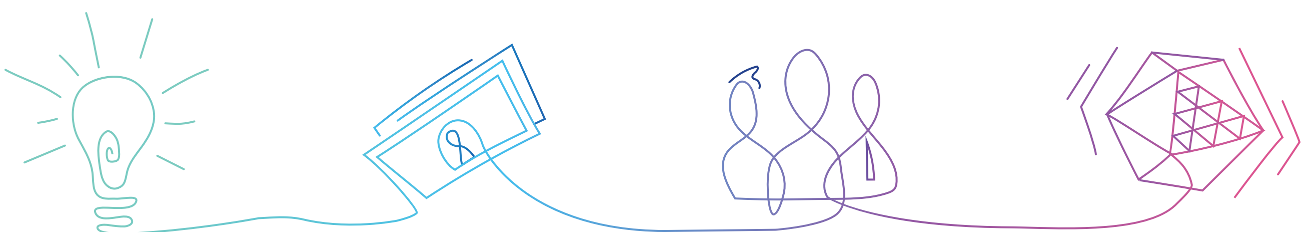
ALLIED MINDS™

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2017

TRANSFORMING U.S. INVENTION INTO INNOVATION



ANNUAL REPORT AND
ACCOUNTS 2017

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OVERVIEW

Allied Minds plc (Allied Minds or the Company or the Group) is an IP commercialisation company focused on early stage company creation and development within the technology and life science sectors. With origination relationships spanning US federal laboratories, universities, and leading US corporations, Allied Minds sources, operates and funds 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, expertise 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 US research institutions and corporations, and the businesses and ecosystems built over the years. The Group focuses on maintaining strong connections with targeted institutions producing research output relevant to Allied Minds' investment theses and areas of expertise, including but not limited to space, connectivity, data and machine learning, drug discovery, medtech, and medical wearables. The Group currently is comprised of 12 subsidiary businesses in the technology and life sciences sectors based upon a broad range of underlying innovative technologies ranging from semiconductors, wireless communications, and space-based sensors to medical devices and molecular compounds.

CHAIRMAN'S REPORT

I am pleased to present this Annual Report to shareholders for the financial year ended 31 December 2017, which was a critical period in Allied Minds' development.

In March 2017 the Board appointed Jill Smith as President and Chief Executive Officer (CEO). Jill's extensive leadership experience, including most recently as CEO of DigitalGlobe where she led the business to growth and a successful IPO, is well-aligned with our overarching priorities at Allied Minds: to deliver shareholder returns by driving commercialisation and monetisations at our key subsidiaries, and building a growth engine of new investments. The substantial and decisive actions undertaken since her appointment position the Group well to deliver against these priorities.

In the first half of the year, the decision was made to rationalise the portfolio of subsidiary companies. This was completed after careful review of the capital requirements, competitive position and market opportunities facing each company. Since then, capital and management resources have been redirected to the most promising subsidiary businesses in the portfolio. Greater discipline is being exerted in the management and support of the portfolio, through more effective boards and greater accountability and transparency. The result is that our subsidiary businesses are operating with substantially greater focus, energy and urgency and are well-positioned to achieve the goals set.

After a year of focusing primarily on driving value from the existing portfolio, in 2018 we look forward to returning to opportunities to build and support new businesses. The same discipline brought to company operations is being applied to our new investment strategy. It is designed to seek out technology and innovations aligned to investment theses that are grounded in Allied Minds' depth of experience and access, in particular with medical institutions and federal laboratories, and working in regulated industries and with the US Government.

Together with the Board, I am satisfied that as a result of actions undertaken in 2017 to rationalise the portfolio, improve capital allocation and operational discipline and bring renewed focus on commercialisation and monetisation, Allied Minds is in a stronger position today than it has ever been.

Non-Executive Director Rick Davis will retire and not seek re-election at the AGM to be held in May 2018 after completing over seven years of service to the Company. We have greatly appreciated his dedication, experience, wealth of knowledge and insights he brought to Board deliberations over his years of service on the Board.

Finally, I would like to thank our shareholders for their continued support and our management team and staff for their hard work and commitment.

Peter R. Dolan

Peter Dolan
Chairman

22 March 2018

CEO'S REPORT

Shortly after my appointment in March 2017 we set out three key strategic priorities critical to enhancing our capital allocation discipline:

- Earlier and broader syndication of our subsidiaries, focusing on strategic investors, where we see scope for valuable validation and acceleration or de-risking of the path to commercialisation and monetisation;
- Strengthened leadership, governance and accountability at our subsidiary businesses, including changes in personnel where required, additional Board and advisory Board members, and clearer accountability for tangible milestone delivery; and
- A transition to thematic investing, focusing on theses and areas of competitive advantage, and on deeper relationships with a smaller number of research institutions aligned to these areas.

The actions undertaken across our investment, syndication and operating activities have been consistent with these priorities.

We completed subsidiary funding rounds in 2017 for HawkEye^{360}, BridgeSat, Federated Wireless and Signature Medical that each included external strategic investors. As financial, strategic or commercial co-investors, they offer both validation of the respective company's business model and expand and/or de-risk the path to commercialisation.

We made good progress against a majority of the management objectives set for 2017, and I would like to recognise the teams for their accomplishments. Further, we strengthened leadership at several of our subsidiaries, including the appointment of two new CEOs, Tom Sparkman at Spin Transfer and Barry Matsumori at BridgeSat.

The addition of representatives from the strategic investors to the respective boards, and experienced non-executive directors to others have enhanced governance and strategic insight.

In terms of new opportunities, we have focused our origination activities around theses or areas of competitive advantage, and sourcing on a more selective group of university and federal laboratories, and medical institutions with expertise in these areas, in addition to leveraging our own strong networks. As part of this enhanced focus, we are expanding the types of new investments we make, to consider both majority and minority investments at seed or Series A rounds where the opportunity is aligned to one of our theses and where we can leverage our experience and network.

Simon Davidson joined the team in June as Executive Vice President, Technology Investments, bringing extensive experience working with federal laboratories and government customers. He is driving focus on areas including space, connectivity and data, all of which leverage expertise and access derived from our current portfolio and team. Omar Amirana, MD, Senior Vice President, Life Sciences Investments, has focused on investment theses revolving around proprietary minimally-invasive solutions for procedures with a clear reimbursement path that reduce morbidity, mortality and costs. We are largely focused in areas where adoption can be dramatic such as interventional cardiology, electrophysiology, neuroradiology, pulmonology, and gastroenterology.

CEO'S REPORT *(CONTINUED)*

2017 was a year in which we focused on strengthening and repositioning the current portfolio. In 2018, we will continue to build on the strategic priorities identified with a view to focusing on two drivers of shareholder returns:

- Accelerate the path to commercialisation/monetisation at our top six companies, and nurture progress at our earlier stage companies; and

- Grow our new opportunity platform by increasing the number of high quality new investments.

Given the disruptive innovations and significant market opportunities our subsidiaries face and the steps we have taken to strengthen and focus operations, we believe that our portfolio holds the potential to deliver premium exit valuations and attractive returns to our shareholders. We believe each of our top six subsidiaries has strong sources of sustainable competitive advantage, including via patent portfolios which were markedly strengthened in 2017. The highly capable, experienced management teams have the necessary mix of technical and commercial skills, and have a clear line of sight to the critical goals and inflection points necessary to drive value and maximise exit optionality. Strategic, commercial and financial co-investors have validated the business plans and opportunities for those companies and provided invaluable support for the management teams.

I look forward to 2018 as a year in which we consolidate the hard work undertaken in 2017 and deliver further demonstrable progress against our objectives. I would like to thank our shareholders, our employees and our partners and customers for their ongoing support.

Jill Smith
President and Chief Executive Officer

22 March 2018

HIGHLIGHTS

INVESTMENT HIGHLIGHTS

During 2017, an aggregate of $81.1 million was invested into new and existing subsidiary businesses, including:

- $64.5 million from subsidiary fundraisings with $35.1 million coming from third-party investment and $29.4 million from Allied Minds, to support and accelerate the development of four of the Group's existing companies: Federated Wireless; BridgeSat; HawkEye^{360} and Signature Medical.
  - o On 7 February 2017, HawkEye^{360} completed the second closing of its $13.8 million Series A preferred funding round of $1.3 million, adding additional investors to a syndicate including Razor's Edge Ventures and a defence market leader.
  - o On 5 May 2017, BridgeSat closed a $6.0 million Series A preferred funding round, including participation from Space Angels, a prominent angel investor network of experts focused on Space 2.0.
  - o On 26 July 2017, Signature Medical completed a $2.5 million Series A preferred funding round, including participation from Riot Ventures and Bose Corporation.
  - o On 14 September 2017, Federated Wireless announced the closing of a $42.0 million Series B preferred funding. The round was led by new investors who are key members of the shared spectrum ecosystem: Charter Communications (NASDAQ: CHTR); American Tower (NYSE: AMT); and ARRIS International plc (NASDAQ: ARRS), and by GIC, Singapore's sovereign wealth fund. The balance of the raise was subscribed principally by Allied Minds and Woodford Investment Management (WIM).
  - o On 5 October 2017, Spin Transfer Technologies, Inc. announced that it had secured $22.8 million of funding via a convertible bridge facility. Proceeds from the bridge are to be applied to fund development work of next-generation ST-MRAM. The convertible bridge was underwritten by Allied Minds with initial subscription of $12.7 million. The note was designed to bridge the company to the completion of a Series B round, targeting strategic investors. Post-period end on 11 January 2018, the company announced that existing shareholders Invesco Asset Management and Woodford Investment Management would subscribe for a combined $10.3 million of the bridge facility.
- In addition to these fundraisings, $16.6 million was invested by the Group into new and other existing subsidiary businesses.

CORPORATE HIGHLIGHTS

- On 13 March 2017, the Company appointed Jill Smith, formerly a Non-Executive Director, as interim CEO. Jill's appointment as President and CEO was confirmed on 30 May 2017.
- On 29 June 2017, Allied Minds announced the appointment of Simon Davidson as Executive Vice President, Technology Investments.
- On 19 September 2017, Allied Minds announced the appointment of Harry Rein as an Independent Non-Executive Director.

HIGHLIGHTS *(CONTINUED)*

FINANCIAL HIGHLIGHTS

- Net cash and investments* of $169.1 million (2016: $226.1 million) of which $84.2 million (2016: $136.7 million) is held at the parent level.

  * includes funds in form of fixed income securities.

- Revenues of $5.0 million (2016: $2.7 million) mainly from non-recurring engineering (NRE) and service contracts, reflecting the early stage nature of our portfolio of subsidiary businesses.
- Net loss of $111.1 million, (2016: $128.7 million) primarily reflects G&A and R&D spending of $55.2 million and $49.0 million, respectively, to support the portfolio activities, offset, in part, by NRE revenue of $5.0 million.
- Group Subsidiary Ownership Adjusted Value (GSOAV) of $395.6 million as of 22 March 2018 ($416.2 million as at 24 April 2017), reflecting the estimated ownership adjusted value of Allied Minds' investment in the group subsidiaries.

CORPORATE PARTNERSHIP HIGHLIGHTS

- On 30 October 2017, Allied-Bristol Life Sciences, LLC, a biopharmaceutical enterprise jointly owned by Allied Minds and Bristol-Myers Squibb Company announced that it had formed a new subsidiary, ABLS IV, to enter into an alliance with Weill Cornell Medicine and an exclusive licensing agreement with Cornell University in relation to a novel class of inhibitors of immunoproteasomes.

SELECTED SUBSIDIARY HIGHLIGHTS

- On 11 July 2017, Spin Transfer Technologies announced the appointment of Tom Sparkman as CEO, signalling a transition to focus on the commercial exploitation of its product differentiators. Tom is a veteran of the semiconductor industry who has held CEO and senior executive roles at Spansion, Integrated Device Technologies, and Maxim Integrated Products.
- On 12 July 2017, BridgeSat announced the appointment of Barry Matsumori, formerly a senior executive at Qualcomm, SpaceX and Virgin Galactic, as CEO. In April 2017, BridgeSat secured an agreement with The Swedish Space Corporation to install its optical ground stations in at least three ground sites and announced a partnership with York Space Systems (York) to include its optical downlink technology on York satellites delivering the Harbinger Mission for the U.S. Army.
- Federated Wireless concluded or currently is in live trials with a total of 30 partners across the spectrum sharing ecosystem, and continued to make progress towards full FCC certification expected later in 2018.
- HawkEye^{360} progressed in its preparations for the Pathfinder launch scheduled for Q2 2018 and entered into revenue contracts with commercial and government entities to provide demonstrations of capabilities anticipated to be available with the Pathfinder cluster.
- Precision Biopsy completed enrolment for its ClariCore™ Cohort A trial and has delivered its algorithm for system level U.S. Food and Drug Administration (FDA) validation and verification.

HIGHLIGHTS *(CONTINUED)*

- On 28 September 2017, SciFluor Life Sciences announced positive top-line results of a Phase 1/2 study of SF0166, the company's lead drug in development for the topical (eye drop) treatment of patients with Diabetic Macular Edema (DME). The Phase I/II study assessed the safety and preliminary efficacy of SF0166 in 40 evaluable patients with DME who were randomized to one of two dose strengths (2.5% and 5.0% solutions) self-administered by patients as an eye drop twice-a-day for 28 days, with a 28 day follow-up period.

- On 16 October 2017, Spin Transfer Technologies and Tokyo Electron Ltd. announced that they signed an agreement for a collaborative engineering program for next-generation Static Random-Access Memory (SRAM) and Dynamic Random-Access Memory (DRAM)-class Spin-Torque Magnetoresistive Random-Access Memory (ST-MRAM) devices.

- On 18 December 2017, SciFluor announced positive top-line results of a Phase I/II trial studying the treatment of 'Wet' Age-Related Macular Degeneration patients with SF0166, the company's lead eye drop drug for back of the eye diseases. The double masked Phase I/II study assessed the safety, tolerability and preliminary efficacy of SF0166 in 42 evaluable subjects with neovascular (wet) AMD who were randomised 1:1 to self-administer an eye drop containing either a 2.5% or a 5% solution of SF0166 twice-a-day for 28 days.

- Post-period end on 17 January 2018, Allied Minds announced that it had completed the sale of Percipient Networks to WatchGuard Technologies, Inc.

HIGHLIGHTS *(CONTINUED)*

OUTLOOK FOR TOP SIX SUBSIDIARIES

Highlighted below are the key operational management objectives for 2018 across the top six subsidiaries. In addition, several of these subsidiaries aim to secure additional funding in the course of 2018. It is in the nature of early stage company creation and development that business plans need to adapt dynamically in response to changing circumstances. Where this becomes necessary we will provide an update on materially revised plans.

Subsidiary	2018 Key Operational Management Objectives
BridgeSat	• Successfully demonstrate end-to-end service: Network Operations Centre (NOC), at least one ground station, and customer pathfinder(s) • Sign 2+ customer agreements; build strong commercial revenue backlog
Federated Wireless	• FCC certification • Support multiple customer launches and realise commercial revenue • Build out national availability of Environmental Sensing Capability (ESC) network to meet customer requirements
HawkEye^{360}	• Successfully launch Pathfinder satellite cluster • Launch Marine Domain Awareness (MDA) products and realise commercial revenue
Precision Biopsy	• Gain CE Mark • Complete Cohort B trial
SciFluor	• Initiate at least one Phase II trial for SF0166 • Complete in-life Investigational New Drug (IND) enabling study for one new asset
Spin Transfer Technologies	• Successfully demonstrate the advantages of the Spin Polarizer and Endurance Engine • Sign 2+ customer/partner agreements

HIGHLIGHTS *(CONTINUED)*

BOARD AND MANAGEMENT HIGHLIGHTS

Following Jill Smith's appointment as President and CEO, vacating her previous Non-executive Directorship, the Board appointed Harry Rein as a Non-executive Director in August 2017. Harry brings extensive experience from the venture capital sector, most recently serving as General Partner for 10 years at Foundation Medical Partners (Foundation), an early stage venture capital firm focused on the healthcare sector. Prior to Foundation, Harry served as Founder and Managing Partner at Canaan Partners (Canaan). Harry was responsible for life sciences investments at both Foundation and Canaan. Earlier in his career Harry was President and CEO of GE Venture Capital Corporation, having joined General Electric Company in 1979.

In July, Simon Davidson was appointed Executive Vice President, Technology Investments. In this role Simon has lead responsibility for the origination of new technology investments and plays an important role in the oversight of our existing technology subsidiaries. Simon has 25 years' experience in the technology sector and joins Allied Minds from In-Q-Tel, where he was a Managing Partner of the US-based strategic investor that identifies and partners with start-up companies that develop innovative technologies for the US intelligence community.

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.

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. However, despite having established technology transfer processes designed to commercialise this intellectual property, only a relatively small number of patents per year are licensed, and 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 seeks to collaborate with targeted US federal research institutions, universities, medical institutions, and select corporations and entrepreneurs to identify early stage innovations and inventions that have the potential to transform markets, and to invest to build strong companies that can bring differentiated products and services to market. We seek to deliver attractive returns for our shareholders, as well as generate an additional source of funds for company creation and development, by realising superior exit valuations from those businesses that achieve commercialisation.

OUR STRATEGY AND CAPITAL ALLOCATION

Allied Minds sources, operates and funds a portfolio of subsidiary companies to generate long-term value for its investors and stakeholders, supporting its businesses with capital, management, expertise and shared services.

We seek to invest in companies at an early stage, including seed investment to build a company based on a technical breakthrough or invention. As such, our investments have significant upside potential, but also carry significant risk inherent in the early stage model. Allied Minds provides equity funding at the initial seed or Series A investment round and participates in follow-on investment rounds. Additionally, we provide hands-on support through the appropriate level of management, operating and governance support and expertise, and shared services over the life of the subsidiary to commercialisation and monetisation. A key component of the Company's strategy is to maintain strict discipline in the allocation of financial and human capital to those businesses meeting the objectives or milestones set, and ceasing funds for those where the path to commercialisation is no longer attractive.

Allied Minds invests in technologies that have the potential to disrupt large markets and builds companies with a strong focus on those criteria that together best position them for successful commercialisation and ultimately an exit at a superior valuation. The company has defined six key success factors that, if present, can create the conditions for a superior exit valuation:

- Disruptive innovation solving an important problem (ideally with first mover advantage)
- Favourable market dynamics (large market and/or high growth rate)
- Sustainable competitive advantage (unique or superior solutions, with sustainable barriers to entry, potentially including IP)
- Route to widespread adoption (minimum barriers to adoption; known/available distribution channels)
- Capable management with aligned interest (right skill mix and accountability for delivery)
- Potential for competitive tension (operate to maximise exit optionality and nurture potential buyers)

COMPANY OVERVIEW *(CONTINUED)*

Source

Since inception, Allied Minds has sought to deliver the commercial potential of IP developed in universities, federal laboratories, and medical institutions, by working with technology transfer offices (TTOs). It maintains relationships with several US Department of Defense laboratories and federal government agencies such as the Department of Homeland Security and the Department of Energy.

The Company typically receives certain access and licensing rights to inventions selected for investment. Additionally, the Company has established certain partnerships and alliances with US corporations, including Bristol Myers Squibb (BMS) (via Allied- Bristol Life Sciences, LLC (ABLS)) and GE Ventures, which provide us with access to technology, expertise and capital. Finally, we leverage our own businesses and operators, as well as our network of partners and advisors to help identify emerging market and/or breakthrough technology opportunities. We prioritise those technologies or companies that benefit from the "network effect", i.e. where we can leverage our market insight, operating expertise and network, often gained from those companies already in our portfolio, to benefit the early stage opportunity, or where it can deliver incremental value to our own companies.

Operate

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. Together with management, the Company defines the critical milestones, or inflection points, for each subsidiary and measures tangible progress towards commercialisation and the key success factors for a successful monetisation event. Management is accountable for these milestones, which are developed into annual management objectives (or MBOs).

Allied Minds actively supports its businesses throughout their life-cycle. 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.

It is a fact of life in early stage company creation and development that not all ideas or technologies will successfully transition to commercialisation. We carefully scrutinise our portfolio of subsidiary businesses with the objective of ensuring that we identify early signs that successful commercialisation and attractive returns on investment may not be obtainable. Where it becomes evident that a company does not have a clear path to commercial traction we seek to terminate 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 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 large positions where appropriate.

Allied Minds has established scalable shared services capabilities designed to enable our businesses to focus on research, product development and commercialisation activities and at the same time benefit from strong, cost-effective operational and financial infrastructure and support. The administrative support provided includes payroll, IT support, legal, HR and fund-raising support, as well as hands-on operational advice.

COMPANY OVERVIEW *(CONTINUED)*

Fund

As our companies meet the objectives identified for success, we seek to participate in subsequent capital raises to mitigate dilution, to the extent consistent with our goal to maximise risk adjusted returns for our shareholders and, taking into account competing uses of capital across our portfolio and pipeline. Co-investors in later rounds include financial, strategic and commercial partners. Where appropriate, we seek to include partners who validate the market opportunity and can provide support and/or commercial commitments to accelerate, expand and/or de-risk the path to commercialisation.

Portfolio composition

Allied Minds has identified six subsidiaries as defined earlier that we believe are well-positioned for commercialisation and have the potential to realise superior exit valuations.

These subsidiaries currently represent the substantial majority of Group Subsidiary Ownership Adjusted Value. Allied Minds' ownership stakes range from 48.40% (Spin Transfer Technologies) to 98.15% (BridgeSat).

Outside these subsidiaries Allied Minds has two earlier stage investments (LuxCath and Signature Medical). These represent exciting opportunities in medtech, albeit with more work to be done to commercialise their technologies.

In addition Allied Minds operates an early stage drug development joint venture with Bristol Myers Squibb: Allied Bristol Life Sciences (ABLS). Currently ABLS has two drug candidates in initial feasibility studies and a third in lead optimisation.

Origination activities

Allied Minds focuses its origination activities on technologies or companies that are aligned with our theses on the future direction of market segments we are close to. Leveraging proprietary knowledge, expertise and networks – often gained from the companies already in our portfolio - we believe we have differentiated insight enabling us to identify new opportunities in dynamic markets, as well as market and operating experience and expertise that can deliver meaningful benefits to early stage companies. This is particularly true for market opportunities in regulated industries, or where target markets include government customers.

Areas where we have established ourselves as one of the leading operators, and where we believe there will be large or transformational market opportunities include: space/analytics; connectivity; data/machine learning; wearables; and minimally-invasive solutions where adoption can be dramatic such as interventional cardiology, electrophysiology, neuroradiology, pulmonology, and gastroenterology.

In order to fully participate in these emerging market opportunities, Allied Minds expects to take majority positions to build new companies and selectively take minority positions in already-formed companies. We will consider the latter where an opportunity is financially compelling in its own right and fits with an existing thesis or area of competitive advantage, and where participation is expected to also yield additional knowledge and expertise or strengthen our network in that area, thereby consolidating our competitive advantage.

COMPANY OVERVIEW *(CONTINUED)*

PARTNER NETWORK

The Group has well-established relationships with some of 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. As described above, thematic investing demands a more selective approach to institutional relationships, matching origination efforts to those entities with expertise aligned to the Group's investing theses. We anticipate focusing more on US government laboratories and other Federal Funded Research and Development Centers (FFRDCs), given our areas of interest.

Corporate partnerships provide an additional valuable source of new investments. 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.

PORTFOLIO SUMMARY

During 2017, an aggregate of $81.1 million was invested into new and existing subsidiary businesses. This included $64.5 million from fundraisings, of which $35.1 million came from third-party investment, to further accelerate the development of HawkEye^{360}, Signature Medical, BridgeSat, Federated Wireless, Spin Transfer. In addition to these fundraisings, $16.6 million was invested by the Group into other existing subsidiary businesses.

Allied Minds currently has majority ownership in, or operating control of, all of its subsidiary businesses. Below we provide an overview of our 12 current operating subsidiary businesses, including year formed, and Allied Minds' ownership interest. These 12 subsidiary businesses include two 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); and ABLS Capital (a funding vehicle for ABLS drug development subsidiaries). There are some additional non-operating or holding companies not listed in the table below.

Operating Subsidiary[2][3][4]	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, LLC	2015	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 IV, LLC	2017	80.00%	Novel inhibitors of immunoproteasomes targeting inflammatory and autoimmune diseases, developed by Dr. Ramanuj Dasgupta at the NYU School of Medicine
Life sciences			
LuxCath, LLC	2012	98.00%	Catheter ablation initially focused on atrial fibrillation using novel proprietary real-time tissue and lesion visualisation technology
Precision Biopsy, Inc.	2008	64.59%	Medical device and analytics company using spectral analysis to distinguish tissue characteristics in real-time, with the aim of improving diagnostics and therapies. Initially focused on prostate cancer, the technology is potentially applicable to other cancers
SciFluor Life Sciences, Inc.	2010	69.89%	Drug development company focused on creating a portfolio of best- in- class compounds in the fields of ophthalmology, neuroscience and fibrosis. Lead clinical asset SF0166 is a topical eye droplet treatment for retinal diseases including Wet AMD and DME
Signature Medical, Inc.	2016	88.09%	Developing cardiac signature technology on a wearable device enabling diagnosis and monitoring of heart failure during hospital therapy and post discharge

PORTFOLIO SUMMARY *(CONTINUED)*

Operating Subsidiary[2][3][4]	Year Formed	Ownership Interest[1]	Overview
Technology			
BridgeSat, Inc.	2015	98.15%	Developing an optical communications service for data transfer from LEO and Geostationary Equatorial Orbit (GEO) satellites to earth (and vice versa), and between satellites, targeting significantly lower cost and faster rates than current Radio Frequency (RF) solutions
Federated Wireless, Inc.	2012	52.26%	Plans to offer a cloud-based SaaS service that unlocks spectrum previously unavailable to commercial users by enabling government and commercial users to securely share the same spectrum band
HawkEye360, Inc.	2015	53.06%	Data analytics company seeking to commercialise the capability to detect, independently geo-locate and analyse diverse RF signals from space
Spin Transfer Technologies, Inc.	2007	48.40%	Developing technology solutions that have the potential to materially enhance the endurance, speed and size characteristics of MRAM (magneto-resistive random access memory) – the emerging next generation memory technology

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 19 March 2018 (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.

(2) Not reflected in the above list of operating subsidiaries are the two platform companies: Foreland Technologies and Allied Minds Federal Innovations.

(3) ABLS and BMS together resolved that ABLS III, which was pursuing feasibility studies on proprietary compounds that target the Wnt signaling pathway and nuclear beta catenin, had not met pre-set objectives and accordingly the program was terminated.

(4) Post-period end, Allied Minds ceased operations and dissolved each of Whitewood Encryption Systems, Inc. (Whitewood Encryption) and Seamless Devices, Inc. (Seamless Devices), and sold the assets of Percipient Networks, LLC. (Percipient Networks).

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.

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. These valuations assume there will be available funds for the subsidiaries to reach next stages of their development towards commercial success or an exit event.

The GSOAV was $395.6 million as of 19 March 2018 (being the latest practicable date prior to the publication of this document), of which $375.3 million (or 94.9%) is attributed to the top six companies ($371.6 million or 89.4% as last reported). Of the total GSOAV, 95.9% is valued by reference to the valuation implied by the most recent third party funding round. Compared to $415.8 million when last reported, this reflects a decrease of $20.2 million, or 4.9%. This decrease is primarily attributed to the liquidation of several subsidiary businesses subsequent to current year end and write off of their value, namely Percipient Networks, Seamless Devices, and Whitewood Encryption as well as write downs in platform companies Allied Minds Federal Innovations, Inc. (AMFI) and Foreland Technologies Inc. (Foreland). This decrease was partially offset by an increase in value at BridgeSat and Federated Wireless demonstrated by the consummation of third-party fundraisings.

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.

KEY PERFORMANCE INDICATORS

The following Key Performance Indicators (KPIs) were selected to measure the performance of the Company in 2017. These objectives seek to link financial, operational, technical and other performance milestones established by the Board directly to remuneration and KPIs.

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

Performance against 2017 KPIs is set out below:

KPI	2017	2016	Performance
GSOAV	$395.6 million	$416.2 million	$20.6 million / 4.9% decrease
MBO Achievement; Percentage of Target; See Detail Below	131.0%	111.2%	Substantially above target

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.

The MBOs set by the Board for 2017, along with the level of achievement against such MBOs, is set forth below:

MBO	Threshold Weightings	Target Weightings	Maximum Weightings	Achieved Weightings
Deliver Validating Events[1] and Technical Milestones[2] for Key Subsidiaries	0.0%	40.0%	60.0%	57.0%
Secure Funding and Strategic Relationships for Subsidiary Companies	0.0%	20.0%	30.0%	24.0%
Strengthen Investment Committee Process:				
Establish Corporate Partner Goals and Commitments	0.0%	5.0%	7.5%	5.0%
Expand New Company Pipeline Development	0.0%	5.0%	7.5%	5.0%
Define Path to Commercialisation, Liquidity Event or Key Commercial or Strategic Differentiators	0.0%	10.0%	15.0%	15.0%
Develop Strategic Plan to Drive Shareholder Value	0.0%	10.0%	15.0%	15.0%
Manage Cash	0.0%	10.0%	15.0%	10.0%
Total Percentage of Target	0.0%	100.0%	150.0%	131.0%

KEY PERFORMANCE INDICATORS *(CONTINUED)*

The following Key Performance Indicators (KPIs) were selected to measure the performance of the Company in 2018. These objectives seek to link financial, operational, technical and other performance milestones established by the Board directly to remuneration and KPIs.

The 2018 KPIs, including financial, operational, technical and other performance targets and their weightings for the upcoming year were set at the start of 2018, as follows:

KPIs	Target Weightings
Deliver Validating Events[1] and Technical Milestones[2] for Key Subsidiaries	30.0%
Secure Funding and Strategic Relationships for Subsidiary Companies	20.0%
Strengthen Investment Committee Process; Progress Longer Term Strategy:	
Initiate New Company Formation and Investment	15.0%
Deepen Specific Federal Lab Relationships	5.0%
Expand Sources of New Deal Pipeline	5.0%
Strengthen Core Business for Sustainability	
Manage Cash	15.0%
Broaden Shareholder Base	5.0%
Bolster Portfolio Company Support and Services	5.0%
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

TOP SIX SUBSIDIARY BUSINESSES

BridgeSat, Inc.

Overview

Formed in 2015, BridgeSat is seeking to develop an optical communications service for data transfer from LEO and GEO satellites to earth (and vice versa), and between satellites, at significantly lower cost and faster rates than current RF solutions. The technology underpinning BridgeSat's offering was sourced originally from The Aerospace Corporation and Draper Laboratories. BridgeSat is based in Denver, Colorado.

Problem statement – RF cannot meet exponential growth in demand for satellite data downlink

LEO satellite data downlink demand is expected to grow over 125% annually through 2024, as a result of an expected three-fold increase in number of satellites by 2022 carrying a broader range of data-intensive sensors. The cost and speed characteristics of RF, together with increasingly scarce spectrum, make it difficult to support this increase in data downlink demand.

Proposed solution – optical-based data delivery service

BridgeSat is seeking to build an optical-based data delivery service that will enable data transfer to/from satellites at speeds of up to 10Gbps (roughly 10x the speed of current RF communications technologies) and significantly lower cost (up to 10x cheaper on a $/byte basis at speeds above 1Gbps). Other advantages include the fact that optical does not use spectrum, which is a scarce resource with competing demands; does not suffer spectrum interference issues; and is more secure since the narrow optical beam is difficult to jam.

BridgeSat's optical communications system has three core elements. The first is the space terminal that is installed on customer satellites. The second is a network of optical ground stations that will receive data from BridgeSat space terminals and is planned to be compatible with those manufactured by other suppliers. The company estimates that a network of 10 ground stations is needed to meet the service requirements of LEO and GEO customers. The third is the Network Operations Centre (NOC), located in Colorado, required to operate the network and manage data delivery against customer service levels.

BridgeSat enjoys first mover advantages and is thought to be the only commercial entity currently building out a network of optical communications ground stations.

Business model and target markets

BridgeSat's service contracts will vary based on volume of data and service levels.

BridgeSat's first target market is the fast-growing LEO data downlink segment, currently estimated to be worth $1.5 billion annually. In addition it will target the GEO and inter-satellite data markets.

2017 management objectives

- Complete series A fund-raise
- Acquire launch customers
- Demonstrate operation of first BridgeSat ground station

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

Progress in 2017

- Appointed Barry Matsumori as CEO
- Completed a $6.0 million series A fund-raise completed in May 2017, including participation by Space Angels, a venture capital firm focused on emerging space
- Signed ground station partnership with Swedish Space Corporation (SSC)
- First ground station designed and contracted with completion due in 2018
- Contracted with launch customers (3 pathfinder customers signed and one space terminal delivered)
- Signed an agreement with Tesat to develop interoperability with BridgeSat's ground station network
- Received a contract award in Japan to deliver a GEO space terminal for the ETS-IX GEO satellite programme

2018 key operational management objectives

- Successfully demonstrate end-to-end service: NOC, at least one ground station, and customer pathfinder(s)
- Sign 2+ customer agreements; build strong commercial revenue backlog

Federated Wireless, Inc.

Overview

Based in Arlington, Virginia, Federated Wireless plans to offer a cloud-based SaaS service that unlocks spectrum previously unavailable to commercial users by enabling government and commercial users to securely share the same spectrum band. Founded in 2012, the company's solution is based on technology developed with support from Virginia Tech University and the US Department of Defense (DoD).

Problem statement – the spectrum crunch

Demand for more spectrum to meet the growing needs of wireless broadband, IoT and next generation services while also ensuring the protection of critical missions performed by federal agencies is challenging existing allocation models. These include licensed spectrum, which can be high cost and inefficient, and unlicensed spectrum, such as Wi-Fi, which has no or very low cost but may be congested and unpredictable, and lacks carrier-grade technologies such as LTE. According to the FCC, "service quality is likely to suffer and prices are likely to rise" without new models that address the expected shortage of usable spectrum.

Proposed solution – shared spectrum model

Pioneered by Federated Wireless, spectrum sharing enables government and commercial users to securely share the same spectrum band.

In the US, the FCC initially plans to open up for shared use 150MHz of spectrum in the 3.5GHz band previously held by the Department of Defense, following an order creating the Citizens Broadband Radio Service (CBRS) that makes 3.5G available for mobile broadband and other commercial users. 150MHz of spectrum is equivalent to a large wireless carriers' spectrum holdings. The cost to deploy the necessary equipment to utilise shared spectrum is approximately on par with that for wi-fi systems, but the technology is based on robust, carrier-

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

grade LTE. The first commercial spectrum sharing services of the 3.5 GHz band are slated to be launched in 2018, pending FCC certification.

Federated Wireless' Technology

There are two key elements to the core Federated Wireless spectrum controller product. The Spectrum Allocation System (SAS) is cloud-based software that dynamically allocates available spectrum in the 3.5GHz band to registered users. Spectrum is allocated according to the three tier priorities determined by FCC rules and regulations. Access to the spectrum is gained via "access points" - equivalent to a wi-fi router - which are deployed close to the end user.

The second element is the ESC sensors that detects use by the incumbent (in the case of 3.5GHz the U.S. Navy) and secures priority access on an as needed basis. Federated Wireless is installing and will operate over one hundred ESC sensors along substantial stretches of the US coastlines. Dozens of ESC sensors are currently deployed at the time of writing.

Business model and target markets

There are five core markets for Federated Wireless' spectrum sharing technology.

1. Mobile Network Operators (MNOs) are expected to provide access by adding access points in highly populated areas to densify their existing networks, improve coverage and extend capacity and service quality.

2. Cable companies, also known as multiple system operators (MSOs), are expected to provide access by installing access points in homes and destinations to provide mobile offload.

3. Neutral hosts can harness shared spectrum by installing access points at private venues such as stadiums, campuses and other commercial properties to provide local networks at significantly reduced cost compared to current distributed antenna system technologies.

4. Wireless broadband providers (also known as WISPs) can install access points in rural locations otherwise underserved by fixed line broadband.

5. Enterprise, industrial and other commercial customers can install access points to enable private LTE networks in factories and other venues, in support of IoT.

Overall, Federated Wireless estimates that the total addressable US market for 3.5GHz shared spectrum equates to more than 135 million access points, including 100 million home cable and broadband MSO installations; 30 million enterprise installations; and 5 million in last mile access installations for rural homes. Not included is additional demand expected from MNOs for network densification and underserved travel and commercial hubs. Assuming FCC certification in 2018 and adoption rates equivalent to wi-fi, it is estimated that the US market could reach 5.4 million access points by 2022 (less than 4% of the total addressable US market).

2017 management objectives

- Complete Series B fund-raise
- Receive formal SAS and ESC FCC certification
- Launch SAS commercial product

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

Progress in 2017

- Completed a $42.0 million Series B financing led by Charter Communications, Arris International, American Tower and GIC, together with participation from existing investors
- Launched the Spectrum Controller commercial product, with FCC approval for selected use by customers in field trials in US cities.
- In Q4 began field trials with customers covering all five of the spectrum sharing verticals, including Charter Communications; Arris International; American Tower as well as Verizon and Telrad (a wireless broadband provider or WISP)
- After the period end, signed a multi-year commercial agreement with Telrad in January to deliver LTE fixed wireless services

2018 key operational management objectives

- FCC certification
- Support multiple customer launches and realise commercial revenue
- Build out national availability of ESC network to meet customer requirements

HawkEye^{360}, Inc.

Overview

Formed in 2015, HawkEye^{360} is a data analytics company seeking to commercialise the capability to detect, independently geo-locate and analyse diverse RF signals from space. Using proprietary algorithms, HawkEye^{360} aims to combine RF signals detection with other forms of geospatial information to produce contextually relevant analytics and reports for government and commercial end market applications. HawkEye^{360} is based in Herndon, Virginia.

Problem statement – current space-based RF signals detection and mapping capabilities are limited

Wireless communications, using RF signals, are proliferating yet there is currently no commercial provider of RF detection, mapping and analytics with signal diversity and independent geolocation capabilities that can support sophisticated data analytic products. These capabilities have the potential to enhance government and commercial activities across a range of applications including spectrum mapping and interference management, maritime domain awareness and infrastructure management.

Proposed solution – RF signals detection, mapping and analytics from formation satellite constellations

HawkEye^{360} plans to operate clusters of 3 low earth orbit (LEO) small satellites flying in formation to provide independent data streams that can be used to accurately geo-locate diverse RF signals. Using proprietary algorithms, signals data will be used individually or in combination with multiple other data sources to deliver contextual, timely analysis and predictions related to sources of RF signals, such as ships and fishing vessels. For example maritime vessels engaged in illegal fishing may seek to evade detection by switching off their AIS (Automatic Identification System) and going "dark". HawkEye^{360}'s capability may be used to detect other forms

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

of RF emissions from the "dark" ship making it possible to detect vessels that are attempting to hide or spoof their location and avoid interception.

The company estimates that at full capacity it will operate with up to 10 commercial clusters. HawkEye^{360}'s satellites and payloads are provided by third parties and have flight heritage, and its signals detection and geo-location capability has been simulated successfully using aircraft. The algorithms that form the foundation of HawkEye^{360}'s signals processing and data analytics are proprietary to HawkEye^{360}.

HawkEye^{360} enjoys first mover advantages and is thought to be the only commercial entity currently planning for launch of satellite clusters with diverse RF signals detection, mapping and analytics capabilities.

Business model and target markets

The first market targeted by HawkEye^{360} is maritime domain awareness (MDA). Per Frost and Sullivan, this is currently a $1.7 billion market, forecast to grow to $2.2 billion by 2024 (excluding defence and intelligence expenditure). In civil government the market is anticipated to include: anti-piracy and pollution; illegal, unreported and unregulated (IUU) fishing: and anti-illegal transshipment. Other representative markets include: spectrum mapping; emergency response and search and rescue; communications/spectrum interference detection; critical infrastructure awareness; and government mission support.

HawkEye^{360}'s subscription model is expected to generate recurring revenue.

2017 management objectives

- Prepare for 2018 pathfinder launch
- Initiate contract for development of next commercial satellite clusters

Progress in 2017

- Pathfinder satellites, payloads and software developed, tested and integrated on track for readiness ahead of summer 2018 launch schedule, with additional testing conducted following launch delay
- Ground infrastructure for relay of data/analytics to end customers operational, with software complete and awaiting deployment

2018 key operational management objectives

- Successfully launch Pathfinder satellite cluster
- Launch MDA products and realise commercial revenue

Precision Biopsy, Inc.

Overview

Precision Biopsy is a medical device and analytics company using spectral analysis to distinguish tissue characteristics in real-time, with the aim of improving diagnostics and therapies. Initially focused on prostate cancer, the technology is potentially applicable to other cancers. Precision Biopsy was formed in 2008 based on technology originally sourced from the University of Colorado. It is based in Aurora, Colorado.

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

Problem statement – poor diagnosis rates and invasive therapies for prostate cancer

The location of the prostate means that cancer tumours cannot be accurately imaged so biopsies are performed "blind", with 12 to 14 cores sampled randomly. Poor diagnosis rates mean that cancer is missed nearly half of the time and patients are subjected to repeat treatments. Further, 90% of tissue cores are negative, resulting in unnecessary pathology costs of around $900 million annually in the US alone. Because tumours cannot be accurately mapped, treatments for prostate cancer are predominantly whole gland treatments, principally prostatectomy, carrying c. 85% side effects including sexual dysfunction and incontinence.

Proposed solution – "smart" diagnosis and therapy

Precision Biopsy's ClariCore™ system uses spectral analysis to distinguish benign and cancerous tissue in real-time during the biopsy procedure, guiding the urologist, and potentially improving diagnosis rates and reducing pathology costs. The same technology is anticipated to be leveraged to produce accurate 3D mappings of prostate cancer tumours, which in turn builds the foundation for focal therapy. Targeted therapy has the potential to replace certain prostatectomies, and potentially move treatment from the operating room to the clinic at significantly reduced cost.

Today's standard of care involves a random biopsy of 12-14 cores under ultrasound. Where routine biopsies of high risk patients fail to diagnose the cancer, physicians typically prescribe an MR Fusion biopsy which involves an MRI scan (typically in the hospital) followed by the biopsy (typically in the urology office). An MRI scan is expensive and has an estimated 10mm error margin. ClariCore™ is estimated to have an error margin of 1mm, which is accurate enough for focal therapy, in which only the cancerous tissue is treated.

Target markets

In the US, Precision Biopsy's ClariCore™ diagnostic product targets a c. $1.5 billion segment of the estimated $7 billion prostate cancer market, or approximately 1 million biopsies annually. Precision Biopsy believes an estimated 100,000 prostate cancer patients may be eligible for 3D mapping, worth c. $300 million annually in the US, plus an additional $500 million US market for an integrated focal therapy device. The European market is of a similar size to the US.

Precision Biopsy' performance against 2017 management objectives

- Complete Cohort A study
- Initiate Cohort B trial
- Progress ClariCore™ CE Mark and FDA approval

Progress in 2017

- Completed Cohort A study
- Improved algorithm accuracy – supports biopsy, 3D mapping and focal therapy
- Confirmed de novo 510k approval path with FDA (on average a markedly cheaper route to FDA approval for a medical device versus the PMA alternative)
- Cohort B IDE submission completed

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

- Good progress against ClariCore™ CE mark approval
- 3D mapping prototype developed, ready for first in man studies

2018 key operational management objectives

- Gain CE Mark
- Complete Cohort B trial

SciFluor Life Sciences, Inc.

Overview

SciFluor is a drug development company focused on creating best in class compounds in the fields of ophthalmology, neuroscience and fibrosis. SciFluor's lead clinical asset, SF0166, is a topical eye droplet treatment for Age-related Macular Degeneration and Diabetic Macular Edema, both widely prevalent retinal diseases that lead to blindness if left untreated. The company has a pipeline of compounds in pre-clinical development. SciFluor is based in Cambridge, Massachusetts.

The disclosure below focuses on SF0166.

Problem statement – treatment of AMD and DME requires regular injections to the back of the eye

AMD and DME require monthly injections to the back of the eye, causing patient discomfort and imposing significant costs on payors.

Proposed solution – topical eye droplet

SF0166 is a fluorinated compound administered via daily topical eye droplets. The patented fluorination process modifies a compound known to be safe and lends it qualities intended to enable passage to the back of the eye. In the second half of 2017 SciFluor concluded separate Phase I/II clinical trials for DME and Wet-AMD. The results of these trials, as interpreted by SciFluor's Scientific Advisory Board (SAB), indicate that SF0166 is safe and well-tolerated by patients. In addition, the trials provided a preliminary indication that the drug is reaching the retina and having a biological effect. Of the 40 patients in the DME trial 53% were deemed responders as assessed by reduction in retinal thickness. In the Wet-AMD study 21% of the 42 patients were deemed responders, as assessed by reduction in retinal thickness, elimination or significant reduction of subretinal fluid and clinical judgement. In the view of SciFluor's Board and SAB the results of these trials provide a clear basis to proceed to full Phase II trials for both indications. SciFluor is in the planning and design phase for these trials.

Target markets

20 million patients globally suffer from DME and 15 million suffer from Wet-AMD, with a further 150 million patients suffering from earlier stage Dry-AMD. In 2016 worldwide combined revenue for Lucentis and Eylea, the two leading injectable drugs treating these diseases, exceeded $8 billion. Ageing populations and the projected increased prevalence of diabetes are expected to drive future growth.

2017 management objectives

- SF0166: complete Phase I/II trials in DME (AMD in 2018)
- SF0034: file IND and complete enrollment

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

Progress in 2017

- Phase I/II trial for DME successfully completed
- Phase I/II trial for wet-AMD successfully completed
- Both SF0166 trials with positive safety profile and preliminary evidence of biological effect
- SciFluor secured 12 additional patents in relation to SF0166, and filed 4 patents in relation to new compounds
- SF0034 enrollment completed, but trial halted due to metabolic response. New alternatives under development

2018 key operational management objectives

- Initiate at least one Phase II trial for SF0166
- Complete in-life IND enabling study for one new asset

Spin Transfer Technologies, Inc. (Spin Transfer)

Overview

Spin Transfer is developing technology solutions that have the potential to materially enhance the endurance, speed and size characteristics of MRAM (magneto-resistive random access memory) – the emerging next generation memory technology. Spin Transfer believes these technologies hold the potential to unlock the widespread adoption of MRAM technology as a replacement for existing SRAM and DRAM. Based in Fremont, California, Spin Transfer was formed in 2006 and employs over 20 PhDs in fields including engineering, physics, materials sciences and mathematics.

Problem statement – current pervasive SRAM and DRAM technologies are reaching obsolescence

Current pervasive SRAM and DRAM memories deliver powerful size, speed and endurance performance, but have limitations in terms of volatility, i.e. they do not retain memory when power is cut, and have a high power consumption. Memory demand is growing, driven by more devices and more complex, data-intensive applications, including AI and VR, that require rapidly increasing amounts of memory to store data. At the same time, downward pressure on size and cost continues.

Proposed solution – universal technologies that enable DRAM-grade MRAM

Spin Transfer is developing 3 patented, universal technologies that hold the potential to enable MRAM (which is inherently non-volatile and low power) to meet or exceed the size, speed and endurance characteristics of SRAM and DRAM.

- Endurance Engine - circuitry designed to correct for inherent errors or non-idealities of MRAM, improving endurance by up to 6 orders of magnitude, taking current MRAM technologies from 10^8 to 10^{14} compared to DRAM at up to 10^{15} or above. The Endurance Engine also improves cell size, speed, power consumption, density and retention. The Endurance Engine has parallels to innovations pioneered by SanDisk to correct for non-idealities in Flash memory leading to the widespread adoption of this technology.

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

- Spin Polarizer (also known as PSC) – series of materials that can be layered onto a perpendicular magnetic tunnel junction (pMTJ – the core magnetics technology of MRAM) to improve switching speeds and increase efficiency by an estimated 30%, and reduce size by a corresponding amount.

- 3D multi-level cell (3D-MLC) – allows increases in densities to a level which, when combined with the Spin Polarizer and Endurance Engine, will allow MRAM to match or exceed the characteristics of DRAM.

Spin Transfer has more than 150 patents issued or pending in relation to these three technologies.

Target markets and business model

Through a phased roll-out of capabilities with partners, Spin Transfer expects first to target SRAM markets estimated at $500 million, and later DRAM with a total addressable market estimated to be worth $20 billion.

Spin Transfer plans to commercialise its technology through a combination of licensing agreements, potentially delineated by component and field of use, NRE-type agreements or sponsorship agreements, and other commercial partnerships. It does not possess a large scale manufacturing capability and would need to partner with a manufacturer at some stage to move beyond a licensing model if this were deemed desirable.

On a cost evaluation basis, the Endurance Engine is intended to decrease the overall silicon area (and hence cost) of a large (> 32 Megabit) MRAM memory. The Spin Polarizer adds an infinitesimal processing cost (fractions of a per cent) while greatly reducing silicon area. The 3D-MLC will add an as-yet undetermined processing cost that should also be significantly outweighed by the further silicon area reduction.

2017 management objectives (as of March 2017)

- Advance technology to demonstrate differentiators
- Secure strategic development/investing partner
- Complete Series B fund-raise

Note: After Tom Sparkman was hired as CEO, new objectives were set, including:

- Partner with Tokyo Electron Limited (TEL)
- Create 1G of data to demonstrate advanced pMTJ capability
- Meet with 25+ potential partners
- Increase patent portfolio

Progress in 2017

- In July recruited Tom Sparkman as CEO, with previous executive roles at Maxim, Spansion
- New strategy in place, transformed operational and commercial focus
- In September signed a collaborative engineering program with TEL providing expedited access to MRAM deposition tools and engineering resource

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

- 1G data measured
- Held over 50 partner meetings
- 87 new patents filed
- $22.8 million bridge finance facility underwritten by Allied Minds in October 2017. Spin Transfer secured $10.3 million of funding via a convertible bridge facility with existing shareholders of the Group in January 2018, which satisfied Allied Minds' commitment to fulfill the remaining balance of the 2017 bridge facility with Spin Transfer.

2018 key operational management objectives

- Successfully demonstrate the advantages of the Spin Polarizer and Endurance Engine
- Sign 2+ customer/partner agreements

Spin Transfer is engaged in active dialogue regarding its Series B fundraising activities with multiple high quality strategic investors and commercial partners. Spin Transfer has sufficient cash resources to bridge to the Series B round without making any material changes to its technical development and operational plans.

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, immune-science, immuno-oncology and oncology, aligning to BMS's strategic areas of focus. BMS has the option to acquire drug candidates 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 novel mechanisms and initial lead molecules from Allied Minds' network of institutional research partners and funds the initial feasibility study. Recently ABLS has in certain cases sought to de-risk projects by undertaking early work via a materials transfer agreement and an exclusive option, prior to forming a subsidiary and entering into an exclusive license.

If the drug does not pass the initial feasibility stage, funding is ceased and the subsidiary or project is closed with losses capped at the up to approximately $1 million of seed investment. If the drug passes the initial feasibility state it will enter into the lead optimisation phase to further advance the lead molecules, typically requiring further capital investment of up to $15.0 million. Funding for lead optimisation is provided by a combination of ABLS Capital, LLC (ABLS Capital) (80.0%) and BMS (20.0%). The lead 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.

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

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.

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. The work is underway at BBRC with several proprietary molecules synthesised. However, the current lead molecules have not yet improved the therapeutics index (TI) using the industry standard Bleomycin model of Fibrotic diseases. Selected lead molecules are being evaluated in another disease model of Duchenne Muscular Dystrophy (DMD).

ABLS IV, LLC

ABLS IV was formed in October 2017 to enter into an alliance with Weill Cornell Medicine and an exclusive licensing agreement with Cornell University to conduct initial feasibility studies in relation to a novel class of inhibitors of immunoproteasomes. The class of inhibitors under development is targeted at a specific sub-unit of the immunoproteasome playing a critical role in inflammation and autoimmune diseases, including lupus and rheumatoid arthritis, with the potential to develop safer treatments with better efficacy. The market for unmet medical needs in autoimmune and inflammatory diseases is estimated to be in the tens of billions of dollars. Initial Feasibility Phase is underway at BBRC.

Strategic Alliance with GE Ventures

Created in September 2016 to jointly identify and invest in technologies from Allied Minds' and GE Ventures' combined technology and innovation pipelines. Through this agreement, Allied Minds has an exclusive right of first refusal to license certain technologies, chosen by GE, for the spin-out and commercialisation of that technology.

Consistent with our focus on thematic investing, our efforts with GE Ventures have been focused on discovering the overlap of our strategic themes with commercialisation candidates from GE Ventures. Through this joint discovery process between Allied Minds and GE Ventures' technology licensing group, multiple promising candidates for eventual spin-out have been reviewed. While we have not yet identified a candidate that meets each of our investment criteria and objectives, we continue to seek an opportunity for Allied Minds to form new entities based on the cutting-edge technologies developed by one of the world's leaders in technology innovation. The strategic alliance with GE will expire by its terms in September 2018 unless extended by mutual agreement of the parties.

OTHER SUBSIDIARIES

LuxCath, LLC

LuxCath is developing a proprietary ablation catheter technology to enable live, optical interrogation of heart tissue during cardiac ablation, applying fluorescence to allow a cardiologist to assess on a real-time basis the impact of ablation therapy on targeted heart tissue. Current procedures are typically executed on a "blind"

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

basis with the cardiologists unable to visually assess whether there is tissue contact before commencing ablation and unable to determine whether ablation has successfully killed target tissue, or left gaps between lesions which could lead to recurrence. LuxCath's technology can be applicable to all cardiac ablation procedures and is focused on atrial fibrillation (AF) ablation as its initial target market. It aims to improve clinical outcomes while reducing procedure times, fluoroscopy exposure, costs, and clinical recurrences. AF is the most common cardiac arrhythmia in the US, affecting more than two million people and projected to affect 15.9 million in the year 2050, half of whom will be over 80 years old. AF has been implicated as a significant cause of strokes, thromboembolic events, and heart failure, costing the US healthcare system billions of dollars annually.

During 2017 LuxCath began developing a proprietary catheter into which its optical tissue interrogation technology will be integrated. A prototype integrated device is expected to be delivered and tested in 2018. The prototype will have the capability to interrogate cardiac tissue radially (not only in a straight line), enabling more comprehensive lesion assessment. Subject to testing, LuxCath expects to move the integrated device to patient trials. LuxCath has recruited a highly qualified Scientific Advisory Board comprising leading electrophysiologists at Mount Sinai Health System (New York), Massachusetts General Hospital, Beaumont Health (Michigan), Texas Cardiac Arrhythmia Institute at St. David's Medical Center and L'Institut de Rythmologie et Modelisation Cardiaque (Bordeaux, France).

Signature Medical, Inc.

Signature Medical is developing smart wearable devices to evaluate and monitor patients remotely and on a real time basis. Its lead AcoustiCare™ device is designed for patients with heart failure and other indications.

While acoustic signature analysis represents an excellent and well-founded approach to cardiac evaluation and monitoring, AcoustiCare™ and other products under development by Signature Medical, differ from other sensor-based wearables based on proprietary artificial intelligence coupled with cloud-based audio technology. Most existing technologies are based on measurement of rhythm, movement or impedance.

AcoustiCare™ is being developed with the objective of providing a more effective and non-invasive heart monitoring and evaluation system for patients suffering from heart failure and other indications. Remote, cloud-based monitoring of data transmitted by the device offers patients the potential for earlier and more targeted intervention, with the benefit to the healthcare system of improving clinical outcomes, reducing hospital re-admissions and material associated cost. Heart failure recurrence represents an enormous under-served market opportunity and ranks among the most prevalent and costly chronic diseases. It is the number one cause of hospitalisation among US adults over the age of 65 and consumes 1-2% of all healthcare expenditures in developed countries. Heart failure re-admission rates alone are estimated to be approximately 25% within 30 days of hospital discharge at a cost of approximately $5 billion in the US annually.

During 2017, Signature Medical completed a $2.5 million Series A preferred financing round, including participation by Riot Ventures, an early stage investment fund focused on emerging technology, and Bose Corporation, a global leader in audio innovation. The company has begun work on building an AcoustiCare™ prototype, integrating a proprietary algorithm capable of assessing cardiac function, and expects to collect acoustic data to train and validate the algorithm and build its IP position. Signature Medical has formed an expert Scientific Advisory Board comprising of heart failure thought leaders at renowned institutions including University of California, San Francisco Brigham & Women's Hospital and the Cardiovascular Research Foundation in New York City.

PORTFOLIO REVIEW AND DEVELOPMENTS *(CONTINUED)*

DISCONTINUED SUBSIDIARIES

Consistent with the Allied Minds' model, where a project has failed to deliver sufficient additional proof points for ultimate commercialisation and financial return, 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 April 2017, Allied Minds announced that it would cease operations at the following subsidiaries, having determined that the path to commercialisation was not sufficiently clear and that capital and management resource should be redirected to more promising areas of the portfolio and pipeline: Biotectix; Cephalogics; CryoXtract; Novare Pharmaceuticals; Optio Labs; RF Biocidics; SoundCure; and Tinnitus Treatment Solutions. The related net restructuring cost for the period was $7.3 million, which included $4.7 million of non-cash charges for impairment of tangible and intangible assets and inventory write-offs and is net of $1.1 million in net proceeds from the sale of assets.

Also in 2017, ABLS I and ABLS III ceased operations and were dissolved following Board determination that they had not successfully completed initial feasibility studies. Vatic Materials was closed following unsatisfactory due diligence outcomes.

Post period-end the Group sold the assets of Percipient Networks to WatchGuard Technologies, and ceased operations and dissolved each of Whitewood Encryption and Seamless Devices.

FINANCIAL REVIEW

During 2017, $81.1 million was invested into new and existing subsidiary businesses. This included $64.5 million from subsidiary fundraisings, with $35.1 million coming from third-party investment, to further accelerate the development of four of the Group's existing companies, HawkEye360, BridgeSat, Federated Wireless, and Signature Medical. In addition to these fundraisings, $16.6 million was invested by the Group into new and other existing subsidiary businesses.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the years ended 31 December	2017 $ '000	2016 $ '000
Revenue	5,001	2,664
Cost of revenue	(5,242)	(5,563)
Selling, general and administrative expenses	(55,214)	(55,484)
Research and development expenses	(49,012)	(55,292)
Finance cost, net	(6,545)	(15,267)
Other comprehensive income	(103)	208
Total comprehensive loss	(111,115)	(128,734)
of which attributable to:		
Equity holders of the parent	(75,778)	(96,125)
Non-controlling interests	(35,337)	(32,609)

Revenue increased by $2.3 million, to $5.0 million in 2017 (2016: $2.7 million). This increase is mainly attributable to the higher NRE revenue at Federated Wireless and HawkEye360. Cost of revenue was lower by $0.4 million at $5.2 million (2016: $5.6 million), reflecting prior year higher cost from write offs of inventory at two liquidated subsidiaries.

Selling, general and administrative (SG&A) expenses decreased by $0.3 million, to $55.2 million, for the year ended 31 December 2017 (2016: $55.5 million), largely due to savings from the restructuring and discontinued funding of subsidiaries during the year of $8.9 million. These savings were offset by an increase in spending at certain companies nearing commercialisation within the Group.

R&D expenses decreased by $6.3 million to $49.0 million for the year ended 31 December 2017 (2016: $55.3 million). Similarly to SG&A expenses, the decrease in R&D cost was largely due to savings from the restructuring and discontinued funding of subsidiaries during the year of $7.3 million. These savings were offset, in part, by the acceleration of activities at companies supported by third party financing rounds in 2016 and 2017, such as BridgeSat and HawkEye360.

Finance cost, net decreased by $8.8 million to $6.5 million in 2017 (2016: $15.3 million) reflecting to the fair value accounting adjustment of the subsidiary preferred shares liability balance of $6.8 million (2016: $17.6 million), and interest income, net of interest expense, of $0.3 million (2016: $1.0 million).

As a result of the above discussed factors, total comprehensive loss decreased by $17.6 million to $111.1 million for the year ended 31 December 2017 (2016: $128.7 million). Total comprehensive loss for the year attributed to the equity holders of the Group was $75.8 million (2016: $96.1 million) and $35.3 million (2016: $32.6 million) was attributable to the owners of non-controlling interests.

FINANCIAL REVIEW *(CONTINUED)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December	2017 $ '000	2016 $ '000
Non-current assets	28,369	38,282
Current assets	184,792	232,007
Total assets	213,161	270,239
Non-current liabilities	867	720
Current liabilities	200,202	155,402
Equity	12,092	114,117
Total liabilities and equity	213,161	270,239

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

Non-current assets

- Property and equipment decreased by $5.3 million to $26.6 million as at 31 December 2017 (2016: $31.9 million), mainly reflecting depreciation expense of $5.8 million and impairment charges of $0.7 million, offset by purchases of approximately $1.2 million, mainly at HawkEye360 and Federated Wireless;

- Intangible assets as of 31 December 2017 decreased by $1.7 million to $1.1 million (2016: $2.8 million) mainly as a result of amortisation expense of $0.3 million and impairment charges of $1.7 million, offset by additions of $0.3 million in acquired licenses and software assets;

- Other investments, non-current decreased to nil (2016: $2.7 million) reflecting the maturity of investment in fixed income government and corporate securities into current assets;

Current assets

- Cash and cash equivalents decreased by $51.1 million to $158.1 million at 31 December 2017 from $209.2 million at 31 December 2016. The decrease is mainly attributed to $90.8 million of net cash used in operations, offset by $35.4 million of cash from financing activities mainly from subsidiary financing rounds, and $4.3 million cash from investing activities mainly reflecting the conversion of fixed income security investments into cash and cash equivalents;

- Other investments, current decreased to $11.1 million (2016: $14.2 million) as those securities matured into cash and cash equivalents, reflecting the investment of excess cash into fixed income government and corporate securities that have maturities shorter than twelve months;

- Inventories decreased by $2.6 million to nil as at 31 December 2017 (2016: $2.6 million) reflecting mainly the obsolescence charges at discontinued subsidiaries of $2.5 million;

- Trade and other receivables increased by $9.7 million to $15.6 million at 31 December 2017 (2016: $5.9 million) as a result of an increase of $6.4 million mainly from advance payments to contract manufacturers plus a net increase of $3.3 million in trade receivables;

FINANCIAL REVIEW *(CONTINUED)*

Current liabilities

- Subsidiary preferred shares increased by $40.7 million to $181.6 million as of 31 December 2017 (2016: $140.9 million) as a result of net proceeds from subsidiary preferred rounds of $33.9 million at BridgeSat, Federated Wireless, HawkEye[360] and Signature Medical in 2017. The IAS 39 fair value adjustment for the year of $6.8 million additionally contributed to the increase in the subsidiary preferred shares liability;

- Deferred revenue increased to $4.3 million as of 31 December 2017 (2016: $0.5 million) primarily due to $3.7 million of customer deposits on contracts mainly at BridgeSat and HawkEye[360];

Equity

- Share capital and premium increased by $1.6 million to a combined $162.3 million at 31 December 2017 (2016: $160.7 million) primarily due to exercises of stock options under the U.S. Stock Option Plan. The increase in accumulated deficit of $65.0 million to $354.4 million (2016: $289.4 million) mainly reflected the net comprehensive loss attributable to equity holders of the Group for the year of $75.8 million (2016: $96.1 million). This increase is offset by the effect from dissolution of subsidiaries of $4.7 million (2016: nil) and the share-based compensation expense charge for the year of $6.1 million (2016: $5.9 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December	2017 $ '000	2016 $ '000
Net cash outflow from operating activities	(90,779)	(95,220)
Net cash inflow from investing activities	4,331	70,729
Net cash inflow from financing activities	35,372	128,087
Net (decrease)/increase in cash and cash equivalents	(51,076)	103,596
Cash and cash equivalents in the beginning of the year	209,151	105,555
Cash and cash equivalents at the end of the year	158,075	209,151

The Group's net cash outflow from operating activities of $90.8 million in 2017 (2016: $95.2 million) was primarily due to the net operating losses for the year of $104.5 million and the net effect from movement in working capital of $2.4 million, offset by the adjustment for non-cash items such as depreciation, amortisation, impairments and share-based expenses of $16.0 million and interest received net of paid and other finance charges of $0.1 million.

The Group had a net cash inflow from investing activities of $4.3 million in 2017 (2016: $70.7 million) mainly reflecting the disposal of fixed income investment securities of $5.9 million, offset by purchases or property and equipment, net of disposals, of $1.3 million, and purchases of intangible assets net of disposals of $0.3 million.

FINANCIAL REVIEW *(CONTINUED)*

The Group's net cash inflow from financing activities of $35.4 million in 2017 (2016: $128.1 million) primarily reflects $33.9 million proceeds from subsidiary financing rounds in HawkEye^{360}, BridgeSat, Signature Medical and Federated Wireless and $1.6 million from exercises of stock options and issuance of share capital, offset by $0.1 million repayment of notes payable.

The Group's strategy is to maintain healthy, highly liquid cash balances that are readily available for investment. 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.

With our focus on early stage company creation and development, 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 businesses may not be able to develop their innovations and 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, whether as a result of technical, product, market or other risks, resulting in an impairment of the Group's value.*

<u>Impact:</u> 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.

<u>Mitigation:</u>

- 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 may initially manage the subsidiary in its incubation phase and will typically serve as directors, thus staying with the project to help ensure consistency of management.
- Dedicated leadership with deep industry or sector knowledge, and relevant technical and/or leadership experience, is recruited 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.
- Each subsidiary business holds quarterly board of director meetings, with participation from the Group's management and/or investment team, along with the senior management team of such subsidiary business.

RISK MANAGEMENT *(CONTINUED)*

- The shared services model provides significant administrative support to the subsidiary businesses whilst the budgetary and financial controls ensure good governance.
- Within the Group there is significant 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, marketing and other operational activities of its businesses. There is no guarantee that the Group or any of its individual subsidiaries will become profitable prior to the achievement of a subsidiary sale or other liquidity event, and, even if the Group or any of its individual subsidiaries does become profitable, such profitability may not be sustainable. The Group may not be able to sell its ownership interests in subsidiary businesses during any specific time frame or otherwise on desirable terms, if at all.*

Impact: The strategic aim of the business is to generate profits for its shareholders through early stage company creation and development within the technology and life science sectors, to generate long-term value. Such value is expected to be delivered through the commercialisation and monetisation of these businesses, including through generation of revenue and profits, and through sales of subsidiary businesses or other liquidity events. The timing and size of these potential inflows is uncertain and should liquidity events 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 cash flow requirements, including to support the cash requirements for each subsidiary and for corporate resources, as well as invest in new businesses.
- 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, and continues to identify and develop strategic and financial relationships for co-investing in the Group's subsidiary businesses.
- 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 monetisation 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.

Strategic Report

RISK MANAGEMENT *(CONTINUED)*

Mitigation:

- 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. At the same time we seek to develop deep relationships with select research institutions and corporate partners, as well as build out a network of industry-specific relationships, in order to strengthen the quality and quantity of new deal opportunities.
- 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 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, including certain of the subsidiary businesses, currently has in place cooperative research and development agreements with certain US Department of Defense laboratories and other federally 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.

RISK MANAGEMENT *(CONTINUED)*

Mitigation:

- Prior to licensing any technology under these agreements, 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 of the regulations and sensitivities in relation to this issue and in particular with International Traffic in Arms Regulations (ITAR) which regulate the use of technologies for export, and has numerous mitigating actions available should issues arise.

6. *The Group operates in complex and specialised business domains and requires highly qualified and experienced management to implement its strategy successfully. All of the operations of the Group and its subsidiary businesses are located in the United States, which is a highly competitive employment market. 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: There is a risk that the Group may lose key personnel, or fail to attract or retain new personnel. 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, and to ensure that the structure of compensation is designed to properly incent performance and retention.
- 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.

RISK MANAGEMENT *(CONTINUED)*

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 of risk of any one subsidiary is not disproportionate.

8. *Clinical studies and other trials 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 trials 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.

Mitigation:

- The Group has dedicated internal resources within each subsidiary business 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 trials it will be normal for a dedicated management team (and 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 US Investment Company Act of 1940 regulates companies which are engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities. Securities issued by companies other than consolidated partner companies are generally considered ''investment securities'' for purposes of the Investment Company Act, unless other circumstances exist which actively involve the company holding such interests in the management of the underlying company.*

RISK MANAGEMENT *(CONTINUED)*

Impact: If the Company is deemed to be an ''investment company'' subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for the Group to continue its business as contemplated and could have a material adverse effect on its business. If anything were to happen which would cause the Company to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on capital structure, ability to transact business with subsidiaries and ability to compensate key employees, could make it impractical for it to continue its business as currently conducted.

Mitigation:

- The Company intends to monitor and conduct its operations so that it will not be deemed to be an investment company under the Investment Company Act.
- The Company seeks to build value by forming majority-owned or primarily controlled subsidiary companies; it is not engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities and does not own or propose to acquire investment securities above prescribed thresholds under the Investment Company Act.
- Currently the Company holds more than 50% of the voting securities of each of its subsidiary companies (other than Spin Transfer Technologies, where it owns 48.40%), and intends to continue to try to structure its new businesses in such a way as to hold majority of the voting securities in its operating subsidiaries, or otherwise obtain and maintain primary control.
- In addition to ownership levels, the Company seeks to obtain and maintain primary control of its subsidiary businesses through a combination of the following:
    - o Rights to elect representatives to the board of directors, with ability to exercise influence over the subsidiary's business strategy, operating plans, budgets and key corporate decisions;
    - o Legal rights, such as access to information (books and records) and financial statements, liquidation preferences, registrations rights, rights of first refusal, pre-emptive rights and co-sale rights;
    - o Protective provisions, such as rights to block certain subsidiary actions; and
    - o Active involvement in the management of the subsidiary, such as shared service support, business development introductions, co-locating, and key management recruiting.

10. *The Group expects to remain viable through December 2020 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.

RISK MANAGEMENT *(CONTINUED)*

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 businesses 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 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.

RISK MANAGEMENT *(CONTINUED)*

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 66 to 69 and are incorporated into this Strategic Report by reference.

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

ON BEHALF OF THE BOARD

Peter Dolan
Chairman

Jill Smith
Chief Executive Officer

22 March 2018

THE BOARD

EXECUTIVE DIRECTORS

Jill Smith – Chief Executive Officer and President

Jill joined Allied Minds as a Non-Executive Director in January 2016, and has served in the role of Chief Executive Officer, President and Executive Director since 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), Gemalto N.V. (Euronext: GTO), and J.M. Huber Corporation. She will not be standing for re-election at the Endo AGM in June 2018. Jill also expects to resign from the Board of Gemalto in the second half of 2018, when Gemalto expects to complete its sale to Thales (Euronext Paris: HO). 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 until March 2017, when she was replaced by Kevin Sharer upon her appointment as Chief Executive Officer, President 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

THE BOARD *(CONTINUED)*

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 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. Rick serves on each of the Audit and Nomination (Chair) Committees, and served on the Remuneration Committee until November 2017 when he was replaced by Harry Rein. Rick will retire and not seek re-election at the AGM to be held in May 2018, and will be replaced by Kevin Sharer as Senior Independent Director, and Harry Rein as Chair of the Nomination Committee.

Harry Rein – Independent Non-Executive Director

Harry joined Allied Minds in November 2017. Harry brings extensive experience from the venture capital sector, most recently serving as General Partner for 10 years at Foundation Medical Partners, having been instrumental in its formation. Foundation is an early stage venture capital firm focused on the healthcare sector. Prior to Foundation, Harry served as Founder and Managing Partner at Canaan Partners. Harry was responsible for life sciences investments at both Foundation and Canaan. Prior to Canaan, Harry was President and CEO of GE Venture Capital Corporation, having joined General Electric Company in 1979. He directed several of General Electric's lighting businesses before joining the venture capital subsidiary. Mr Rein currently serves on the Board of DeliverCareRX and served on the Board of Anadigics (NASDAQ: ANAD) until 2016. He has served on the Board of over 20 public and private entrepreneurial companies, including: Cell Pathways; OraPharma; National MD; OmniSonics; GenVec (NASDAQ: GNVC); CardioNet (NASDAQ: BEAT) and Spine Wave, and was an investor in Praecis Pharmaceuticals (NASDAQ: PRCS). Mr Rein attended Emory University and Oglethorpe College (1969) and holds a MBA from the Darden School at the University of Virginia (1973). Harry serves on each of the Audit 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 National 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

Management & Governance

THE BOARD *(CONTINUED)*

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 Nomination, and Remuneration (Chair) Committees, and served on the Audit Committee from March 2017 until November 2017 when he was replaced by Harry Rein.

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. Chris was appointed to the Board in April 2014, but was a member of the predecessor company board since 2006.

TABLE OF BOARD ATTENDANCE

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

	Meetings Attended			
Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Jill Smith	8 of 8	1 of 1	n/a	n/a
Peter Dolan	8 of 8	n/a	n/a	n/a
Rick Davis	6 of 8	2 of 4	1 of 3	4 of 5
Harry Rein	1 of 1	1 of 1	n/a	1 of 1
Jeff Rohr	7 of 8	4 of 4	3 of 3	6 of 6
Kevin Sharer	7 of 8	1 of 2	3 of 3	5 of 6
Chris Silva	1 of 1	n/a	n/a	n/a

Notes:

(1) Ms. Smith served as a member of the Audit Committee until 10 March 2017, when she was replaced by Kevin Sharer upon her appointment as Chief Executive Officer and Executive Director.

(2) Mr. Davis served as a member of the Remuneration Committee until 6 November 2017, when he was replaced by Harry Rein upon Mr. Rein's appointment as a Non-Executive Director.

(3) Mr. Sharer served as a member of the Audit Committee from 10 March 2017 until 6 November 2017, when he was replaced by Harry Rein upon Mr. Rein's appointment as a Non-Executive Director.

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

(5) The missed meetings were as a result of unexpected scheduling conflicts.

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 2017. 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 2017 were those listed on pages 44 to 46, and these pages are incorporated into this Directors' Report by reference. The changes to the composition of the Board during the year were:

- The appointment of Jill Smith as an Executive Director in March 2017 upon her appointment as Chief Executive Officer.
- The resignation of Chris Silva as an Executive Director in March 2017 in connection with his resignation as Chief Executive Officer.
- The appointment of Harry Rein as a Non-Executive Director in November 2017.

Each of Chris Silva and Rick Davis served on the predecessor company board. The Directors' interests in the share capital of the Company are as shown in the Directors' Remuneration Report on page 92. 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 55 to 65, the Directors' Remuneration Report on pages 70 to 103, and the Audit Committee Report on pages 104 to 107, and is incorporated into this Report of the Directors by reference.

DIRECTORS' COMPENSATION FOR LOSS OF OFFICE

During 2017, a payment for loss of office was made to Mr. Silva as a result of his resignation as Chief Executive Officer on 10 March 2017. Full detail is disclosed on page 91, and pages 98 to 100, within the Directors' Remuneration Report.

EMPLOYEES

The Group's policies in relation to employees are disclosed on page 69, 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 2017 of $111.1 million (2016: $128.7 million). The Directors do not recommend the payment of a dividend for 2017 (2016: nil).

DIRECTORS' REPORT *(CONTINUED)*

STRATEGIC REPORT

The Group's Strategic Report can be found on pages 3 to 43, 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 pages 17 to 18.

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 36 to 43 and in the Corporate Governance Report on page 64. 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 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 1 June 2017 (2017 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 24 April 2017 at any time up to the earlier of the conclusion of the next Annual General Meeting (AGM) of the Company and 1 September 2018. In addition, at the 2017 AGM, the Directors were also given authority effective for the same period as the aforementioned authority to allot relevant securities in the Company up to a maximum of approximately two-thirds of the total ordinary share capital in issue on 24 April 2017 in connection

DIRECTORS' REPORT *(CONTINUED)*

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 23 May 2018. The authorities being sought are in accordance with guidance issued by the Investment Association.

A special resolution passed at the 2017 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 24 April 2017 in connection with a fully preemptive rights issue; and (ii) up to a maximum of approximately 5% of the aggregate nominal value of the shares in issue on 24 April 2017. A further special resolution passed at the 2017 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, up to a maximum of approximately 5% of the aggregate nominal value of the shares in issue on 24 April 2017, to be used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Pre-emption Group's Statement of Principles. These authorities are exercisable at any time up to the earlier of the conclusion of the next AGM of the Company and 1 September 2018. None of these authorities were used during 2017. The Directors will seek to renew these authorities for a similar period at the next AGM to be held on 23 May 2018. 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

- 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 2017 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 24 April 2017 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 September 2018. This authority has not been used during the year and therefore the outstanding authority is 23,424,624. The Directors will seek to renew the authority within similar parameters and for a similar period at the next AGM to be held on 23 May 2018.

ARTICLES OF ASSOCIATION

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

DIRECTORS' REPORT *(CONTINUED)*

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, 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	27.53%
Invesco Asset Management Limited	52,250,164	21.82%
GIC Private Limited	19,382,360	8.09%
Mark Pritchard	15,197,240	6.35%
P3 Private Equity Fund	7,721,846	3.22%

POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political or charitable donations in 2016, and did not make any political donations in 2017. Allied Minds made a charitable contribution in the amount of $25,000 in 2017 to the American Red Cross in order to assist the victims who were displaced and severely impacted due to the catastrophic effects of Hurricane Harvey.

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 66 to 69, and are incorporated into this Director's Report by reference.

DIRECTORS' INDEMNITY AND LIABILITY INSURANCE

During the year, the Company has maintained liability insurance in respect of its directors who held office during the period. Subject to the provisions of the Companies Act, 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 2017.

DIRECTORS' REPORT *(CONTINUED)*

REQUIREMENTS OF THE LISTING RULES

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed:

Section	Listing Rule requirement	Location
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Directors' Remuneration Report, page 70
5	Waiver of emoluments by a director	Directors' Remuneration Report, page 70
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	Contract of significance with a controlling shareholder	Not applicable
12	Provision of services by a controlling shareholder	Not applicable
13	Shareholder waivers of dividends	Not applicable
14	Shareholder waivers of future dividends	Not applicable
15	Relationship agreements with the controlling shareholder	Not applicable

POST BALANCE SHEET EVENTS

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

- Spin Transfer secured $10.3 million of funding via a convertible bridge facility with existing shareholders of the Group in January 2018, which satisfied Allied Minds' commitment to fulfill the remaining balance of the 2017 bridge facility with Spin Transfer.
- Percipient completed a sale of assets to WatchGuard Technologies, Inc. in January 2018.
- The Group ceased operations and dissolved each of Whitewood Encryption and Seamless Devices subsequent to year end.

VIABILITY STATEMENT

While the financial statements and accounts have been prepared on a going concern basis, section C.2.2 of the 2016 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 2020, taking into account the Group's current position, investment strategy, and the principal risks detailed in the Strategic Report. The three year period is on the assumption that further external funding is provided to the Group either in the form of proceeds from subsidiary exit events or further parent company fund raises. In the event that

DIRECTORS' REPORT *(CONTINUED)*

further external funding is not obtained, the Directors have mitigating actions available such as lowering the deployment of capital. 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 the Group's ability to raise further capital from external fundings.

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 2020. 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 2020.

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.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held at 11 a.m. BST on 23 May 2018 at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE, United Kingdom. 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

DIRECTORS' REPORT *(CONTINUED)*

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, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

22 March 2018

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 April 2016. The Code is available at the Financial Reporting Council website at www.frc.org.uk. During the twelve months ended 31 December 2017, the Directors consider that the Company has been in compliance with the provisions set out in the Code with the following exception:

- 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, 2016 and 2017, 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 63 to 64. Any decisions made by the Board on policies and strategy to be adopted by the Group or changes to current policies and strategy are made following presentations by the Executive Directors and a detailed process of review and challenge by the Board. Once made, the Executive Directors are fully empowered to implement those decisions.

Except for a formal schedule of matters which are reserved for decision and approval by the Board, the Board has delegated the day-to-day management of the Group to the Chief Executive Officer who is supported by the

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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 and updated in November 2017, and will be reviewed annually on an ongoing basis and updated where necessary. All of these are

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

available on request from the Company Secretary or within the Investors section of the Group's website at www.alliedminds.com.

Board Size and Composition

As at 31 December 2017, there were six Directors on the Board: the Non-Executive Chairman, one Executive Director and four Non-Executive Directors. During the year, changes to the composition of the Board were:

- The appointment of Jill Smith as an Executive Director in March 2017 upon her appointment as Chief Executive Officer.
- The resignation of Chris Silva as an Executive Director in March 2017 in connection with his resignation as Chief Executive Officer.
- The appointment of Harry Rein as a Non-Executive Director in November 2017.

The biographies of all of the Directors are provided on pages 44 to 46.

The Company's policy relating to the terms of appointment and the remuneration of both Executive and Non-Executive Directors is detailed in the Directors' Remuneration Report on pages 70 to 103.

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, the Company has determined to continue its past practice, and all Directors will submit themselves for annual re-election by shareholders at the AGM of the Company to be held on 23 May 2018, with the exception of Rick Davis who is retiring from the Board after seven years of service to the Company. 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 69.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Non-Executive Directors

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

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

The Roles of Chairman and Chief Executive

Peter Dolan is the current 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. Kevin Sharer, who was appointed to the Board in June 2015, will succeed Rick Davis as Senior Independent Director when Rick retires from the Board at the AGM of the Company to be held on 23 May 2018.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Board Support

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

Board Meetings and Decisions

The Board meets regularly during the year, as well as when required by business need. The Board had eight scheduled Board meetings in 2017. 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 46. 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.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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 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 listed 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 IP commercialisation company focused on venture creation and early stage investments within the technology and life science sectors, which sources, operates and funds a portfolio of subsidiary businesses to generate long-term value for its investors and stakeholders.

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 conducts 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 includes each of the Board and Committee

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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, are prepared and shared with members of the Board. In addition to the above, the Non-Executive Directors, led by the Senior Independent Director, appraise the Chairman's performance, following which the Senior Independent Director provides feedback to the Chairman. The performance of each of the Directors on the Board is reviewed by the Chairman and the operational performance of the other Executive Directors is 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 is reviewed by the Board on an ongoing basis, as deemed necessary, in the absence of the Executive Director under review.

During the 2017 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, 2016 and 2017 have resulted in a well-balanced Board with a range of skills and experience. The Board did not recommend any changes it considered necessary.

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 46. 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 101 to 102, and pages 104 to 107, 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.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

The Committee is chaired by Rick Davis and its other members as at 31 December 2017 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 three times during 2017 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 two meetings due to unexpected scheduling conflicts.

Before selecting new appointees to the Board, the Nomination Committee shall consider the balance, skill, knowledge, independence, diversity (including gender) and experience on the Board to ensure that a suitable balance is maintained. The Committee shall adopt a formal, rigorous and transparent procedure for the appointment of new directors to the Board. Consideration shall always be given as to whether identified candidates have sufficient time available to devote to the role. When searching for appropriate candidates, the Committee shall give consideration to using an external search company, but may also 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 2017.

As part of its annual duties in 2017, the Committee and the full Board fulfilled its duties which resulted in the appointment of Jill Smith as an Executive Director in March 2017, and the appointment of Harry Rein as a Non-Executive Officer in November 2017. The Committee did not use an external search firm to identify and recruit Mr. Rein, as he was known to members of the Board as a result of his prior business experience leading several venture capital firms, including GE Ventures, and his 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

Over the past few years, the Company has been taking steps taken to enhance its Non-Executive Director representation on the Board, which included the appointment of Jill Smith in January 2016. 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 resignation of Mr. Silva in March 2017, 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, with effect from 10 March 2017.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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.

On 26 May 2017, Ms. Smith accepted the Board's offer to transition to serve as "permanent" Chief Executive Officer and President. The revised terms of Ms. Smith's employment, including base salary, annual incentive bonus awards, equity grants and other terms of remuneration are detailed in the Directors' Remuneration Report on pages 70 to 103. The terms of Ms. Smith's service contract and remuneration are 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 and risk management systems, which are Group wide, were in place during the whole of 2017, were reviewed by the Board and Audit Committee and were considered to be effective throughout the year ended 31 December 2017 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 2017.

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 36 to 43.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

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. Were more than one of the risks to occur together, the overall impact on the Group may be compounded. A summary of the key risks affecting the Group and the steps taken to manage these is set out on pages 36 to 43.

Information and Financial Reporting Systems

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

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, on numerous occasions throughout the year in order to discuss 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 11 a.m. BST on 23 May 2018 at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE, 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 which allows shareholders who are unable to attend the AGM to vote on each resolution. The results of all proxy voting shall be published on the Group's website after the meeting and at the meeting itself to those shareholders who attend. Shareholders who attend the AGM will have the opportunity to ask questions and the Chairman and the Executive Directors are expected to be available to take questions.

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

POLITICAL EXPENDITURE

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

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

GOING CONCERN

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

ON BEHALF OF THE BOARD

Rick Davis
Chairman of the Nomination Committee

22 March 2018

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 statements.

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;

SUSTAINABILITY *(CONTINUED)*

- scope 2 reporting methods – application of location-based and market-based emission factors for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO2e; and
- presentation of gross emissions as the Group does not purchase carbon credits (or equivalents).

Absolute Emissions

The total Scope 1 and 2 GHG emissions from the Group's operations in the year ending 31 December 2017 were:

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

This is the second year of reporting for the Group so we can now show a comparison between 2017 and 2016. There have been a number of changes to the Group's operations since 2016 with the closing of some business entities but also the opening of new entities.

Overall, there has been a drop in total emissions. There was a small increase in scope 1 emissions, but there was a decrease in scope 2 emissions (both location-based and market-based).

Intensity Ratio

As well as reporting the absolute emissions, the Group's GHG emissions are reported below on the metrics of tonnes of CO_2 equivalent per employee and tonnes of CO_2 equivalent per square foot of the occupied areas. For some of the companies, floor area was not known therefore they are not included in the kg per square footage of office space intensity metric. 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.

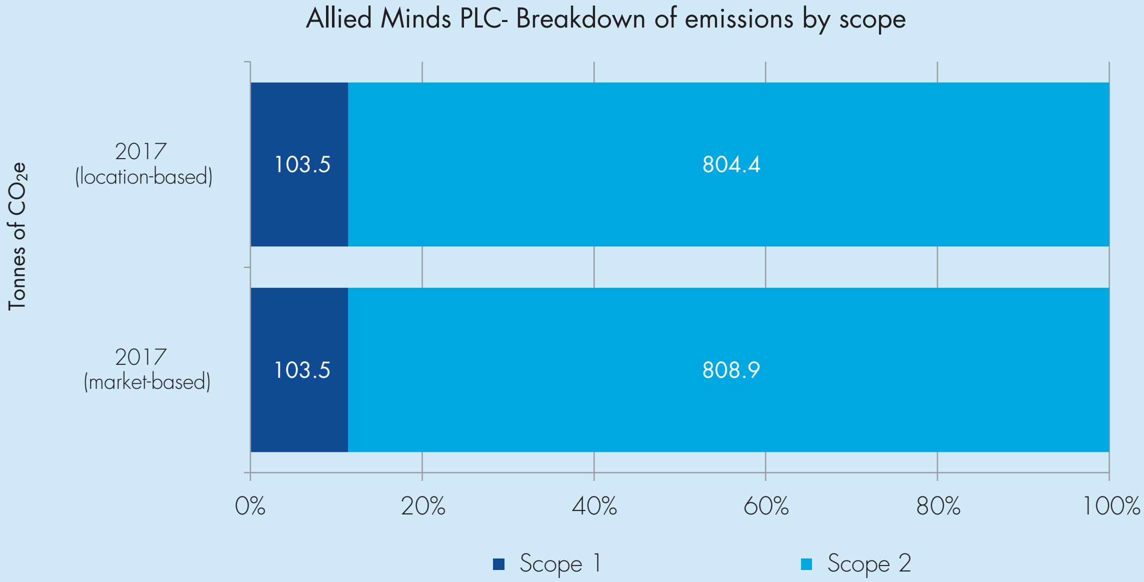
Target and Baselines

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.

For 2017, the intensity metrics have decreased from 0.012 tCO_2e per ft^2 to 0.010 tCO_2e per ft^2 using the location-based method and decreased from 0.013 tCO_2e per ft^2 to 0.010 tCO_2e per ft^2 using the market-based method. The main source of this is due to reduction in occupied space and a reduction in total emissions.

SUSTAINABILITY *(CONTINUED)*

Key Figures



	2017			2016		
GHG emissions	Tonnes CO_2e	tCO_2e / emp.[4]	tCO_2e / sq. ft.[5]	Tonnes CO_2e	tCO_2e / emp.	tCO_2e / sq. ft.[6]
Scope 1[1]	103.5	0.53	0.001	97.6	0.46	0.001
Scope 2[2]	804.4	4.15	0.009	841.4	4.01	0.011
Scope 2[3]	808.9	4.17	0.009	915.7	4.36	0.012
Total GHG emissions (Location-based Scope 2)	**907.9**	**4.68**	**0.010**	**939.0**	**4.47**	**0.012**
Total GHG emissions (Market-based Scope 2)	**912.4**	**4.70**	**0.010**	**1,013.3**	**4.83**	**0.013**

Notes:

(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: 194

(5) Occupied office space: 91,589 sq.ft (this does not include sites where floor area was not known)

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

SUSTAINABILITY *(CONTINUED)*

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 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

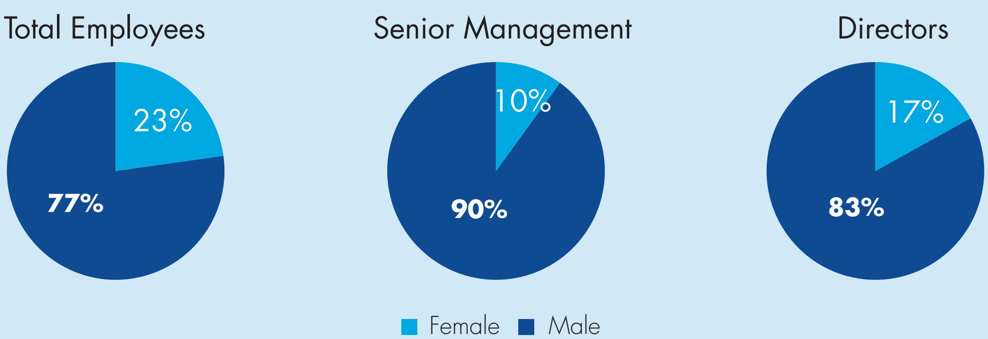
The Group seeks to conduct all of its operating and business activities in an honest, ethical and socially responsible manner. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and for its directors and staff to have 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 184 employees as at 31 December 2017. A breakdown of employees by gender as at 31 December 2017 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.



Management & Governance

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 2017. Our Remuneration Policy, which was approved by shareholders at our 2016 AGM, was applied in 2017. During 2017, the Remuneration Committee continued to review 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 six occasions during the year. Mr. Rohr was present at all meetings during the year, Mr. Davis missed two meetings due to unexpected scheduling conflicts, and I missed one meeting due to an unexpected scheduling conflict. I met several times during the year with the Chief Executive Officer and other members of senior management in order to review all elements of remuneration and their operation. The Committee also received professional advice from Korn Ferry 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, including in connection with the Chief Executive Officer transition;
- 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 2018;
- Issued LTIP awards on 15 May 2017 (annual grants), 20 June 2017 (new hire grants) and 6 November 2017 (new hire grants);
- Reviewed progress against 2015, 2016 and 2017 LTIP award performance targets for the last financial year;
- Established 2015, 2016 and 2017 LTIP award performance targets for the current financial year; and

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

- 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:

- 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 2017

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 2017.

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 2017, 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

22 March 2018

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

What is in this report?

The Directors' Remuneration Report sets out the Remuneration Policy for the Company on pages 74 to 84, 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 2016, 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 70 to 71, together with the Annual Report on Remuneration on pages 85 to 103, 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. The Company 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. The Company 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.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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 promote a strong and sustainable performance culture, incentivise growth and the achievement of milestones, and to align the interests of Executive Directors and senior management team with those of shareholders through equity ownership. In promoting these objectives the Remuneration Policy aims to be simple in design, transparent and understandable both to participants and shareholders, and has been structured so as to adhere to the principles of good corporate governance and appropriate risk management.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

REMUNERATION POLICY (PAGES 74 TO 84)

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 103.

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.

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
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 Remuneration	How it supports the Company's Short and Long-Term Strategic Objectives	Operation	Opportunity	Performance Metrics
Cash Incentive Bonus Awards	The cash incentive bonus award, taken together with base salary, is required in order to be competitive and to maintain the ability to recruit and retain Executive Directors. Cash incentive bonus awards are set to achieve this objective. As described in this Remuneration Policy, the performance elements of cash incentive bonus awards and total reward are directly linked to the achievement of the Company's strategic objectives.	The Committee and senior management review the Group's management by objectives (MBOs) annually prior to the start of each financial year to ensure the detailed performance measures and weightings are appropriate and continue to support the business strategy. Annual MBOs, including financial, operational, technical and other performance targets and their weightings for the upcoming year are set at or around the start of each financial year. An Executive Director's cash incentive bonus award is considered by the Committee upon completion of each financial year. The decision to provide any cash incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by the Committee at the start of the financial year.	There are no caps on the amount of bonus which may be paid. However, each year the Committee determines the maximum opportunity for each Executive Director. 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.

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
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.

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. The Committee is satisfied that the level of fees conform to its strategy, whilst remaining competitive against similar roles within the relevant peer groups. Careful consideration has been given as to whether including an equity component would affect the independence of the Non-Executive Directors, and the conclusion was reached that it would not, given the level of the awards and the fact that they are not performance-related.	There are no performance conditions attached to the payment of fees or the vesting under the awards granted under the LTIP.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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

Schemes or Arrangements Under Which Allocations or Awards are no Longer Being Made

In addition to the Executive Directors' remuneration arrangements set forth in the Remuneration Policy, the Group previously maintained the Allied Minds Stock Option/Stock Issuance Plan (US Stock Plan). The Company does not intend to make any further grants under the US Stock Plan. The interests of the Executive Directors in outstanding options under the US Stock Plan are shown in the statement of directors' shareholding and share interest on page 92 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 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 had Non-Executive Director letters of appointment that commenced May 2014, which were updated and renewed in August 2017. Kevin Sharer and Harry Rein have Non-Executive Director letters of appointment that commenced June 2015 and November 2017, 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.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

At 10 March 2017, Jill Smith's Non-Executive Director letter of appointment previously entered into in January 2016 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 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 85 TO 103)

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

Single Total Figure of Remuneration for Each Director (audited information)

The following table sets out the single total figure for remuneration for Directors for the financial years ended 31 December 2017 and 2016.

	Base salary/ fees(1)		Benefits(2)		Pension		Annual Bonus		EBP(3)		Total	
In $'000	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Executive Directors												
Jill Smith(4)	610	—	11	—	—	—	—	—	—	—	621	—
Chris Silva(5)	117	515	9	61	—	—	—	573	68	8,029	194	9,178
Non-Executive Directors												
Rick Davis	85	85	—	—	—	—	—	—	9	8	94	93
Peter Dolan	150	150	—	—	—	—	—	—	14	12	164	162
Harry Rein(6)	21	—	—	—	—	—	—	—	—	—	21	—
Jeff Rohr	100	100	—	—	—	—	—	—	9	8	109	108
Kevin Sharer	85	85	—	—	—	—	—	—	9	8	94	93
Jill Smith(7)	14	72	—	—	—	—	—	—	—	—	14	72

Notes:

(1) Actual Executive Directors' and 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 in 2016 include the value of LTIP awards granted to the Executive Directors in 2014 which vested in June 2017 based upon performance conditions met as of 31 December 2016. As noted on pages 89 and 90, the Remuneration Committee made an assessment that these awards vested at 94.33% of the maximum number of shares under the award. The 2016 value has been calculated using the 94.33% level of vesting, and the share price at 31 December 2016 (net of settlement price).

Equities based payments in 2017 include the value of LTIP awards granted to the Executive Directors in 2015 which are expected to vest in May 2018 based upon performance conditions met as of 31 December 2017. As noted on pages 90 and 91, the Remuneration Committee has made a preliminary assessment that these awards will vest at 33.00% of the maximum number of shares under the award. The 2017 value has been calculated using the expected 33.00% level of vesting, and the share price at 31 December 2017 (net of settlement price).

Equities based payments also include the value of LTIP awards granted to the Non-Executive Directors that vested in 2016 and 2017 (based on the value on the date the awards vested and the shares were granted).

(4) Ms. Smith was appointed as interim Chief Executive Officer and Executive Director as of 10 March 2017. On 26 May 2017, Ms. Smith transitioned to serve as "permanent" Chief Executive Officer and President.

(5) 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 98 to 100.

(6) Mr. Rein was appointed as a Non-Executive Director in November 2017.

(7) Ms. Smith was appointed as a Non-Executive Director in January 2016. Ms. Smith resigned as Non-Executive Director on 10 March 2017 when she transitioned to her role as an Executive Officer.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

Individual Elements of Remuneration

Base Salary and Cash Incentive Bonus Awards during 2017

The Remuneration Committee engaged Korn Ferry to conduct a compensation benchmarking study for the Company's senior management in conjunction with the Company's 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 utilised a variety of information sources to evaluate the market for executive compensation, including an analysis of eight publicly-traded companies, and other Korn Ferry survey data. 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.

Based upon the results of the benchmarking study and the strong Company performance in 2016, the Remuneration Committee recommended to the Board the following for 2017:

- For Chris Silva, an increase in base salary from $515,000 to $600,000, and in increase of maximum cash incentive bonus award from 150% of base salary to 187.5% of base salary (125% at target), in both cases to address the continued peer benchmarking results that placed the CEO below the median;

- For Jill Smith, during the period that she served as "interim" Chief Executive Officer, she was paid a base salary of $100,000 per month, and she was not be eligible for any cash incentive bonus awards, LTIP awards, or any other incentive or equity schemes; and

- For Jill Smith, commencing on 26 May 2017 when she transitioned to serve as "permanent" Chief Executive Officer and President, her base salary was set at $600,000, and her maximum cash incentive bonus award was set at 225% of base salary (150% at target), to be pro-rated for her number of days of service as "permanent" CEO during 2017.

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 target performance, towards the median 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.

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 align with 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. In keeping with the emphasis on the variable component of compensation and strong management incentives, the Remuneration Committee set the threshold for cash incentive bonus awards at nil.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

The MBOs set by the Remuneration Committee for 2017, along with the level of achievement against such MBOs, is set forth below:

MBO	Threshold Weightings	Target Weightings	Maximum Weightings	Achieved Weightings
Deliver Validating Events[1] and Technical Milestones[2] for Key Subsidiaries	0.0%	40.0%	60.0%	57.0%
Secure Funding and Strategic Relationships for Subsidiary Companies	0.0%	20.0%	30.0%	24.0%
Strengthen Investment Committee Process:				
Establish Corporate Partner Goals and Commitments	0.0%	5.0%	7.5%	5.0%
Expand New Company Pipeline Development	0.0%	5.0%	7.5%	5.0%
Define Path to Commercialisation, Liquidity Event or Key Commercial or Strategic Differentiators	0.0%	10.0%	15.0%	15.0%
Develop Strategic Plan to Drive Shareholder Value	0.0%	10.0%	15.0%	15.0%
Manage Cash	0.0%	10.0%	15.0%	10.0%
Total Percentage of Target	0.0%	100.0%	150.0%	131.0%

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.

The Remuneration Committee determined that the MBO percentage achievement for 2017 was 131.0% of target percentage. The Remuneration Committee determined such achievement in accordance with the MBOs set at the beginning of 2017, and refined in April 2017, and did not exercise any material discretion. As noted above, the target cash incentive bonus award for the Chief Executive Officer was set at 150% of base salary for 2017, with maximum award set at 225% of base salary. Based upon the MBO achievement, the cash incentive bonus award to the Chief Executive Officer was set at 196.5% of base salary, and pro-rated for her number of days of service as "permanent" CEO during 2017, resulting in a 2017 cash incentive bonus of $707,400.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

LTIP Awards made during 2017 (audited information)

	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							
Jill Smith	Annual RSU	See below	979,112	$1,800	16.67%	66.67%	Based on performance achievement, 100% at 30 April 2020
	New-Hire RSU	See below	1,631,854	$3,000	0.00%	100.00%	Based on performance achievement, 100% at 13 March 2020
Non-Executive Directors							
Rick Davis	RSU	See below	26,938	$50	n/a	n/a	Based on service, annually over three years to May 2020
Peter Dolan	RSU	See below	40,407	$75	n/a	n/a	Based on service, annually over three years to May 2020
Harry Rein	RSU	See below	20,500	$50	n/a	n/a	Based on service, annually over three years to November 2020
Jeff Rohr	RSU	See below	26,938	$50	n/a	n/a	Based on service, annually over three years to May 2020
Kevin Sharer	RSU	See below	26,938	$50	n/a	n/a	Based on service, annually over three years to May 2020

At 20 June 2017, the annual 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 144p on such date. The level of award was determined by the Committee after giving due consideration to the 2016 Korn Ferry compensation benchmarking study which concluded that the target amount of the award ($1,200,000), or 200% of base salary, would position the CEO at or below the median for the peer group for total compensation during 2017. The maximum value of such award which could be received by Ms. Smith is 300% of base salary. Vesting of the LTIP award is dependent upon performance metrics measured over the three years to 30 April 2020, details of which are set out in the Remuneration Policy table on page 79 of the Report. The level of vesting for threshold performance is 16.67% of the maximum. The level of vesting for target performance is 66.67% of the maximum.

At 20 June 2017, Ms. Smith was also granted a new hire LTIP award. The total value of the award has been calculated using the closing share price of 144p on such date. The level of award was determined by the Committee after giving due consideration to the level of long-term incentive required to successfully recruit Ms. Smith to the permanent role, and the Company's remuneration policy and approach to recruitment. The level of vesting for threshold performance is 0.00% of the maximum. The level of vesting for target performance is

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

100.00% of the maximum. Vesting of the LTIP award is dependent upon performance metrics measured over the three years from her start date to 13 March 2020, details of which are set forth below:

- Three or more monetisation events;
- More than 50% of fund raises for portfolio companies will include co-investors with expertise in the business of the portfolio company;
- The Company will have achieved the capacity to build more than five new businesses in each of the three years ending at the end of calendar year 2020; and
- The Company's positioning in Federal Laboratories has been strengthened.

At 15 May 2017, the LTIP awards above were granted to the Non-Executive Directors including Messrs. Davis, Dolan, Rohr and Sharer. The total value of the award has been calculated using the closing share price of 144p on such date. At 6 November 2017, the LTIP award above was granted to the Mr. Rein in connection with his appointment as a Non-Executive Director. The total value of the award has been calculated using the closing share price of 186p on such date. The level of award for such Non-Executive Directors was determined by the Committee after giving due consideration to the 2016 Korn Ferry 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 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 2017 (audited information)

Non-Executive Director Awards

LTIP awards granted to the Non-Executive Directors in June 2015 and May 2016 partially vested in 2016 and 2017. 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 in 2016, 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. As a result of such vesting in 2017, 7,868 ordinary shares were allotted and issued to Mr. Dolan, and 5,245 ordinary shares were allotted and issued to each of Messrs. Davis, Rohr and Sharer.

Executive Director Awards - 2014

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

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

- 60% of each award was 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,

Management & Governance

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

- 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 was 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 June 2017, performance against the relevant measures was calculated to finally determine the number of ordinary shares capable of vesting, and the potential award vested 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 open/close 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 vested in June 2017.

The Remuneration Committee reviewed 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 made its final assessment in June 2017, and the SVM condition averaged 3.433 over the measurement period, and 34.33% (out of a possible 40.00%) of the maximum number of shares under the award vested in June 2017.

Taken together, 94.33% of the maximum number of shares under the 2014 LTIP awards became eligible for vesting in June 2017. Under the terms of these awards, 50% of the eligible award would be vested and allotted in June 2017, and the remaining 50% over the following two years, but because Mr. Silva was terminated without cause, 100% of his eligible award (94.33%) vested and the shares were allotted in June 2017.

Executive Director Awards - 2015

The performance period for LTIP awards made to Executive Directors during 2015 ended on 31 December 2017, and such awards are expected to partially vest in May 2018 based upon the performance metrics set forth below.

In respect of the LTIP awards made to Executive Directors during 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, 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

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

- 40% of each award will be subject to performance conditions based on a basket of shareholder value metrics (SVM), including, but not limited to:
  - the increase in quality of pipeline intellectual property reviewed,
  - the increase in quality of the partnership pipeline, and
  - 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 2018, 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 negative, which consisted of a decrease from a 30-day trailing open/close average on 31 December 2014 of 313.5p, to a 30-day trailing open/close average on 31 December 2017 of 155.8p. Thus, the TSR condition was below the threshold TSR and 0.00% (out of a possible 60.00%) of the maximum number of shares under the award are expected to vest in May 2018.

The Remuneration Committee has undertaken a preliminary assessment of Company performance in each of January 2016, 2017 and 2018 to assess the level of achievement under the SVM condition, and awarded a preliminary score of 3.0 (target) for 2015, 3.3 (above target) for 2016, and 3.6 (above target) for 2017. The Remuneration Committee will make its final assessment in May 2018, but based upon the preliminary assessment, the SVM condition averaged 3.3 over the measurement period, and 33.00% (out of a possible 40.00%) of the maximum number of shares under the award would be on this basis expected to vest in May 2018.

Taken together, and based on the preliminary assessment, 33.00% of the maximum number of shares under the award are expected to be eligible for vesting in May 2018.

US Stock Plan Awards Made During 2017 (audited information)

The Company did not make any grants under the US Stock Plan in 2017, and does not intend to make any further grants. The interests of the Executive Directors in outstanding options under the US Stock Plan are shown in the statement of directors' shareholding and share interest on page 92 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)

During 2017, an aggregate of $595,828 of loss of office payments were made to Mr. Silva as a result of his resignation as Chief Executive Officer on 10 March 2017, which included (i) payment in lieu of annual incentive award in the amount of $100,676, (ii) payment in lieu of base salary in the amount of $483,334, and (iii) payment in lieu of COBRA (health care) expense in the amount of $11,818. The Board used its discretion to treat Mr. Silva's resignation as a termination without cause (good leaver). Further details of the effect of his resignation and the calculation of payments and benefits are given on pages 98 to 100.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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 information)

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. At 31 December 2017, the Executive Director had not acquired enough shares to meet this requirement. The table below sets out the number of shares held by Directors as at 31 December 2017, and the Company is not aware of any changes through 19 March 2018.

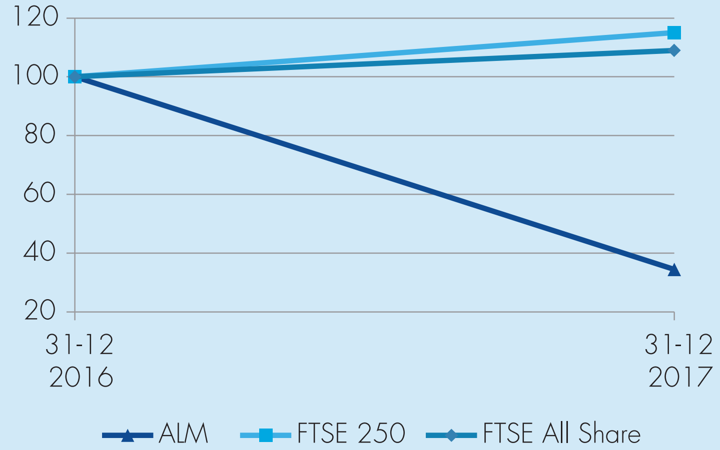
	Shares held outright	Shares conditional on performance	Shares conditional on service	Options to purchase shares	Total
Executive Directors					
Jill Smith	82,000	2,610,966	—	—	2,692,966
Non-Executive Directors					
Rick Davis	266,660	—	35,614	—	302,274
Peter Dolan	133,991	—	53,421	—	187,412
Harry Rein	—	—	20,500	—	20,500
Jeff Rohr	46,660	—	35,614	—	82,274
Kevin Sharer	7,060	—	35,614	—	42,674

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

Performance Graph

The graph below illustrates the Company's Total Shareholder Return (TSR) performance relative to the constituents of the FTSE 250 index excluding investment companies and the FTSE All Share index of which the Company is a constituent, 31 December 2016 to 31 December 2017. 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 2016 to 2017:

	% change in base salary	% change in cash bonus	% change in benefits
CEO	16.5%	n/a	(82.0)%
US Group Employees	3.9%	31.7%	20.5%

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.

	2017	2016	2015	2014	2013
CEO single total figure for remuneration ($'000)	$621	$9,178	$1,067	$15,942	$1,236
Annual cash incentive bonus award pay-out (% of maximum)[1]	n/a	74.13%	n/a	n/a	n/a
LTIP award vesting (% of maximum)[2]	94.33%	n/a	n/a	n/a	n/a
US Stock Plan award vesting (% of maximum)[3]	n/a	n/a	n/a	100%	100%

Notes:

(1) With respect to 2017, the percentage of maximum is not applicable because no annual cash incentive bonus was paid. 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 became eligible for vesting in June 2017. As noted above, 33.00% of the maximum number of shares under the 2015 LTIP award are expected to be eligible for vesting in May 2018.

(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.

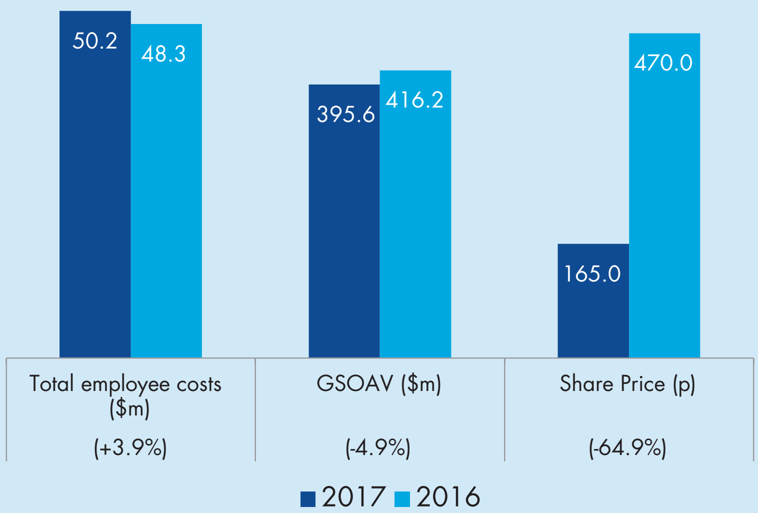
DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

Relative Importance of Spend on Pay

The chart below shows the total employee costs, change in Group Subsidiary Ownership Adjusted Value, and change in share price from 2016 to 2017.

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 138, 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 2016 to 31 December 2017.
- Please note that for the purposes of this chart only, the GSOAV determined in April 2017 shall be assumed retroactive to 31 December 2016.



Statement of Implementation of Remuneration Policy in the Following Financial Year

Base Salary and Benefits

Effective from 1 January 2018, the base salary of the current Executive Director will be:

	Base Salary	Increase	% Increase
Jill Smith	$600,000	0	0.0%

The Committee considers that, as part of a competitive overall package, base salaries should be within a market-competitive range, which is considered to be at or up to median level compared with the Company's peer groups. As noted above, based upon the results of the peer benchmarking study, the strong Company performance in 2016, and the achievement of Company and individual goals, the Board recommended Ms.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

Smith's base salary remain constant at $600,000. This compares to an average increase of 3.9% base salary increase that was implemented across the Group to US employees.

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

Cash Incentive Bonus Awards

The Remuneration Committee expects to implement the following to the cash incentive bonus awards, which is permitted under the Remuneration Policy. During 2017, the maximum cash incentive bonus award opportunity for each Executive Director was set at 225% of base salary upon Ms. Smith's transition to permanent Chief Executive Officer. 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 2018 will remain constant and may be up to 225% of base salary.

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 2018, as follows:

MBO	Threshold Weightings	Target Weightings	Maximum Weightings
Deliver Validating Events(1) and Technical Milestones(2) for Key Subsidiaries	0.0%	30.0%	45.0%
Secure Funding and Strategic Relationships for Subsidiary Companies	0.0%	20.0%	30.0%
Strengthen Investment Committee Process; Progress Longer Term Strategy:			
Initiate New Company Formation and Investment	0.0%	15.0%	22.5%
Deepen Specific Federal Lab Relationships	0.0%	5.0%	7.5%
Expand Sources of New Deal Pipeline	0.0%	5.0%	7.5%
Strengthen Core Business for Sustainability			
Manage Cash	0.0%	15.0%	22.5%
Broaden Shareholder Base	0.0%	5.0%	7.5%
Bolster Portfolio Company Support and Services	0.0%	5.0%	7.5%
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.

(3) In keeping with the emphasis on the variable component of compensation and strong management incentives, the Remuneration Committee set the threshold for cash incentive bonus awards at nil.

Long Term Incentive Plan

The Remuneration Committee expects to implement the following changes to the LTIP awards in 2018, which are permitted under the current Remuneration Policy. Prior to 2016, there was no cap on the amount of LTIP award to

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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 2018 shall be up to 300% of base salary.

In 2016 and 2017, 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 2018, the Committee expects to continue the same rTSR performance vesting terms, except that the Group TSR will be measured relative to the FTSE All Shares Index and a peer group of five publicly-traded companies, which metrics were deemed by the Remuneration Committee, based upon advice from Korn Ferry, to be more specifically relevant to the performance of the Company's shares.

Details of the expected vesting of the 2015 awards are given on pages 90 to 91.

Service Contract and Letter of Appointment (New CEO)

At 10 March 2017, the new interim Chief Executive Officer and Executive Director (Jill Smith) entered into a service contract. The employment arrangement was "at-will", which means that either Ms. Smith or Allied Minds could terminate the employment arrangement at any time, with or without cause and with or without prior notice. During the period that Ms. Smith served as "interim" Chief Executive Officer, she was paid a base salary of $100,000 per month, and she was not eligible for any cash incentive bonus awards, LTIP awards, or any other incentive or equity schemes.

On 26 May 2017, Ms. Smith accepted the Board's offer to transition to serve as "permanent" Chief Executive Officer and President. The terms of Ms. Smith's service contract and remuneration are in accordance with the Remuneration Policy, subject to the considerations set forth in the approach to remuneration recruitment set forth in this Annual Report.

Ms. Smith has a service contract that commenced on 26 May 2017 and shall continue until terminated by either of Allied Minds or the Executive Director.

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

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

If the Executive Director terminates the service contract for "Good Reason" or Allied Minds terminates the service contract without Cause, the Executive Director shall be entitled to:

- payment of twelve (12) months' base salary in accordance with regular payroll;

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

- an annual incentive award equal to the product of: (A) the Executive Directors bonus for the prior year; and (B) a fraction based on the number of days in which the Executive Director was employed during that year;
- payment of the portion of the premiums paid by the Company at the time of such termination under COBRA for medical, dental, hospitalisation and other employee welfare benefit plans, programs and arrangements covered by COBRA, for a period of twelve (12) months for her and each of her eligible dependents; and
- payment of the Standard Benefit.

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

If the Executive Director terminates her employment with Allied Minds without Good Reason (and not because of her death or due to disability), the Executive Director shall be entitled solely to payment of the Standard Benefit.

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 surrendered the awards in light of her appointment 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.

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.

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.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

Payments and Benefits

Mr. Silva will be entitled to:

- An annual incentive award for 2017, which shall be a lump sum payment of $100,676, 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. During 2017, loss of office payments in lieu of annual incentive award was made in the amount of $100,676.

- Continued payment of his base salary at the rate of $600,000 per year for a period of twenty-four (24) months. During 2017, loss of office payments in lieu of base salary was made in the amount of $483,334.

- Participation at the Company's expense under COBRA for six months for him and each of his eligible dependents in all medical, dental, hospitalisation and other employee welfare benefit plans, programs and arrangements covered by COBRA. During 2017, loss of office payments in lieu of COBRA expense was made in the amount of $11,818.

- Life and disability insurance cover at the Company's expense for six months. During 2017, no payments for loss of office in lieu of life and disability insurance expense were made.

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.

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. As of 19 March 2018, Mr. Silva has outstanding RSUs to acquire an aggregate of 365,100 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 had until 10 March 2018 to exercise such Options, failing which they lapsed. As of 19 March 2018, Mr. Silva has no outstanding Options.

- 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. As of 19 March 2018, Mr. Silva has 8,857 Phantom Units.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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

Chairman and Non-Executive Directors

Effective from 01 January 2018, the base salaries of the Chairman and Non-Executive Directors will be:

	2018
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 2017. 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. Where such appointments are agreed with the Board, the Executive Directors may retain any fees payable for their services. The following Executive Directors served as Non-Executive Directors elsewhere and received fees or benefits for the period covered by this Annual Report.

Executive Director	Date of service agreement[(1)]	Details of any non-executive directorship	Fees retained for any non-executive directorship (local currency)
Jill Smith	26 May 2017	Endo International plc[(2)]	€ 321,287 (EUR)
		Gemalto N.V.[(3)]	€ 94,000 (EUR)
		Hexagon[(4)]	kr 241,667 (SEK)
		J.M. Huber Corporation	$ 75,000 (USD)

Notes:

(1) Date latest service agreement was entered into, not the date of taking up employment with the Group.

(2) Ms. Smith will not be standing for re-election at the Endo AGM in June 2018.

(3) Ms. Smith expects to resign from the Board of Gemalto in the second half of 2018, when Gemalto expects to complete its sale to Thales.

(4) Ms. Smith resigned from the Board of Hexagon in May 2017.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

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 2017.

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.

The Remuneration Committee is currently comprised of the following independent Non-Executive Directors, whose backgrounds and experience are summarised on pages 44 to 46:

- Kevin Sharer (Chair)
- Harry Rein
- Jeff Rohr

Messrs. Sharer and Rohr served during the entire financial year, and Harry Rein replaced Rick Davis on the Committee as of 6 November 2017.

Committee meetings are administered and minuted by the Company Secretary. In addition, the Committee received assistance from Jill Smith, Chief Executive Officer and Joe Pignato, 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;

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

- In accordance with the Remuneration Policy, implemented 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 2017, 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 2018;
- Issued LTIP awards on 15 May 2016, 20 June 2017 and 6 November 2017;
- Reviewed progress against 2015, 2016 and 2017 LTIP award performance targets for the last financial year; and
- Reviewed the remuneration reporting regulations in connection with the review and revision of the Group's Remuneration Policy and preparation of the Directors' Remuneration Report.

External Advisers

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

During the year, the Remuneration Committee continued its review of executive remuneration and took into consideration professional advice from Korn Ferry. Korn Ferry performed peer benchmarking to assist the Committee with determinations regarding base salary, cash incentive bonus awards, and proposed LTIP awards. Korn Ferry also assisted the Remuneration Committee with a review of proposed details of the base salary, cash incentive bonus awards, and proposed LTIP awards (including the performance vesting criteria) in connection with the recruitment of Ms. Smith. Fees paid to Korn Ferry in connection with advice to the Committee in 2017 were $81,000 (2016: $30,000). Korn Ferry 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.

DIRECTORS' REMUNERATION REPORT *(CONTINUED)*

Statement of Voting at General Meeting

The table below sets out the proxy results of the vote on the Group's Remuneration Report at the Group's 2017 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	% of cast votes	Number	% of cast votes		
Remuneration Report	129,689,124	81.61%	29,225,712	18.39%	158,916,290	1,454

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 (April 2016) 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

22 March 2018

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, 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 as a Certified Public Accountant with over thirty years of senior management and executive experience. At the beginning of 2017, Mr. Rick Davis and Ms. Smith served as the other two independent members of the Committee. In March 2017, Mr. Sharer was appointed to replace Ms. Smith upon her appointment as Chief Executive Officer and Executive Director. In November 2017, Mr. Rein was appointed to replace Mr. Sharer.

The Committee met four times in 2017, and the external auditors participated in all of these meetings. Mr. Rohr, Mr. Rein and Ms. Smith were present at all meetings during the year during their term of service, and Mr. Davis missed two meetings due to unexpected scheduling conflicts, and Mr. Sharer missed one meeting due to an unexpected scheduling 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.

AUDIT COMMITTEE REPORT *(CONTINUED)*

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

ACTIVITIES DURING THE YEAR

The Committee's activities for the year ended 31 December 2017 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 2017, and the financial statements in the Annual Report and Accounts for the year ended 31 December 2017;
- Reviewed the Company's approach and methodology for determining the fair value of 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 36 to 43 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.

AUDIT COMMITTEE REPORT *(CONTINUED)*

FINANCIAL REPORTING PANEL

As part of the thematic review of companies' reporting, the Financial Reporting Panel reviewed our 31 December 2016 accounts and disclosures relating to significant accounting adjustments and sources of estimation uncertainty. The panel confirmed that it had no substantive issues to raise in relation to their review. The panel noted that it was considering identifying our disclosures relating to subsidiary preferred share liability as an example of better practices around explaining when ranges of outcomes cannot be quantified and disclosing sensitivities. No changes were suggested or required to be made in our 31 December 2017 accounts as result of this review. This thematic review provides no assurance that our report and accounts are correct in all material respects and the Financial Reporting Council's role is not to verify the information provided but to consider compliance with reporting requirements.

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.

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 151 to 152. For valuations based on recent third party funding rounds, the relatively low number of investors participating in some of those rounds may be an indication of risk that a recent funding round used as basis for valuation is not sufficiently at arm's length to ensure an independent market valuation representative of fair value. 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.

Revenue

Group subsidiaries enter into various revenue contracts with customers. Certain of these contracts require the use of significant key estimates and judgements when determining the appropriate accounting treatment of key terms in accordance with the applicable accounting standards. In particular, judgements arise in relation to allocation of fair values between multiple elements within contracts and recognition on delivery or over a period of time. As such, they present a significant risk or error for the financial statements.

AUDIT COMMITTEE REPORT *(CONTINUED)*

EXTERNAL AUDIT

- Reviewed and approved the scope of the external audit procedures over the half-yearly report for the period ended 30 June 2017, and the Annual Report and Accounts for the year ended 31 December 2017;

- 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 of Allied Minds plc in 2014. Mr. Charles le Strange Meakin has been the audit partner throughout this period. The total fees to KPMG LLP for the year ended 31 December 2017 were $0.7 million (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.

INTERNAL AUDIT

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

Jeff Rohr
Chairman of the Audit Committee

22 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED MINDS PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Allied Minds plc ("the Company") for the year ended 31 December, 2017 which comprise the Consolidated Statement of Comprehensive Loss, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity, Company Statement of Cash flows and the related notes, including the accounting policies in note 1.

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 10 July 2014. The period of total uninterrupted engagement is for the four financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:		$1.0m (2016: $1.0m)
group financial statements as a whole		1.0% (2016: 1.0%) of total expenses
Coverage		100% (2016:100%) of group profit before tax
Risks of material misstatement		vs 2016
Recurring risks	Disclosure of Group Subsidiary Ownership Adjusted Value	◀▶
	Financial Instruments – *preferred shares classification and valuation*	◀▶
	Revenue recognition	▲
	Valuation of Investments in the Parent Company	◀▶

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

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Disclosure of Group Subsidiary Ownership Adjusted Value ($395.6m; 2016: $416.2m) *Refer to page 106 (Audit Committee Report), and pages 151 to 152 (financial disclosures).*	**Disclosure quality:** The group has 23 subsidiaries that are consolidated in the group accounts. The financial statements do include additional disclosure in relation to the **Group Subsidiary Ownership Adjusted Value** (GSOAV), as the Directors have determined that it is appropriate to voluntarily present this alternative performance measure, 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 Discounted Cash Flow (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. DCF valuation are prepared by an external expert on behalf of the company; – where there is a valuation which utilises a Probability-Weighted Expected Return Model (PWERM) analysis there is significant judgement in relation to both the scenarios chosen as well as the weighting of those scenarios; – for valuations based on recent third party funding rounds, the relatively low number of investors partaking in funding rounds means that there is a risk that recent investment on which valuation 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 procedures included: – **GSOAV Methodology choice:** assessing the appropriateness of the valuation model used for each subsidiary based on the specific circumstances relevant to each company such as the stage of development, proximity to funding round, the industry in which it operates and also the likely exit date or commercialisation date and assessed for consistency with the approach taken in the prior year, understanding and challenging changes made. – **Historical comparisons:** 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 in respect of the relative valuations year on year in the context of the progression of the entity towards achieving milestones set and in relation to wider industry trends in the period. – **Funding assessment:** Where valuations are based on the implied value from the most recent third party 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.

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

The risk	Our response
	– **Our valuation expertise:** 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 assessed the expertise and independence of the external experts. 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. – **Benchmarking assumptions:** We critically assessed the appropriateness of the discount rates applied, against the assumptions used in the prior year, with specific focus (where applicable) on: the company specific risk premium (including appropriateness of the probability of success where applicable); the control premium; and the venture capital rates of return utilised. We considered against the stage of development of the company where capital rates of return are utilised and the specific scenarios of the company in respect of the control premium – **Assessing transparency:** We 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. Our results – We found the Disclosure of Group Subsidiary Ownership Adjusted Value to be acceptable.

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

	The risk	Our response
Financial instruments - *preferred shares classification and valuation* ($181.6m; 2016: $140.9m) *Refer to page 106 (Audit Committee Report), pages 124 and 125 (accounting policy) and pages 156 to 160 (financial disclosures).*	Accounting treatment and subjective valuation: 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 and/or PWERM analysis 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 procedures included: – Accounting analysis: 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 whether certain embedded derivatives required separate accounting by critically assessing the key terms and features of those derivatives. – Subjective valuation: 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/PWERM analysis and therefore the procedures performed are detailed in 'our responses' to the 'disclosure of group subsidiary ownership adjusted value'. – Our valuation expertise: We used our own valuation specialists to assist us in critically assessing other key inputs utilised within the option pricing model. We use comparable company data to critically assess the volatility assumption. 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. 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. – Assessing transparency: Assessing 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. Our results – We found the accounting treatment and valuation of preference shares to be acceptable.
Revenue recognition ($5.0m; 2016: $2.7m) *Refer to page 106 (Audit Committee Report), page 130 (accounting policy) and pages 134 to 135 (financial disclosures).*	Accounting treatment: Revenue recognition involves a significant level of judgment due to the non-standard nature of some of the contracts that make up the revenue streams of the group and the judgement required in assessing the implication of the terms of bespoke agreements in relation to the appropriate revenue recognition policy such as the allocation of consideration to each component of the contract, the timing of recognition of the revenue and the accounting for the associated costs.	Our procedures included: – Accounting analysis: Challenging the Group's accounting treatment against applicable accounting standards for key revenue streams by inspecting the significant revenue contracts and critically assessing whether the key terms were in line with the Group's assessment with a focus on the recognition of revenue over time and allocation of consideration to each component. – Assessing transparency: Assessing the adequacy of the Group's disclosures in relation to the revenue recognition accounting policies adopted. Our results – We found the revenue recognition to be acceptable.

Financial Statements

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

	The risk	Our response
Valuation of investments in the Parent Company ($173.5m; 2016: $158.4m) *Refer to page 173 (accounting policy) and page 174 (financial disclosures).*	Low risk, High value: The carrying amount of the parent company's investments in the subsidiary companies represents 100% (2016: 100%) of the company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: – **Comparing valuations:** comparing the carrying amount of the investment to the market capitalisation of the Group, as Allied Minds Limited contains all of the group's trading operations. Our results – We found the group's judgement that there is no indicator of impairment to be appropriate.

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 $1.0m (2016: $1.0m), determined with reference to a benchmark of total expenses (being general and administrative expenses and research and development expenses) of which it represents 1.0% (2016: 1.0%). Total expenses is considered 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.

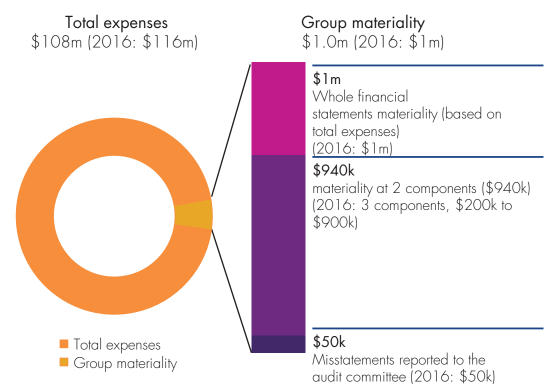
Materiality for the parent company financial statements as a whole was set at $0.9m (2016: $0.9m), determined with reference to a benchmark of total assets, of which it represents 0.9% (2016: 0.9%).

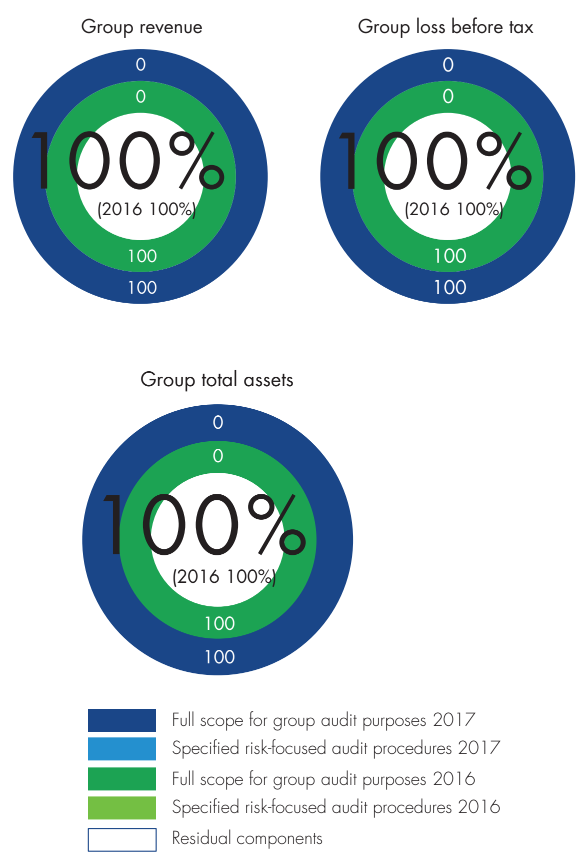
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $50k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 2 (2016: 3) reporting components, we subjected 2 (2016: 3) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team approved the component materiality of $900k, having regard to the mix of size and risk profile of the Group across the components. The work, including the audit of the parent company, was performed by the Group team.





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

4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if:

– we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

– the related statement under the Listing Rules set out on pages 51 to 52 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

– we have not identified material misstatements in the strategic report and the directors' report;

– in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

– in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of Principal Risks and Longer-term Viability

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

– the directors' confirmation within the viability statement pages 51 to 52 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

– The principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and

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

– the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate Governance Disclosures

We are required to report to you if:

– we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

– adequate accounting records have not been kept 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.

We have nothing to report in these respects.

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

7. RESPECTIVE RESPONSIBILITIES

Directors' Responsibilities

As explained more fully in their statement set out on pages 52 to 54, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – Ability to Detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

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

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

22 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

FOR THE YEAR ENDED 31 DECEMBER	NOTE	2017 $ '000	2016 $ '000
Revenue	3	5,001	2,664
Operating expenses:			
Cost of revenue	4,5	(5,242)	(5,563)
Selling, general and administrative expenses	4,5	(55,214)	(55,484)
Research and development expenses	4,5	(49,012)	(55,292)
Operating loss		(104,467)	(113,675)
Finance income	7	485	2,879
Finance cost	7	(180)	(561)
Finance cost from IAS 39 fair value accounting	7	(6,850)	(17,585)
Finance cost, net		(6,545)	(15,267)
Loss before taxation		(111,012)	(128,942)
Taxation	25	–	–
Loss for the period		(111,012)	(128,942)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(103)	208
Other comprehensive (loss)/income, net of taxation		(103)	208
Total comprehensive loss for the period		(111,115)	(128,734)
Loss attributable to:			
Equity holders of the parent		(75,675)	(96,333)
Non-controlling interests	17	(35,337)	(32,609)
		(111,012)	(128,942)
Total comprehensive loss attributable to:			
Equity holders of the parent		(75,778)	(96,125)
Non-controlling interests	17	(35,337)	(32,609)
		(111,115)	(128,734)
Loss per share		$	$
Basic	8	(0.32)	(0.44)
Diluted	8	(0.32)	(0.44)

See accompanying notes to consolidated financial statements.

Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER	NOTE	2017 $ '000	2016 $ '000
Non-current assets			
Property and equipment	9	26,627	31,882
Intangible assets	10	1,074	2,762
Other investments	12	—	2,668
Other financial assets	22	668	904
Other non-current assets		—	16
Total non-current assets		28,369	38,232
Current assets			
Cash and cash equivalents	13	158,075	209,151
Other investments	12	11,057	14,244
Inventories	14	—	2,551
Trade and other receivables	15	15,642	5,900
Other financial assets	22	18	161
Total current assets		184,792	232,007
Total assets		213,161	270,239
Equity			
Share capital	16	3,714	3,657
Share premium	16	158,606	157,067
Merger reserve	16	263,367	263,435
Translation reserve	16	89	192
Accumulated deficit	16	(354,443)	(289,437)
Equity attributable to owners of the Company		71,333	134,914
Non-controlling interests	16,17	(59,241)	(20,797)
Total equity		12,092	114,117
Non-current liabilities			
Other non-current liabilities	20	867	720
Total non-current liabilities		867	720
Current liabilities			
Trade and other payables	20	14,276	13,941
Deferred revenue	3	4,296	458
Loans	19	—	115
Subsidiary preferred shares	18	181,630	140,888
Total current liabilities		200,202	155,402
Total liabilities		201,069	156,122
Total equity and liabilities		213,161	270,239

See accompanying notes to consolidated financial statements.

Registered number: 8998697

The financial statements on pages 117 to 169 were approved by the Board of Directors and authorised for issue on 22 March 2018 and signed on its behalf by:

Jill Smith
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017	NOTE	Share capital		Share premium	Merger reserve	Translation reserve	Accumulated Deficit	Total parent equity	Non-controlling interests	Total equity
		Shares	Amount $' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
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
Total comprehensive loss for the year										
Loss from continuing operations		–	–	–	–	–	(75,675)	(75,675)	(35,337)	(111,012)
Foreign currency translation		–	–	–	–	(103)	–	(103)	–	(103)
Total comprehensive loss for the year						(103)	(75,675)	(75,778)	(35,377)	(111,115)
Issuance of ordinary shares	16	3,402,567	43	–	(68)	–	–	(25)	–	(25)
Gain/(loss) arising from change in non-controlling interest	17	–	–	–	–	–	(50)	(50)	50	–
Dissolution of subsidiaries	17						4,653	4,653	(4,653)	–
Exercise of stock options	6	1,055,596	14	1,539	–	–	–	1,553	–	1,553
Equity-settled share based payments	6	–	–	–	–	–	6,066	6,066	1,496	7,562
Balance at 31 December 2017		238,202,541	3,714	158,606	263,367	89	(354,443)	71,333	(59,241)	12,092

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER	NOTE	2017 $ '000	2016 $ '000
Cash flows from operating activities:			
Net operating loss		(104,467)	(113,675)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	9	5,800	5,714
Amortisation	10	302	921
Impairment losses on property and equipment	9	701	340
Impairment losses on intangible assets	10	1,662	1,025
Share-based compensation expense	5,6	7,562	8,385
Changes in working capital:			
Decrease/(increase) in inventory	14	2,551	(1,040)
(Increase)/decrease in trade and other receivables	15	(9,742)	1,442
Decrease in other assets		394	361
Increase/(decrease) in trade and other payables	20	335	(327)
Increase/(decrease) in other non-current liabilities	20	147	(31)
Increase in deferred revenue	3	3,838	63
Interest received	7	475	1,610
Interest paid	7	(174)	(527)
Other finance (expense)/income	7	(163)	519
Net cash used in operating activities		(90,779)	(95,220)
Cash flows from investing activities:			
Purchases of property and equipment, net of disposals	9	(1,246)	(3,763)
Purchases of intangible assets, net of disposals	10	(276)	(324)
Disposal of investment in equity accounted investees	11	—	2,535
Disposal of other investments	12	5,853	72,281
Net cash provided by investing activities		4,331	70,729
Cash flows from financing activities:			
Proceeds from exercise of stock options	16	1,545	1,209
Repayment of notes payable	19	(115)	(225)
Proceeds from issuance of share capital	16	50	78,110
Proceeds from issuance of share capital in subsidiaries	17	—	13,773
Proceeds from issuance of preferred shares in subsidiaries	18	33,892	35,220
Net cash provided by financing activities		35,372	128,087
Net (decrease)/increase in cash and cash equivalents		(51,076)	103,596
Cash and cash equivalents at beginning of the period		209,151	105,555
Cash and cash equivalents at end of the period		158,075	209,151

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

(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 2017. 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.

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 4 – revenue recognition: when determining the correct amount of revenue to be recognised. This includes making certain estimates and judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards. In particular judgment is required to determine the timing of revenue recognition (on delivery or over a period of time). The Directors also make estimates of the fair values of each component of a contract to be able to allocate the overall consideration to each component based on the relative fair value method.

- 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Changes in Accounting Policies

No other new standards, interpretations and amendments effective for the first time from 1 January 2017 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 2020. 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 cash flows, and given the fact that the Group has $169.1 million of available funds in the form of cash and fixed income securities as at 31 December 2017, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the period to 31 December 2020. 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 2017 and 2016 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

These consolidated financial statements are presented in US dollars, which is the functional currency of most of the entities in the Group. All amounts have been rounded to the nearest thousand unless otherwise indicated.

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 consolidated statement of comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency (US dollar) at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non- controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 purchased 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.

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 consolidated statement of comprehensive loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 2018, 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 finalising the required disclosures, which includes an assessment of the impact of the new guidance on our financial position and results of operations. The adoption of the proposed changes is not expected to have a material effect on the financial statements unless otherwise indicated:

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

IFRS 9, 'Financial instruments', deals with recognition, measurement, classification and impairment and derecognition of financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 'Financial Instruments: Recognition and Measurement and is required to be adopted from 1 January 2018. The Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 December 2017 under IAS 39 and it does not expect the adoption of this guidance to have a material effect on its financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Classification – Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: 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. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid as a whole is assessed for classification.

Cash and cash equivalents: Represent basic cash balances in banks used to fund operations. These will be classified as assets at Amortised cost under the new standard;

Trade Receivables: Under IFRS 9 trade receivables that do not have a significant financing component have to be initially recognised at their transaction price rather than at FV. The Group initially recognises receivables and deposits on the date that they are originated at their transaction price, which is the same as their fair value. As such, Trade and other receivables will be classified as assets at Amortised cost under IFRS 9.

Security and other deposits: These generally represent security deposits paid by the Group to landlords as part of operating lease commitments. As the Company's objective is that those deposits will be collected back, they will be classified as assets at Amortised Cost under IFRS 9.

Fixed income securities: At 31 December 2017, the Group had investments in the form of fixed income securities classified as assets designated as FVTPL with a fair value of $11.1 million that are held for supporting the short-term liquidity needs of the Group. The changes in fair value year over year have been historically immaterial as these investments are in cash equivalent and short term position. Per the new guidance, the amounts presented in OCI are never reclassified to profit or loss even if such a gain or loss is realized by settling or repurchasing the financial instrument at fair value. However, the Company has the option to transfer the cumulative gain and loss within equity. Under IFRS 9, these investments will be designated as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI and no impairment losses will be recognised in profit or loss. The Group's preliminary assessment does not indicate any material impact from IFRS 9 on the Group's financial position as of 31 December 2017 or the total comprehensive loss for the year then ended.

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 $395.6 million as of 22 March 2018. 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.

Impairment – Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a 'forward looking expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

The new impairment model will apply to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases.

Under IFRS 9, loss allowances will be measured on either 12-month ECL on initial recognition and thereafter as long as there is no significant deterioration in credit risk; or lifetime ECL if there has been a significant increase in credit risk on an individual or collective basis. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised. Based on the assessments undertaken to date, the group expects no additional impairment provision recognised as at 1 January 2018.

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.

The Group has designated the subsidiary preferred shares liability at FVTPL and the trade and other payables and loans at Amortised Cost under IFRS 9. 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 2017.

IFRS 15, 'Revenue from Contracts with Customers' (effective 1 January 2018)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

The standard outlines a comprehensive five-step revenue recognition model based on the principal that an entity should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has completed an initial assessment of the potential impact on its consolidated financial statements and determined that this standard will not have a material impact on our financial position and results of operations. As of 1 January 2018, the Group's implementation plan to adopt this new guidance is substantially complete. The Company intends to adopt this standard using a modified retrospective approach.

The majority of the Company's subsidiaries are characterised by some early stage sales that are generally still considered an isolated number of sales. In 2017, the company has recognised $5.0 million in revenue. Out of the total revenue recognised in current year, 89% has been recorded by Federated Wireless, Inc., HawkEye^{360}, Inc. and RF Biocidics, Inc. Management's evaluation and adoption impact of IFRS 15 was performed based on the 5-step model and each signed revenue contract was considered unique and reviewed separately. For sale of products, revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. While IAS 18 states that the revenue recognition criteria depends on each type of revenue, IFRS 15 implements a uniform method of recognising revenue based on the actual contract and performance obligation. The new standard is based on the principle that revenue is recognised when control of a good or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

service transfers to a customer. Based on the Group's assessment, the fair value and the stand-alone selling prices of the good rendered and services provided are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these good and services.

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

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC -15 Operating Leases – Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees in a similar way to finance leases under IAS 17. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard-i.e: lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of its rented office and laboratory space. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to $8.0 million, on an undiscounted basis (see note 21). The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Other new standards and interpretations yet to be adopted, for which the Company does not expect to have a material impact on its financial statements include:

Amendments to IFRS 2, '*Share-based Payment*' to clarify classification and measurement (effective 1 January 2018)

IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration* (effective 1 January 2018)

(3) REVENUE

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

FOR THE YEAR ENDED 31 DECEMBER:	2017 $'000	2016 $'000
Product revenue	1,537	1,829
Service revenue	3,464	835
Total revenue in consolidated statement of loss	5,001	2,664

Product revenue includes license revenue of $22,000 and $55,000 during 2017 and 2016, 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:	2017 $'000	2016 $'000
Customer deposits	3,750	297
Other deferred revenue, current	546	161
Total deferred revenue in statement of financial position	4,296	458

(4) OPERATING SEGMENTS

Basis for Segmentation

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

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

(ii) Later stage companies – subsidiary businesses that have substantially advanced with or completed their research and development activities, are closer in their lifecycle to commercialisation, and/or have a potential of realising material return on investment through a future liquidity event.

The Group no longer recognises commercial stage companies as a separate reportable segment. Instead, a Later stage companies reportable segment is established in the current year, as defined above.

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 2017 and 2016, respectively:

	2017 $'000			
	Early stage	Later stage	Other operations	Consolidated
Statement of Comprehensive Loss				
Revenue	1,607	3,394	—	5,001
Cost of revenue	(3,861)	(1,381)	—	(5,242)
Selling, general and administrative expenses	(9,544)	(23,205)	(22,465)	(55,214)
Research and development expenses	(6,424)	(42,588)	—	(49,012)
Finance income/(cost), net	(11)	(6,954)	420	(6,545)
Loss for the period	(18,233)	(70,734)	(22,045)	(111,012)
Other comprehensive income	79	—	(182)	(103)
Total comprehensive loss	(18,154)	(70,734)	(22,227)	(111,115)
Total comprehensive loss attributable to:				
Equity holders of the parent	(13,794)	(39,757)	(22,227)	(75,778)
Non-controlling interests	(4,360)	(30,977)	—	(35,337)
Total comprehensive loss	(18,154)	(70,734)	(22,227)	(111,115)
Statement of financial position				
Non-current assets	452	26,834	1,083	28,369
Current assets	22,297	77,849	84,646	184,792
Total assets	22,749	104,683	85,729	213,161
Non-current liabilities	(3)	(109)	(755)	(867)
Current liabilities	(2,237)	(193,523)	(4,442)	(200,202)
Total liabilities	(2,240)	(193,632)	(5,197)	(201,069)
Net assets/(liabilities)	20,509	(88,949)	80,532	12,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

	2016 $'000			
	Early stage	Later stage	Other operations	Consolidated
Statement of Comprehensive Loss				
Revenue	2,376	288	—	2,664
Cost of revenue	(5,436)	(127)	—	(5,563)
Selling, general and administrative expenses	(17,362)	(18,498)	(19,624)	(55,484)
Research and development expenses	(15,802)	(39,490)	—	(55,292)
Finance income/(cost), net	(27)	(17,472)	2,232	(15,267)
Loss for the period	(36,251)	(75,299)	(17,392)	(128,942)
Other comprehensive income/(loss)	(74)	—	282	208
Total comprehensive loss	(36,325)	(75,299)	(17,110)	(128,734)
Total comprehensive loss attributable to:				
Equity holders of the parent	(28,161)	(50,854)	(17,110)	(96,125)
Non-controlling interests	(8,164)	(24,445)	—	(32,609)
Total comprehensive loss	(36,325)	(75,299)	(17,110)	(128,734)
Statement of financial position				
Non-current assets	3,629	30,778	3,825	38,232
Current assets	27,644	70,042	134,321	232,007
Total assets	31,273	100,820	138,146	270,239
Non-current liabilities	(131)	(91)	(498)	(720)
Current liabilities	(3,511)	(148,813)	(3,078)	(155,402)
Total liabilities	(3,642)	(148,904)	(3,576)	(156,122)
Net assets/(liabilities)	27,631	(48,084)	134,570	114,117

All discontinued subsidiaries, including those disclosed in the prior year Commercial stage segment, are presented in the Early stage segment at the current year end. Later stage companies in the current year comprise those that have graduated from Early stage by way of further advancements in their development as described above. Those currently include our top six subsidiaries, namely BridgeSat, Federated Wireless, HawkEye^{360}, Precision Biopsy, SciFluor Life Sciences, and Spin Transfer Technologies. This change has been reflected accordingly in the comparative year information about reportable segments.

In 2017, Cost of revenue and Selling, general and administrative expenses of Early stage, Later stage, and Other operations segments included depreciation and amortisation expense of $308,000, $5,558,000, and $236,000, respectively (2016: $1,180,000, $5,302,000 and $153,000, respectively).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 2017 and 2016 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:	2017	2016
Selling, general and administrative	80	88
Research and development	125	121
Total	205	209

The aggregate payroll costs of these persons were as follows:

FOR THE YEAR ENDING 31 DECEMBER:	2017 $'000	2016 $'000
Selling, general and administrative	28,714	28,913
Research and development	21,596	21,644
Total	50,310	50,557

Total operating expenses were as follows:

FOR THE YEAR ENDING 31 DECEMBER:	2017 $'000	2016 $'000
Salaries and wages	36,864	36,050
Payroll taxes	2,026	2,110
Healthcare benefit	2,589	2,837
Other payroll cost	1,269	1,175
Share-based payments	7,562	8,385
Total	50,310	50,557
Cost of revenue	5,242	5,563
Other SG&A expenses	26,500	26,571
Other R&D expenses	27,416	33,648
Total operating expenses	109,468	116,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

	2017 $'000	2016 $'000
Auditor's remuneration		
Audit of these financial statements	552	425
Audit of the financial statements of subsidiaries	20	20
Review of half-yearly report	129	106
	701	551

The cumulative amount of litigation settlements during 2017 was nil (2016: $1,750,000). In the prior year, this related to the settlement of a manufacturing commitment, which RF Biocidics held with a third party. The issue arose and was settled during 2016.

As a result of the restructuring plan from April 2017, the Company recognised a net restructuring charge for the period of $7.3 million, of which $4.7 million related to non-cash charges for impairment of tangible and intangible assets and inventory write-offs and is net of $1.1 million in net proceeds from the sale of assets.

The Group recorded an impairment charge on property and equipment of $0.6 million (2016: nil) and on intangible assets of $1.6 million (2016: nil) and wrote off certain tangible and intangible assets at the companies included in the plan.

Inventory write-offs as a result of the restructuring plan accounted for $2.5 million of the cost of sales for the period.

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

Under the UK Long Term Incentive Plan ("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. Vesting is subject to the achievement of certain performance conditions and continued services of the participant.

Awards have been granted under the LTIP based on the following vesting criteria:

- awards subject to performance conditions based on the Company's total shareholder return ("TSR") performance or relative total shareholder return (rTSR) performance over a defined of time;
- awards subject to performance conditions based on a basket of shareholder value metrics ("SVM"). Performance is assessed on these measures on a scorecard basis over a defined period of time;
- awards that vest 100 per cent after a period of time subject to continued service condition only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

The Company issued awards under the LTIP during 2017 and 2016 in respect of a total of 7,466,235 and 1,499,247 Ordinary Shares, respectively. A summary of stock option activity under the UK LTIP for the year ended 31 December 2017 and 2016, respectively, is shown below:

FOR THE YEAR ENDED 31 DECEMBER:	2017			2016		
	rTSR	SVM	Time	rTSR	SVM	Time
Number of shares granted at maximum ('000)	2,837	1,632	2,998	1,443	—	56
Weighted average fair value (£)	0.89	1.44	1.48	2.19	—	3.37
Fair value measurement basis	Monte Carlo	Market value of ordinary share	Market value of ordinary share	Monte Carlo	Market value of ordinary share	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 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 2017 related to the UK LTIP was $7.6 million (2016: $5.9 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. 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. The Company does not intend to make any further grants under the U.S. Stock Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

No new stock option grants were awarded in 2017 and 2016 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 2017	WEIGHTED AVERAGE EXERCISE PRICE 2017	NUMBER OF OPTIONS 2016	WEIGHTED AVERAGE EXERCISE PRICE 2016
Outstanding as of 1 January	8,554,712	$ 2.12	9,204,712	$ 2.10
Exercised during the year	(1,055,596)	$ 1.46	(650,000)	$ 1.86
Outstanding as of 31 December	7,499,116	$ 2.21	8,554,712	$ 2.12
Exercisable as of 31 December	7,499,116	$ 2.21	8,554,712	$ 2.12
Intrinsic value of Exercisable	$ 0.1 million		$ 31.5 million	

The options outstanding as of 31 December 2017 had an exercise price in the range of $1.78 to $2.49 (2016: $0.68 to $2.60).

The share-based payment charge for the fiscal year ended 31 December 2017 related to the U.S. Stock Plan was $18,000 (2016: $57,000).

Other Plans

Spin Transfer Technologies ("Spin Transfer")

Stock compensation expense was approximately $724,000 and $1,129,000 for the year ended 31 December 2017 and 2016, respectively. Deferred stock compensation expense under these grants was approximately $475,000 and $1,199,000 as of 31 December 2017 and 2016, respectively.

There were no new grants under the 2012 Equity Incentive Plan in 2017. The fair value of the stock option grants awarded under the 2012 Equity Incentive Plan is estimated as of the date of grant using a Black-Scholes-Merton option valuation model that uses the following weighted average assumptions:

	2017	2016
Expected option life (in years)	—	6.10
Expected stock price volatility	—	40.99%
Risk-free interest rate	—	1.21%
Expected dividend yield	—	—
Grant date option fair value	—	$ 3.18
Share price at grant date	—	$ 7.77
Exercise price	—	$ 7.77

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

	NUMBER OF OPTIONS 2017	WEIGHTED AVERAGE EXERCISE PRICE 2017	NUMBER OF OPTIONS 2016	WEIGHTED AVERAGE EXERCISE PRICE 2016
Outstanding as of 1 January	2,188,293	$ 7.48	1,849,367	$ 7.43
Granted during the year	—	—	346,426	$ 7.77
Forfeited during the year	(245,000)	$ 7.75	(7,500)	$ 7.77
Outstanding as of 31 December	1,943,293	$ 7.14	2,188,293	$ 7.48
Exercisable as of 31 December	1,543,350	$ 6.98	1,397,056	$ 7.34
Intrinsic value of Exercisable	$ 0.7 million		$ 0.1 million	

The options outstanding as of 31 December 2017 had an exercise price in the range of $6.97 to $7.77 (2016: $6.97 to $7.77) and a weighted-average contractual life of approximately 8.3 years (2016: 8.7 years).

Plans Under Other Subsidiaries

The stock compensation expense under other subsidiaries of the Company was $771,000 (2016: $1,312,000). Deferred stock compensation expense under these grants as of 31 December 2017 was approximately $744,000 (2016: $1,035,000).

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 2017.

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2017 or 2016. Management will record an expense relating to this plan when it is probable that a subsidiary will be sold and the amount of the payout is reasonably estimable.

Share-based Payment Expense

The Group recorded share-based payment expense related to stock options of approximately $7,562,000 and $8,385,000 for the years ended 31 December 2017 and 2016, respectively. There was no income tax benefit recognised for share- based payment arrangements for the years ended 31 December 2017 and 2016, 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:	2017 $'000	2016 $'000
Interest income on:		
– Bank deposits	475	1,610
Foreign exchange gain	10	1,269
Finance income	485	2,879
Interest expense on:		
– Financial liabilities at amortised cost	(174)	(527)
Foreign exchange loss	(6)	(34)
Finance cost contractual	(180)	(561)
Loss on fair value measurement of subsidiary preferred shares	(6,850)	(17,585)
Finance cost	(7,030)	(18,146)
Total finance cost, net	(6,545)	(15,267)

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 2017 was based on the loss attributable to ordinary shareholders of $75.7 million (2016: $96.3 million) and a weighted average number of ordinary shares outstanding of 236,194,051 (2016: 217,317,696), calculated as follows:

Loss Attributable to Ordinary Shareholders

	2017 $'000		2016 $'000	
	Basic	Diluted	Basic	Diluted
Loss for the year attributed to the owners of the Company	(75,675)	(75,675)	(96,333)	(96,333)
Loss for the year attributed to the ordinary shareholders	(75,675)	(75,675)	(96,333)	(96,333)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Weighted Average Number of Ordinary Shares

	2017		2016	
	Basic	Diluted	Basic	Diluted
Issued ordinary shares on 1 January	233,744,378	233,744,378	215,637,363	215,637,363
Effect of share capital issued	—	—	1,390,196	1,390,196
Effect of vesting of RSUs	1,823,106	1,823,106	—	—
Effect of share options exercised	626,567	626,567	290,137	290,137
Weighted average ordinary shares	236,194,051	236,194,051	217,317,696	217,317,696

Loss per Share

	2017		2016	
	$		$	
	Basic	Diluted	Basic	Diluted
Loss per share	(0.32)	(0.32)	(0.44)	(0.44)

(9) PROPERTY AND EQUIPMENT

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

Cost

in $'000	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
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
Additions, net of transfers	723	25	258	373	(133)	1,246
Disposals	(1,159)	(211)	(147)	(530)	—	(2,047)
Balance as of 31 December 2017	34,673	676	5,674	1,194	568	42,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Accumulated Depreciation and Impairment Loss

in $'000	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
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)
Depreciation	(4,456)	(122)	(909)	(313)	—	(5,800)
Impairment loss	(425)	(114)	(53)	(109)	—	(701)
Disposals	1,159	211	147	530	—	2,047
Balance as of 31 December 2017	(12,396)	(341)	(2,675)	(746)	—	(16,158)

Property and Equipment, net

in $'000	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
Balance as of 31 December 2016	26,435	546	3,703	497	701	31,882
Balance as of 31 December 2017	22,277	335	2,999	448	568	26,627

Impairment of property and equipment of $701,000 and $340,000 for the years ended 31 December 2017 and 2016, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(10) INTANGIBLE ASSETS

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

Cost

in $'000	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of 31 December 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
Additions – Acquired separately	264	—	12	—	276
Additions – Internally developed	—	—	—	—	—
Disposals	(3,883)	(491)	(199)	(94)	(4,667)
Balance as of 31 December 2017	1,202	277	543	—	2,022

Accumulated Amortisation and Impairment Loss

in $'000	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of December 31, 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 December 31, 2016	(2,943)	(124)	(560)	(24)	(3,651)
Amortisation	(130)	(13)	(153)	(6)	(302)
Impairment loss	(1,223)	(354)	(21)	(64)	(1,662)
Disposals	3,883	491	199	94	4,667
Balance as of December 31, 2017	(413)	—	(535)	—	(948)

Intangible Assets, net

in $'000	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of 31 December 2016	1,878	644	170	70	2,762
Balance as of 31 December 2017	789	277	8	—	1,074

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 $302,000 and $921,000 for the years ended 31 December 2017 and 2016, respectively.

Impairment of intangible assets of $1,662,000 and $1,025,000 for the years ended 31 December 2017 and 2016, respectively, is mainly attributed to the closing of subsidiary companies, which resulted in the associated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 23 subsidiaries as of 31 December 2017. As of and for the two years ended 31 December 2017 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 and B preferred shares were issued to both the parent company and third parties in financing rounds, namely ABLS II, BridgeSat, Federated Wireless, HawkEye^{360}, Precision Biopsy, SciFluor Life Sciences, Signature Medical and Spin Transfer Technologies. The Group's ownership of preferred shares as per cent of the total ownership percentage of economic interest in those subsidiaries as of 31 December 2017 were 19.14%, 32.34%, 12.60%, 53.03% 18.15%, 3.82%, 47.63% and 8.01%, respectively.

The following outlines the formation of each subsidiary and evolution of Allied Minds' equity ownership interest over the two year period ended 31 December 2017:

			OWNERSHIP PERCENTAGE OF EQUITY INTEREST AT 31 DECEMBER[2]	
	INCEPTION DATE	LOCATION[4]	2017	2016
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%
Early stage companies				
ABLS Capital, LLC	09/07/15	Boston, MA	30.25%	30.25%
Allied-Bristol Life Sciences, LLC	31/07/14	Boston, MA	80.00%	80.00%
ABLS II, LLC	24/09/14	Boston, MA	35.95%	35.95%
ABLS IV, LLC	26/10/17	Boston, MA	80.00%	—
Allied Minds Federal Innovations, Inc.	09/03/12	Boston, MA	100.00%	100.00%
Foreland Technologies, Inc.	23/01/13	Boston, MA	100.00%	100.00%
LuxCath, LLC	29/05/12	Boston, MA	98.00%	98.00%
Percipient Networks, LLC	29/01/14	Wakefield, MA	100.00%	100.00%
RF Biocidics, Inc.	12/06/08	Boston, MA	67.14%	67.14%
RF Biocidics (UK) Ltd[3]	10/09/10	United Kingdom	67.14%	67.14%
Seamless Devices, Inc.	14/10/14	Boston, MA	79.12%	79.12%
Signature Medical, Inc.	12/12/16	Boston, MA	88.09%	100.00%
Whitewood Encryption Systems, Inc.	21/07/14	Boston, MA	100.00%	100.00%
Later stage companies				
BridgeSat, Inc.	09/02/15	Denver, CO	98.15%	100.00%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

	INCEPTION DATE	LOCATION[(4)]	OWNERSHIP PERCENTAGE OF EQUITY INTEREST AT 31 DECEMBER[(2)] 2017	2016
Federated Wireless, Inc.	08/08/12	Arlington, VA	52.26%	72.99%
Federated Wireless Government Solutions, Inc.[(3)]	04/05/16	Arlington, VA	52.26%	72.99%
HawkEye[360], Inc.	16/09/15	Herndon, VA	53.06%	56.11%
HawkEye[360] Federal, Inc.[(3)]	22/09/15	Herndon, VA	53.06%	56.11%
Precision Biopsy, Inc.	17/06/08	Denver, CO	64.59%	64.59%
SciFluor Life Sciences, LLC	14/12/10	Cambridge, MA	69.89%	69.89%
Spin Transfer Technologies, Inc.	03/12/07	Fremont, CA	48.40%	48.40%
Closed subsidiaries				
Project Poldark (Jersey) Limited[(3)]	29/11/16	Boston, MA	—	100.00%
ABLS I, LLC	24/09/14	Boston, MA	—	74.00%
ABLS III, LLC	10/03/16	Boston, MA	—	80.00%
Biotectix, LLC	16/01/07	Richmond, CA	—	64.35%
Cephalogics, LLC	29/11/06	Cambridge, MA	—	95.00%
CryoXtract Instruments, LLC	23/05/08	Woburn, MA	—	93.24%
Optio Labs, Inc.	28/02/12	Baltimore, MD	—	81.23%
ProGDerm, Inc. (dba Novare Pharmaceuticals)	19/09/08	Boston, MA	—	90.38%
SoundCure, Inc.[(3)]	04/06/09	San Jose, CA	—	84.62%
Vatic Materials, Inc.	21/11/16	Boston, MA	—	100.00%
Tinnitus Treatment Solutions, LLC	26/02/13	San Jose, CA	—	100.00%
Number of active subsidiaries at 31 December:			23	33

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 BridgeSat, Federated Wireless, HawkEye[360], Precision Biopsy, SciFluor Life Sciences, Signature Medical and Spin Transfer Technologies in which cases the percentage used to allocate the non-controlling interests was 100%, 94.15%, 0%, 80.35%, 86.86%, 100.00% 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, and Biotectix, LLC, Cephalogics, LLC at CT Corporation System, 120 South Central Avenue, Suite 400, Clayton, MO 63105, United States.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

2017

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 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.

In May 2017, BridgeSat closed a Series A round of financing issuing 4,675,446 Series A preferred shares for $6.0 million to Allied Minds and another strategic investor. As a result, following the transaction, Allied Minds' ownership percentage in BridgeSat is 98.15%. The Company continues to exercise effective control over BridgeSat and as such, the subsidiary will continue to be fully consolidated within the group's financial statements.

In July 2017, Signature Medical completed a Series A round of financing issuing 13,241,526 Series A preferred shares for $2.5 million to Allied Minds and two new strategic investors. As a result, following the transaction, Allied Minds' ownership percentage in Signature Medical is 88.09%. The Company continues to exercise effective control over Signature Medical and as such, the subsidiary will continue to be fully consolidated within the group's financial statements.

In September 2017, Federated Wireless completed a Series B round of financing issuing 27,167,093 Series B preferred shares for $42.0 million to Allied Minds, existing shareholders of the Group, and a number of new strategic investors who led the round. As a result, following the transaction, Allied Minds' ownership percentage in Federated Wireless is 52.26%. The Company continues to exercise effective control over Federated Wireless and as such, the subsidiary will continue to be fully consolidated within the group's financial statements.

2016

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 $80.0 million for the development of drug discovery programs, of which 22.5% was committed by Allied Minds, and contributed an initial $2.0 million for 2.0 million Class B shares to fund the operations of the subsidiary. 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 Allied Bristol Life Sciences, LLC ("ABLS"). The remaining 20% of lead optimisation phase investment, or up to an additional $20.0 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 $12.0 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 organisation 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 organisation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

2014

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 2017, 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.

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:

	2017 $'000	
	Early stage	Later stage
Statement of Comprehensive Loss		
Revenue	1,405	3,394
Loss for the year	(13,390)	(70,734)
Other comprehensive loss	79	—
Total comprehensive loss	(13,311)	(70,734)
Comprehensive loss attributed to NCI	(4,360)	(30,977)
Statement of Financial Position		
Non-current assets	412	26,834
Current assets	21,825	77,849
Total assets	22,237	104,683
Non-current liabilities	(3)	(109)
Current liabilities	(2,066)	(193,525)
Total liabilities	(2,069)	(193,634)
Net assets/(liabilities)	20,168	(88,951)
Carrying amount of NCI	(4,371)	(54,870)
Statement of Cash Flows		
Cash flows from operating activities	(11,262)	(71,284)
Cash flows from investing activities	149	(1,472)
Cash flows from financing activities	8,881	70,456
	(2,232)	(2,300)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

	2016 $'000 Early stage	2016 $'000 Later stage
Statement of Comprehensive Loss		
Revenue	2,082	288
Loss for the year	(32,376)	(75,300)
Other comprehensive loss	(74)	—
Total comprehensive loss	(32,450)	(75,300)
Comprehensive loss attributed to NCI	(8,165)	(24,444)
Statement of Financial Position		
Non-current assets	3,471	30,778
Current assets	27,208	70,042
Total assets	30,679	100,820
Non-current liabilities	(21)	(91)
Current liabilities	(2,750)	(148,813)
Total liabilities	(2,771)	(148,904)
Net assets/(liabilities)	27,908	(48,084)
Carrying amount of NCI	4,400	(25,197)
Statement of Cash Flows		
Cash flows from operating activities	(36,541)	(51,144)
Cash flows from investing activities	1,222	(2,725)
Cash flows from financing activities	49,063	50,186
	13,744	(3,683)

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. These valuations assume there will be available funds for the subsidiaries to reach next stages of their development towards commercial success or an exit event.

The Group Subsidiary Ownership Adjusted Value (''GSOAV'') was $395.6 million as of 22 March 2018 (2016: $416.2 million). The decrease compared to prior year is primarily attributed to discontinued funding and wind-down of Percipient Networks, Seamless Devices and Whitewood Encryption, as well as write downs in platform companies AMFI and Foreland. The decrease was partially offset by an increase in value at BridgeSat and Federated Wireless demonstrated by the consummation of a third-party fundraising.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 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.

In the current year, the Group relied on funding transactions as the principal methodology to value all subsidiaries in the portfolio, except for LuxCath where the DCF valuation model was updated in the current year. 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), Precision Biopsy (2016), HawkEye^{360} (2016), and SciFluor Life Sciences (2015). In those cases, a DCF was used to substantiate the subsidiary valuation based on a prior funding round. Subsidiaries for which the ownership-adjusted value was based on a funding transaction accounted for 95.9% of total GSOAV in the current year (2016: 87.1%), and those based on DCF or other alternative methods accounted for 4.1% (2016: 13.9%).

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

(12) OTHER INVESTMENTS

AS OF 31 DECEMBER:	2017 $'000	2016 $'000
Fixed income securities		
Corporate bonds	11,057	14,244
Other investments, current	11,057	14,244
Fixed income securities		
Corporate bonds	–	2,668
Other investments, long-term	–	2,668
Total other investments	11,057	16,912

Other investments represent investments in fixed income securities issued by government agencies and US and non-US corporations. As of 31 December 2017, the investments had a credit rating of A-1 to A+, maturities of up to 2 months and original coupon rate from 0.00% to 1.55% (2016: 0.00% to 5.00%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(13) CASH AND CASH EQUIVALENTS

AS OF 31 DECEMBER:	2017 $'000	2016 $'000
Bank balances	158,207	209,283
Restricted cash	(132)	(132)
Total cash and cash equivalents	158,075	209,151

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:	2017 $'000	2016 $'000
Finished units	—	2,505
Work in progress	—	15
Raw materials	—	31
Total inventories	—	2,551

Finished units and raw materials recognised as cost of revenue in the year amounted to $1,874,000 (2016: $1,756,000). The write-down of inventories to net realisable value recognised through cost of revenue during the year was $2,532,000 (2016: $3,403,000).

(15) TRADE AND OTHER RECEIVABLES

AS OF 31 DECEMBER:	2017 $'000	2016 $'000
Trade receivables	3,493	312
Prepayments and other current assets	12,149	5,588
Total trade and other receivables	15,642	5,900

(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 2017, existing and former employees of the Group exercised options to purchase 1,055,596 shares of the Company under the U.S. Stock Plan (2016: 650,000), resulting in additional share premium of $1,539,000 (2016: $1,200,000). Additionally, 3,402,567 shares were issued to existing and former employees of the Group during the year as result of vesting of RSUs under the LTIP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

As of 31 December 2017, 11,551,496 ordinary shares were reserved under the U.S. Stock Plan and 23,820,254 were reserved under the LTIP, see note 6 for further discussion of the share-based payment plans.

The table below explains the composition of share capital:

AS OF 31 DECEMBER:	2017 $'000	2016 $'000
Equity		
Share capital, £0.01 par value, issued and fully paid 238,202,541 and 233,744,378, respectively	3,714	3,657
Share premium	158,606	157,067
Merger reserve	263,367	263,435
Translation reserve	89	192
Accumulated deficit	(354,443)	(289,437)
Equity attributable to owners of the Company	71,333	134,914
Non-controlling interests	(59,241)	(20,797)
Total equity	12,092	114,117

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 2017, the Group recognised the following changes in common and preferred stock ownership in subsidiaries resulting in changes to non-controlling interest:

- 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 optimisation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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. 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.
- In October 2017, Allied-Bristol Life Sciences (ABLS) launched its fourth project – ABLS IV, LLC, in a partnership with Cornell University. ABLS owns 100% of the common stock of ABLS IV. Following the transaction, Allied Minds continues to exercise effective control over ABLS and subsidiaries including ABLSI V and as such the subsidiary will continue to be fully consolidated within the group's financial statements.
- During 2017, as a result of the restructuring earlier in the year, the company discontinued funding of eight subsidiaries, seven of which were legally dissolved and deconsolidated as of 31 December 2017.

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

	Early stage $'000	Later stage $'000	Consolidated $'000
Non-controlling interest as of 31 December 2015	(7,921)	(2,710)	(10,631)
New funds into non-controlling interest	13,773	—	13,773
Share of comprehensive loss	(8,164)	(24,445)	(32,609)
Effect of change in Company's ownership interest	5,913	316	6,229
Equity-settled share based payments	799	1,642	2,441
Non-controlling interest as of 31 December 2016	4,400	(25,197)	(20,797)
Share of comprehensive loss	(4,360)	(30,977)	(35,337)
Effect of change in Company's ownership interest	36	14	50
Equity-settled share based payments	206	1,290	1,496
Dissolution of subsidiaries	(4,653)	—	(4,653)
Non-controlling interest as of 31 December 2017	(4,371)	(54,870)	(59,241)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(18) SUBSIDIARY PREFERRED SHARES

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

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

The following summarises the subsidiary preferred shares balance:

AS OF 31 DECEMBER:	2017 $'000	FINANCE COST FROM IAS 39 FAIR VALUE ACCOUNTING $'000	ADDITIONS $'000	2016 $'000
BridgeSat	339	14	325	—
Federated Wireless	47,033	(2,126)	31,817	17,342
HawkEye360	13,512	4,998	1,250	7,264
Precision Biopsy	25,973	3,455	—	22,518
SciFluor Life Sciences	32,354	(27)	—	32,381
Signature Medical	530	30	500	—
Spin Transfer Technologies	61,889	506	—	61,383
Total subsidiary preferred shares	181,630	6,850	33,892	140,888

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:	2017 $'000	2016 $'000
BridgeSat	325	—
Federated Wireless	50,000	17,000
HawkEye360	8,500	7,250
Precision Biopsy	22,000	22,000
SciFluor Life Sciences	25,200	25,200
Signature Medical	500	—
Spin Transfer Technologies	50,000	50,000
Total liquidation preference	156,525	121,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

For the two years ended 31 December 2017, the Group recognised the following changes in subsidiary preferred shares:

2017

- HawkEye[360] completed a second closing of the Series A-2 financing round in February 2017 for additional $2.75 million, of which $1.25 million from existing shareholders of the Group and members of management of the company for 967,641 Series A-2 shares.

- BridgeSat closed a Series A round of financing in May 2017 issuing 4,675,446 Series A preferred shares for $6.0 million. Allied Minds contributed $5.7 million and another strategic investor contributed with the remainder of the round.

- Signature Medical completed a Series A round of financing in July 2017 issuing 13,241,526 Series A preferred shares for $2.5 million. Allied Minds contributed with $2.0 million and two new strategic investors contributed with the remainder of the round.

- Federated Wireless completed a Series B round of financing in September 2017 issuing 27,167,093 Series B preferred shares for $42.0 million. Allied Minds contributed $9.0 million. Other existing shareholders of the Group and a number of new strategic investors contributed with the remainder of the round.

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.

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 and risk free rate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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:

  — Multiple base terminal value: Use of an appropriate multiple to the relevant financial metric forecasted for the last projected year taking into consideration the ongoing growth potential of the business in the terminal year. Exit values included in the analysis are typically projected as a multiple of EBIT, EBITDA or Sales based on the final year results for the forecast period. Where available, a set of guideline public companies that are similar to the company to be used for comparative purposes and the multiple is derived from this set;

  — Gordon growth model based terminal value: Use of a formula that calculates the present value of cash flow in the terminal year growing into infinity at an ascribed terminal growth rate. The terminal growth rate is derived by estimating the long-term annual growth potential of the business at the terminal year.

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

In certain cases, the value of a subsidiary is determined using a market instead of income- based approach. Where there 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.

The two principal methods the Group applies for allocation of value are the Probability-Weighted Expected Return Method ("PWERM") and the Option Pricing Method ("OPM").

The PWERM estimates the value of equity securities based on an analysis of various discrete future outcomes, such as an IPO, merger or sale, dissolution, or continued operation as a private enterprise until a later exit date. The equity value today is based on the probability-weighted present values of expected future investment returns, considering each of the possible outcomes available to the enterprise, as well as the rights of each security class.

The OPM treats common stock or derivatives thereof as call options on the enterprise's value or overall equity value. The value of a security is based on the optionality over and above the value securities that are senior in the capital structure (e.g. preferred stock), considering the dilutive effects of subordinate securities. In the OPM, the exercise price is based on a comparison with the overall equity value rather than per-share value.

Allocation 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:

AS OF 31 DECEMBER:	2017	2016
Volatility	29.0% – 79.3%	33.0% – 75.5%
Time to Liquidity (years)	1.70 – 4.57	2.06 – 3.76
Risk-Free Rate	1.85% – 2.15%	1.22% – 1.70%

Financial Statements

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:

AS OF 31 DECEMBER:		2017 $'000	2016 $'000
		Subsidiary Preferred Shares Liability increase/(decrease)	
Input	Sensitivity range		
Enterprise Value	-2%	(1,956)	(1,746)
	+2%	2,144	1,746
Volatility	-10%	(138)	(377)
	+10%	(651)	(776)
Time to Liquidity	-6 months	168	416
	+6 months	(413)	(762)
Risk-Free Rate[1]	– 0.44% / – 0.18%	168	416
	+0.06% / +0.13%	(413)	(762)

(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:	2017 $'000	2016 $'000
Current liabilities - Loans:		
Unsecured loan	–	115
Total loans	–	115

The terms and conditions of outstanding loans are as follows:

AS OF 31 DECEMBER:				2017 $'000		2016 $'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
Total interest bearing liabilities				–	–	115	115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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 matured 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 $115,000 and $225,000 was repaid during 2017 and 2016, respectively, down to nil as of 31 December 2017 (2016: $115,000). Interest expense incurred on the note was nil and $26,000 for the years ended 31 December 2017 and 2016, 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 was amortised over the life of the loan as a discount against the note balance. CryoXtract was dissolved in July 2017.

(20) TRADE AND OTHER PAYABLES

AS OF 31 DECEMBER:	2017 $'000	2016 $'000
Trade payables	2,489	4,362
Accrued expenses	10,434	9,210
Other current liabilities	1,353	369
Trade and other payables, current	14,276	13,941
Other non-current payables	867	720
Total trade and other payables	15,143	14,661

(21) LEASES

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

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

FOR THE YEAR ENDED 31 DECEMBER:	2017 $'000	2016 $'000
Less than one year	2,204	2,015
Between one and five years	5,842	3,713
More than five years	—	438
Total minimum lease payments	8,046	6,166

Total rent expense under these leases was approximately $2,426,000 and $2,859,000 in 2017 and 2016, respectively. Rent expenses are included in selling, general and administrative expenses and research and development expenses in the consolidated statements of comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(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:	2017 $'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	11,057	—	11,057	—	11,057
Loans and receivables					
Cash and cash equivalents	158,075	—	158,075	—	158,075
Trade and other receivables	15,642	—	15,642	—	15,642
Security and other deposits	686	—	686	—	686
Total	185,460	—	185,460	—	185,460
Financial liabilities designated as fair value through profit or loss					
Subsidiary preferred shares	181,630	—	—	181,630	181,630
Financial liabilities measured at amortised cost					
Unsecured loan	—	—	—	—	—
Trade and other payables	15,143	—	15,143	—	15,143
Total	196,773	—	15,143	181,630	196, 773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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
Total	155,665	–	14,785	140,888	155,673

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:	2017 $'000	2016 $'000
Cash and cash equivalent	158,075	209,151
Other investments	11,057	16,912
Trade and other receivables	15,642	5,900
	184,774	231,963

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:	2017 $'000	2016 $'000
Neither past due nor impaired	3,493	162
Past due 30-90 days	—	81
Past due over 90 days	367	921
Reserve for bad debt	(367)	(852)
	3,493	312

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:	2017 $'000	2016 $'000
Customers with less than three years of trading history with the Group	3,493	312
	3,493	312

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 2017:	Carrying amount	Contractual cash flows			
$'000		Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	14,276	14,276	14,276	—	—
Other non-current liabilities	867	867	—	867	—
	15,143	15,143	14,276	867	—

AS OF 31 DECEMBER 2016:	Carrying amount	Contractual cash flows			
$'000		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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Market Risk

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

Capital Risk Management

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

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

(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:	2017 $'000	2016 $'000
Short-term employee benefits	1,658	3,097
Share-based payments	7,607	2,073
Total	9,265	5,170

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 $1,840,000 were outstanding at 31 December 2017 (2016: $1,673,000) and were paid in January of 2018.

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:	2017 $'000	2016 $'000
Non-executive Directors' fees	456	492
Non-executive Directors' share-based payments	275	275
Total	731	767

Fees to non-executive Directors of $124,000 were outstanding at 31 December 2017 and paid in January 2018 (2016: nil).

Executive management and Directors of the Company control 0.2% of the voting shares of the Company as of 31 December 2017 (2016: 2.0%).

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 the years ended 31 December 2017 and 2016 due to accumulated losses.

FOR THE YEAR ENDED 31 DECEMBER:	2017 $'000	2016 $'000
Net loss	111,012	128,942
Income taxes	—	—
Net loss before taxes	111,012	128,942

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:

	2017 %	2016 %
Weighted average statutory rate	35.0	35.0
Effect of state tax rate in US	5.2	5.2
Research credits	3.8	3.4
Share-based payment remeasurement	(12.7)	(1.8)
Losses from dissolved subsidiaries	5.0	—
Other temporary differences	(2.5)	(5.0)
Current year losses for which no deferred tax asset is recognised	(33.8)	(36.8)
	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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%, which was reduced to 21% effective 1 January 2018.

On December 22, 2017, the U.S. government enacted a comprehensive tax legislation, H.R.1, commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes broad and complex changes to the U.S. tax code, and it will take time for additional clarifying guidance and legislation to be issued, and this guidance will be required for the interpretation of these comprehensive changes. We are in the process of analyzing the potential aggregate current and future impacts of the Tax Act relative to the Company.

As of 31 December 2017, the Company has completed a preliminary analysis for the tax effects of the enactment of the Tax Act. In certain cases, specifically as follows, the Company has made a reasonable estimate of the effects on its existing deferred tax balances. The impact of the Tax Act may differ from this estimate, due to, among other things, changes in interpretations and assumptions the Company has made, guidance that may be issued and actions the Company may take as a result of the Tax Act.

The Tax Act reduces the U.S. federal corporate tax rate from 35% to 21%. The change in our future effective tax rate is not anticipated to have an effect on our cash tax until all of our U.S. federal net operating losses and credits have been utilised.

Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items, due to history of losses and no convincing evidence that future taxable profit will be available against which the Group can use the benefits therefrom, as well as due to potential permanent restrictions under IRS Section 382 rules:

AS OF 31 DECEMBER:	2017 $'000	2016 $'000
Operating tax losses[1]	84,037	115,868
Capital losses[2]	13,596	1,146
Research credits[1]	11,772	10,130
Temporary differences[3]	4,502	20,620
Deferred tax assets	113,907	147,764
Other temporary differences[3]	(746)	(1,079)
Deferred tax liabilities	(746)	(1,079)
Deferred tax assets, net, not recognised	113,161	146,685

(1) expire starting in 2024

(2) expiring since 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the statement of financial position date. The reduction in the main rate of UK corporation tax to 20% (from 23%) was substantially enacted on 2 July 2013 and 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 2017 or 2016 as the deferred tax asset was not recognised in any of those years.

As of 31 December 2017 the Company had United States federal net operating losses carry forwards ("NOLs") of approximately $321.7 million (2016: $287.6 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. The Company's preliminary analysis on the impact from Section 382 limitations suggests that there is unlikely to be a material restriction on NOLs. A detailed exercise is ongoing. Upon the completion of the study, there may or may not be limitations on the Company's ability to utilize its current NOLs against future profits, although these are not expected to be material.

(26) SUBSEQUENT EVENTS

The Company has evaluated subsequent events through 22 March 2018, which is the date the consolidated financial information is available to be issued.

Spin Transfer Technologies, Inc.

On 11 January 2018, Spin Transfer secured $10.3 million of funding via a convertible bridge facility with existing shareholders of the Group, which satisfied Allied Minds' commitment to fulfill the remaining balance of the 2017 bridge facility with Spin Transfer.

Percipient Networks, LLC

On 17 January 2018, Percipient completed a sale of assets to WatchGuard Technologies, Inc.

Discontinued Subsidiaries

The Group ceased operations and dissolved each of Whitewood Encryption Systems, Inc. and Seamless Devices, Inc. subsequent to year end. The impact of this was assessed in the Group financials as of 31 December 2017 and unrecoverable amounts were written off.

COMPANY BALANCE SHEET

AS OF 31 DECEMBER	NOTE	2017 $ '000	2016 $ '000
Non-current assets			
Investment in subsidiary	2	173,531	158,431
Total non-current assets		173,531	158,431
Current assets			
Cash and cash equivalents	3	3,094	1,297
Trade and other receivables		289	144
Loan to subsidiary	4	199,629	183,397
Total current assets		203,012	184,838
Total assets		376,543	343,269
Equity			
Share capital	5	3,714	3,657
Share premium	5	158,606	157,067
Merger reserve	5	263,367	263,435
Translation reserve	5	(48,043)	(79,815)
Accumulated deficit	5	(1,328)	(1,518)
Total equity	5	376,316	342,826
Current liabilities			
Trade and other payables		227	443
Total current liabilities		227	443
Total liabilities		227	443
Total equity and liabilities		376,543	343,269

Registered number: 8998697

The financial statements on pages 170 to 176 were approved by the Board of Directors and authorised for issue on 22 March 2018 and signed on its behalf by:

Jill Smith
Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital		Share premium	Merger reserve	Translation reserve	Accumulated deficit	Total equity
	Shares	Amount $'000	$'000	$'000	$'000	$'000	$'000
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
Total comprehensive loss for the year							
Loss for the year	—	—	—	—	—	(6,636)	(6,636)
Foreign currency translation	—	—	—	—	31,754	778	32,532
Total comprehensive loss for the year					31,754	(5,858)	25,896
Issuance of ordinary shares	3,402,567	43	—	(68)	—	—	(25)
Exercise of stock options	1,055,596	14	1,539	—	—	—	1,553
Equity-settled share based payments	—	—	—	—	18	6,048	6,066
Balance at 31 December 2017	238,202,541	3,714	158,606	263,367	(48,043)	(1,328)	376,316

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER:	NOTE	2017 $ '000	2016 $ '000
Cash flows from operating activities:			
Net operating loss		(8,991)	(9,131)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation expense	5	6,066	5,944
Changes in working capital:			
(Increase)/decrease in trade and other receivables		(145)	335
(Decrease)/increase in trade and other payables		(216)	411
Interest received		—	1
Other finance cost		2,308	1,127
Net cash used in operating activities		(978)	(1,313)
Cash flows from investing activities:			
Repayments/(issuance) of note receivable to subsidiary, net	4	1,247	(78,272)
Net cash provided by/(used in) investing activities		1,247	(78,272)
Cash flows from financing activities:			
Proceeds from issuance of share capital	5	(25)	78,110
Proceeds from exercise of stock options	5	1,553	1,208
Net cash provided by financing activities		1,528	79,318
Net increase/(decrease) in cash and cash equivalents		1,797	(267)
Cash and cash equivalents at beginning of the period		1,297	1,564
Cash and cash equivalents at end of the period		3,094	1,297

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

(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

	2017 $'000	2016 $'000
Balance at 1 January	158,431	190,055
Additions	—	—
Impairment	—	—
Disposals	—	—
Effect from currency translation	15,100	(31,624)
Balance at 31 December	173,531	158,431

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 AND CASH EQUIVALENTS

AS OF 31 DECEMBER:	2017 $'000	2016 $'000
Bank balances	3,094	1,297
Cash and cash equivalents	3,094	1,297

(4) LOAN TO SUBSIDIARY

	2017 $'000	2016 $'000
Balance at 1 January	183,397	126,109
Additions	2,530	79,973
Repayments	(3,778)	(1,701)
Effect from currency translation	17,480	(20,984)
Balance at 31 December	199,629	183,397

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.

(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:	2017 $'000	2016 $'000
Equity		
Share capital, £0.01 par value, issued and fully paid 238,202,541 and 233,744,378, respectively	3,714	3,657
Share premium	158,606	157,067
Merger reserve	263,367	263,435
Translation reserve	(48,043)	(79,815)
Accumulated deficit	(1,328)	(1,518)
Total equity	376,316	342,826

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 2017 included in accumulated deficit was $6.1 million (2016: $5.9 million).

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(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 $6,636,000 (2016: $6,402,000).

(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 70 to 103. 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 one employee during 2017 (2016: none).

COMPANY INFORMATION

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Peter Dolan
(Non-Executive Chairman)

Jill Smith
(Chief Executive Officer)

Rick Davis
(Senior Independent Director)

Harry Rein
(Independent Non-Executive Director)

Jeff Rohr
(Independent Non-Executive Director)

Kevin Sharer
(Independent Non-Executive Director)

COMPANY SECRETARY

Michael Turner

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