control is reviewed at least annually by the Board. The Board considers that the controls have been effective for the year ended 31 December 2016.

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 regular basis, and reviews the performance of the Group and its subsidiaries on a quarterly basis, although performance of specific investments may be reviewed more frequently if deemed appropriate. The Board also obtains a risk management report from members of senior management on a regular basis. The key risks and uncertainties faced by the Group, as well as the relevant mitigations, are set out on pages 31 to 36.

PRINCIPAL RISKS AND UNCERTAINTIES

The operations of the Group and the implementation of its objectives and strategy are subject to a number of key risks and uncertainties. Risks are formally reviewed by the Board and Audit Committee at least annually and appropriate procedures are put in place to monitor and, to the extent possible, mitigate these risks. Where more than one of the risks to occur together, the overall impact on the Group may be compounded. A summary of the key risks affecting the Group and the steps taken to manage these is set out on pages 31 to 36.

Information and financial reporting systems

The Group evaluates and manages significant risks associated with the process for preparing consolidated

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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.

RELATIONS WITH STAKEHOLDERS

The Company is committed to a continuous dialogue with shareholders as it believes that this is essential to ensure a greater understanding of and confidence amongst its shareholders in the medium and longer term strategy of the Group. It is the responsibility of the Board as a whole to ensure that a satisfactory dialogue does take place. The Board's primary shareholder contact is through each of 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 Chairman and Chief Executive Officer met with major shareholders, IP commercialisation sector brokers and analysts, and other stakeholders, or numerous occasions throughout the year in order to gather their views on the Company and its business.

The Company uses the AGM as an opportunity to communicate with its shareholders. Notice of the AGM, which will be held at 1 p.m. BST on 1 June 2017 at the offices of DLA Piper UK LLP, 1 London Wall, London EC2Y 5EA, United Kingdom, is enclosed with this Report and Accounts. In accordance with the Code, the Notice of AGM is sent to shareholders at least 20 working days before the meeting. Details of the resolutions and the explanatory notes thereto are included with the Notice. To ensure compliance with the Code, the Board proposes separate resolutions for each issue and proxy forms allow shareholders who are unable to attend the AGM to vote for or against or to withhold their vote on each resolution. The results of all proxy voting shall be published on the Group's website after the meeting and at the meeting itself to those shareholders who attend. Shareholders who attend the AGM will have the opportunity to ask questions and the Chairman and the Executive Directors are expected to be available to take questions.

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

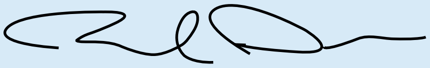
POLITICAL EXPENDITURE

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

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.

ON BEHALF OF THE BOARD



Rick Davis
Chairman of the Nomination Committee

27 April 2017

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 (GHG) 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 GHG 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.

The section below includes our mandatory reporting of GHG emissions. The reporting period is the same as the Group's financial year.

ORGANISATION BOUNDARY AND SCOPE OF EMISSIONS

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall with the Group's consolidated financial statement.

An operational control approach has been used in order to define our organisational boundary. This is the basis for determining the Scope 1 and 2 emissions for which the Group is responsible.

METHODOLOGY

For the Group's reporting, the Group has employed the services of a specialist adviser, Verco, to quantify and verify the Greenhouse Gas (GHG) emissions associated with the Group's operations.

The following methodology was applied by Verco in the preparation and presentation of this data:

- the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI GHG Protocol);
- application of appropriate emission factors to the Group's activities to calculate GHG emissions;
- implementation of the new scope 2 reporting methods – application of location-based and market-based emission factors for electricity supplies;

SUSTAINABILITY *(CONTINUED)*

- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e; and
- presentation of gross emissions as the Group does not purchase carbon credits (or equivalents).

ABSOLUTE EMISSIONS

The total Scope 1 and 2[1] GHG emissions from the Group's operations in the year ending date-month-year were:

- 939.0 tonnes of CO_2 equivalent (tCO_2e) using a 'location-based' emission factor methodology for Scope 2 emissions; and
- 1,013.3 tonnes of CO_2 equivalent (tCO_2e) using a 'market-based' emission factor methodology for Scope 2 emissions.

INTENSITY RATIO

As well as reporting the absolute emissions, the Group's GHG emissions are reported below on the metrics of tonnes per employee and kilograms per square foot of the occupied areas[2]. These are the most appropriate metrics given that the majority of emissions result from the operation of the Group's offices and the day-to-day activities of the employees.

TARGET AND BASELINES

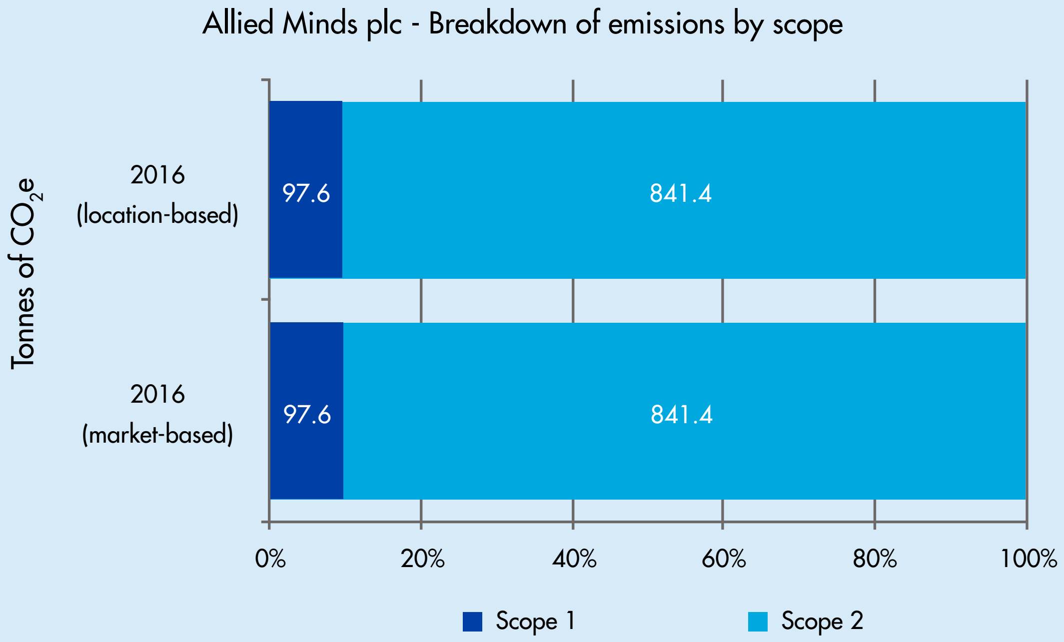
Given the comparatively low GHG impact of the Group's operations, the Group's objective is to maintain or reduce its GHG emissions per employee and per square foot of office space each year and will report each year whether it has been successful in this regard.

1 The apportioned consumption associated with occupied premises which are not sub-metered have been assigned to Scope 2 emissions. This is because the Group is deemed to have operational control over these emissions, emissions arising from such activities account for 2% of the total carbon emissions.

2 For some of the companies, floor area was not known therefore they are not included in the kg persquare footage of office space intensity metric.

SUSTAINABILITY *(CONTINUED)*

Key Figures



GHG EMISSIONS	2016 TONNES CO_2E	TCO_2E / EMP. [4]	$KGCO_2E$ / SQ. FT. [5]
Scope 1[1]	97.6	0.46	0.001
Scope 2[2]	841.4	4.01	0.011
Scope 2[3]	915.7	4.36	0.012
Total GHG emissions (Location-based Scope 2)	939.0	4.47	0.012
Total GHG emissions (Market-based Scope 2)	1,013.3	4.83	0.013

[1] Scope 1 being emissions from the Group's combustion of fuel and operation of facilities.

[2] Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use.

[3] Scope 2 being electricity (from market-based calculations), heat, steam and cooling purchased for the Group's own use

[4] Employee numbers: 209

[5] Occupied office space: 66,696 sq. ft. (this does not include sites where floor area was not known)

UNDERSTANDING THE INDIRECT ENVIRONMENTAL IMPACTS OF OUR BUSINESS ACTIVITIES

The Group's day-to-day operational activities have a limited impact on the environment. We do, however, recognise that the more significant impact occurs indirectly, through the investment decisions we make and the operation of the companies we choose to invest in. The Group therefore considers it important to establish and

SUSTAINABILITY *(CONTINUED)*

invest in 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.

OUR BUSINESS ETHICS AND SOCIAL RESPONSIBILITY

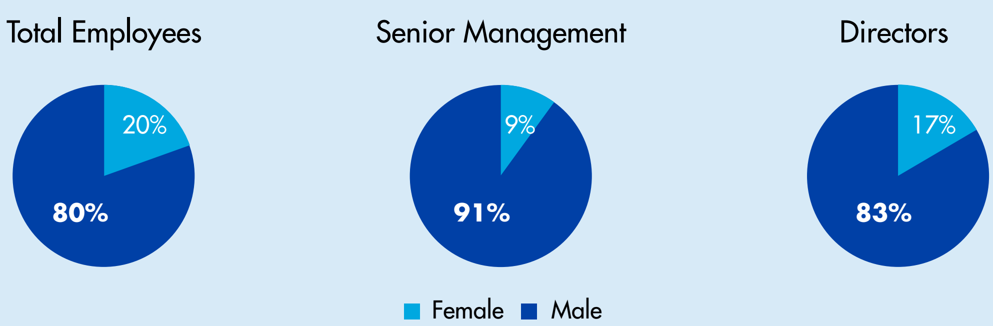
The Group seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and for its directors and staff to have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

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

The Group's management and employees are fundamental to our success and as a result we are committed to encouraging the ongoing development of our staff with the aim of maximising the Group's overall performance. Emphasis is placed on staff development through work-based learning, with senior members of staff acting as coaches and mentors. Allied Minds has continued to employ regular all-staff update meetings as the main source of employee communication.

EMPLOYEE DIVERSITY AND EMPLOYMENT POLICIES

The Group seeks to operate as a responsible employer and has adopted standards which promote corporate values designed to help and guide employees in their conduct and business relationships. The Group seeks to comply with all laws, regulations and rules applicable to its business and to conduct the business in line with applicable established best practice. The Group's policy is one of equal opportunity in the selection, training, career development and promotion of employees, regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise. The Group had 413 employees and consultants as at 31 December 2016 (but fewer than 250 full time employees). A breakdown of employees by gender as at 31 December 2016 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.



DIRECTORS' REMUNERATION REPORT

STATEMENT BY CHAIRMAN OF THE REMUNERATION COMMITTEE

I am pleased to present, on behalf of the Board, the Remuneration Report for the year ended 31 December 2016. Our Remuneration Policy, which was approved by shareholders at our 2016 AGM, was applied in 2016. During the final quarter of 2016, the Remuneration Committee reviewed all of the elements of remuneration for Executive Directors and senior management to assess whether the Remuneration Policy approved at the 2016 AGM was meeting its' design objectives. Based on this review and the application of the Remuneration Policy, the Remuneration Committee resolved that no further changes were necessary or appropriate, and the current Remuneration Policy will remain in effect.

The Work of the Remuneration Committee

The Committee met on four occasions during the year. Mr. Rohr was present at all meetings during the year, and each of Mr. Davis and myself missed one meeting due to an unexpected or previously scheduled conflict. I met several times during the final quarter of 2016 with members of senior management in order to review all elements of remuneration and their operation. The Committee also received professional advice from Korn Ferry I Hay Group where appropriate.

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

- Conducted a review of all elements of remuneration for Executive Directors and senior management;
- Reviewed feedback received from major shareholders and shareholder advisory services in connection with the adoption and implementation of the revised Remuneration Policy in 2016;
- In connection with the annual review of the Remuneration Policy, the Remuneration Committee resolved that no further changes were necessary or appropriate, and the current Remuneration Policy will remain in effect;
- Reviewed the Long Term Incentive Plan (LTIP) to ensure that it continues to advance the Committee's policy to provide a competitive, performance-linked, long-term incentive mechanism to align the interests of management and shareholders;
- Determined the cash incentive bonus awards for the Executive Officers for the last financial year;
- Determined base salaries of the Executive Directors, for the period starting 1 January 2017;
- Issued LTIP awards on 9 May 2016;
- Reviewed progress against 2014, 2015 and 2016 LTIP award performance targets for the last financial year;
- Established 2015 and 2016 LTIP award performance targets for the current financial year; and
- Reviewed the remuneration reporting regulations in connection with the review of the Group's Remuneration Policy and preparation of the Directors' Remuneration Report.

Objectives of the Remuneration Policy

Pursuant to the current Remuneration Policy, the Committee focuses on simple and transparent market competitive remuneration and incentive schemes. The current Remuneration Policy is designed to:

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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

The key components of remuneration are set out in detail within the Remuneration Policy approved by shareholders at the 2016 AGM.

Performance and Reward for 2016

As detailed in the Annual Report on Remuneration, the Committee determined to provide cash incentive bonus awards and LTIP awards to the Executive Directors that reflected the level of performance and achievement in 2016.

Shareholder Feedback

The Committee recognises that building a close relationship with shareholders can complement the work of the Committee in developing the Remuneration Policy. During 2016, we received feedback from major shareholders and shareholder advisory services with respect to our remuneration programme. One of our overarching aims has been to implement the Remuneration Policy which closely aligns the interests of our senior executives and our shareholders.

We continue to appreciate any feedback shareholders may have.

Kevin Sharer
Chairman of the Remuneration Committee

27 April 2017

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

What is in this report?

The Directors' Remuneration Report sets out the Remuneration Policy for the Company on pages 66 to 77, and describes the implementation of that Remuneration Policy. 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 was developed taking into account the principles of the UK Corporate Governance Code 2014, the Listing Rules and shareholders' executive remuneration guidelines. The Remuneration Policy for the Executive and Non-Executive Directors was put to a binding shareholder vote at the 2016 AGM and approved by shareholders. The Remuneration Policy took formal effect from that date, and remains in effect.

The Statement by Chairman of the Remuneration Committee on pages 62 to 63, together with the Annual Report on Remuneration on pages 78 to 91, will be subject to an advisory vote at the AGM.

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 calibre. It is important to note that each national market for talent is different, making cross-border comparisons very difficult. In addition to general standard of living costs, there are large differences with respect to taxes, pensions, provision of cars, and medical plans and costs, among many others.

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

The aim of the Remuneration Policy is to attract, retain and motivate high calibre senior management and employees, and to focus them on the delivery of the Company's long-term strategic and business objectives, to

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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 77)

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

How the views of shareholders and employees are taken into account

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

Any feedback received from time to time from shareholders will be considered as part of the Committee's annual review of the Remuneration Policy. The Committee will seek to engage with shareholders and their representative bodies when it is proposed that any material changes are to be made to the Remuneration Policy. The voting outcomes from the 2016 AGM are available on page 91.

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.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

ELEMENT OF REMUNERATION	HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
SALARY	The Company is required to provide an appropriate level of salary in order to be competitive and to maintain its ability to recruit and retain Executive Directors. Salaries are set to achieve this objective. The Committee wishes to ensure that fixed costs are minimised and that total actual payments to executives will be driven to a more significant extent through the operation of the performance related elements of the package. As described in this Remuneration Policy, the performance elements of total reward are directly linked to the achievement of the Company's strategic objectives.	An Executive Director's basic salary is considered by the Committee on appointment and normally reviewed once per year or when there is a significant change to role or responsibility. When making a determination as to the appropriate remuneration, the Committee, where it is relevant, benchmarks the remuneration against the Company's peer groups. For the purpose of benchmarking salaries and other remuneration, the principal peer grouping used by the Company consists of companies within similar industry sectors which are either US or UK listed with a range of capitalisations. The results of benchmarking will, however only be one of a number of factors taken into account by the Remuneration Committee and which will include: • scale, scope and responsibility of the role; • skills and experience of the individual; • retention risk; • base salary of other employees; and • economic environment.	There is no prescribed maximum annual salary. The Committee seeks to ensure that the salaries conform to its strategy, whilst remaining competitive against similar roles within the relevant peer groups.	There are no performance conditions attached to the payment of salary although there are a number of performance-based factors both at the individual and Company level that influence the level of salaries provided to Executive Directors for annual performance appraisals.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

ELEMENT OF REMUNERATION	HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
BENEFITS	The Committee's intention is to provide a benefits package in line with US employment market practice. The Company is required to provide this benefits package in order to be competitive and to maintain its ability to recruit and retain Executive Directors.	The Executive Directors may be entitled to the following benefits: • life insurance; • disability insurance; • medical benefits and dental care; • a car allowance; and • an annual payment to cover personal legal and tax advice. Executive Directors may also participate in any all-employee share plans that may be operated by the Group from time to time on the same terms as other employees. Additional benefits, which may include relocation expenses, housing allowance or other benefits-in-kind, may be provided in certain circumstances if considered appropriate and reasonable by the Committee, including as may be required on recruitment.	The cost of benefits provided changes in accordance with market conditions and will, therefore, determine the maximum amount that would be paid in the form of benefits. There is therefore no overall maximum opportunity under this component of the Remuneration Policy.	There are no performance conditions attached to the payment of benefits.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

ELEMENT OF RENUMERATION	HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
CASH INCENTIVE BONUS AWARDS	The cash incentive bonus award, taken together with base salary, is required in order to be competitive and to maintain the ability to recruit and retain Executive Directors. Cash incentive bonus awards are set to achieve this objective. As described in this Remuneration Policy, the performance elements of cash incentive bonus awards and total reward are directly linked to the achievement of the Company's strategic objectives.	The Committee and senior management review the Group's management by objectives (MBOs) annually prior to the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy. Annual MBOs, including financial, operational, technical and other performance targets and their weightings for the upcoming year are set at or around the start of each financial year. An Executive Director's cash incentive bonus award is considered by the Committee upon completion of each financial year. The decision to provide any cash incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by the Committee at the start of the financial year.	There are no caps on the amount of bonus which may be paid. However, each year the Committee determines the maximum opportunity for each Executive Director. When making a determination as to the appropriate maximum bonus, the Committee, where it is relevant, benchmarks the remuneration against the Company's peer groups. For the purpose of benchmarking cash incentive bonus awards and other remuneration, the principal peer grouping used by the Company consists of companies within similar industry sectors which are either US or UK listed with a range of capitalisations.	As noted in "Operation", the decision to provide any cash incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by the Committee at the start of the financial year. The Committee may consider any and all performance criteria in setting the annual MBOs to be used in the determination to provide an award, and may generally consider: • the general performance of the Group, including financial, operational, technical and other performance targets; and • the individual performance of the Executive Director. Weighting will be primarily towards Group, and not individual, MBO performance for Executive Directors. Performance will typically be measured over one year.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

ELEMENT OF REMUNERATION	HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
PENSION	It is the Committee's intention to provide pension benefits in line with US employment market practice. The Company is not required to provide pension benefits in order to be competitive and to ensure its ability to recruit and retain Executive Directors.	No element of the Executive Directors' remuneration is pensionable. The Group does not operate any pension scheme or other scheme providing retirement or similar benefits. The Group does not contribute to any personal pension schemes for employees. However, the Company offers a retirement plan in accordance with subsection 401(k) of the Internal Revenue Code (401(k) Plan) in which Executive Directors may make voluntary pre-tax contributions toward their own retirement. The Company does not make any payments or contributions to such 401(k) Plan.	None.	None.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

ELEMENT OF REMUNERATION	HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
ALLIED MINDS LONG TERM INCENTIVE PLAN (LTIP)	The LTIP provides a competitive, performance-linked long-term incentive mechanism that will: • attract, retain and motivate individuals with the required personal attributes, skills and experience; • provide a real incentive to achieve the Company's long-term strategic objectives; and • align the interests of management and shareholders.	The LTIP is reviewed annually at or around the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy. Financial and/or non-financial performance targets are set at or around the start of each financial year. Awards under the LTIP to Executive Directors will normally take the form of restricted share units (RSUs) (a form of conditional share award) in respect of shares in Allied Minds (although instruments with similar economic effect may be used if considered appropriate.) Calculations of the achievement of the vesting targets are reviewed and approved by the Committee. Awards are subject to cancellation or 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.	Under the terms of the LTIP, the maximum value of ordinary shares over which awards under the LTIP may be granted to a participant in any financial year of the Company may not generally exceed 300% of base salary for that financial year, unless circumstances arise which the Committee believe justify granting an award outside this limit. The Committee would only envisage overriding the 300% limit in exceptional circumstances such as where there was a need to do so to attract a new executive. Notwithstanding the maximum value permitted under the terms of the LTIP, each year the Committee determines the maximum opportunity for each Executive Director. When making a determination as to the appropriate maximum LTIP award, the Committee where it is relevant, benchmarks the remuneration against the Company's peer groups. For the purpose of benchmarking LTIP awards and other remuneration, the principal peer grouping used by the Company consists of companies within similar industry sectors which are either US or UK listed with a range of capitalisations.	Specific performance targets may vary from year to year in accordance with priorities support the business strategy. In respect of the LTIP awards made in 2014 and 2015, vesting is dependent upon performance metrics measured as follows: • 60% of each award will be subject to performance conditions based on the Company's total shareholder return (TSR) performance in respect of a three-year period; and • 40% of each award will be subject to performance conditions based on a basket of shareholder value metrics, including, but not limited to: (i) the increase in quality of pipeline intellectual property reviewed; (ii) the increase in quality of the partnership pipeline; and (iii) subsidiary level performance (assessed by reference to such matters as external funding raised, corporate collaborations, product co-development and proof of principal commercial pilots and revenues). Performance will be assessed on these measures on a scorecard basis over a three year period. At the end of the three year period, performance against the relevant measures will be calculated to determine the number of ordinary shares capable of vesting. For the 2014 awards, 50% of the award will then vest at that time. The remaining 50% will vest in two equal tranches in years 4 and 5 subject to the relevant participant still being employed within the Group at the relevant vesting date. For the 2015 awards, 100% of the award will vest at the end of the three year period. The level of vesting for threshold performance for the 2015 awards is 33.33% of the maximum. The level of vesting for target performance is 66.67% of the maximum. Starting in 2016, the Committee expects to make annual awards under the LTIP with 100% of each award subject to performance conditions based on the Company's relative total shareholder return (rTSR) performance in respect of a three-year period. The Group TSR will be measured relative to the FTSE 250, the S&P 500, and a peer group of four publicly-traded companies. The level of vesting for threshold performance is 16.67% of the maximum. The level of vesting for target performance is 66.67% of the maximum.

Management & Governance

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

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

ELEMENT OF REMUNERATION	HOW IT SUPPORTS THE COMPANY'S SHORT AND LONG-TERM STRATEGIC OBJECTIVES	OPERATION	OPPORTUNITY	PERFORMANCE METRICS
NON-EXECUTIVE DIRECTORS' FEES	The Company's intention is to set fees at a level necessary to attract and retain experienced and skilled Non-Executive Directors with the necessary experience and expertise to advise and assist in establishing and monitoring the strategic objectives of the Company. Fees also reflect the time commitment and responsibilities of the roles. An additional fee is paid for Chairmanship of a Board Committee and to the Chairman of the Board.	Non-Executive Directors have specific terms of engagement provided in formal letters of appointment. Their remuneration is determined by the Board, taking into account recommendations from the Remuneration Committee, within the limits set by the Articles of Association and based on equivalent roles in FTSE 250 companies and the peer groups used for Executive Directors. The fees for Non-Executive Directors are reviewed annually and fixed for the fiscal year. The Non-Executive Directors are appointed for a three year term, subject to annual re-election by the shareholders, at the Company's AGM. Non-Executive Directors do not receive any cash incentive bonus and do not participate in any Company pension scheme. The Non-Executive Directors are eligible for RSU awards under the LTIP. Awards to the Non-Executive Directors will be subject to time-based vesting provisions, and will not be subject to performance metrics. Each Non-Executive Director is also entitled to reimbursement of reasonable and properly documented expenses incurred in performing the duties of their office.	The fees paid take account of responsibilities in acting as Chairman of the Board, Chairman of a Board Committee or as Senior Independent Director. The fees 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 fees include an equity component, based upon a recommendation from Korn Ferry I Hay Group. The Committee is satisfied that the level of fees conform to its strategy, whilst remaining competitive against similar roles within the relevant peer groups. Careful consideration has been given as to whether including an equity component would affect the independence of the Non-Executive Directors, and the conclusion was reached that it would not, given the level of the awards and the fact that they are not performance-related.	There are no performance conditions attached to the payment of fees or the vesting under the awards granted under the LTIP.

Management & Governance

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 Report on Remuneration as they arise.

Differences between the Remuneration Policy and that applied to employees generally

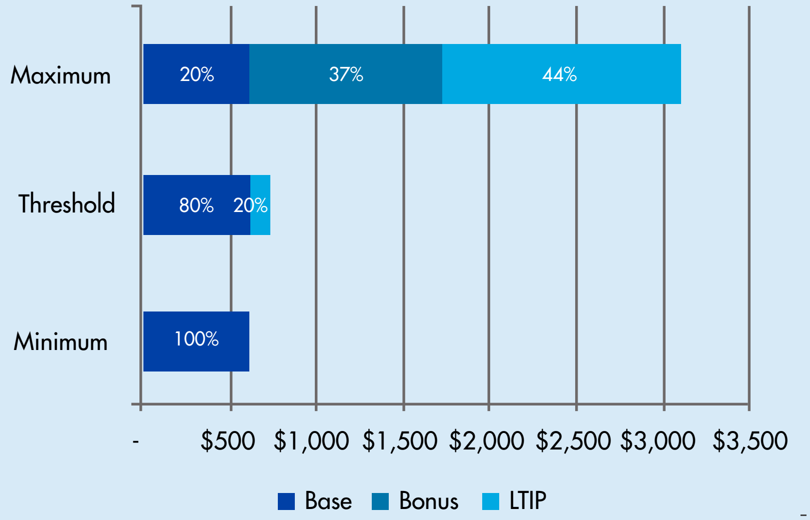
The components of remuneration set out on the previous pages for Executive Directors are also generally applied to the Group's senior management team and differ only in vesting terms, values and award maxima. The basic benefits package is typically available to all US employees at the Group level following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

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

In addition to the Executive Directors' remuneration arrangements set forth in the Remuneration Policy, the Group previously maintained the Allied Minds Stock Option/Stock Issuance Plan (US Stock Plan). The Company does not intend to make any further grants under the US Stock Plan. The interests of the Executive Directors in outstanding options under the US Stock Plan are shown in the statement of directors' shareholding and share interest on pages 82 to 83 of this Annual Report.

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

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*



Approach to Recruitment Remuneration

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

The Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will seek to structure buyout awards on a comparable basis to awards forfeited, taking into account relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the timeframe of awards. It is intended that the value awarded would be no higher than the expected value of the forfeited awards. The Committee would seek as far as possible to make such buyout awards under the Company's existing share plans but, if necessary, may rely on the Listing Rules exemption which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director.

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

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

- In the case of internal promotion, any existing performance-related elements arising from an individual's previous role will continue to be honoured 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

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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 Reports on Remuneration.

Letters of Appointment

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

At 10 March 2017, Jill Smith's Non-Executive Director letter of appointment was terminated, and she entered into a new Executive Director letter of appointment. The letter of appointment immediately terminates upon the termination of her appointment as the Chief Executive Officer of the Company. The letter of appointment does not provide for any compensation on termination.

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

Remuneration Policy on Payment for Loss of Office

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

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

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 during the applicable performance measurement period in which the participant continuously provided 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

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

rata basis to reflect the reduced period between the date the award was made and the date of the change of control, unless the Committee decides otherwise. In exceptional circumstances, the Committee may recommend full vesting. This discretion to accelerate vesting upon a change of control is included in the LTIP to meet the expectations of a US-based workforce.

Statement of Consideration of Employment Conditions Elsewhere in the Company

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

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

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

ANNUAL REPORT ON REMUNERATION (PAGES 78 TO 91)

The Annual Report on Remuneration 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 2016 and 2015.

	BASE SALARY/ FEES[1]		BENEFITS[2]		PENSION		ANNUAL BONUS		EBP[3]		TOTAL	
IN $'000	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
EXECUTIVE DIRECTORS												
Chris Silva[4]	515	500	61	42	—	—	573	525	8,029	—	9,178	1,067
NON-EXECUTIVE DIRECTORS												
Rick Davis	85	85	—	—	—	—	—	—	12	—	97	85
Peter Dolan	150	124	—	—	—	—	—	—	8	—	158	124
Jeff Rohr	100	100	—	—	—	—	—	—	8	—	108	100
Kevin Sharer[5]	85	49	—	—	—	—	—	—	8	—	93	49
Jill Smith[6]	72	—	—	—	—	—	—	—	—	—	72	—

Notes:

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

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

(3.) Equities based payments include the value of LTIP awards granted to the Executive Directors in 2014 which are expected to vest in May 2017 based upon performance conditions met as of 31 December 2016. As noted on pages 81 and 82, the Remuneration Committee has made a preliminary assessment that these awards will vest at 94.33% of the maximum number of shares under the award. The 2016 value has been calculated using the expected 94.33% level of vesting, and the share price at 31 December 2016 (net of settlement price). If the share price at 24 April 2017 (being the latest practicable date prior to the publication of this document) had been used, the disclosed amount would have been $2,712,038 (net of settlement price).

Equities based payments also include the value of LTIP awards granted to the Non-Executive Directors that vested in 2016 (based on the value on the date the awards vested and the shares were granted). In addition, management has adjusted the 2015 numbers for Non-Executive Directors by an aggregate of $99,000 considering that performance conditions for the restricted share awards were met in 2014, and aggregate amount of $99,000 should have been included in the single total figure table for 2014.

(4.) Mr. Silva resigned as Chief Executive Officer and Executive Director as of 10 March 2017. Details of the effect of his resignation on outstanding payments and benefits are given on pages 87 to 88.

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

(6.) Ms. Smith was appointed as a Non-Executive Director in January 2016. Ms. Smith resigned as Non-Executive Director on 10 March 2017, and was appointed as interim Chief Executive Officer and Executive Director as of such date.

Individual Elements of Remuneration

Base Salary and Cash Incentive Bonus Awards during 2016

The Remuneration Committee engaged Korn Ferry I Hay Group to conduct a compensation benchmarking study for the Company's senior management in conjunction with the Company's 2016 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). Korn Ferry I Hay Group utilised a variety of information sources to evaluate the market for executive compensation, including an analysis of eight publicly-traded companies. For the purpose of benchmarking salaries and other remuneration the principal peer grouping used by the Company consisted of listed companies within similar industry sectors with a range of capitalisation.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

Based upon the results of the benchmarking study, the Remuneration Committee concluded each of the Executive Directors' total direct compensation was still at or below the 50th percentile of the peer group. Given the strong Company performance in 2015, the Remuneration Committee recommended to the Board the following for 2016:

- a modest 3% increase in base salary for the Chief Executive Officer; and
- a maximum cash incentive bonus award of 150% of base salary for the Chief Executive Officer, and target award at 100% of base salary. For reference, as a percentage of base salary, the actual award was 65.7% in 2013, 125.0% in 2014 and 105.0% in 2015.

The Remuneration Committee designed the increase in base salary and potential increase in cash incentive bonus award 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 potential increases to emphasise the variable component of compensation, by allocating more of the potential 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 2016. The increase in base salary was from $500,000 in 2015 to $515,000 in 2016. The increase in cash incentive bonus award was from $525,000 in 2015 to $572,680 in 2016.

As described in the Remuneration Policy, the Remuneration Committee and senior management review the Group's management by objectives (MBOs) annually prior to the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy. Annual MBOs, including financial, operational, technical and other performance targets and their weightings for the upcoming year are set at or around the start of each financial year. An Executive Director's cash incentive bonus award is considered by the Remuneration Committee upon completion of each financial year. The decision to provide any cash incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by the Remuneration Committee at the start of the financial year. The MBOs set by the Remuneration Committee for 2016, along with the level of achievement against such MBOs, is set forth below:

MBO	THRESHOLD WEIGHTINGS	TARGET WEIGHTINGS	MAXIMUM WEIGHTINGS	ACHIEVED WEIGHTINGS
Group 1[(1)] Validating Events[(2)]	0.0%	30.0%	45.0%	37.5%
Group 1 Technical Milestones[(3)]	0.0%	10.0%	15.0%	10.3%
Group 2[(4)] Validating Events	0.0%	10.0%	15.0%	13.5%
Group 2 Technical Milestones	0.0%	5.0%	7.5%	4.4%
New Company Formation	0.0%	20.0%	30.0%	20.0%
Group Fundraising and Cash Management	0.0%	20.0%	30.0%	25.5%
Group Revenue	0.0%	5.0%	7.5%	0.0%
TOTAL PERCENTAGE OF TARGET	0.0%	100.0%	150.0%	111.2%

Notes:

(1.) "Group 1" represents subsidiary operating companies of the Group that are at a more mature stage of technical and/or commercial development, and generally represent a more significant percentage of Group Subsidiary Ownership Adjusted Value (GSOAV).

(2.) "Validating Events" represent various material achievements, such as fundraisings, mergers and acquisitions, development partnerships, strategic alliances, customer contracts and other significant corporate events.

(3.) "Technical Milestones" represent various research and development achievements, as well as advancement of clinical trials.

(4.) "Group 2" represents subsidiary operating companies of the Group that are at a less mature stage of technical and/or commercial development, and generally represent a less significant percentage of GSOAV.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

The Remuneration Committee determined that the MBO percentage achievement for 2016 was 111.2% of target percentage. The Remuneration Committee determined such achievement in accordance with the MBOs set at the beginning of 2016, and did not exercise any material discretion. As noted above, the target cash incentive bonus award for the Chief Executive Officer was set at 100% of base salary for 2016, with maximum award set at 150% of base salary. Based upon the MBO achievement, the cash incentive bonus award to the Chief Executive Officer was set at 111.2% of base salary, or $572,680.

LTIP Awards made during 2016 (audited)

	TYPE	BASIS OF AWARD	NUMBER OF SHARES	FACE VALUE OF AWARD ($'000)	% OF VALUE TO VEST AT THRESHOLD	% OF VALUE TO VEST AT TARGET	VESTING CONDITIONS
EXECUTIVE DIRECTORS							
Chris Silva	RSU	See below	238,470	$1,159	16.67%	66.67%	Based on performance achievement, 100% at end of 2018
NON-EXECUTIVE DIRECTORS							
Rick Davis	RSU	See below	10,290	$50	n/a	n/a	Based on service, annually over three years to May 2019
Peter Dolan	RSU	See below	15,435	$75	n/a	n/a	Based on service, annually over three years to May 2019
Jeff Rohr	RSU	See below	10,290	$50	n/a	n/a	Based on service, annually over three years to May 2019
Kevin Sharer	RSU	See below	10,290	$50	n/a	n/a	Based on service, annually over three years to May 2019
Jill Smith	RSU	See below	10,290	$50	n/a	n/a	Based on service, annually over three years to May 2019

At 9 May 2016, the LTIP award above was granted to the Chief Executive Officer. The total value of the award has been calculated using the closing share price of 337p on such date. The level of award was determined by the Committee after giving due consideration to the 2015 Korn Ferry I Hay Group compensation benchmarking study which concluded that the target amount of the award ($772,500), or 150% of base salary, would position the CEO below the median for the peer group for total compensation during 2016. The maximum value of such award which could be received by Mr. Silva is 225% of base salary. Vesting of the LTIP award is dependent upon performance metrics measured over the three years to 31 December 2018, 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 16.67% of the maximum. The level of vesting for target performance is 66.67% of the maximum. Following Mr. Silva's resignation as Chief Executive Officer and Executive Director, the 2016 LTIP award will continue to be subject to achievement of performance criteria, but on a pro-rata basis. Further details are given on pages 87 to 88.

At 9 May 2016, the LTIP awards above were granted to the Non-Executive Directors. The total value of the award has been calculated using the closing share price of 337p on such date. The level of award was determined by the Committee after giving due consideration to the 2015 Korn Ferry I Hay Group compensation benchmarking study which recommended such awards in light of the US-based nature of the Group's business, and the need to attract and retain independent directors with significant US business and leadership experience. Vesting of the

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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

Long Term Incentive Plan Vesting during 2016 (audited information)

The Company did not make any awards under the LTIP prior to 2014. Accordingly, no equity-based awards vested under the LTIP during 2015 or 2014.

LTIP awards granted to the Non-Executive Directors in June 2015 partially vested in 2016. Vesting of the Non-Executive Director LTIP awards is based upon time of service, with each award vesting in three equal installments over a three year period. There are no performance conditions attached to the vesting under the awards granted under the LTIP to the Non-Executive Directors. As a result of such vesting, 2,723 ordinary shares were allotted and issued to Mr. Dolan, and 1,815 ordinary shares were allotted and issued to each of Messrs. Davis, Rohr and Sharer.

No LTIP awards granted to Executive Directors vested during 2016. However, the performance period for LTIP awards made to Executive Directors during 2014 ends on 31 December 2016, and such awards are expected to partially vest in May 2017 based upon the performance metrics set forth below.

In respect of the LTIP awards made to Executive Directors during 2014, vesting is dependent upon performance metrics measured as follows:

- 60% of each award will be subject to performance conditions based on the Company's total shareholder return (TSR) performance in respect of a three-year period, as follows:
  - o threshold vesting (33.33% of maximum) for achievement of a 10% annualised TSR,
  - o target vesting (66.67% of maximum) for achievement of a 15% annualised TSR, and
  - o maximum vesting for achievement of a 20% annualised TSR; and
- 40% of each award will be subject to performance conditions based on a basket of shareholder value metrics (SVM), including, but not limited to:
  - o the increase in quality of pipeline intellectual property reviewed,
  - o the increase in quality of the partnership pipeline, and
  - o 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).

In May 2017, performance against the relevant measures will be calculated to finally determine the number of ordinary shares capable of vesting, and the potential award will then vest at that time.

The Company's annualised TSR for the measurement period was 33.99%, which consisted of an increase from 190.0p at the Company's IPO in June 2014 to a 30-day trailing high/low average on 31 December 2016 of 399.2p. Thus, the TSR condition exceeded the maximum TSR and 60.00% (out of a possible 60.00%) of the maximum number of shares under the award are expected to vest in May 2017.

The Remuneration Committee has undertaken a preliminary assessment of Company performance in each of January 2015, 2016 and 2017 to assess the level of achievement under the SVM condition, and awarded a preliminary score of 4.0 (maximum) for 2014, 3.0 (target) for 2015, and 3.3 (above target) for 2016. The Remuneration Committee will make its final assessment in May 2017, but based upon the preliminary assessment, the SVM condition averaged 3.433 over the measurement period, and 34.33% (out of a possible

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

40.00%) of the maximum number of shares under the award would on this basis be expected to vest in May 2017.

Taken together, and based on the preliminary assessment, 94.33% of the maximum number of shares under the award are expected to be eligible for vesting in May 2017.

US Stock Plan Awards made during 2016 (audited information)

The Company did not make any grants under the US Stock Plan in 2016, and does not intend to make any further grants. The interests of the Executive Directors in outstanding options under the US Stock Plan are shown in the statement of directors' shareholding and share interest on pages 82 to 83 of this Annual Report.

Payments to Past Directors (audited information)

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

Loss of Office Payments (audited information)

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

Total Pension Entitlements (audited information)

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

Statement of Directors' Shareholding and Share Interests (audited)

Share ownership plays a key role in the alignment of our executives with the interests of shareholders. In April 2016, the Remuneration Committee adopted a share ownership policy for Executive Directors. The policy requires Executive Directors to acquire and maintain a minimum ownership level of ordinary shares in the capital of the Company, thereby helping to align their interests with those of shareholders. The Committee has set the current requirements at share value of 400% of base salary for Executive Officers. The Committee has not set a timeframe during which Executive Officers are required to accumulate their share ownership level. During 2016, the Executive Director met this requirement. The table below sets out the number of shares held by Directors as at 31 December 2016, and the Company is not aware of any changes through 27 April 2017.

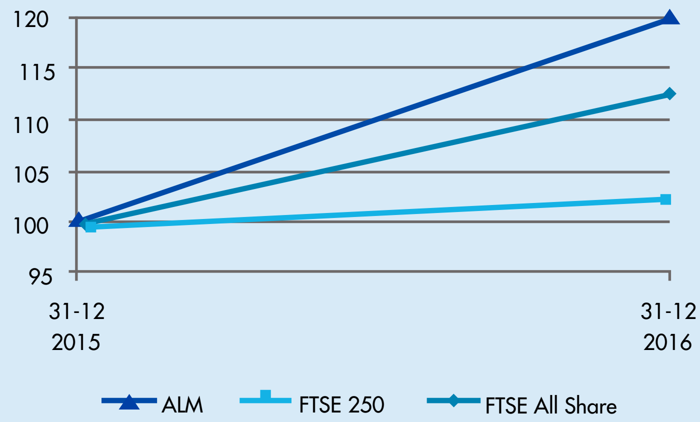
DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

	SHARES HELD OUTRIGHT	SHARES CONDITIONAL ON PERFORMANCE	SHARES CONDITIONAL ON SERVICE	OPTIONS TO PURCHASE SHARES	TOTAL
EXECUTIVE DIRECTORS					
Chris Silva	2,844,402	1,763,441	—	3,105,498	7,713,341
NON-EXECUTIVE DIRECTORS					
Rick Davis	261,415	—	13,921	—	275,336
Peter Dolan	42,323	—	20,882	—	63,205
Jeff Rohr	41,415	—	13,921	—	55,336
Kevin Sharer	1,815	—	13,921	—	15,736
Jill Smith	—	—	10,290	—	10,290

Performance Graph

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

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



The table below sets out the increase in total remuneration of the Chief Executive Officer and that of our US Group employees (excluding Directors) from 2015 to 2016:

	% CHANGE IN BASE SALARY	% CHANGE IN CASH BONUS	% CHANGE IN BENEFITS
CEO	3.0%	9.1%	45.2%
US Group Employees	4.8%	9.1%	8.2%

Management & Governance

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

Historical CEO remuneration outcomes

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

	2016	2015	2014	2013
CEO single total figure for remuneration ($'000)	$1,149	$1,067	$15,942	$1,236
Annual cash incentive bonus award pay-out (% of maximum)(1)	74.13%	n/a	n/a	n/a
LTIP award vesting (% of maximum)(2)	n/a	n/a	n/a	n/a
US Stock Plan award vesting (% of maximum)(3)	n/a	n/a	100%	100%

Notes:

(1.) With respect to 2015, 2014 and 2013, the percentage of maximum is not applicable because the Company did not have any cap on cash incentive bonus award payments in those financial years. As a percentage of base salary, the award was 65.7% in 2013, 125.0% in 2014 and 105.0% in 2015. For 2016, the maximum cash incentive bonus award for Executive Officers was 150% of base salary.

(2.) No equity-based awards vested under the LTIP during 2016, 2015, 2014 or 2013. However, the performance period for LTIP awards made to Executive Directors during 2014 ended on 31 December 2016, and such awards are expected to partially vest in May 2017. As noted above, 94.33% of the maximum number of shares under the 2014 LTIP award are expected to be eligible for vesting in May 2017.

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

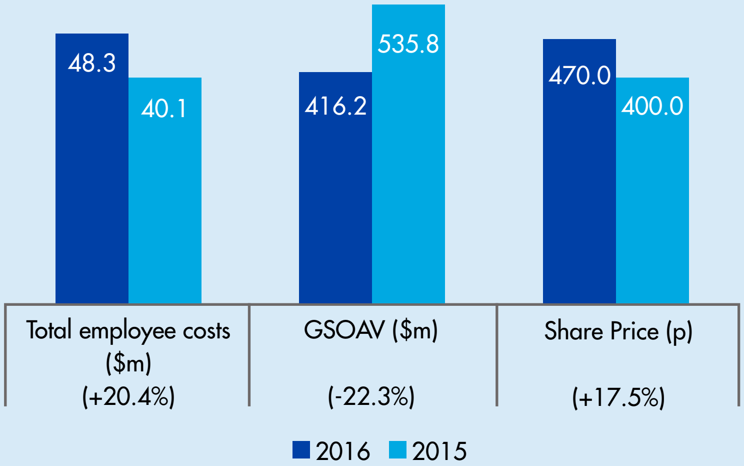
Relative importance of spend on pay

The chart below shows the total employee costs, change in Group Subsidiary Ownership Adjusted Value, and change in share price from 2015 to 2016.

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 123, including wages and salaries, social security and healthcare costs, and share-based payments.
- Change in Group Subsidiary Ownership Adjusted Value (GSOAV) taken from page 16.
- Returns to shareholders: since the Group does not currently pay a dividend, returns to shareholders are represented by the change in the Group's share price over the period from 31 December 2015 to 31 December 2016.
- Please note that for the purposes of this chart only, the GSOAV determined in April 2017 shall be assumed retroactive to 31 December 2016.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*



Statement of implementation of remuneration policy in the following financial year

Base Salary and Benefits

Effective from 01 January 2017, the base salary of the current Executive Director will be:

	BASE SALARY	INCREASE	% INCREASE
Jill Smith	$1,200,000	n/a	n/a

During the period that Ms. Smith is serving as "interim" Chief Executive Officer, she will be paid a base salary of $100,000 per month, and she will not be eligible for any cash incentive bonus awards, LTIP awards, or any other incentive or equity schemes. It is expected that in due course Ms. Smith will notify the Board as to her willingness to transition to serve as "permanent" Chief Executive Officer. Upon any such notification, Ms. Smith and the Board shall mutually agree on the revised terms of such employment, including base salary, annual incentive bonus awards, equity grants and other terms of remuneration. The final terms of Ms. Smith's service contract and remuneration are expected to be in accordance with the Remuneration Policy, subject to the considerations set forth in the approach to remuneration recruitment above.

The benefits package during 2017 will continue to be in line with US employment market practice and the Remuneration Policy.

Cash Incentive Bonus Awards

As noted above, Ms. Smith will not be eligible for any cash incentive bonus award unless she transitions to the role of "permanent" Chief Executive Officer.

The Remuneration Committee expects to implement the following to the cash incentive bonus awards, which is permitted under the Remuneration Policy. During 2016, the maximum cash incentive bonus award opportunity for each Executive Director was set at 150% of base salary. Under the Remuneration Policy, each year the Remuneration Committee will determine the maximum opportunity for each Executive Director. The maximum opportunity for each Executive Director in 2017 may be up to 300% of base salary.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

The Executive Director's cash incentive bonus awards shall be considered by the Remuneration Committee upon completion of the financial year. The decision to provide any cash incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by the Committee at the start of the financial year. The annual MBOs, including financial, operational, technical and other performance targets and their weightings for the upcoming year were set at the start of 2017, and refined in April 2017, as follows:

MBO	THRESHOLD WEIGHTINGS	TARGET WEIGHTINGS	MAXIMUM WEIGHTINGS
Deliver Validating Events[1] and Technical Milestones[2] for Key Subsidiaries	0.0%	40.0%	60.0%
Secure Funding and Strategic Relationships for Subsidiary Companies	0.0%	20.0%	30.0%
Strengthen Investment Committee Process:			
Establish Corporate Partner Goals and Commitments	0.0%	5.0%	7.5%
Expand New Company Pipeline Development	0.0%	5.0%	7.5%
Define Path to Commercialisation, Liquidity Event or Key Commercial or Strategic Differentiators	0.0%	10.0%	15.0%
Develop Strategic Plan to Drive Shareholder Value	0.0%	10.0%	15.0%
Manage Cash	0.0%	10.0%	15.0%
TOTAL PERCENTAGE OF TARGET	0.0%	100.0%	150.0%

Notes:

(1.) "Validating Events" represent various material achievements, such as fundraisings, mergers and acquisitions, development partnerships, strategic alliances, customer contracts and other significant corporate events.

(2.) "Technical Milestones" represent various research and development achievements, as well as advancement of clinical trials.

Long Term Incentive Plan

As noted above, Ms. Smith will not be eligible for any long term incentive plan awards unless she transitions to the role of "permanent" Chief Executive Officer.

The Remuneration Committee does not expect to implement any changes to LTIP awards in 2017. In 2016, the Remuneration Committee implemented the following changes to the LTIP awards, which were permitted under the Remuneration Policy. During 2015, there was no cap on the amount of LTIP award to be made to Executive Directors, other than the cap of 300% of base salary per financial year as specified in the LTIP. Under the current Remuneration Policy, each year the Committee will determine the maximum opportunity for each Executive Director. The maximum opportunity for each Executive Director in 2017 shall be up to 300% of base salary.

In 2016, the Committee made awards under the LTIP with 100% of each award subject to performance conditions based on the Company's relative total shareholder return (rTSR) performance in respect of a three-year period. The Group TSR will be measured relative to the FTSE 250, the S&P 500, and a peer group of four publicly-traded companies. The level of vesting for threshold performance is 16.67% of the maximum. The level of vesting for target performance is 66.67% of the maximum. With respect to any LTIP awards granted to Executive Directors in 2017, the Committee expects to continue the same rTSR performance vesting terms.

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

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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

In respect of the 2015 awards, following 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.

Details of the expected vesting of the 2014 awards are given on page 81.

Service Contract and Post Period Loss of Office Payments (Former CEO)

At 31 December 2016, the former Chief Executive Officer and Executive Director (Chris Silva) had a service contract that commenced in May 2014. With effect from 10 March 2017, Mr. Silva resigned as Chief Executive Officer and as an Executive Director of the Company.

The Remuneration Committee approved the arrangements below which are in line with the Company's Remuneration Policy approved by the Company's shareholders at the 2016 AGM.

Payments and benefits

Mr. Silva will be entitled to:

- An annual incentive award for 2017, which shall be a lump sum payment of \$100,675.73, which is equal to the product of: (A) \$532,560 (his average annual bonus for the three full years preceding his resignation) and (B) a fraction, the numerator of which is the number of days he was employed by the Company during 2017 and the denominator of which is the number of days in such year.
- Continued payment of his base salary at the rate of \$600,000 per year for a period of twenty-four (24) months.
- Participation at the Company's expense under COBRA for six months for him and each of his eligible dependents in all medical, dental, hospitalization and other employee welfare benefit plans, programs and arrangements covered by COBRA.
- Life and disability insurance cover at the Company's expense for six months.

Incentive arrangements

Mr .Silva has outstanding restricted share unit awards (RSUs) granted under the Company's Long Term Incentive Plan, outstanding share options (Options) granted under the Allied Minds Stock Option/Stock Issuance Plan, and outstanding awards in the form of units (Phantom Units) granted under the Allied Minds Phantom Plan (Phantom Plan). The RSUs and Options are settled in ordinary shares in the Company (Shares) and the Phantom Units are settled in cash.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

In accordance with the terms of such awards and the Company's Remuneration Policy:

- The RSUs will continue to vest subject to achievement of the relevant performance criteria and, to the extent that they vest, Mr. Silva will be entitled to a pro rata number of Shares taking into account the time which Mr. Silva has worked in the period over which the performance criteria are measured. The Remuneration Committee has exercised its discretion to determine that the pro-rating shall be by reference to the number of days worked from the beginning of the relevant measurement period, rather than from the date of grant of the relevant RSU. Mr. Silva has outstanding RSUs to acquire an aggregate of 1,763,441 Shares at maximum vesting.
- The Options are fully vested. Following the Remuneration Committee determination to extend the period for exercise of the Options from three to twelve months following termination, Mr. Silva has until 10 March 2018 to exercise such Options, failing which they will lapse. Mr. Silva has outstanding Options which entitle him to acquire an aggregate of 3,105,498 Shares.
- The Phantom Units are also fully vested. Settlement of Phantom Units under the Phantom Plan is triggered by a successful subsidiary liquidity event (Liquidity Event). Mr. Silva remains entitled to a proportion of the payment he would have received on a Liquidity Event had he remained an employee. That proportion is 90% if the Liquidity Event occurs within 9 months of his resignation date, 75% if 10-18 months from his resignation date; 50% if 19-27 months from his resignation date; 25% if 28-36 months from his resignation date, and 0% if later than 36 months from his resignation date. Mr. Silva has 8,857 Phantom Units.

No further payments will be made to Mr. Silva in connection with his loss of office.

Service Contract and Letter of Appointment (New Interim CEO)

At 10 March 2017, the new interim Chief Executive Officer and Executive Director (Jill Smith) entered into a service contract. The employment arrangement is "at-will", which means that either Ms. Smith or Allied Minds may terminate the employment arrangement at any time, with or without cause and with or without prior notice.

During the period that Ms. Smith is serving as "interim" Chief Executive Officer, she will be paid a base salary of $100,000 per month, and she will not be eligible for any cash incentive bonus awards, LTIP awards, or any other incentive or equity schemes. It is expected that in due course Ms. Smith will notify the Board as to her willingness to transition to serve as "permanent" Chief Executive Officer. Upon any such notification, Ms. Smith and the Board shall mutually agree on the revised terms of such employment, including base salary, annual incentive bonus awards, equity grants and other terms of remuneration. The final terms of Ms. Smith's service contract and remuneration are expected to be in accordance with the Remuneration Policy, subject to the considerations set forth in the approach to remuneration recruitment above.

At 10 March 2017, Ms. Smith's Non-Executive Director letter of appointment was terminated, and she entered into a new Executive Director letter of appointment. The letter of appointment immediately terminates upon the termination of her appointment as the Chief Executive Officer of the Company. The letter of appointment does not provide for any compensation on termination.

On 9 May 2016, in her capacity as a Non-Executive Director, Ms. Smith received a grant of 10,290 RSUs under the Company's LTIP. The RSUs vest annually over a three-year period, with the first vesting date scheduled to occur on 9 May 2017. Under the terms of the RSUs, vesting is time-based and occurs so long as Ms. Smith continues to be a Director of the Company. Notwithstanding the terms of such RSUs, Ms. Smith has informed the Company that she intends to forfeit the awards in light of her appointment as interim Chief Executive Officer and Executive Director because such RSUs do not contain performance vesting conditions, and therefore are not in compliance with the Remuneration Policy.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

The service contract and letter of appointment are available for inspection at the Company's registered office. In accordance with the Code, Ms. Smith will submit herself for election at the AGM, and for annual re-election by shareholders at each AGM.

Chairman and Non-Executive Directors

Effective from 01 January 2017, the base salaries of the Chairman and Non-Executive Directors will be:

	2017
CASH COMPONENT	
Non-Executive Director Annual Fee	$75,000
Audit Committee Chair Annual Fee	$25,000
Remuneration Committee Chair Annual Fee	$10,000
Nomination Committee Chair Annual Fee	$10,000
Chairman of the Board Annual Fee	$75,000
EQUITY COMPONENT	
Non-Executive Director LTIP Award Value	$50,000
Chairman of the Board LTIP Award Value	$75,000

The Chairman, Non-Executive Director and Committee Chair annual fees set forth in the table above remain unchanged from 2016. The additional fee for serving as Chairman shall only be payable where the Chairman is a Non-Executive Director. Given the US-based nature of the Group's business, and the need to attract and retain independent directors with significant US business and leadership experience, the proposed fees above include an equity component, which will have a time-based vesting schedule. Jill Smith, as an Executive Director, will not be entitled to any Board fees.

Outside Appointments for Executive Directors

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

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

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

The Committee regularly monitors the position and prior to the making of any share-based award, considers the effect of potential vesting of outstanding awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. No treasury shares were held or utilised in the year ended 31 December 2016.

Remuneration Committee: details and governance

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

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

The Remuneration Committee is currently comprised of the following independent Non-Executive Directors, all of whom served during the entire financial year, and whose backgrounds and experience are summarised on pages 37 to 38:

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

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

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

- Conducted a review of all elements of remuneration for Executive Directors and senior management;
- Reviewed feedback received from major shareholders and shareholder advisory services in connection with the implementation of the revised Remuneration Policy in 2016;
- Confirmed that the Remuneration Policy was designed to be appropriate for a UK listed company, whilst also ensuring that it was designed to continue to attract and retain US-based management and employees of the highest calibre;
- In accordance with the Remuneration Policy, implemented (i) a revised process for the determination of annual cash incentive bonus awards which utilised specific performance targets and weighting set in advance from year to year, and (ii) revised performance metrics for annual LTIP awards solely based upon relative total shareholder return (rTSR);
- Reviewed the LTIP to ensure that it continues to advance the Committee's policy to provide a competitive, performance-linked long-term incentive mechanism that will: (i) attract, retain and motivate individuals with the required personal attributes, skills and experience, (ii) provide a real incentive to achieve the Company's long-term strategic objectives, and (iii) and align the interests of management and shareholders;
- Set the management by objectives (MBOs), including financial, operational, technical and other performance targets and their weightings at the start of 2016, and determined the level of achievement against the MBOs at the end of the year, 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 2017;
- Issued LTIP awards on 9 May 2016;
- Reviewed progress against 2014, 2015 and 2016 LTIP award performance targets for the last financial year;
- Established 2014 and 2015 LTIP award performance targets for the current financial year; and
- Reviewed the remuneration reporting regulations in connection with the review and revision of the Group's Remuneration Policy and preparation of the Directors' Remuneration Report.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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 Korn Ferry I Hay Group carried out in the period from November 2016 through December 2016. Korn Ferry I Hay Group performed peer benchmarking to assist the Committee with determinations regarding base salary, cash incentive bonus awards, and proposed LTIP awards. Fees paid to Korn Ferry I Hay Group in connection with advice to the Committee in 2016 were $30,000 (2015: $28,000). Korn Ferry I Hay Group did not provide any other services or advice to the Group during the year. They are a member of the Remuneration Consultants Group and adhere to its Code of Conduct in relation to executive remuneration consulting in the UK.

Statement of voting at general meeting

The table below sets out the proxy results of the vote on the Group's Remuneration Report and Remuneration Policy at the Group's 2016 AGM:

	VOTES FOR		VOTES AGAINST			
	NUMBER	% OF CAST VOTES	NUMBER	% OF CAST VOTES	VOTES CAST	VOTES WITHHELD
Remuneration Report	144,357,660	93.16%	10,604,891	6.84%	154,962,551	2,642,679
Remuneration Policy	143,253,719	91.64%	13,062,976	8.36%	156,316,695	1,288,535

Remuneration disclosure

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

Approval

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

Kevin Sharer
Chairman of the Remuneration Committee

27 April 2017

AUDIT COMMITTEE REPORT

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

MEMBERSHIP

The Committee comprises three independent Non-executive Directors. Members of the Committee are appointed by the Board. The CEO, COO, CFO, General Counsel and external auditors also participate in Committee meetings by invitation. As Chair of the Audit Committee, Mr. Jeff Rohr has relevant, recent financial experience being a Certified Public Accountant with over thirty years of senior management and executive experience. At the beginning of 2016, Mr. Rick Davis and Mr. Kevin Sharer served as the other two independent members of the Committee. In January 2016, Ms. Jill Smith was appointed to replace Mr. Sharer. Ms. Smith served as a member of the Audit Committee throughout 2016, but was replaced by Kevin Sharer on 10 March 2017 upon her appointment as interim Chief Executive Officer and Executive Director.

The Committee met five times in 2016, and the external auditors participated in four of these meetings. Mr. Rohr and Ms. Smith were present at all meetings during the year during their term of service, and Mr. Davis missed two meetings due to an unexpected or previously scheduled conflict.

RESPONSIBILITIES

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

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

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

AUDIT COMMITTEE REPORT *(CONTINUED)*

ACTIVITIES DURING THE YEAR

The Committee's activities for the year ended 31 December 2016 included the responsibilities set forth above, as well as the items set forth below:

Financial reporting

- Reviewed and approved the appropriate audit plan, before the start of the annual audit cycle;
- Reviewed and provided comments and recommendations in respect of the financial statements in the half-yearly report for the period ended 30 June 2016, and the financial statements in the Annual Report and Accounts for the year ended 31 December 2016;
- 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; and
- 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.

The Committee is satisfied that this Annual Report as a whole is fair, balanced and understandable, and provides the information necessary for a reasonable shareholder to assess the Company's performance, business model and strategy.

Internal controls and risk management systems

- Reviewed the principal elements of the Company's risk management framework as set out on pages 31to 36 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, Prospects and Procedures (FPPP) of the Company following the adopted risk approach; and
- Reviewed the whistleblower policy that was established and approved by the Board in 2014, which has been communicated to employees. The Audit Committee is satisfied that the policy has been designed to encourage staff to report suspected wrongdoing as soon as possible, provide staff with guidance on how to raise those concerns, and ensure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken.

SIGNIFICANT AREAS REPORTED TO THE BOARD

Valuation of Group subsidiaries

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

AUDIT COMMITTEE REPORT *(CONTINUED)*

The Audit Committee discusses with management and the auditors the appropriateness of the adopted methodology and approach in deriving the GSOAV. Further details of the Group valuation methodology are outlined in note 11 on pages 136 to 137. Although the fair values of the Group's investments in subsidiaries are not included in the Group's Consolidated Statement of Financial Position, additional disclosures are provided in the notes to the Consolidated Financial Statements. This is a significant performance metric for the Group.

Financial instruments – subsidiary preferred shares

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

EXTERNAL AUDIT

- Reviewed and approved the scope of the external audit procedures over the half-yearly report for the period ended 30 June 2016, and the Annual Report and Accounts for the year ended 31 December 2016;
- Discussed with management and agreed upon the terms of the engagement of the external auditors and the auditors' remuneration for audit and non-audit services. In assessing independence, the Audit Committee received the auditor's presentation and confirmation that in its professional judgment, KPMG LLP 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 LLP 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 LLP 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 LLP to the Committee that highlighted key areas of focus during the audit and the applied audit approach, and obtained feedback from the finance department in respect to quality and status of KPMG LLP work in the course of the audit. The Committee concluded that the audit process during the year was effective; and
- Reviewed and discussed the principal areas of financial reporting risk, as highlighted above, and reported to the Board.

KPMG LLP has been the external auditor of the Group since the first audit of the consolidated financial statements in 2008. The total fees to KPMG LLP for the year ended 31 December 2016 were $0.6 million, of which $0.1 million was for non-audit services (see note 5 of the consolidated financial statements). The Audit Committee has considered the recent European Union audit reforms in terms of tendering and auditor's tenure. Given that the Group listed on the London Stock Exchange during 2014 and became a public interest entity (PIE), the next anticipated requirement to tender audit will be for the 2024 calendar year. As such, the Company is complying with the Statutory Audit Services Order.

AUDIT COMMITTEE REPORT *(CONTINUED)*

INTERNAL AUDIT

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

Jeffrey Rohr

Jeff Rohr
Chairman of the Audit Committee

27 April 2017

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 2016 set out on pages 101 to 162. 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 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2. OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

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

Disclosure of Group Subsidiary Ownership Adjusted Value ($416.2 million, 2015: $535.8 million) Risk vs FY15 ◄►

Refer to page 92 (Audit Committee Report) and pages 135 to 137 (financial disclosures)

The risk - The Group owns 33 subsidiaries in which it has ownership stakes of between 30.25% and 100%. The results and financial position of the subsidiaries are consolidated in the group accounts. Although the Group's holdings in subsidiaries are not included in the Consolidated Statement of Financial Position at fair value, the financial statements do include additional disclosure in relation to the **Group Subsidiary Ownership Adjusted Value** of the subsidiaries, as the Directors have determined that it is appropriate to voluntarily present, as supplementary information. The policy adopted by the Group is detailed in note 11. The Group's subsidiaries are, for the most part, still at the development stage and the majority do not yet generate revenues. This has therefore been determined to be a significant risk for our audit for the following reasons:

- as a result of the group policy not to formally revalue each subsidiary at each accounting period end there is significant judgement required to assess if there has been an indication of a decrease in the value of a subsidiary, therefore requiring a valuation;
- where there is a valuation driven by a DCF, the inherent uncertainty involved in forecasting the trading of such companies and the significant level of judgement required to determine the assumptions used in the DCFs such as discount rate, revenue and EBIT forecasts and probability of success and the valuations are sensitive to changes in these assumptions;
- for valuations based on recent third party funding rounds, the relatively low number of investors partaking in funding rounds meaning that there is a risk that recent investment on which fair value is based are not sufficiently at arm's length to ensure an independent market valuation representative of fair value and;
- the significance of the **Group Subsidiary Ownership Adjusted Value** disclosures in the group accounts to the users of the financial statements.

Our response - In this area our procedures included,

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED MINDS PLC ONLY *(CONTINUED)*

- Where it had been determined that no formal valuation, will be prepared in the current year we assessed the appropriateness of this conclusion by critically assessing the performance of the related subsidiaries compared to prior year forecasts to identify indications of a decrease in the value of the company. We challenged the explanations received for the variances in the context of the progression of the entity towards achieving milestones set and in relation to wider industry trends in the period.
- Where valuations are based on the implied value from the most recent third party funding we assessed the accuracy of the data used including agreeing to share subscription agreements and shareholding structures as detailed in the capitalisation tables. We evaluated the independence of the funding rounds on which the valuation was based by looking at the number of external investors included within the funding round, the significance of their investments and whether they are sufficiently independent from the Group to form a basis for the valuation.
- Where valuations had been prepared by an external expert on behalf of the company we used our own valuation specialists to assist us in evaluating the assumptions and methodologies used in the valuations. We critically assessed the appropriateness of the assumptions underlying the forecasts, including assumptions over projected revenue including forecast product commercialisation or license date and royalty rates where applicable and operating costs and EBIT margin terminal values and the probability of success factors where applicable. 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.
- We critically assessed the appropriateness of the discount rates applied, with specific focus on the company specific premium and the appropriateness of the probability of success, assessing also for consistency with the assumptions used in the prior year.
- We also assessed whether the Group's disclosures were consistent with the valuations performed and whether the group's disclosures adequately highlighted the uncertainty inherent in the valuations.

Financial instruments – preferred shares classification and valuation ($140.9 million, 2015: $94.1 million) Risk vs FY15 ◄►

Refer to page 92 (Audit Committee Report), pages 109 to 110 (accounting policy) and pages 141 to 145 and pages 147 to 148 (financial disclosures)

The risk – The Group finances its operations and subsidiaries partly through financial instruments such as preferred shares. There is a significant level of judgement in determining whether the instruments should be classified as debt or equity and, when classified as debt, whether there are any embedded derivatives that require separation and would prevent the designation of the entire hybrid contract at fair value through profit or loss. The fair value is derived using the option pricing model which involves a significant level of judgement around the key assumptions, such as subsidiary values (either the implied value from a third party funding round, a valuation based on a DCF or asset based valuation – see relevant sections in "Disclosure of Group Subsidiary Ownership Adjusted Value"), volatility, expected time to the conversion event, forecast exit dates and scenarios and applicable probability weighting.

Our response – in this area our procedures included,:

- We critically assessed the conclusions reached by the Group in relation to the debt versus equity classification of the issued financial instruments by considering the key terms and features of the contracts through applying and interpreting relevant accounting standards;
- Where the Group designated the entire hybrid contract at fair value through profit or loss, we evaluated

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED MINDS PLC ONLY *(CONTINUED)*

whether certain embedded derivatives required separate accounting by critically assessing the key terms and features of those derivatives.

- The value of the subsidiary which is a key input into the option pricing model to give the value per share is either based on a third party funding round or on a DCF and therefore the procedures performed are detailed in 'our responses' to the 'disclosure of group subsidiary ownership adjusted value'.
- We used our own valuation specialists to assist us in critically assessing other key inputs utilised within the option pricing model. These key inputs were assessed for reasonableness by reference to externally derived data or internal data. In the case of the volatility assumption, comparable company data is utilised and is critically assessed for appropriateness. Internal data such as strategic plans, forecasts and budgets and actual results are utilised for inputs such as exit dates and scenarios and probability of exit scenarios where procedures performed include comparing to prior periods for consistency, understanding key changes and critically assessing current progress against milestones set and assessing where there is an impact on the forecast exit date and assessing whether the assumptions used are consistent with the strategic plans. We assessed the assumptions used for consistency with the prior year and with assumptions used in the other portfolio companies and critically assessed variances as appropriate, understanding and challenging the variances based on our knowledge of the group;
- We also assessed whether the Group's disclosures were consistent with the conclusions reached in relation to both the classification of the financial instruments and in relation to the key assumptions related to the valuations.

In our audit report for the year ended 31 December 2015 we included Development Cost Capitalisation as one of the risks of material misstatement that had the greatest effect on our audit. We continue to perform procedure over this risk, however, having gained a better understanding of the business and the products under development it has been determined that, given that the products being developed are a number of years from technical feasibility and also the fact that when technical feasibility and commercial viability are established there is then limited further spend on R&D we have not assessed this as one of the risk that had the greatest effect on our audit and, therefore, it is not separately identified in our report this year.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the group financial statements as a whole was set at $1 million (2015: $1 million), determined with reference to a benchmark of group total expenses, of $116 million (2015: $100 million), of which it represents 1% (2015: 1%), 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 reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $50 thousand (2015: $50 thousand), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's three (2015: two) reporting components, we subjected three (2015: two) to audits for group reporting purposes. This covered 100% of total group revenue, group loss before tax, and total group assets. The group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The group team approved the component materiality, which ranged from $200,000 to $900,000 (2015: $150,000 to $500,000), having regard to the mix of size and risk profile of the components. The work on two of the three components (2015: one of the two components) was performed by component auditors and the rest by the group team.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED MINDS PLC ONLY *(CONTINUED)*

The group audit team maintained close communication with the component audit team throughout the engagement including but not limited to discussions and meetings in relation to risks identified, the audit approach to be adopted, the results of procedures performed and significant findings and visited the site at which two (2015: one) of the components are located.

4. OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

5. WE HAVE NOTHING TO REPORT ON THE DISCLOSURES OF PRINCIPAL RISKS

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

- the directors' Viability Statement on page 45, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 31 December 2019; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. WE HAVE NOTHING TO REPORT IN RESPECT OF THE MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED MINDS PLC ONLY *(CONTINUED)*

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 57 and 45, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 48 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

SCOPE OF REPORT AND RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on page 46, 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

27 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

FOR THE YEAR ENDED 31 DECEMBER	NOTE	2016 $ '000	2015 $ '000
Revenue	3	2,664	3,000
Operating expenses:			
Cost of revenue	4,5	(5,563)	(3,925)
Selling, general and administrative expenses	4,5	(55,484)	(46,888)
Research and development expenses	4,5	(55,292)	(49,209)
OPERATING LOSS		(113,675)	(96,722)
Finance income	7	2,879	723
Finance cost	7	(561)	(53)
Finance cost from IAS 39 fair value accounting	7	(17,585)	(1,937)
FINANCE COST, NET		(15,267)	(1,267)
Loss before taxation		(128,942)	(97,989)
Taxation	25	—	—
LOSS FOR THE PERIOD		(128,942)	(97,989)
OTHER COMPREHENSIVE LOSS:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		208	46
OTHER COMPREHENSIVE INCOME, NET OF TAXATION		208	46
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(128,734)	(97,943)
LOSS ATTRIBUTABLE TO:			
Equity holders of the parent		(96,333)	(77,797)
Non-controlling interests	17	(32,609)	(20,192)
		(128,942)	(97,989)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Equity holders of the parent		(96,125)	(77,752)
Non-controlling interests		(32,609)	(20,191)
		(128,734)	(97,943)
LOSS PER SHARE		$	$
Basic	8	(0.44)	(0.36)
Diluted	8	(0.44)	(0.36)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER	NOTE	2016 $ '000	2015 $ '000
NON-CURRENT ASSETS			
Property and equipment	9	31,882	34,173
Intangible assets	10	2,762	4,384
Investment in equity accounted investees	11	—	1,612
Other investments	12	2,668	51,545
Other financial assets	22	904	842
Other non-current assets		16	228
TOTAL NON-CURRENT ASSETS		38,232	92,784
CURRENT ASSETS			
Cash and cash equivalents	13	209,151	105,555
Other investments	12	14,244	37,648
Inventories	14	2,551	1,511
Trade and other receivables	15	5,900	7,342
Subscription receivable	22	—	6,000
Other financial assets	22	161	371
TOTAL CURRENT ASSETS		232,007	158,427
TOTAL ASSETS		270,239	251,211
EQUITY			
Share capital	16	3,657	3,429
Share premium	16	157,067	155,867
Merger reserve	16	263,435	185,544
Translation reserve	16	192	(16)
Accumulated deficit [i]	16	(289,437)	(192,819)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		134,914	152,005
Non-controlling interests [i]	16, 17	(20,797)	(10,631)
TOTAL EQUITY		114,117	141,374
NON-CURRENT LIABILITIES			
Loans	19	—	112
Other non-current liabilities	20	720	751
TOTAL NON-CURRENT LIABILITIES		720	863
CURRENT LIABILITIES			
Trade and other payables	20	13,941	14,268
Deferred revenue	3	458	395
Loans	19	115	228
Subsidiary preferred shares	18	140,888	94,083
TOTAL CURRENT LIABILITIES		155,402	108,974
TOTAL LIABILITIES		156,122	109,837
TOTAL EQUITY AND LIABILITIES		270,239	251,211

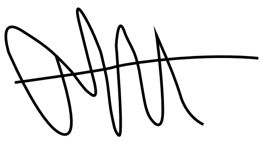
[i] The 2015 amounts have been reclassified. See note 1.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*CONTINUED*)

Registered number: 8998697

The financial statements on pages 101 to 155 were approved by the Board of Directors and authorised for issue on 27 April 2017 and signed on its behalf by:



Jill Smith
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	SHARE CAPITAL		SHARE	MERGER	TRANSLATION	ACCUMULATED	TOTAL PARENT	NON-CON-TROLLING	TOTAL
		SHARES	AMOUNT	PREMIUM	RESERVE	RESERVE	DEFICIT [i]	EQUITY	INTERESTS [i]	EQUITY
			$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
BALANCE AT 31 DECEMBER 2014		214,445,579	3,411	153,442	185,544	(61)	(115,027)	227,309	(2,524)	229,833
TOTAL COMPREHENSIVE LOSS FOR THE YEAR										
Loss from continuing operations		—	—	—	—	—	(77,797)	(77,797)	(20,192)	(97,989)
Foreign currency translation		—	—	—	—	45	—	45	1	46
TOTAL COMPREHENSIVE LOSS FOR THE YEAR						45	(77,797)	(77,752)	(20,191)	(97,943)
Gain/(loss) arising from change in non-controlling interest	17	—	—	—	—	—	(3,228)	(3,228)	3,228	—
Exercise of stock options	6	1,191,784	18	2,425	—	—	—	2,443	—	2,443
Equity-settled share based payments	6	—	—	—	—	—	3,233	3,233	3,808	7,041
BALANCE AT 31 DECEMBER 2015		215,637,363	3,429	155,867	185,544	(16)	(192,819)	152,005	(10,631)	141,374
TOTAL COMPREHENSIVE LOSS FOR THE YEAR										
Loss from continuing operations		—	—	—	—	—	(96,333)	(96,333)	(32,609)	(128,942)
Foreign currency translation		—	—	—	—	208	—	208	—	208
TOTAL COMPREHENSIVE LOSS FOR THE YEAR						208	(96,333)	(96,125)	(32,609)	(128,734)
Issuance of ordinary shares	16	17,457,015	219	—	77,891	—	—	78,110	—	78,110
New funds into non-controlling interest	16	—	—	—	—	—	—	—	13,773	13,773
Gain/(loss) arising from change in non-controlling interest	17	—	—	—	—	—	(6,229)	(6,229)	6,229	—
Exercise of stock options	6	650,000	9	1,200	—	—	—	1,209	—	1,209
Equity-settled share based payments	6	—	—	—	—	—	5,944	5,944	2,441	8,385
BALANCE AT 31 DECEMBER 2016		233,744,378	3,657	157,067	263,435	192	(289,437)	134,914	(20,797)	114,117

[i] The 2014 and 2015 amounts have been reclassified. See note 1.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER	NOTE	2016	2015
		$ '000	$ '000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net operating loss		(113,675)	(96,722)
Adjustments to reconcile net loss to net cash			
used in operating activities:			
Depreciation	9	5,714	3,339
Amortisation	10	921	747
Impairment losses on property and equipment	9	340	308
Impairment losses on intangible assets	10	1,025	1
Share-based compensation expense	5,6	8,385	7,041
Changes in working capital:			
(Increase)/decrease in inventory	14	(1,040)	1,408
Decrease/(increase) in trade and other receivables	15	1,442	(1,505)
Decrease in other assets		361	—
(Decrease)/increase in trade and other payables	20	(327)	2,929
(Decrease)/increase in other non-current liabilities	20	(31)	569
Increase(decrease) in deferred revenue	3	63	(749)
Interest received	7	1,610	721
Interest paid	7	(527)	(41)
Other finance income	7	519	36
NET CASH USED IN OPERATING ACTIVITIES		(95,220)	(81,918)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment, net of disposals	9	(3,763)	(21,490)
Purchases of intangible assets, net of disposals	10	(324)	(1,723)
Disposal of investment in equity accounted investees	11	2,535	—
Disposal/(purchases) of other investments	12	72,281	(51,786)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		70,729	(74,999)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	16	1,209	2,443
Repayment of notes payable	19	(225)	(211)
Proceeds from issuance of share capital	16	78,110	—
Proceeds from issuance of share capital in subsidiaries	17	13,773	—
Proceeds from issuance of preferred shares in subsidiaries	18	35,220	36,165
NET CASH PROVIDED BY FINANCING ACTIVITIES		128,087	38,397
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		103,596	(118,520)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		105,555	224,075
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		209,151	105,555

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016. The group financial statements consolidate those of the Company and its subsidiaries and include the Group's interest in associates using the equity method of accounting. 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.

Reclassification

During the year management further considered certain aspects of accounting for share options issued by subsidiary companies and concluded that the credit in equity associated with the related IFRS 2 charges is more appropriately allocated wholly to non-controlling interests rather than pro-rata to parent equity and non-controlling interests. As a result a reclassification has been reflected at 31 December 2015 to reduce negative non-controlling interests and reduce accumulated deficit within parent equity by $10.2 million (31 December 2014: $7.5 million). There is no impact on total equity at either 31 December 2015 or 31 December 2014 and no impact on the consolidated statement of comprehensive loss for the year ended 31 December 2015.

Basis of Measurement

The consolidated financial statements, with exception of financial instruments, have been prepared on the historical cost basis.

Use of Judgments and Estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively. The effects on the amounts recognised in the consolidated financial statements, or on other alternative performance measures, is included in the following notes:

- Note 11 and 18 – portfolio and subsidiary preferred shares valuations: when determining the appropriate valuation methodology and deriving the estimated fair value of subsidiary undertakings and subsidiary preferred shares. This includes 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.
- Note 18 – subsidiary preferred shares liability classification: when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment whether the financial instrument include any embedded derivative features, whether they include a contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company's

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgments and estimates is included below under Financial Instruments.

Changes in Accounting Policies

No other new standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the Group's financial statements.

Going Concern

The Directors have prepared trading and cash flow forecasts for the Group covering the period to 31 December 2019. 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 $226 million of available funds in the form of cash and fixed income securities as at 31 December 2016, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the period to 31 December 2019. 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 the consolidated financial statements for each of the years ended 31 December 2016 and 2015 comprises the financial statements of Allied Minds plc 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 share of losses exceeds its interest in an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 (U.S. dollar) at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non- controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

Cash and Cash Equivalents

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

Inventories

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

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

Financial Instruments

Financial Assets

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

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

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. Fixed income securities are recognised at fair value through profit and loss. The remaining categories are recognised at amortised cost using the effective interest rate method.

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 until a maximum maturity of three years.

Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 at fair value through profit and loss 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 financial liabilities and recorded at fair value.

The Group's financial liabilities include subsidiary preferred shares some of which incorporate embedded derivatives. In accordance with IAS 39.11 the Group has elected not to bifurcate the embedded derivative but fair value the entire instrument at each reporting date. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Financial instruments issued by the Group

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

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the financial instrument is classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in the financial information for share capital and merger reserve account exclude amounts in relation to those shares.

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

Share Capital

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

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

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

Intangible Assets

Licenses (or Options to License) and Purchased In Process Research & Development

Licenses or options to license represent licenses or such options provided by universities, federal laboratories, and scientists in exchange for an equity ownership in the entities or cash. Purchased in process research & development (''IPR&D'') represents time and expertise already invested by the scientist and provided in exchange for an equity interest in the entity. Licenses or options to license and purchased IPR&D are valued based on the amount of cash directly paid to acquire those assets or based on the amount of cash contributed by Allied Minds, at inception of the subsidiary, and the proportionate amount of equity ascribed to Allied Minds. The licenses or options to license and IPR&D are capitalised only when they meet the criteria for capitalisation, namely separately identifiable and measurable and it is probable that economic benefit will flow to the entity.

Capitalised Development Costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

Taxation

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

Current Income Tax

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

Deferred Income Tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

Impairment

Impairment of Non-Financial Assets

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

The Group reviews the carrying amounts of its property and equipment and finite-lived intangibles at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets which are not yet available for use are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (''CGUs'').

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

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

Impairment of Financial Assets

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

Objective evidence that financial assets are impaired includes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 or its subsidiaries receive goods or services as consideration for their own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group or its subsidiaries. Grants of equity instruments under the subsidiary stock option incentive plans are accounted for as equity-settled in the consolidated accounts of the parent and are reflected in equity as a credit to Non-Controlling Interest.

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 pricing 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Phantom Plan

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

Provisions

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

Revenue Recognition

Sale of Goods

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

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

Rendering of Services

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

Government Grants

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

License Revenue

The Group recognises revenue from fees associated with licensing of its technologies to third parties in the form of license fees and royalties on an accruals basis in accordance with the substance of the relevant agreement and when the Company's right to receive payment is established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

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

Operating Leases

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

Operating Segments

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

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

2.) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2017, 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. The Group is currently considering the impact of the proposed changes but their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

IFRS 9, 'Financial instruments', deals with recognition, measurement, classification and impairment and derecognition of financial instruments. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard may require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 December 2016 under IAS 39.

Classification – Financial assets

IFRS 9 contains three principal classification categories for financial assets that reflect the business model in which assets are managed and their cash flow characteristics: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its financial assets that are managed on a fair value basis.

Other investments

At 31 December 2016, the Group had equity investments in the form of fixed income securities classified as available-for-sale with a fair value of $16.9 million that are held for supporting the short-term liquidity needs of the Group. The Group does not expect the purpose of those investment to change and as such, all fair value gains and losses will continue to be recognised in profit or loss as they arise.

Investments in subsidiaries

Currently, all group subsidiaries are fully consolidated in the consolidated financial statements. The value of those investments is disclosed as an alternative performance measure, which was determined at $416.2 million as of 24 April 2017. In future, the Company's position in those investments may be reduced to a point where the Company no longer exercises control over these entities and they are deconsolidated from the group accounts and presented separately as investments in equity securities on the consolidated statement of financial position. If these investments continue to then be held for the same long-term strategic purposes, per the application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognised in profit or loss as they arise, increasing volatility in the Group's profits.

Classification – Financial liabilities

Under IAS 39 all fair value changes of liabilities designated as at fair value through profit or loss are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

The Group has designated subsidiary preferred shares liability at FVTPL. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 31 December 2016.

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

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. For sale of certain products that require extensive testing and acceptance period, revenue is currently recognized upon final acceptance from the customer and the consideration is received or the uncertainty around it is removed, i.e. related risk and regards of ownership are transferred to the customer and the economic benefits from the transaction flow to the Company. Under IFRS 15, revenue can be recognised earlier when a customer obtains control of a good or service while the product goes through the testing period and thus has the ability to direct the use and obtain the benefits from the good or service. However, risk of collectability may still exist and prevent from earlier revenue recognition. The Group assessed the impact of IFRS 15 on existing and future expected revenue transactions and concluded that the adoption of IFRS 15 will have no material impact on the group consolidated financial statements.

Amendments to IAS 7, 'Statement of cash flows' disclosure initiative (effective date to be confirmed)

Amendments to IAS 12, 'Income taxes' regarding the recognition of deferred tax assets for unrealised losses (effective date to be confirmed)

Amendments to IFRS 2, 'Share-based Payment' to clarify classification and measurement (effective date to be confirmed)

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

3.) REVENUE

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

FOR THE YEAR ENDED 31 DECEMBER:	2016 $'000	2015 $'000
Product revenue	1,829	2,208
Service revenue	835	606
Grant revenue	—	486
TOTAL REVENUE IN CONSOLIDATED STATEMENT OF LOSS	2,664	3,300

Product revenue includes license revenue of $55,000 and $10,000 during 2016 and 2015, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Customer deposits	297	—
Other deferred revenue, current	161	395
TOTAL DEFERRED REVENUE IN STATEMENT OF FINANCIAL POSITION	458	395

4.) OPERATING SEGMENTS

Basis for Segmentation

For management purposes, the Group's principal operations are currently organised in two types of activities:

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

(2.) 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 2016 and 2015, respectively:

	2016 $'000					
	EARLY STAGE		COMMERCIAL		OTHER	
	STT	OTHER	RFB	OTHER	OPERATIONS	CONSOLIDATED
STATEMENT OF COMPREHENSIVE LOSS						
Revenue	—	622	553	1,489	—	2,664
Cost of revenue	—	(134)	(3,911)	(1,518)	—	(5,563)
Selling, general and administrative expenses	(8,628)	(17,392)	(4,304)	(5,536)	(19,624)	(55,484)
Research and development expenses	(15,006)	(39,048)	(140)	(1,098)	—	(55,292)
Finance income/(cost), net	(9,791)	(7,682)	—	(26)	2,232	(15,267)
LOSS FOR THE PERIOD	(33,425)	(63,634)	(7,802)	(6,689)	(17,392)	(128,942)
Other comprehensive income/(loss)	—	—	(74)	—	282	208
TOTAL COMPREHENSIVE LOSS	(33,425)	(63,634)	(7,876)	(6,689)	(17,110)	(128,734)
Total comprehensive loss attributable to:						
Equity holders of the parent	(16,924)	(52,173)	(4,523)	(5,395)	(17,110)	(96,125)
Non-controlling interests	(16,501)	(11,461)	(3,353)	(1,294)	—	(32,609)
TOTAL COMPREHENSIVE LOSS	(33,425)	(63,634)	(7,876)	(6,689)	(17,110)	(128,734)
STATEMENT OF FINANCIAL POSITION						
Non-current assets	29,235	3,402	738	1,032	3,825	38,232
Current assets	13,859	78,197	4,808	822	134,321	232,007
TOTAL ASSETS	43,094	81,599	5,546	1,854	138,146	270,239
Non-current liabilities	(90)	(4)	(18)	(110)	(498)	(720)
Current liabilities	(64,394)	(86,362)	(1,075)	(493)	(3,078)	(155,402)
TOTAL LIABILITIES	(64,484)	(86,366)	(1,093)	(603)	(3,576)	(156,122)
NET ASSETS	(21,390)	(4,767)	4,453	1,251	134,570	114,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

In 2016, Cost of revenue and Selling, general and administrative expenses of segments STT, Early stage – other, RFB, Commercial stage – other, and Other operations included depreciation and amortisation expense of $4,728,000, $1,036,000, $480,000, $238,000, and $153,000 respectively (2015: $2,316,000, $936,000, $554,000, $232,000, and $49,000).

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 2016 and 2015 are considered to be entirely derived from its operations within the United States and accordingly no additional geographical discloses are provided.

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:	2016	2015
Selling, general and administrative	88	73
Research and development	121	87
TOTAL	209	160

The aggregate payroll costs of these persons were as follows:

FOR THE YEAR ENDING 31 DECEMBER:	2016	2015
	$'000	$'000
Selling, general and administrative	28,913	22,416
Research and development	21,644	17,710
TOTAL	50,557	40,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Total operating expenses were as follows:

FOR THE YEAR ENDING 31 DECEMBER:	2016 $'000	2015 $'000
Salaries and wages	36,050	27,602
Payroll taxes	2,110	1,781
Healthcare benefit	2,837	2,328
Other payroll cost	1,175	1,374
Share-based payments	8,385	7,041
TOTAL	50,557	40,126
Cost of revenue	5,563	3,925
Other SG&A expenses	26,571	24,472
Other R&D expenses	33,648	31,499
TOTAL OPERATING EXPENSES	116,339	100,022

	2016 $'000	2015 $'000
AUDITOR'S REMUNERATION		
Audit of these financial statements	425	346
Audit of the financial statements of subsidiaries	20	20
Review of half-yearly report	106	89
Taxation compliance services	—	49
	551	504

The cumulative amount of litigation settlements during 2016 is $1,750,000.

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

6.) SHARE-BASED PAYMENTS

UK Long Term Incentive Plan

On 19 June 2014, Allied Minds plc established the UK Long Term Incentive Plan ("LTIP"). Under the LTIP, awards over Ordinary Shares may be made to employees, officers and Directors, and other individuals providing services to the Company and its subsidiaries. Awards may be granted in the form of share options, share appreciation rights, restricted or unrestricted share awards, performance share awards, restricted share units, phantom-share awards and other share-based awards. Awards were made under the LTIP upon the Company's admission to the LSE at the IPO. Vesting is subject to the achievement of performance conditions and continued services of the participant. In respect of these initial awards made to employees at the IPO, vesting is dependent upon performance metrics as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- 60 per cent of each award will be subject to performance conditions based on the Company's total shareholder return ("TSR") performance over a three year period; and
- 40 per cent of each award will be subject to performance conditions based on a basket of shareholder value metrics ("SVM"). 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 measurement period, performance against the relevant measures is calculated to determine the number of Ordinary Shares which have satisfied the vesting criteria and 50 per cent of the award will then vest at that time. The remaining 50 per cent will vest in two equal tranches after one and two years from the end of the vesting period, respectively, 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).

Subsequently, in the first half of 2015, annual awards were made to employees under the LTIP that vest 100 per cent after the three year measurements period subject to both the TSR and SVM performance conditions.

During 2016, annual awards were made to employees of the Group under the LTIP that vest 100 per cent after the three year measurements period subject to the TSR performance conditions only.

Awards made to Directors of Allied Minds vest 100 per cent after a three year period subject to continued service condition only.

Awards have been made under the LTIP during 2016 and 2015 in respect of a total of 1,499,247 and 450,251 Ordinary Shares, respectively. A summary of stock option activity under the UK LTIP for the year ended 31 December 2016 and 2015, respectively, is shown below:

FOR THE YEAR ENDED 31 DECEMBER:	2016		2015	
	TSR	SVM	TSR	SVM
Number of shares granted at maximum ('000)	1,443	56	170	280
Weighted average fair value (£)	2.19	3.37	7.01	5.99
Fair value measurement basis	Monte Carlo	Market value of ordinary share	Monte Carlo	Market value of ordinary share

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 non-market 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 and the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

vesting conditions are taken into account by subsequently adjusting the number of instruments included in the measurement of the transaction amount so that, ultimately, the amount of recognised share-based expense is based on the number of instruments that eventually vest.

The 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 2016 related to the UK LTIP was $5.9 million (2015: $3.1 million).

U.S. Stock Option/Stock Issuance Plan

The U.S. Stock Option/Stock Issuance Plan (the "U.S. Stock Plan") was originally adopted by Allied Minds, Inc. (now Allied Minds, LLC) in 2008. The U.S. Stock Plan provides for the grant of share option awards, restricted share awards, and other awards to acquire common stock of Allied Minds, Inc. (now Allied Minds, LLC). All stock options granted to employees under this plan are equity settled, for a ten-year term. Pursuant to the Company's IPO in 2014, Allied Minds plc adopted and assumed the rights and obligations of Allied Minds, Inc. (now Allied Minds, LLC) under this plan except that the obligation to issue Common Stock is replaced with an obligation to issue ordinary shares to satisfy awards granted under the U.S. Stock Plan.

No new stock option grants were awarded in 2016 and 2015 under the Allied Minds 2008 Plan. A summary of stock option activity in the U.S. Stock Plan is presented in the following table:

	NUMBER OF OPTIONS 2016	WEIGHTED AVERAGE EXERCISE PRICE 2016	NUMBER OF OPTIONS 2015	WEIGHTED AVERAGE EXERCISE PRICE 2015
OUTSTANDING AS OF 1 JANUARY	9,204,712	$ 2.10	10,396,496	$ 2.09
Granted during the year	—	—	—	—
Exercised during the year	(650,000)	$ 1.86	(1,191,784)	$ 2.05
Forfeited during the year	—	—	—	—
OUTSTANDING AS OF 31 DECEMBER	8,554,712	$ 2.12	9,204,712	$ 2.10
Exercisable as of 31 December	8,554,712	$ 2.12	9,204,712	$ 2.10
Intrinsic value of Exercisable	$ 31.5 million		$ 35.2 million	

The options outstanding as of 31 December 2016 and 31 December 2015 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 Company's IPO in 2014, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

The share-based payment charge for the fiscal year ended 31 December 2016 related to the U.S. Stock Plan was $57,000 (2015: $131,000).

Other Plans

Spin Transfer Technologies

Stock compensation expense was approximately $1,129,000 and $1,937,000 and for the year ended 31 December 2016 and 2015, respectively. Deferred stock compensation expense under these grants was approximately $1,199,000 and $1,277,000 as of 31 December 2016 and 2015, respectively.

The fair value of the stock option grants awarded in 2016 and 2015 under the 2012 Equity Incentive Plan was estimated as of the date of grant using a Black-Scholes- Merton option valuation model that uses the following weighted average assumptions:

	2016	2015
Expected option life (in years)	6.10	5.79
Expected stock price volatility	40.99%	41.54%
Risk-free interest rate	1.21%	1.79%
Expected dividend yield	—	—
Grant date option fair value	$ 3.18	$ 3.23
Share price at grant date	$ 7.77	$ 7.77
Exercise price	$ 7.77	$ 7.77

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

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

	NUMBER OF OPTIONS 2016	WEIGHTED AVERAGE EXERCISE PRICE 2016	NUMBER OF OPTIONS 2015	WEIGHTED AVERAGE EXERCISE PRICE 2015
OUTSTANDING AS OF 1 JANUARY	1,849,367	$ 7.43	1,440,394	$ 7.29
Granted during the year	346,426	$ 7.77	434,746	$ 7.77
Exercised during the year	—	—	—	—
Forfeited during the year	(7,500)	$ 7.77	(25,773)	$ 5.40
OUTSTANDING AS OF 31 DECEMBER	2,188,293	$ 7.48	1,849,367	$ 7.43
Exercisable as of 31 December	1,397,056	$ 7.34	964,632	$ 7.30
Intrinsic value of Exercisable	$ 0.1 million		$ 0.5 million	

The options outstanding as of 31 December 2016 had an exercise price in the range of $6.97 to $7.77 (2015: $6.97 to $7.77) and a weighted-average contractual life of approximately 8.7 years (2015: 9.1 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Plans Under Other Subsidiaries

The stock compensation expense under other subsidiaries of the Company, which adopted stock option incentive plans in 2016 and prior was $1,312,000 (2015: $1,871,000). Deferred stock compensation expense under these grants as of 31 December 2016 was approximately $1,035,000 (2015: $1,655,000).

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 2016.

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2016 or 2015. 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 $8,385,000 and $7,041,000 for the years ended 31 December 2016 and 2015, respectively. There was no income tax benefit recognised for share- based payment arrangements for the years ended 31 December 2016 and 2015, respectively, due to operating losses. Shared-based payment expenses are included in selling, general and administrative expenses and research and development expenses in the Consolidated Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

7.) FINANCE COST, NET

The following table shows the breakdown of finance income and cost:

FOR THE YEAR ENDED 31 DECEMBER:	2016 $'000	2015 $'000
Interest income on:		
– Bank deposits	1,610	721
Foreign exchange gain	1,269	2
Finance income	2,879	723
Interest expense on:		
– Financial liabilities at amortised cost	(527)	(41)
Foreign exchange loss	(34)	(12)
Finance cost contractual	(561)	(53)
Loss on fair value measurement of subsidiary preferred shares	(17,585)	(1,937)
Finance cost	(18,146)	(1,990)
TOTAL FINANCE COST, NET	(15,267)	(1,267)

See note 18 for further disclosure related to subsidiary preferred shares.

8.) LOSS PER SHARE

The calculation of basic and diluted loss per share as of 31 December 2016 was based on the loss attributable to ordinary shareholders of $96.3 million (2015: $77.8 million) and a weighted average number of ordinary shares outstanding of 217,317,696 (2015: 214,958,849), calculated as follows:

Loss attributable to ordinary shareholders

	2016 $'000		2015 $'000	
	Basic	Diluted	Basic	Diluted
Loss for the year attributed to the owners of the Company	(96,333)	(96,333)	(77,797)	(77,797)
Loss for the year attributed to the ordinary shareholders	(96,333)	(96,333)	(77,797)	(77,797)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Weighted average number of ordinary shares

	2016		2015	
	Basic	Diluted	Basic	Diluted
Issued ordinary shares on 1 January	215,637,363	215,637,363	214,445,579	214,445,579
Effect of share capital issued	1,390,196	1,390,196	—	—
Effect of share options exercised	290,137	290,137	513,270	513,270
Weighted average ordinary shares	217,317,696	217,317,696	214,958,849	214,958,849

Loss per share

	2016 $		2015 $	
	Basic	Diluted	Basic	Diluted
Loss per share	(0.44)	(0.44)	(0.36)	(0.36)

9.) PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following at:

Cost

$'000	MACHINERY AND EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	COMPUTERS AND ELECTRONICS	UNDER CONSTRUCTION	TOTAL
Balance as of 31 December 2014	14,362	403	1,536	601	3,531	20,433
Additions, net of transfers	18,184	169	3,135	564	(562)	21,490
Disposals	(168)	—	—	—	—	(168)
Balance as of 31 December 2015	32,378	572	4,671	1,165	2,969	41,755
Additions, net of transfers	4,560	313	919	239	(2,268)	3,763
Disposals	(1,829)	(23)	(27)	(53)	—	(1,932)
Balance as of 31 December 2016	35,109	862	5,563	1,351	701	43,586

Accumulated Depreciation and Impairment Loss

$'000	MACHINERY AND EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	COMPUTERS AND ELECTRONICS	UNDER CONSTRUCTION	TOTAL
Balance as of 31 December 2014	(3,180)	(149)	(770)	(316)	312	(4,103)
Depreciation	(2,371)	(198)	(235)	(223)	(312)	(3,339)
Impairment loss	(422)	150	(6)	(30)	—	(308)
Disposals	168	—	—	—	—	168
Balance as of 31 December 2015	(5,805)	(197)	(1,011)	(569)	—	(7,582)
Depreciation	(4,378)	(135)	(876)	(325)	—	(5,714)
Impairment loss	(320)	(7)	—	(13)	—	(340)
Disposals	1,829	23	27	53	—	1,932
Balance as of 31 December 2016	(8,674)	(316)	(1,860)	(854)	—	(11,704)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Property and Equipment, net

$'000	MACHINERY AND EQUIPMENT	FURNITURE AND FIXTURES	LEASEHOLD IMPROVEMENTS	COMPUTERS AND ELECTRONICS	UNDER CONSTRUCTION	TOTAL
Balance as of 31 December 2015	26,573	375	3,660	596	2,969	34,173
Balance as of 31 December 2016	26,435	546	3,703	497	701	31,882

Impairment of property and equipment of $340,000 and $308,000 for the years ended 31 December 2016 and 2015, respectively, is mainly attributed to the closing of subsidiary companies, which resulted in the associated assets being impaired, see further detail in note 26. Impairment of property and equipment is included in selling, general and administrative expenses in the consolidated statement of comprehensive income.

Property and equipment under constructions represents assets that are in the process of being built and not placed in service as of the reporting date.

10.) INTANGIBLE ASSETS

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

Cost

$'000	LICENSES	PURCHASED IPR&D	SOFTWARE	DEVELOPMENT COST	TOTAL
Balance as of 31 December 2014	4,385	768	257	303	5,713
Additions - Acquired separately	1,032	—	490	—	1,522
Additions - Internally developed	—	—	—	201	201
Disposals	—	—	(3)	—	(3)
Balance as of 31 December 2015	5,417	768	744	504	7,433
Additions - Acquired separately	85	—	20	—	105
Additions - Internally developed	—	—	—	219	219
Disposals	(681)	—	(34)	(629)	(1,344)
Balance as of 31 December 2016	4,821	768	730	94	6,413

Accumulated Amortisation and Impairment Loss

$'000	LICENSES	PURCHASED IPR&D	SOFTWARE	DEVELOPMENT COST	TOTAL
Balance as of 31 December 2014	(2,103)	(79)	(98)	(24)	(2,304)
Amortisation	(512)	(23)	(180)	(32)	(747)
Impairment loss	—	—	(1)	—	(1)
Disposals	—	—	3	—	3
Balance as of 31 December 2015	(2,615)	(102)	(276)	(56)	(3,049)
Amortisation	(522)	(22)	(318)	(59)	(921)
Impairment loss	(487)	—	—	(538)	(1,025)
Disposals	681	—	34	629	1,344
Balance as of 31 December 2016	(2,943)	(124)	(560)	(24)	(3,651)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Intangible Assests, net

$'000	LICENSES	PURCHASED IPR&D	SOFTWARE	DEVELOPMENT COST	TOTAL
Balance as of 31 December 2015	2,802	666	468	448	4,384
Balance as of 31 December 2016	1,878	644	170	70	2,762

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 $921,000 and $747,000 for the years ended 31 December 2016 and 2015, respectively.

Impairment of intangible assets of $1,025,000 and $1,000 for the years ended 31 December 2016 and 2015, respectively, is mainly attributed to the closing of subsidiary companies, which resulted in the associated intangible assets being impaired to zero, see further detail in note 26. Impairment expense is included in selling, general and administrative expenses in the consolidated statement of comprehensive income.

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 33 subsidiaries as of 31 December 2016. As of and for the two years ended 31 December 2016 the capitalisation of all subsidiary companies in the Group portfolio is in the form of ordinary shares only, except for certain subsidiaries where Series A preferred shares were issued to both the parent company and third parties in financing rounds, namely ABLS II, Federated Wireless, HawkEye 360, Precision Biopsy, SciFluor Life Sciences and Spin Transfer Technologies. Series A preferred shares as per cent of the total ownership percentage of economic interest in those subsidiaries as of 31 December 2016 were 19.14%, 6.71%, 56.11% 18.15%, 3.82% and 8.01%, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

The following outlines the formation of each subsidiary and evolution of Allied Minds' equity ownership interest over the two year period ended 31 December 2016:

	INCEPTION DATE	LOCATION [4]	OWNERSHIP PERCENTAGE OF ECONOMIC INTEREST AT 31 DECEMBER [2] 2016	2015
ACTIVE SUBSIDIARIES				
HOLDING COMPANIES				
Allied Minds, LLC [1], [3]	19/06/14	Boston, MA	100.00%	100.00%
Allied Minds Securities Corp. [3]	21/12/15	Boston, MA	100.00%	100.00%
Project Poldark (Jersey) Limited [3]	29/11/16	Boston, MA	100.00%	—
EARLY STAGE COMPANIES				
ABLS Capital, LLC	09/07/15	Boston, MA	30.25%	—
Allied-Bristol Life Sciences, LLC	31/07/14	Boston, MA	80.00%	80.00%
ABLS I, LLC	24/09/14	Boston, MA	74.00%	80.00%
ABLS II, LLC	24/09/14	Boston, MA	35.95%	80.00%
ABLS III, LLC	10/03/16	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	72.99%	90.58%
Federated Wireless Government Solutions, Inc. [3]	04/05/16	Arlington, VA	72.99%	90.58%
Foreland Technologies, Inc.	23/01/13	Boston, MA	100.00%	100.00%
BridgeSat, Inc.	09/02/15	Boston, MA	100.00%	100.00%
Cephalogics, LLC	29/11/06	Cambridge, MA	95.00%	95.00%
HawkEye 360, Inc.	16/09/15	Herndon, VA	56.11%	81.25%
HawkEye 360 Federal, Inc. [3]	22/09/15	Herndon, VA	56.11%	81.25%
LuxCath, LLC	29/05/12	Boston, MA	98.00%	98.00%
Optio Labs, Inc.	28/02/12	Baltimore, MD	81.23%	81.23%
Percipient Networks, LLC	29/01/14	Wakefield, MA	100.00%	100.00%
Precision Biopsy, Inc.	17/06/08	Denver, CO	64.59%	68.32%
ProGDerm, Inc. (dba Novare Pharmaceuticals)	19/09/08	Boston, MA	90.38%	90.38%
SciFluor Life Sciences, LLC	14/12/10	Cambridge, MA	69.89%	69.89%
Seamless Devices, Inc.	14/10/14	San Jose, CA	79.12%	79.41%
Signature Medical, Inc.	12/12/16	Boston, MA	100.00%	—
Spin Transfer Technologies, Inc.	03/12/07	Fremont, CA	48.40%	48.40%
Vatic Materials, Inc.	21/11/16	Boston, MA	100.00%	—
Whitewood Encryption Systems, Inc.	21/07/14	Boston, MA	100.00%	100.00%
COMMERCIAL STAGE COMPANIES				
Biotectix, LLC	16/01/07	Richmond, CA	64.35%	64.35%
CryoXtract Instruments, LLC	23/05/08	Woburn, MA	93.24%	93.24%
RF Biocidics, Inc.	12/06/08	Sacramento, CA	67.14%	67.14%
RF Biocidics (UK) Ltd [3]	10/09/10	United Kingdom	67.14%	67.14%
SoundCure, Inc. [3]	04/06/09	San Jose, CA	84.62%	84.62%
Tinnitus Treatment Solutions, LLC	26/02/13	San Jose, CA	100.00%	100.00%
CLOSED SUBSIDIARIES				
SiEnergy Systems, LLC [3]	21/09/07	Cambridge, MA	—	100.00%
NUMBER OF ACTIVE SUBSIDIARIES AT 31 DECEMBER:			33	29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Notes:

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

(2.) Represents ownership percentage used in allocations to non-controlling interests except for Federated Wireless, HawkEye 360, Precision Biopsy, SciFluor Life Sciences, and Spin Transfer Technologies in which cases the percentage used to allocate the non-controlling interests was 94.15%, 0%, 80.35%, 86.86%, and 56.13%, respectively, where in these cases there are liability classified preferred shares in issue, which are excluded.

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

(4.) All subsidiaries have a registered office address at CT Corporation System, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States except for Allied Minds Securities Corp. with registered office address at CT Corporation System, 155 Federal Street, Suite 700, Boston, MA 02110, United States; Project Poldark (Jersey) Limited with registered office address 44 Esplanade, St Helier, Jersey, JE4 9WG, United Kingdom and Biotectix, LLC, Cephalogics, LLC, and CryoXtract, LLC at CT Corporation System, 120 South Central Avenue, Suite 400, Clayton, MO 63105, United States.

In April 2016, Allied Minds completed the formation of ABLS Capital, LLC in partnership with existing shareholders of the Group. The members of ABLS Capital committed to up to $80 million for the development of drug discovery programs, of which 22.5% was committed by Allied Minds, and contributed an initial $2 million for 2 million Class B shares to fund the operations of the subsidiary. The purpose of this partnership is to fund 80% of the lead optimization phase of up to ten new drug candidates that pass initial feasibility studies funded by Allied Bristol Life Sciences, LLC ("ABLS"). The remaining 20% of lead optimization phase investment, or up to an additional $20 million, will be funded by Bristol-Myers Squibb, pursuant to the terms of the partnership formed in 2014 through ABLS. Further, in August 2016, ABLS Capital raised $12 million of new equity in a Class B shares round pursuant to the initial commitment discussed above, which were used to further fund the development at ABLS II. Under the terms of the ABLS Capital organization documents, Allied Minds is appointed as the manager of the company and effectively controls the policies and management of ABLS Capital. As a result, following the transactions from 2016, Allied Minds continues to exercise effective control over ABLS Capital and as such the subsidiary will continue to be fully consolidated within the group's financial statements.

In August 2016, ABLS II closed a Series A round of financing issuing 6,410,256 shares of Preferred Stock at issue price of $2.34/share to ABLS Capital ($12.0 million) and Bristol-Myers Squibb Company ($3.0 million), raising approximately $15.0 million. Under the terms of the ABLS II organization documents, through its control over ABLS and ABLS Capital, the Company effectively controls the policies and management of ABLS II. As a result, following the transaction, Allied Minds continues to exercise effective control over ABLS II and as such the subsidiary will continue to be fully consolidated within the group's financial statements.

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%. 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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:	2016 $'000			
	EARLY STAGE		COMMERCIAL	
	STT	OTHER	RFB	OTHER
STATEMENT OF COMPREHENSIVE LOSS				
Revenue	—	594	553	1,223
Loss for the year	(33,425)	(59,193)	(7,802)	(5,937)
Other comprehensive loss	—	—	(74)	—
TOTAL COMPREHENSIVE LOSS	(33,425)	(59,193)	(7,876)	(5,937)
Comprehensive loss attributed to NCI	(16,501)	(11,461)	(3,353)	(1,294)
STATEMENT OF FINANCIAL POSITION				
Non-current assets	29,235	3,242	738	1,029
Current assets	13,859	77,637	4,808	751
TOTAL ASSETS	43,094	80,879	5,546	1,780
Non-current liabilities	(90)	(4)	(18)	—
Current liabilities	(64,394)	(85,658)	(1,075)	(421)
TOTAL LIABILITIES	(64,484)	(85,662)	(1,093)	(421)
NET ASSETS	(21,390)	(4,783)	4,453	1,359
Carrying amount of NCI	(15,074)	10,061	(9,114)	(6,670)
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	(18,617)	(51,853)	(7,993)	(7,653)
Cash flows from investing activities	(2,360)	(402)	1,595	(332)
Cash flows from financing activities	303	80,888	8,189	8,154
	(20,674)	28,633	1,791	169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

AS OF AND FOR THE YEAR ENDED 31 DECEMBER:	2015 $'000			
	EARLY STAGE		COMMERCIAL	
	STT	OTHER	RFB	OTHER
STATEMENT OF COMPREHENSIVE LOSS				
Revenue	—	654	957	1,104
Loss for the year	(20,849)	(42,119)	(7,213)	(7,171)
Other comprehensive loss	—	—	(26)	—
TOTAL COMPREHENSIVE LOSS	(20,849)	(42,119)	(7,239)	(7,171)
Comprehensive loss attributed to NCI	(9,518)	(6,250)	(3,009)	(1,413)
STATEMENT OF FINANCIAL POSITION				
Non-current assets	31,692	5,920	2,810	1,685
Current assets	34,531	51,774	5,068	1,725
TOTAL ASSETS	66,223	57,694	7,878	3,410
Non-current liabilities	(113)	(38)	(271)	(117)
Current liabilities	(55,265)	(48,198)	(1,140)	(1,142)
TOTAL LIABILITIES	(55,378)	(48,236)	(1,411)	(1,259)
NET ASSETS	10,854	9,458	6,467	2,151
Carrying amount of NCI	(4,281)	(3,550)	(7,031)	(5,928)
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	(17,142)	(41,293)	(8,237)	(9,369)
Cash flows from investing activities	(19,629)	(4,079)	(198)	(348)
Cash flows from financing activities	1,863	75,974	7,228	9,154
	(34,908)	30,602	(1,207)	(563)

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''. This Group Subsidiary Ownership Adjusted Value is a sum-of-the-parts (''SOTP'') valuation of all the subsidiaries that make up the Group. GSOAV is an alternative performance measure ("APM") used by the Directors as a key performance indicator ("KPI") to measure the performance of the Group. An APM is a numeric measure of the Group's financial position that is not a GAAP measure. As the Group exercises control over all of its investments in subsidiary undertakings their activities are fully consolidated in the group accounts and the value of those investments is not separately disclosed in the statement of financial position. Only the value of non-controlling interests of certain subsidiaries reflecting the subsidiary preferred shares liability is disclosed separately in the statement of financial position, as further discussed in footnote 18.

The Group Subsidiary Ownership Adjusted Value (''GSOAV'') was $416.2 million as of 24 April 2017 (2015: $535.8m). The decrease compared to prior year is primarily attributed to the liquidation of several subsidiary businesses subsequent to year end as discussed in note 26, namely Biotectix, Cephalogics, CryoXtract, Novare Pharmaceuticals, Optio Labs, RF Biocidics (including RF Biocidics (UK) Ltd), SoundCure and Tinnitus Treatment Solutions. The decrease was partially offset by an increase in value at HawkEye 360 demonstrated by the consummation of a third-party fundraising and an increase to ABLS due to ABLS II moving into the lead optimisation program.Cephalogics, CryoXtract, Novare Pharmaceuticals, Optio Labs, RF Biocidics (including RF Biocidics (UK) Ltd), SoundCure and Tinnitus Treatment Solutions. The decreases

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

was offset primarily by an increase in value at HawkEye 360 demonstrated by the consummation of a third-party fundraising and an increase to ABLS due to ABLS II moving into the lead optimisation programme.

Ownership adjusted value represents Allied Minds' interest in the equity value of each subsidiary and is calculated as follows: lower of (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, or the subsidiary Business Enterprise Value. Allied Minds commits post seed funding to its subsidiaries in the form of loans.

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 and valuations based on recent third party investment at the subsidiary level. A DCF valuation is used for the majority of Allied Minds subsidiaries. The DCF valuations are updated when the underlying assumptions for the valuations warrant a change. Generally, valuations are not increased unless warranted by or in anticipation of a financing transaction. Valuations are decreased in situations where the subsidiary is falling short of expected progress. Otherwise, the DCF valuations are kept constant. When available, financing transactions are used as the basis for the subsidiary valuation. In limited instances other techniques such as based on asset values are utilised.

Set out below are the two principal methodologies applied to value each Group company to derive the Group Subsidiary Ownership Adjusted Value as of the current year annual report and accounts:

DISCOUNTED CASH FLOW[(1)]	FUNDING TRANSACTION[(2)]
BridgeSat, Inc	Allied Bristol Life Sciences, LLC
Foreland Technologies, LLC	ABLS II, LLC
LuxCath, LLC	Federated Wireless, Inc.
Percipient Networks, LLC	HawkEye 360, Inc.
Seamless Devices, Inc.	Precision Biopsy, Inc.
Whitewood Encryption Systems, Inc.	SciFluor Life Sciences, Inc.
	Spin Transfer Technologies, Inc.
As per cent of GSOAV:	As per cent of GSOAV:
8.0% (2015: 26.5%)	87.1% (2015: 70.7%)

(1.) The DCF valuation model was updated in the current year for BridgeSat, while for the remaining companies where DCF is used as basis for the subsidiary valuation the values were kept constant from prior year;

(2.) Funding transactions used as basis for the subsidiary valuations were consummated in the current year, except for Allied Bristol Life Sciences (2014), Spin Transfer Technologies (2014), and SciFluor Life Sciences (2015).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

In addition to the two principal valuation methodologies, the Directors have valued using alternative valuation methodologies Allied Minds Federal Innovations, Inc. ("AMFI")representing 4.9% of the group Subsidiary Ownership Adjusted Value (2015: 2.8%). AMFI was valued using an asset-based methodology that reflects the intellectual property to which it has access as at 31 December 2016 and 2015.

For detail of the Net Present Value ("NPV") method used in estimating the group valuations from discounted cash flows see footnote 18.

Associates

			OWNERSHIP PERCENTAGE 31 DECEMBER	
	LOCATION	REGISTERED NUMBER	2016	2015
Stalam S.p.A.	Vicenza, Italy	2083930244	—	28.5%

	2016 $'000	2015 $'000
Stalam S.p.A.	—	1,612
CARRYING AMOUNT FOR EQUITY ACCOUNTED INVESTEES	—	1,612

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:

	2016 $'000	2015 $'000
Carrying amount of interest in associates		
Share of:		
Profit from continuing operations	—	52
Total comprehensive income	—	52

In November 2016, Stalam was acquired by third party investors and RF Biocidics sold its interest in the investment in Stalam for 2.3 million Euro ($2.4 million) plus a potential earn out of 0.6 million Euro ($0.6 million) of which 0.2 million Euro ($0.2 million) was realised in 2016, resulting in a gain for the period of $0.9 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

12.) OTHER INVESTMENTS

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Fixed income securities		
Treasury and government agencies	—	3,468
Corporate bonds	14,244	34,180
Other investments, current	14,244	37,648
Fixed income securities		
Treasury and government agencies	—	10,871
Corporate bonds	2,668	40,674
Other investments, long-term	2,668	51,545
TOTAL OTHER INVESTMENTS	16,912	89,193

Other investments represent investments in fixed income securities issued by government agencies and US and non-US corporations. As of 31 December 2016, the investments had a credit rating of A- to A+, maturities of up to 2 years and original coupon rate from 0.00% to 5.00% (2015: 0.50% to 7.65%).

13.) CASH AND CASH EQUIVALENTS

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Bank balances	209,283	105,687
Restricted cash	(132)	(132)
TOTAL CASH AND CASH EQUIVALENTS	209,151	105,555

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

14.) INVENTORIES

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Finished units	2,505	1,007
Work in progress	15	149
Raw materials	31	355
TOTAL INVENTORIES	2,551	1,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Finished units and raw materials recognised as cost of revenue in the year amounted to $1,756,000 (2015: $2,057,000). The write-down of inventories to net realisable value recognized through cost of revenue was $3,403,000 (2015: $1,778,000).

15.) TRADE AND OTHER RECEIVABLES

AS OF 31 DECEMBER:	2016	2015
	$'000	$'000
Trade receivables	312	1,012
Prepayments and other current assets	5,588	6,33
TOTAL TRADE AND OTHER RECEIVABLES	5,900	7,342

16.) EQUITY

In December 2016, the Company issued 17,457,015 ordinary shares of one pence at 367 pence, which 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. This resulted in approximately $78.1 million of net proceeds from the equity placing (net of issue cost of $2.2 million). The amounts subscribed for share capital in excess of the nominal value in relation to this transaction are reflected in the merger reserve balance as of 31 December 2016.

During 2016, existing and former employees of the Group exercised options to purchase 650,000 shares of the Company under the U.S. Stock Plan (2015: 1,191,784), resulting in additional share premium of $1,200,000 (2015: $2,443,000).

As of 31 December 2016, 11,551,496 ordinary shares were reserved under the U.S. Stock Plan and 23,374,437 were reserved under the LTIP, see note 6 for further discussion of the share-based payment plans.

Movements below explain the movements in share capital:

AS OF 31 DECEMBER:	2016	2015
	$'000	$'000
EQUITY		
Share capital, £0.01 par value, issued and fully paid	3,657	3,429
233,744,378 and 215,637,363, respectively		
Share premium	157,067	155,867
Merger reserve	263,435	185,544
Translation reserve	192	(16)
Accumulated deficit [(i)]	(289,437)	(192,819)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	134,914	152,005
Non-controlling interests [(i)]	(20,797)	(10,631)
TOTAL EQUITY	114,117	141,374

[(i)] The 2015 amounts have been reclassified, see note 1.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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.

Share premium represents the amounts subscribed for share capital in excess of the nominal value, net of directly attributable issue costs.

Merger reserve reflects the amounts subscribed for share capital in excess of the nominal value in relation to the qualifying acquisition of subsidiary undertakings.

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 2016, the Group recognised the following changes in common and preferred stock ownership in subsidiaries resulting in changes to non-controlling interest:

- In March 2016, Allied-Bristol Life Sciences (ABLS) launched its third project – ABLS III, LLC (dba iβeCa Therapeutics), in a partnership with New York University (NYU). ABLS owns 100% of the common stock of ABLS III. Following the transaction Allied Minds continues to exercise effective control over ABLS and subsidiaries including ABLS III and as such the subsidiary will continue to be fully consolidated within the group's financial statements
- In April 2016, the Group completed the formation of ABLS Capital, LLC in partnership with existing shareholders of Allied Minds. The members of the LLC committed to up to $80 million for the development of up to 10 drug discovery programs, of which Allied Minds commits 22.5%, and contributed an initial $2 million funding for 2 million Class B shares. The purpose of this partnership is to fund 80% of the lead optimisation phase of up to ten new drug candidates that pass initial feasibility studies funded by ABLS. The remaining 20% of lead optimization phase investment, or up to an additional $20 million, will be funded by Bristol-Myers Squibb Company (BMS), pursuant to the terms of the partnership formed in 2014 through ABLS. Following the transaction, Allied Minds continues to exercise effective control over ABLS Capital and as such the subsidiary will continue to be fully consolidated within the group's financial statements.

  In August 2016, ABLS Capital raised $12 million of new equity in a Class B shares round pursuant to the initial commitment discussed to fund its portion of the ABLS II financing (see below). There is no change in the subsidiary's governance structure as a result of the round. Following the transaction Allied Minds continues to exercise effective control over ABLS Capital and as such the subsidiary will continue to be fully consolidated within the group's financial statements.
- In August 2016, ABLS II closed a Series A round of financing issuing 6,410,256 shares of Preferred Stock at issue price of $2.34 per share to ABLS Capital and Bristol-Myers Squibb Company, raising approximately $15.0 million, resulting in a $19.0 million post-money valuation. The use of proceeds from the Series A round is intended primarily to fund further development of the lead optimisation program. Should this next lead optimisation phase prove successful, Bristol-Myers Squibb has the right to acquire Allied Minds' interest in ABLS II at a pre-determined multiple of invested capital.

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	OTHER	RFB	OTHER	
	$'000	$'000	$'000	$'000	$'000
NON-CONTROLLING INTEREST AS OF 31 DECEMBER 2014 [(i)]	**7,674**	**1,904**	**(3,000)**	**(4,054)**	**2,524**
Share of comprehensive loss	(9,518)	(6,251)	(3,009)	(1,413)	(20,191)
Effect of change in Company's ownership interest	143	3,077	8	—	3,228
Equity-settled share based payments	1,937	1,707	103	61	3,808
NON-CONTROLLING INTEREST AS OF 31 DECEMBER 2015 [(i)]	**236**	**437**	**(5,898)**	**(5,406)**	**(10,631)**
New funds into non-controlling interest	—	13,773	—	—	13,773
Share of comprehensive loss	(16,501)	(11,460)	(3,353)	(1,295)	(32,609)
Effect of change in Company's ownership interest	62	6,030	137	—	6,229
Equity-settled share based payments	1,129	1,281	—	31	2,441
NON-CONTROLLING INTEREST AS OF 31 DECEMBER 2016	**(15,074)**	**10,061**	**(9,114)**	**(6,670)**	**(20,797)**

[(i)] The 2014 and 2015 amounts have been reclassified, see note 1.

18.) SUBSIDIARY PREFERRED SHARES

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

The preferred shares are entitled to a vote with holders of common stock on an as converted basis. The holders of the preferred shares are entitled to a liquidation preference amount in the event of a liquidation or a deemed liquidation event of the respective subsidiary. The Group recognises the subsidiary preferred shares balance upon the receipt of cash financing, and records the change in its fair value for the respective reporting period through profit and loss. Preferred shares are not allocated shares of the subsidiary losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

The following summarises the subsidiary preferred shares balance:

AS OF 31 DECEMBER:	2016	FINANCE COST FROM IAS 39 FAIR VALUE ACCOUNTING	ADDITIONS	2015
	$'000	$'000	$'000	$'000
Spin Transfer Technologies	61,383	9,865	—	51,518
SciFluor Life Sciences	32,381	6,798	—	25,583
Precision Biopsy	22,518	536	5,000	16,982
Federated Wireless	17,342	372	16,970	—
HawkEye 360	7,264	14	7,250	—
TOTAL SUBSIDIARY PREFERRED SHARES	140,888	17,585	29,220	94,083

The redemption is conditional on occurrence of uncertain future events beyond the control of the Group. The amount that would be payable in case of such events is as follows:

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Spin Transfer Technologies	50,000	50,000
SciFluor Life Sciences	25,200	25,200
Precision Biopsy	22,000	17,000
Federated Wireless	17,000	—
HawkEye 360	7,250	—
TOTAL LIQUIDATION PREFERENCE	121,450	92,200

For the two years ended 31 December 2016, the Group recognised the following changes in subsidiary preferred shares:

2016

- Federated Wireless completed a $22.0 million round of Series A financing in January 2016. Of the $22.0 million raised in this financing, Allied Minds contributed approximately $5.0 million for the purchase of 2,727,580 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round.
- Precision Biopsy received the second tranche of the October 2015 Series A round (see below) and raised addition $5.0 million from one of the existing shareholders that originally participated in the round for additional 945,966 shares.
- HawkEye 360 completed a $11.0 million round of Series A-2 financing in November 2016. Of the $11.0 million raised in this financing, Allied Minds contributed approximately $4.0 million for the purchase of 3,096,459 preferred shares, and other new investors contributed with the remainder of the round.

2015

- SciFluor Life Sciences completed a $30.0 million round of Series A financing in April 2015. Of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

$30.0 million raised in this financing, Allied Minds contributed approximately $4.8 million for the purchase of 501,857 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round.

- Precision Biopsy completed a $33.6 million round of Series A financing in October 2015. Of the $33.6 million raised in this financing, Allied Minds contributed approximately $16.6 million for the purchase of 3,140,608 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round. The round was funded in two tranches and the second tranche of $10.0 million was due after one year from closing of the round, of which $4.0 million was contributed by Allied Minds and other existing shareholders of the Group contributed with the remainder $6.0 million.

The fair value is derived using the option pricing model where the key inputs and assumptions include the subsidiary valuations, which are either based on the implied value from a third party funding round, on a Net Present Valuation method or asset based valuation, volatility, time to liquidity, risk free rate and discount for lack of marketability (DLOM).

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: 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 reference valuations. Under this methodology, the terminal value is typically calculated by applying one of two commonly accepted methodologies:
    - o 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;
    - o 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

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

terminal growth rate is derived by estimating the long-term annual growth potential of the business at the terminal year.

- 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%.
- 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.

Where has been a third party funding round in the year this has been used as the implied value of the subsidiary, adjusted for indexation where this is deemed to be appropriate.

Whilst the Board considers the methodologies and assumptions adopted in the 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.

Option Pricing Model Inputs

The following presents the quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's subsidiary preferred shares liability designated:

AS OF 31 DECEMBER:	TIME TO LIQUIDITY	VOLATILITY
Volatility	33.0% - 75.5%	60.0% - 70.0%
Time to Liquidity (years)	2.06 – 3.76	3.78 - 4.76
Risk-Free Rate	1.22% - 1.70%	1.48% - 1.71%
DLOM	20.0% - 27.5%	20.0% - 27.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Sensitivity Analysis

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's subsidiary preferred shares liability, as well as that in respect to the enterprise value of the underlying subsidiary in general:

INPUT	SENSITIVITY RANGE	SUBSIDIARY PREFERRED SHARES LIABILITY INCREASE/(DECREASE)	
AS OF 31 DECEMBER:		2016	2015
		$'000	$'000
Enterprise Value	-2%	(1,746)	(1,232)
	+2%	1,746	1,232
Volatility	-10%	(377)	1,783
	+10%	(776)	(2,353)
Time to Liquidity	-6 months	416	1,253
	+6 months	(762)	(1,221)
Risk-Free Rate [1]	-0.18% / -0.12%	416	1,253
	+0.13% /+0.12%	(762)	(1,221)
DLOM	-5.0%	42	42
	+5.0%	(26)	(26)

[1] Risk-free rate is a function of the time to liquidity input assumption.

The change in fair value of the subsidiary preferred shares is recorded in Finance cost, net in the consolidated statement of comprehensive loss.

19.) LOANS

AS OF 31 DECEMBER:	2016	2015
	$'000	$'000
Non-current liabilities - Loans:		
Unsecured loan	—	112
	—	112
Current liabilities - Loans:		
Unsecured loan	115	228
	115	228
TOTAL LOANS	115	340

Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

The terms and conditions of outstanding loans are as follows:

AS OF 31 DECEMBER:				2016 $'000		2015 $'000	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Unsecured loan	USD	6.5%	2013-17	115	115	340	340
TOTAL INTEREST BEARING LIABILITIES				115	115	340	340

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 $225,000 and $221,000 was repaid during 2016 and 2015, respectively, and $115,000 (2015: $28,000), net of discount, is included in current liabilities. Interest expense incurred on the note was $26,000 and $41,000 for the years ended 31 December 2016 and 2015, respectively.

As part of the consideration for the loan, CryoXtract had issued to the lender a warrant entitling the lender to purchase an aggregate of 65,310 membership units in the subsidiary's ordinary shares, representing 0.01% of the total membership units. The fair value of the warrant issued of $35,000 is amortised over the life of the loan as a discount against the note balance.

20.) TRADE AND OTHER PAYABLES

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Trade payables	4,362	6,326
Accrued expenses	9,210	7,690
Other current liabilities	369	252
Trade and other payables, current	13,941	14,268
Other non-current payables	720	751
TOTAL TRADE AND OTHER PAYABLES	14,661	15,019

21.) LEASES

Office and laboratory space is rented under non-cancellable operating leases. These lease agreements contain various clauses for renewal at the Group's option and, in certain cases, escalation clauses typically linked to rates of inflation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Minimum rental commitments under non-cancellable leases were payable as follows:

FOR THE YEAR ENDED 31 DECEMBER:	2016 $'000	2015 $'000
Less than one year	2,015	2,421
Between one and five years	3,713	4,822
More than five years	438	1,183
TOTAL MINIMUM LEASE PAYMENTS	6,166	8,426

Total rent expense under these leases was approximately $2,859,000 and $2,673,000 in 2016 and 2015, respectively. Rent expenses are included in selling, general and administrative expenses and research and development expenses in the consolidated statements of comprehensive loss.

22.) FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

AS OF 31 DECEMBER:	2016 $'000				
	CARRYING AMOUNT	FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS					
Fixed income securities	16,912	—	16,912	—	16,912
LOANS AND RECEIVABLES					
Cash and cash equivalents	209,151		209,151	—	209,151
Trade and other receivables	5,900	—	5,900	—	5,900
Security and other deposits	1,065	—	1,065	—	1,065
TOTAL	233,028	—	233,028	—	233,028
FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS					
Subsidiary preferred shares	140,888	—	—	140,888	140,888
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Unsecured loan	115	—	123	—	123
Trade and other payables	14,662	—	14,662	—	14,662
Subsidiary preferred shares	—	—	—	140,888	140,888
TOTAL	155,665	—	14,785	140,888	155,673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

AS OF 31 DECEMBER:	2015 $'000				
	CARRYING AMOUNT	FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FINANCIAL ASSETS DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS					
Fixed income securities	89,193	14,360	75,385	—	89,745
LOANS AND RECEIVABLES					
Cash and cash equivalents	105,555	—	105,555	—	105,555
Trade and other receivables	7,342	—	7,342	—	7,342
Subscription receivable	6,000	—	6,000	—	6,000
Security and other deposits	1,213	—	1,213	—	1,213
TOTAL	209,303	14,360	195,495	—	209,855
FINANCIAL LIABILITIES DESIGNATED AS FAIR VALUE THROUGH PROFIT OR LOSS					
Subsidiary preferred shares	94,083	—	—	94,083	94,083
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST					
Unsecured loan	340	—	359	—	359
Trade and other payables	15,019	—	15,019	—	15,019
TOTAL	109,442	—	15,378	94,083	109,461

The fair value of financial instruments that are not traded is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Where the inputs for determining the fair value of financial instruments are not based on observable market data, the instrument is included in Level 3.

The Group has determined that the carrying amounts for cash and cash equivalents, trade and other receivables and payables, security and other deposits, and customer deposits are a reasonable approximation of their fair values and are included in Level 2.

For assumptions used in the fair value measurement of the Group's subsidiary preferred shares liability designated as Level 3, see footnote 18.

23.) CAPITAL AND FINANCIAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the level of capital deployed and available for deployment in subsidiary projects. The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of deployed capital and the advantages and security afforded by a sound capital position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

The Group's executive management and board of directors have overall responsibility for establishment and oversight of the Group's risk management framework. The Group is exposed to certain risks through its normal course of operations. The Group's main objective in using financial instruments is to promote the commercialisation of intellectual property through the raising and investing of funds for this purpose. The Group's policies in calculating the nature, amount and timing of funding are determined by planned future investment activity. Due to the nature of activities and with the aim to maintain the investors' funds secure and protected, the Group's policy is to hold any excess funds in highly liquid and readily available financial instruments and reduce the exposure to other financial risks.

The Group has exposure to the following risks arising from financial instruments:

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, other investments in the form of fixed income securities, and trade and other receivables.

The Group held following balances:

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Cash and cash equivalent	209,151	105,555
Other investments	16,912	89,193
Trade and other receivables	5,900	7,342
	231,963	202,090

The Group maintains money market funds, certificates of deposits, and fixed income securities with financial institutions, which the Group believes are of high credit quality. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates.

Group policy is to maintain its funds in highly liquid deposit accounts with reputable financial institutions.

The aging of trade receivables that were not impaired was as follows:

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Neither past due nor impaired	162	784
Past due 30-90 days	81	110
Past due over 90 days	921	842
Reserve for bad debt	(852)	(724)
	312	1,012

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:	2016 $'000	2015 $'000
Customers with less than three years of trading history with the Group	312	1,012
	312	1,012

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 2016:		CONTRACTUAL CASH FLOWS			
$'000	CARRYING AMOUNT	TOTAL	LESS THAN 1 YEAR	2-5 YEARS	MORE THAN 5 YEARS
Trade and other payables	13,941	13,941	13,941	—	—
Other non-current liabilities	720	720	236	433	51
Unsecured bank loans	115	115	115	—	—
	14,776	14,776	14,292	433	51

AS OF 31 DECEMBER 2015:		CONTRACTUAL CASH FLOWS			
$'000	CARRYING AMOUNT	TOTAL	LESS THAN 1 YEAR	2-5 YEARS	MORE THAN 5 YEARS
Trade and other payables	14,268	14,268	14,268	—	—
Other non-current liabilities	751	751	358	365	28
Unsecured bank loans	340	370	252	118	—
	15,359	15,389	14,878	483	28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

Market Risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group maintains the exposure to market risk from such financial instruments to insignificant levels. The Group exposure to changes in interest rates is determined to be insignificant.

Capital Risk Management

The Group is funded by equity finance and long term borrowings. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or borrow new debt. The Group has some external debt and no material externally imposed capital requirements. The Group's share capital is set out in note 16.

24.) RELATED PARTIES

Transactions with Key Management Personnel

Key Management Personnel Compensation

Key management personnel compensation received comprised the following:

FOR THE YEAR ENDED 31 DECEMBER:	2016	2015
	$'000	$'000
Short-term employee benefits	3,097	3,341
Share-based payments	2,073	1,708
TOTAL	5,170	5,049

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 LTIP during the year. Share-based payments under the LTIP are subject to vesting terms over future periods. See further details of the two plans in note 6.

Bonuses to key management for the year of $1,673,000 were outstanding at 31 December 2016 (2015: $1,260,000) and were paid in January of 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Key Management Personnel Transactions

Directors' remuneration for the year comprised the following:

FOR THE YEAR ENDED 31 DECEMBER:	2016	2015
	$'000	$'000
Non-executive Directors' fees	492	357
Non-executive Directors' share-based payments	275	225
TOTAL	767	582

There were no outstanding fees to non-executive Directors at 31 December 2016 (2015: $105,000).

Executive management and Directors of the Company control 2.0% of the voting shares of the Company as of 31 December 2016 (2015: 2.2%).

Other related party transactions

Consolidated Statement of Comprehensive Loss

FOR THE YEAR ENDED 31 DECEMBER:	2016	2015
	$'000	$'000
PURCHASE OF GOODS		
Equity-accounted investee	948	1,334

Consolidated Statement of Financial Position

AS OF 31 DECEMBER:	2016	2015
	$'000	$'000
Purchase of goods outstanding balance		
Equity-accounted investee	—	171

The Group has not engaged in any other transactions with key management personnel or other related parties.

25.) TAXATION

Amounts recognised in profit or loss

No current income tax expense was recorded for US jurisdictions for the years ended 31 December 2016 and 2015 due to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER:	2016 $'000	2015 $'000
Net loss	128,942	97,989
Income taxes	—	—
NET LOSS BEFORE TAXES	128,942	97,989

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:

	2016 %	2015 %
Weighted average statutory rate	35.0	35.0
Effect of state tax rate in US	5.2	5.3
Credits	3.4	3.7
Share-based payment remeasurement	(1.8)	(2.6)
Other	(5.0)	(2.6)
Current year losses for which no deferred tax asset is recognised	(36.8)	(38.8)
	—	—

Factors that may affect future tax expense

The Group is primarily subject to taxation in the US and UK. Additionally, the Group is exposed to state taxation in various jurisdictions throughout the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit). Reductions in the UK corporation tax rate to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. The maximum corporate tax rate in the US for the corresponding periods is 35%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom:

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Operating tax losses [1]	115,868	87,280
Capital losses [2]	1,146	1,612
Research credits [1]	10,130	6,558
Temporary differences [3]	20,620	15,390
Deferred tax assets	147,751	110,840
Other temporary differences [3]	(1,079)	(398)
Deferred tax liabilities	(1,079)	(398)
Deferred tax assets, net, not recognised	146,685	110,442

[1] expire starting in 2024

[2] expiring since 2015

[3] generally will expire 20 years subsequent to the time the deduction is taken

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the statement of financial position date. The reduction in the main rate of UK corporation tax to 20% (from 23%) was substantially enacted on 2 July 2013 and applied from 1 April 2015. However, the UK corporation tax rate initially reduced from 23% to 21% from 1 April 2014. The change in the UK corporate tax rate did not materially impact the calculation of the deferred tax assets as these assets are generally exposed to tax in US jurisdiction.

There were no movements in deferred tax recognised in income or equity in 2016 or 2015 as the deferred tax asset was not recognised in any of those years.

As of 31 December 2016 the Company had United States federal net operating losses carry forwards (NOLs) of approximately $287.6 million (2015: $216.6 million) available to offset future taxable income, if any. These carry forwards start to expire in 2026 and are subject to review and possible adjustment by the Internal Revenue Service. The Company may be subject to limitations under Section 382 of the Internal Revenue Code as a result of changes in ownership.

26.) SUBSEQUENT EVENTS

The Company has evaluated subsequent events through 27 April 2017, which is the date the consolidated financial information is available to be issued.

HawkEye 360, Inc.

In February 2017, HawkEye completed a second closing of the Series A-2 financing round for additional $2.75 million, of which $1.25 million from existing shareholders of the Group and members of management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

of the company for 967,641 Series A-2 shares and a warrant to purchase 1,161,172 Series A-2 shares for $1.5 million issued to an existing investor of the company.

Group Restructuring Plan

In April 2017, concurrent with the departure of the former CEO, management undertook a reevaluation of the portfolio and strategic investment direction of the Group and the Board of Directors approved a restructuring plan that resulted in the discontinuance of funding for several of the group subsidiary businesses. Those companies included Biotectix, Cephalogics, CryoXtract, Novare Pharmaceuticals, Optio Labs, RF Biocidics, and SoundCure/Tinnitus Treatment Solutions. This decision will allow the Group to reallocated capital and management resources previously earmarked for these subsidiaries in the previously approved 2017 budgets to the portfolio and pipeline of our most promising companies consistent with the goal to accelerate commercialisation of existing companies and invest in new opportunities where there is greater potential for value creation. The Company is in process of determining the net realisable value of the underlying assets at these subsidiaries to which those assets will be written off, which as of 31 December 2016 included property and equipment of $0.8 million, intangible assets of $1.6 million, inventories of $2.5 million, trade and other receivables of $0.3 million, and other non-current financial assets of $0.1 million. The Company wrote off fixed and intangible assets of $1.1 million and $0.3 million at CryoXtract and Novare Pharmaceuticals, respectively, as of 31 December 2016, reflecting indications that those investments were impaired as of the year end. The Company expects the total cost of this restructuring plan to be approximately $5.5 million and have accrued this amount accordingly in April 2017. The restructuring is estimated to result in approximately $9.0 million of savings from costs that the Group would have otherwise incurred if it continued to support these businesses in 2017 after the restructuring event.

Vatic Materials, Inc.

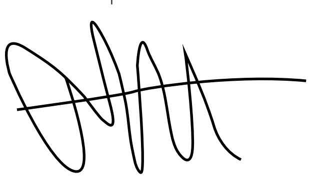
Operations at Vatic Materials, Inc., a wholly-owned subsidiary of the Group, were discontinued subsequent to year end in April 2017. There was no material impact of this event to the Group financials as of 31 December 2016.

COMPANY BALANCE SHEET

AS OF 31 DECEMBER	NOTE	2016 $ '000	2015 $ '000
NON-CURRENT ASSETS			
Investment in subsidiary	2	158,431	190,055
TOTAL NON-CURRENT ASSETS		158,431	190,055
CURRENT ASSETS			
Cash and cash equivalents	3	1,297	1,564
Trade and other receivables		144	480
Loan to subsidiary	4	183,397	126,109
TOTAL CURRENT ASSETS		184,838	128,153
TOTAL ASSETS		343,269	318,208
EQUITY			
Share capital	5	3,657	3,429
Share premium	5	157,067	155,867
Merger reserve	5	263,435	185,544
Translation reserve	5	(79,815)	(25,852)
Accumulated deficit	5	(1,518)	(812)
TOTAL EQUITY	5	342,826	318,176
CURRENT LIABILITIES			
Trade and other payables		443	32
TOTAL CURRENT LIABILITIES		443	32
TOTAL LIABILITIES		443	32
TOTAL EQUITY AND LIABILITIES		343,269	318,208

Registered number: 8998697

The financial statements on pages 156 to 162 were approved by the Board of Directors and authorised for issue on 27 April 2017 and signed on its behalf by:



Jill Smith
Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	SHARE CAPITAL		SHARE	MERGER	TRANSLATION	ACCUMULATED	TOTAL
	SHARES	AMOUNT	PREMIUM	RESERVE	RESERVE	DEFICIT	EQUITY
		$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 31 DECEMBER 2014	214,445,579	3,411	153,442	185,544	(10,209)	250	332,438
TOTAL COMPREHENSIVE LOSS FOR THE YEAR							
Loss for the year	—	—	—	—	—	(4,268)	(4,268)
Foreign currency translation	—	—	—	—	(15,643)	(27)	(15,670)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR					(15,643)	(4,295)	(19,938)
Exercise of stock options	1,191,784	18	2,425	—	—	—	2,443
Equity-settled share based payments	—	—	—	—	—	3,233	3,233
BALANCE AT 31 DECEMBER 2015	215,637,363	3,429	155,867	185,544	(25,852)	(812)	318,176
TOTAL COMPREHENSIVE LOSS FOR THE YEAR							
Loss for the year	—	—	—	—	—	(6,008)	(6,008)
Foreign currency translation	—	—	—	—	(53,963)	(642)	(54,605)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR					(53,963)	(6,650)	(60,613)
Issuance of ordinary shares	17,457,015	219	—	77,891	—	—	78,110
Exercise of stock options	650,000	9	1,200	—	—	—	1,209
Equity-settled share based payments	—	—	—	—	—	5,944	5,944
BALANCE AT 31 DECEMBER 2016	233,744,378	3,657	157,067	263,435	(79,815)	(1,518)	342,826

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COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER:	NOTE	2016	2015
		$ '000	$ '000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net operating loss		(9,131)	(4,270)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation expense	5	5,944	3,233
Changes in working capital:			
Decrease/(increase) in trade and other receivables		335	(447)
Increase in trade and other payables		411	131
Interest received		1	2
Other finance cost		1,127	(352)
NET CASH USED IN OPERATING ACTIVITIES		(1,313)	(1,703)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Issuance of note receivable to subsidiary, net of repayments	4	(78,272)	(815)
NET CASH USED IN INVESTING ACTIVITIES		(78,272)	(815)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of share capital	5	78,110	—
Proceeds from exercise of stock options	5	1,208	2,443
NET CASH PROVIDED BY FINANCING ACTIVITIES		79,318	2,443
NET DECREASE IN CASH AND CASH EQUIVALENTS		(267)	(75)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		1,564	1,639
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		1,297	1,564

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1.) ACCOUNTING POLICIES

Basis of Preparation and Measurement

The financial statements of the parent company have been prepared under the historical cost convention, in accordance with the Companies Act 2006 and the International Financial Reporting Standards ("IFRS"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of the International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). 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

	2016 $'000	2015 $'000
Balance at 1 January	190,055	199,429
Additions	—	—
Impairment	—	—
Disposals	—	—
Effect from currency translation	(31,624)	(9,374)
Balance at 31 December	158,431	190,055

Investment in subsidiary represents the Company's wholly-owned investment in Allied Minds, LLC. Allied Minds, LLC operates in the US as a US-focused science and technology development and commercialisation company. For a summary of the Company's indirect subsidiaries see note 11 to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

3.) CASH EQUIVALENTS

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
Bank balances	1,297	1,564
CASH AND CASH EQUIVALENTS	1,297	1,564

4.) LOAN TO SUBSIDIARY

	2016 $'000	2015 $'000
Balance at 1 January	126,109	131,500
Additions	79,973	3,913
Repayments	(1,701)	(3,098)
Effect from currency translation	(20,984)	(6,206)
Balance at 31 December	183,397	126,109

The Company has loaned its excess cash to its operating subsidiary Allied Minds, LLC to be further deployed in support of the continuing operations of the Group. The note bears an interest of 1.25% and is repayable upon demand. However, there is no intention of its settlement in the foreseeable future.

5.) SHARE CAPITAL AND RESERVES

Allied Minds plc was incorporated with the Companies House under the Companies Act 2006 as a public company on 15 April 2014. Full detail of the share capital and reserves activity for the year can be found in note 16 to the consolidated financial statements.

AS OF 31 DECEMBER:	2016 $'000	2015 $'000
EQUITY		
Share capital, £0.01 par value, issued and fully paid 233,744,378 and 215,637,363, respectively	3,657	3,429
Share premium	157,067	155,867
Merger reserve	263,435	185,544
Translation reserve	(79,815)	(25,852)
Accumulated deficit	(1,518)	(812)
TOTAL EQUITY	342,826	318,176

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

In December 2016, the Company issued 17,457,015 ordinary shares of one pence at 367 pence, which 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. This resulted in approximately $78.1 million of net proceeds from the equity placing (net of issue cost of $2.2 million). The amounts subscribed for share capital in excess of the nominal value in relation to this transaction are reflected in the merger reserve balance as of 31 December 2016.

The share-based payment charge for the fiscal year ended 31 December 2016 included in accumulated deficit was $5.9 million (2015: $3.2 million).

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 $6,402,000 (2015: $4,268,000).

7.) DIRECTORS' REMUNERATION, EMPLOYEE INFORMATION AND SHARE-BASED PAYMENTS

The remuneration of the Directors of the Company is disclosed in note 24 to the consolidated financial statements. Full details for their remuneration can be found in the Directors' Remuneration Report on pages 62 to 91. Full detail of the share-based payment charge and related disclosures can be found in note 6 to the consolidated financial statements.

The Company had no employees during 2016 and 2015.

COMPANY INFORMATION

Company Registration Number 08998697

REGISTERED OFFICE

40 Duke's Place
London EC3A 7NH
United Kingdom

WEBSITE

www.alliedminds.com

BOARD OF DIRECTORS

Peter Dolan
(Non-Executive Chairman)

Jill Smith
(Chief Executive Officer)

Rick Davis
(Senior Independent Director)

Jeff Rohr
(Independent Non-Executive Director)

Kevin Sharer
(Independent Non-Executive Director)

COMPANY SECRETARY

Michael Turner

BROKERS

Credit Suisse International
1 Cabot Square
London E14 4QJ
United Kingdom
TEL: +44 (0)20 7888 8888

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
United Kingdom
TEL: +44 207 260 1000

REGISTRAR

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham Kent BR3 4TU
United Kingdom
TEL UK: 0871 664 0300
TEL Overseas: +44 208 639 3399

SOLICITORS

DLA Piper UK LLP
3 Noble Street
London EC2V 7EE
United Kingdom
TEL: +44 870 011 1111

INDEPENDENT AUDITOR

KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom
TEL: +44 207 311 1000

MEDIA RELATIONS

Citigate Dewe Rogerson
3 London Wall Buildings
London EC2M 5SY
United Kingdom TEL: +44 207 638 9571