

ALLIED MINDS PLC

ANNUAL REPORT AND ACCOUNTS
For the year ended 31 December 2019

Contents	
Overview	3
Chairman’s Report	4
Strategic Report	5
Highlights	5
Company Overview	9
Portfolio Review and Developments	12
Key Performance Indicators	20
Financial Review	22
Risk Management	27
Management and Governance	34
The Board	34
Directors’ Report	37
Corporate Governance Report	46
Sustainability	58
Directors’ Remuneration Report	67
Audit Committee Report	98
Financial Statements	103
Independent Auditor’s Report	103
Consolidated Financial Statements	114
Notes to the Consolidated Financial Statements	118
Company Balance Sheet	178
Notes to the Financial Statements	181
Company Information	186

Overview

Allied Minds plc (Allied Minds or the Company or the Group) is an IP commercialisation company primarily focused on early stage company development within the technology sector. Historically, the Group has concentrated on creating companies around disruptive technologies in large and growing markets sourced through its expansive network of US federal laboratories, universities and leading US corporations. Allied Minds now manages 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, strategic expertise and shared services. During 2019, Allied Minds modified its strategy, following consultations with its larger shareholders. This resulted in a managed approach to monetising the portfolio over time, the cessation of new investments and a substantial reduction in central costs.

Allied Minds is currently comprised of seven portfolio companies, primarily in the technology sector. These are based upon a broad range of underlying innovative technologies ranging from semiconductors, wireless connectivity, to space-based imagery and analytics.

Allied Minds currently focuses exclusively on supporting its existing portfolio companies and maximising monetisation opportunities for portfolio company interests. The Group is no longer deploying any capital into new portfolio companies. The Board aims to monetise the Company's ownership positions at the appropriate time, recognising the value and benefit in achieving well-timed risk adjusted returns for the benefit of shareholders.

In the event of successful monetisation events from the sale of portfolio companies or portfolio company interests, Allied Minds anticipates distributing the net proceeds to its shareholders, after due consideration of potential follow-on investment opportunities within the existing portfolio and working capital requirements.

The Group completed its first major cash realisation from a disposal of its shareholding in a portfolio company this year. The Group's entire shareholding in HawkEye 360 was sold for an aggregate cash consideration of \$65.6 million. This enabled the Board to return \$40 million to shareholders in February 2020.

Allied Minds has also implemented a significant cost reduction in its annual central costs. Accordingly, the Company currently projects that its recurring annualised HQ operating expenses will be reduced to approximately \$6.0 million (2019: \$11.4 million).

The Directors believe the Company's cash balance is sufficient to continue to support Allied Minds' operations and portfolio companies.

Chairman's Report

2019 was a transformational year for Allied Minds. It was a year in which we reset the strategy of the Group to focus exclusively on funding and operating our existing portfolio while ceasing new company formation. Through disciplined capital allocation, we continue to support our companies and provide follow-on investment alongside other investment syndicate members, where we believe the risk-adjusted value of that position is protected by our continued ownership and effort. To align with this new strategy, we have streamlined our organisation and reduced our central office costs. Our focus continues to be building value in our portfolio for our shareholders by effectively driving our companies through development to commercialisation and growth. Our ultimate aim is to deliver strong monetisation events, as illustrated by the sale of our entire shareholding in HawkEye 360 in 2019. This disposal generated an attractive capital gain leading to a 12.62 pence per share dividend paid to our shareholders in February 2020. We believe that given the strength of the existing portfolio, the skills of the management teams and our cash position, we have positioned ourselves to deliver additional returns to our shareholders in the next three to four years.

The management team rose to the challenge in 2019 by rapidly effecting the changes to the organisation while contributing significantly to fundraisings in the portfolio, including both HawkEye 360 and Federated Wireless. Combined, the two companies raised over \$120 million and welcomed new corporate partners including Airbus and Esri at HawkEye 360 and SBA Communications at Federated Wireless. Other significant events during the year in the portfolio included FCC certification of Federated Wireless for the initial commercial deployment of its Spectrum Access System in the 3.5GHz band and BridgeComm entering a joint development agreement with Boeing to collaborate on pioneering the development of applications of its One-to-Many technology.

Recently, we welcomed two new Non-executive board members: Mark Lerdal who joined in December 2019 and Bruce Failing who joined in March 2020. Coincident with Bruce's appointment, Jeff Rohr and Mike Turner stepped down from the Board. On behalf of shareholders and the Board, I want to express our sincere appreciation of their dedication and contributions to Allied Minds over the many years. Mark Lerdal has taken the role of Chair of the Audit Committee and Bruce Failing has stepped in as Chair of the Remuneration Committee. Both Mark and Bruce have relevant track records in building shareholder value in an entrepreneurial setting and are well-positioned to help us execute on our strategy.

While the work completed in 2019 sets a path for the intended direction of the Group in 2020, we are now confronted with the spread and impact of COVID-19 which has caused significant volatility in the global equity markets. We are focusing on the safety of our employees and working with the senior management teams at our portfolio companies to mitigate any potential impacts. COVID-19 has had a significant impact on the capital markets and Allied Minds has not been unscathed. Nevertheless, the Board believes in the fundamentals of the portfolio and expects to be able to deliver the results of its stated strategy in the coming years. Finally, I would like to express the Board's appreciation of our shareholders for their continued support and our management team and staff for their hard work and commitment.



Harry Rein, Chairman

4 June 2020

STRATEGIC REPORT

Highlights

Investment Highlights

During 2019, an aggregate of \$104.0 million was invested into new and existing portfolio companies, including:

- \$101.0 million from portfolio company equity fundraisings with \$75.8 million coming from third-party investment and \$25.2 million from Allied Minds, to support and accelerate the development of seven of the Group's existing and former companies: Federated Wireless, HawkEye 360, Spin Memory, Spark Insights, SciFluor Life Sciences and Precision Biopsy.
 - In February 2019, SciFluor Life Sciences and Precision Biopsy raised \$4.0 million and \$5.0 million, respectively, of equity financing, half of which was contributed by Allied Minds.
 - In April 2019, \$3.2 million was invested by Allied Minds into Spark Insights, Inc. in a preferred stock financing.
 - In August 2019, HawkEye 360 secured a \$70.0 million funding round at a pre-money valuation of \$200.0 million, up from prior round post-money of \$89.9 million.
 - In September 2019, Federated Wireless secured a \$51.3 million funding round at a pre-money valuation of \$150.0 million, up from prior round post-money of \$121.5 million.
- In addition to these fundraisings, \$1.1 million was invested by Allied Minds into two portfolio companies: QuayChain and TableUp in exchange for convertible notes.
- On 8 November 2019, Allied Minds sold its shareholding in HawkEye 360 for an aggregate cash consideration of \$65.6 million. This enabled the Board to return \$40.0 million to shareholders in February 2020.
- Also in November 2019, SciFluor Life Sciences raised \$950K through the issuance of convertible notes to various third parties.
- On 16 December 2019, BridgeComm secured \$1.0 million from Boeing HorizonX in the form of convertible debt pursuant to a note purchase agreement, with an additional \$1.5 million committed subject to achieving conditions precedent.

Post-period end, an aggregate of \$16.1 million was invested into existing portfolio companies, including:

- BridgeComm issued \$2.0 million in convertible notes to Allied Minds under the same note purchase agreement as that with Boeing HorizonX.
- SciFluor Life Sciences raised an additional \$375K in the second closing of its convertible note financing.

- Federated Wireless raised an additional \$13.7 million from existing shareholders in a second closing of the preferred financing round from September 2019, half of which was contributed by Allied Minds.

Financial Highlights

- Net cash and investments of \$90.6 million (2018: \$97.7 million) of which \$84.1 million (2018: \$50.6 million) is held at the parent level.
- Revenues of \$2.7 million (2018: \$5.6 million) mainly from non-recurring engineering (NRE) and service contracts, reflecting the early stage nature of our portfolio companies.
- Net profit of \$50.3 million, (2018: net profit of \$45.4 million, which is restated) primarily reflects SG&A and R&D spending of \$34.3 million and \$16.1 million, respectively, to support the portfolio development activities, offset by NRE revenue of \$2.7 million, finance income of \$9.9 million reflecting the fair value accounting adjustment of the portfolio company preferred shares liability balance, and other income of \$89.5 million reflecting \$41.2 million of net gain on investments held at fair value as well as \$69.8 million due to the deconsolidation of one of the Company's existing portfolio company, Federated Wireless; including \$28.9 million share of loss from the deconsolidated entities accounted under the equity method as investments in associates.
- On 14 February 2020, Allied Minds paid a special dividend of 12.62 pence per ordinary share totalling £30.49 million.

Corporate Developments

- On 26 April 2019, the Company announced that it would focus exclusively on supporting its existing portfolio companies and maximising monetisation opportunities for portfolio company interests, and not deploy any capital into new portfolio companies.
- On 11 December 2019, it was announced that additional initiatives were in place to further reduce recurring central expenses to approximately \$6.0 million commencing on 1 January 2020 and that Allied Minds would return \$40 million of proceeds from the disposal of Hawkeye 360.

Selected Portfolio Company Highlights

- BridgeComm:
 - Developed its new One-to-Many (OTM) technology that provides bi-directional, ultra-high-speed mesh connectivity for terrestrial, airborne and space systems
 - BridgeComm entered the next stage in its relationship with Boeing HorizonX to collaboratively pioneer the development of applications for BridgeComm's OTM technology, which was announced in January 2020
- Federated Wireless:
 - Completed the nationwide deployment of its Environmental Sensing Capability (ESC) network and received full Federal Communications Commission (FCC) approval of its ESC network

- deployment and coverage plan, providing authorisation to operate its ESC sensors
- Received FCC certification of its Spectrum Access System (SAS) and approval of its Initial Commercial Deployment (ICD)
- Initiated commercial services with over 20 customers in 36 states in the U.S.
- In January 2020, the FCC certified the SAS operated by Federated Wireless for full commercial operations in the 3.5GHz band
- In February 2020, launched a new managed service offering, working with Amazon Web Services and Microsoft Azure
- Orbital Sidekick:
 - Expanded its pilot programs to additional oil and gas pipeline operators to deliver Spectral Intelligence™ for asset integrity and regulatory compliance monitoring via web-based user interface
 - Captured over 12 million square kilometres of earth imaging data from its first-generation hyperspectral system on-board the International Space Station (ISS)
- SciFluor Life Sciences:
 - Pared back clinical development activities to focus exclusively on toxicology studies necessary to initiate Phase II trials for SF0166
 - Engaged Maxim Group LLC to assist with fundraising efforts
- Spark Insights:
 - Built a core data science and machine learning team consisting of 6 data scientists, engineers and machine learning experts
 - Sourced and labelled thousands of satellite and aerial images to support modelling efforts
 - Built initial machine learning models and achieved initial R&D performance milestones for accuracy
- Spin Memory:
 - Completed design of Spin's patented "Endurance Engine" in collaboration with Arm and submitted such design for prototype manufacturing; samples of the prototype are due back to the company by the end of 2020
 - Achieved major advances in the development and demonstration of MRAM for long-term memory storage applications in cooperation with Applied Materials; MRAM was deposited using Applied's state-of-the-art Endura platform and processed through Spin's back-end prototype line
 - Was awarded a multi-phase, multi-year, multi-million US government project as subcontractor to a leading US semiconductor company
- TableUp:
 - Entered into a partnering agreement with Upserve, a leading point of sale (POS) vendor, which

- expanded its partnering relationships
- Transitioned away from a direct sales model and is expected to reach cash flow break even in 2020 under this new sales strategy

Company Overview

Our Company

Allied Minds has built and now manages a portfolio seeking to commercialise differentiated products and services that have the potential to transform markets. Historically, collaborating with targeted US federal research institutions, universities, medical institutions, and select corporations and entrepreneurs, we have identified potentially disruptive innovations. We have created and seed funded portfolio companies with the objective of commercialising these innovations, supporting them with capital, management, operating and other expertise, and shared services. We typically maintain a significant ownership stake in our portfolio companies. Our objective is to deliver attractive overall returns for our shareholders.

During 2019, Allied Minds made a series of announcements in connection with its new strategy that involved focusing exclusively on supporting its existing portfolio companies and not deploying any capital into new portfolio companies. In addition to the new strategy, several directorate changes and restructuring initiatives to reduce central costs were made to support the new strategy.

Allied Minds consulted with larger shareholders on the change in strategy, including cost reductions, ceasing new investments and a managed approach to monetising the portfolio over time, and they expressed support.

Our Portfolio

The Group is currently comprised of seven portfolio companies primarily in the technology sector based upon a broad range of underlying innovative technologies ranging from semiconductors, wireless connectivity, and space-based imagery and analytics.

We have invested in companies at an early stage, including seed investments to build companies 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 portfolio company 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 has several portfolio companies that we believe are well-positioned for commercialisation and have the potential to realise significant monetisation opportunities, including BridgeComm, Federated Wireless, and Spin Memory. These three portfolio companies currently represent the substantial majority of portfolio company value.

Outside these portfolio companies, Allied Minds has four active earlier stage investments (Orbital Sidekick, Spark Insights, TableUp and SciFluor Life Sciences) that we believe represent exciting opportunities primarily in space/analytics and connectivity, albeit with more work to be done to increase their value and monetisation opportunities.

Our Model

As a manager of a technology-focused portfolio in which we hold significant ownership positions, we seek to provide hands-on support over the life of our companies to support their growth, focusing on enabling and driving commercialisation, supporting follow-on investment rounds and positioning for superior monetisation opportunities.

Allied Minds offers operational and management support to each of its portfolio companies leveraging the deep domain expertise of our management team in their respective careers as entrepreneurs, operators, directors, advisors and investors. Our employees have expertise in business strategy, sales and marketing, operations, finance, legal and transaction execution.

We play an active role in developing the strategic direction of our portfolio companies, and driving ongoing planning and assessment. Our executives serve on the boards of directors of our portfolio companies, working with them to develop and implement strategic, operating and funding plans. We evaluate on an on-going basis the progress and potential of each of the portfolio company's businesses, and make strategic and funding decisions based on the regular review of operational and financial performance and the achievement of key milestones. Together with our management, the respective portfolio company boards of directors define the critical milestones, or inflection points, for each portfolio company and measure tangible progress towards commercialisation and the key factors for a successful monetisation event. Portfolio company management is accountable for these milestones, which are developed into annual management objectives (MBOs).

As our portfolio companies meet the objectives identified for success, we will participate in subsequent capital raises to mitigate dilution, to the extent consistent with our goal to maximise risk and time-adjusted returns for our shareholders and taking into account competing uses of capital across our portfolio. 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.

By helping our portfolio companies' management teams remain focused on critical objectives through the provision of human, financial and strategic resources, we believe we are able to accelerate their development and success. We believe that Allied Minds' experience and hands-on support provide our portfolio companies with significant competitive advantages within their respective markets.

Seeking Monetisation Opportunities

In the event of successful monetisation events from the sale of portfolio companies or portfolio company interests, we anticipate distributing the net proceeds to our shareholders, after due consideration of potential follow-on investment opportunities within our existing portfolio and working capital requirements. In general, we will hold our position in a portfolio company as long as we believe the risk and time-adjusted value of that position is maximised by our continued ownership and effort. From time to time, we engage in discussions with other companies interested in our portfolio companies (or our interest in those companies), either in response to inquiries or as part of a process we initiate. To the extent we believe that a portfolio company's further growth and development can best be supported by a different ownership structure or if we otherwise believe it is in our shareholders' best interests, we may seek to sell some or all of our position in the portfolio company. These sales may take the form of privately

negotiated sales of stock or assets, mergers and acquisitions, public offerings of the portfolio company's securities and, in the case of publicly traded portfolio companies, sales of their securities in the open market.

The value of Allied Minds is dependent upon the value of our existing portfolio companies and our ability to translate that value into cash as effectively and efficiently as possible and to deliver that cash, net of our obligations and operating cash needs, to our shareholders.

Portfolio Company Valuation

Of the Company's seven active portfolio companies, three are currently majority owned and controlled, and therefore fully consolidated in the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union (adopted IFRS). The Company's consolidated financial statements do not include current valuations of these portfolio companies.

The Company holds a significant minority stake in the other four portfolio companies. In each case, Allied Minds is able to exercise significant influence over the portfolio company by virtue of its large, albeit minority, ownership stake in the portfolio company and its representation on the board of directors. The investment in preferred stock in these portfolio companies is accounted for under IFRS 9 and is classified by the Company as an investment at fair value in the Company's consolidated financial statements. The Company's common stockholdings in Spin Memory and Federated Wireless are accounted for under IAS 28 and are classified by the Company as investments in associates.

Allied Minds provides qualitative and quantitative disclosure in relation to the commercial and financial progress of its portfolio companies, and directional commentary on valuation. In addition, where commercially possible, Allied Minds provides, for each portfolio company: (i) the date of the last equity funding round, (ii) the post-money valuation of such round, (iii) the named key co-investors in such round, and (iv) the Company's issued and outstanding ownership, and fully-diluted ownership, of such portfolio company.

This information is set forth in the Portfolio Review and Developments section below. The ownership interests are as at 1 June 2020. The fully-diluted percentages take into account outstanding stock options granted to employees, directors and advisors, current stock options available for grant pursuant to the company's stock option plan, and outstanding warrants to purchase common and preferred stock.

The post-money valuations disclosed for each entity below do not represent IFRS 13 fair values but rather, are based on the pre-money valuation set by the investors in the latest round plus the total money raised in that round.

There can be no guarantee that the aforementioned post-money valuations of the portfolio companies will be considered to be correct in light of the future performance of the various companies, or that the Company 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 portfolio companies or its ownership interest in such portfolio companies.

Portfolio Review and Developments

BridgeComm, Inc. (formerly known as BridgeSat, Inc.)⁽¹⁾

Formed in 2015 and based in Denver, Colorado, BridgeComm is developing and commercialising optical wireless communication (OWC) solutions and has begun development of a global network of optical ground stations designed to support complementary fixed and mobile terminals that provide high-bandwidth, high-security solutions for unique applications. OWC is a wireless technology offering rapid point-to-point data transmission via beams of light that connect from one telescope to another using low-power, safe, infrared lasers in the terahertz spectrum. It holds tremendous potential to augment RF, fiber and mmWave technologies and extend the capabilities of the terrestrial fiber grid, particularly in hard-to-access environments and in areas where cell towers do not currently exist.

The technology underpinning BridgeComm's offering was sourced originally from The Aerospace Corporation and Draper Laboratories and was initially focused on point-to-point data transmission only.

During 2019, BridgeComm focused its efforts on developing its new OTM technology which is a breakthrough in OWC that provides bi-directional, ultra-high-speed mesh connectivity for terrestrial, airborne and space systems. OTM builds on the basic connectivity that traditional point-to-point optical terminals provide and enables a much broader set of telecommunications applications. This technology enables optical wireless communications systems to create bi-directional mesh connectivity similar to, and complementary with, radio frequency systems.

OTM is capable of supporting terrestrial, airborne and space systems that require 10-100+ Gbps throughput, as well as the high reliability and redundancy inherent in mesh architecture. Furthermore, OTM maintains the inherent security features in OWC, while supporting the mesh architecture. OTM also provides a much-needed new option for high-speed connectivity in environments where RF spectrum is limited or congested.

To reflect the expanded breadth of opportunities the OTM technology provides, BridgeSat, Inc. changed its name to BridgeComm, Inc. to better position itself in the marketplace.

BridgeComm has developed a patent portfolio with a number of patents filed covering a broad range of advancements in fiberless optical communications for applicability to space, air, and terrestrial usage including its new OTM technology.

In January 2020, BridgeComm announced the next stage in its relationship with Boeing HorizonX. The two companies are collaboratively pioneering the development of applications of the OTM technology via a joint development agreement, which is expected to be completed in phases over the next 24 months. BridgeComm secured \$1.0 million from Boeing HorizonX in the form of convertible debt financing pursuant to a note purchase agreement, with an additional \$1.5 million committed subject to achieving conditions precedent. Post-period end, Allied Minds subscribed for \$2.0 million of convertible debt under the same note purchase agreement.

Holdings and valuation:

- Date of Last Funding Round: September 2018

- Post-Money Valuation: \$38.0 million
- Co-Investors: Boeing HorizonX Ventures (venture arm of Boeing Company)
- Allied Minds' Issued and Outstanding Ownership: 81.30%
- Allied Minds' Fully-Diluted Ownership: 62.92%
- BridgeComm has made reasonable progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

- Successfully execute development of applications of OTM technology with Boeing HorizonX
- Expand the capacity of the global ground network through industry partnerships and ground station installations
- Expand government customer backlog

Federated Wireless, Inc.

Founded in 2012, Federated Wireless has led its industry in development of shared spectrum Citizens Broadband Radio System (CBRS) capabilities, taking a lead role in the formation of the CBRS Alliance, being the first to complete a wide range of trials with its Spectrum Access Systems (SAS), and deploying the industry's first nationwide Environmental Sensing Capability (ESC) network. The company's partner ecosystem includes more than 40 device manufacturers and edge partners, all of which are dedicated to collaboration to advance development and proliferation of CBRS services. Federated Wireless' customer base includes companies spanning the telecommunications, energy, hospitality, education, retail, office space, municipal and residential verticals, with use cases ranging from network densification and mobile offload to Private LTE and Industrial IoT.

The company's solution is based on technology developed with support from Virginia Tech and the US Department of Defense (DoD). It has several issued patents and pending applications protecting proprietary technology underpinning its ESC sensor design and its SAS. These patents are primarily focused on systems and algorithms embedded in its core technologies.

Throughout 2019 and through the first few months of 2020 the company has made significant strides towards commercialisation of its products taking advantage of its leading position in the newly emerging shared spectrum industry.

During 2019, Federated Wireless had several achievements including completing its nationwide deployment of its ESC network and receiving full FCC approval of its ESC network deployment and coverage plan, providing authorisation to operate its ESC sensors. The company also received a perfect score on its final SAS lab test report from the Institute for Telecommunication Sciences (ITS), which was a crucial milestone for the company.

In September 2019, there were two major achievements announced. First, the company secured a \$51.3 million funding round, which included new investors SBA Communications and Pennant Investors, alongside existing investors GIC, American Tower and Allied Minds, at a pre-money valuation of \$150.0 million, up from prior round post-money of \$121.5 million.

Second, the FCC certified the SAS operated by Federated Wireless and approved its Initial Commercial Deployment (ICD), allowing Federated Wireless to initiate its commercial services with over 20 customers in 36 states in the U.S.

In January 2020, the FCC announced that the agency had certified Federated Wireless' SAS paving the way for full commercial operations in the 3.5 GHz band.

In February 2020, Federated Wireless announced a new Connectivity-as-a-Service offering that lets U.S. enterprises buy and deploy private 4G and 5G networks with a single click through the AWS(R) and Microsoft Azure(R) marketplaces. These end-to-end managed services provided by Federated Wireless include discovery, planning, design, build, operation and support, enabling enterprises to reap the benefits of 5G with minimum risk and capital expenditure.

The new service offering was developed with specific attention to the needs of the cloud-native enterprises of today, who have come to depend on seamless integration between their own IT departments and global public clouds. Close collaboration with AWS and Microsoft Azure has resulted in development and delivery of a service that these innovative IT organisations will see as a natural extension of their existing environments.

The new managed service reduces the complexity of enterprise adoption of 5G private networks with one-click provisioning through the AWS Marketplace and seamless integration with the full range of IoT applications provided by the Amazon Partner Network (APN). AWS-enabled private networks are an ideal solution for industrial and manufacturing IoT environments in which device types, locations and densities are widely varied and wireless interference using legacy WiFi networks is both extremely common and highly detrimental to business performance.

Holdings and valuation:

- Date of Last Funding Round: September 2019 (second closing post-period end in April 2020)
- Post-Money Valuation: \$215.0 million
- Co-Investors: American Tower (NYSE: AMT), GIC, Singapore's sovereign wealth fund, Pennant Investors and SBA Communications (NASDAQ: SBAC)
- Allied Minds' Issued and Outstanding Ownership: 43.11%
- Allied Minds' Fully-Diluted Ownership: 36.61%
- Federated Wireless has made significant progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

- Build a significant pipeline of annual recurring revenue
- Meet customer SLA and SLO targets
- Develop and launch a scalable cloud enterprise solution

Orbital Sidekick, Inc.

Orbital Sidekick is a company developing capabilities in aerial and space-based hyperspectral imaging and analytics, initially for the oil and gas industry. Orbital Sidekick's Spectral Intelligence™ platform is designed to enable more efficient monitoring of natural resource assets and infrastructure integrity. Orbital

Sidekick is initially targeting monitoring of assets for the oil and gas market – estimated at over \$4 billion annually. There are potentially multiple additional commercial and government applications for its technology.

Orbital Sidekick was founded by Dan Katz and Tushar Prabhakar, leveraging their extensive experience in small-sat design as engineers at Space Systems Loral. The team has built a complementary network of advisors to bring expertise in oil and gas operations and regulations, hyperspectral analysis, and data services.

Allied Minds led the seed round of Orbital Sidekick in April 2018 with an investment of \$3.5 million for a significant minority stake. 11.2 Capital, a VC firm specialising in breakthrough technologies, invested alongside Allied Minds.

During 2019, Orbital Sidekick expanded its pilot programs to additional oil and gas pipeline operators to deliver Spectral Intelligence™ for asset integrity and regulatory compliance monitoring via web-based user interface. The company also captured over 12 million square kilometres of earth imaging data from its first-generation hyperspectral system on-board the International Space Station (ISS).

Holdings and valuation:

- Date of Last Funding Round: April 2018
- Post-Money Valuation: \$11.7 million
- Co-Investors: 11.2 Capital
- Allied Minds' Issued and Outstanding Ownership: 33.23%
- Allied Minds' Fully-Diluted Ownership: 29.67%
- Orbital Sidekick has made reasonable progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

- Convert existing pilot program participants to customers
- Deploy additional customer facing analytic tools to customers

SciFluor Life Sciences, Inc. ⁽¹⁾

SciFluor is a drug development company focused on creating best-in-class compounds, initially targeting the field of ophthalmology. SciFluor's lead clinical asset, SF0166, is a topical eye droplet treatment for Age-related Macular Degeneration (AMD) and Diabetic Macular Edema (DME), both widely prevalent retinal diseases that lead to blindness if left untreated.

SciFluor sought to raise external equity financing over the course of 2018 and 2019, facilitated by the \$4.0 million bridge financing from Allied Minds and Woodford Investment Management (now succeeded by Schroder Investment Management Limited), to fund Phase II trials for SF0166, on the back of safety and preliminary efficacy data from the Phase I/II trials. This process was not successfully completed. As a result, SciFluor has experienced clinical delays since its last funding round and the valuation is substantially impaired due to a prolonged inability to attract new external financing. Clinical development activities at

SciFluor have been pared back, and are now focused exclusively on the toxicology studies necessary to initiate the Phase II trials for SF0166. To assist with its fundraising efforts, SciFluor engaged Maxim Group LLC. During Q4 2019 (and completing in Q1 2020), SciFluor was able to raise \$1.325 million of convertible debt financing from third parties and continues its fundraising efforts for an external equity financing to fund Phase II trials. It is uncertain if SciFluor will be successful in securing the required funds in 2020.

Holdings and valuation:

- Date of Last Funding Round: November 2019 (convertible debt into next preferred equity round)
- Valuation: n/a
- Co-Investors: Various third parties
- Allied Minds' Issued and Outstanding Ownership: 62.67%
- Allied Minds' Fully-Diluted Ownership: 54.16%

Spark Insights, Inc. ⁽¹⁾

Spark Insights is an advanced analytics company developing data products for the rapidly growing insurance analytics market. Allied Minds formed Spark Insights in late 2018 and completed a \$3.2 million Series Seed financing in April 2019.

Given the increasing prevalence of catastrophic events, including hurricanes, floods, and wildfires, property insurers are struggling to quantify the impact on their policies, both before and after a catastrophic event occurs. Spark Insights plans to leverage the advent of unique data sets, including advances in satellite imagery and weather data, combined with proprietary analytics to transform critical workflows for these property insurers.

Spark Insights' focus is at the intersection of several addressable markets including insurance analytics, underwriting losses, and catastrophe modeling platforms.

Ira Scharf is a co-founder of Spark Insights and has been appointed as the company's CEO. Ira's background includes over 15 years of bringing products to market in the insurance industry and over 10 years in the weather industry, in addition to degrees from MIT and Harvard Business School.

During 2019, Spark Insights built a core data science and machine learning team consisting of 6 data scientists, engineers and machine learning experts, sourced and labelled thousands of satellite and aerial images to support modelling efforts, built initial machine learning models and achieved initial R&D performance milestones for accuracy.

Holdings and valuation:

- Date of Last Funding Round: April 2019
- Post-Money Valuation: \$3.2 million
- Co-Investors: n/a
- Allied Minds' Issued and Outstanding Ownership: 70.59%
- Allied Minds' Fully-Diluted Ownership: 60.00%

- Spark Insights has made reasonable progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

- Develop initial product to improve processes in the property insurance industry using novel data sets and analytics capabilities
- Engage with pilot customers in the insurance and reinsurance industries
- Build team to support data science, engineering, and business development activities in initial pilots

Spin Memory, Inc.

Founded in 2006 and based in Fremont, CA, Spin Memory, Inc. is the preeminent MRAM IP provider. Through collaboration with industry leaders, Spin Memory is transforming the semiconductor industry by addressing the biggest challenge, memory, in next-generation electronics systems such as Artificial Intelligence, Autonomous Driving, 5G Communication and Computing at the Edge. Spin Memory's disruptive STT-MRAM IP can replace large, power-hungry on-chip SRAM with dense, low-power MRAM and ultimately challenge DRAM as a lower-power, easier-to-use persistent mass-storage solution.

The technology underpinning Spin Memory's offering was sourced originally from New York University and has more than 200 patents issued or pending. These patents cover everything from the fundamental aspects of these areas of invention to derivative improvements.

During 2019, Spin Memory achieved significant technical milestones in connection with its partnerships with Arm Limited and Applied Materials. With Arm, Spin completed the design of a prototype demonstration vehicle of Spin's Endurance Engine™ coupled with a working MRAM array to show an order of magnitude improvements in MRAM endurance, one of the key challenges in the industry. The demonstration vehicle will also show the performance of many other Spin-patented circuits. The prototype and test results are expected later this year.

In the area of magnetics, Spin and Applied have made great strides in delivering state-of-the-art MRAM solutions for the semiconductor industry. Both companies believe MRAM will displace most on-chip memory, both long-term storage (Flash) and working memory (SRAM), the former of which is the current focus of the companies' efforts. High-temperature data retention, critical for most long-term memory storage applications, was demonstrated with good yield, with wafers deposited at Applied and finished in Spin's prototype facility.

Finally, Spin Memory was awarded a multi-phase, multi-year, multi-million US government project as subcontractor to a leading US semiconductor company.

Holdings and valuation:

- Date of Last Funding Round: November 2018 (date of first closing, final closing in April 2019)
- Post-Money Valuation: \$172.0 million

- Co-Investors: Arm Technology Investments Limited, Applied Ventures, LLC, Abies Venture Fund, Woodford Investment Management (now succeeded by Schroder Investment Management Limited) and Invesco Asset Management
- Allied Minds' Issued and Outstanding Ownership: 42.69%
- Allied Minds' Fully-Diluted Ownership: 33.33%
- Spin Memory has made significant progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

- Expand commercial relationship with Applied Materials including securing first turnkey magnetics license customer
- Expand the design pipeline with Arm and secure first macro deals
- Expand upon opportunity provided by the US government project

TableUp, Inc.

TableUp is a software provider enabling end-to-end transparency through the restaurant supply chain to enable more effective inventory and operations management. TableUp is a revenue-generating company. During 2019, it entered into a partnering agreement with Upserve, a leading point of sale (POS) vendor, which expanded its partnering relationships as it transitioned away from a direct sales model. It is expected that TableUp will reach cash flow break even in 2020 under this new sales strategy.

Holdings and valuation:

- Date of Last Funding Round: April 2018
- Post-Money Valuation: \$12.0 million
- Co-Investors: n/a
- Allied Minds' Issued and Outstanding Ownership: 35.52%
- Allied Minds' Fully-Diluted Ownership: 30.20%
- TableUp has made reasonable progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

- Expand referral partner network
- Expand traction in enterprise market segment
- Build integrations with additional key POS systems

(1) Designates that this company is a subsidiary of the Group.

Sold Portfolio Companies

HawkEye 360, Inc.

Formed in 2015, HawkEye 360 is a data analytics company operating low earth orbit (LEO) small satellites that detect, independently geo-locate and analyse diverse Radio Frequency (RF) signals from space. Using its unique data set, sourced from the Pathfinder satellites, HawkEye 360 applies proprietary algorithms to produce contextually relevant analytics and reports for government and commercial end market applications.

In August 2019, HawkEye 360 secured a \$70.0 million funding round, which included new investors Airbus and Esri, existing investors Razor's Edge Ventures, Allied Minds (\$5.0 million), and Shield Capital Partners, and additional undisclosed parties, at a pre-money valuation of \$200.0 million, up from prior round post-money of \$89.9 million.

On 8 November 2019, Allied Minds completed the sale of its entire shareholding in HawkEye 360 to Advance Publications, Inc. (Advance) for an aggregate cash consideration of \$65.6 million.

Discontinued Portfolio Companies

During 2019, Allied Minds sold the assets of LuxCath, LLC and all of its shares of QuayChain, Inc., in each case, for undisclosed consideration, and ceased operations and dissolved each of Precision Biopsy, Inc., ABLs Capital, LLC, Allied-Bristol Life Sciences, LLC, ABLs II, LLC, ABLs IV, LLC and Signature Medical, Inc.

Key Performance Indicators

The Key Performance Indicators (KPIs) selected to measure the performance of the Company in 2019 were percentage level of achievement of management by objectives (MBOs). These objectives seek to link financial, operational, technical and other performance milestones established by the Board directly to remuneration and KPIs. Performance against 2019 KPIs is set out below:

KPI	2019	2018	Performance
MBO Achievement; Percentage of Target; See Detail Below	87.6%	64.0%	Below target

The MBOs set by the Board for 2019, 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 Portfolio Companies	0.0%	30.0%	45.0%	17.6%
Secure Funding and Strategic Relationships for Portfolio Companies	0.0%	20.0%	30.0%	20.0%
Manage Cash and Maintain Strong Operational Support:				
Capital Allocation to Portfolio Companies	0.0%	20.0%	30.0%	20.0%
Manage Reorganisation and Cash, and Reduce HQ Expenses	0.0%	20.0%	30.0%	20.0%
Deliver Shared Services Support	0.0%	5.0%	7.5%	5.0%
Manage Deconsolidation of Portfolio Companies	0.0%	5.0%	7.5%	5.0%
Total Percentage of Target	0.0%	100.0%	150.0%	87.6%

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 following Key Performance Indicators (KPIs) were selected to measure the performance of the Company in 2020. These objectives seek to link financial, operational, technical and other performance milestones established by the Board directly to remuneration and KPIs.

The 2020 KPIs, including financial, operational, technical and other performance targets and their weightings for the upcoming year were set at the start of 2020, as follows:

<u>MBO</u>	<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
	<u>Weightings</u>	<u>Weightings</u>	<u>Weightings</u>
Increase Aggregate Portfolio Value (NAV)	0.0%	12.5%	18.75%
Increase ALM Share Price	0.0%	12.5%	18.75%
Manage HQ Cash and Expenses	0.0%	25%	37.5%
Secure Funding and Strategic Partners at Portfolio Companies	0.0%	25%	37.5%
Maintain Strong Operational Support	0.0%	25%	37.5%
Total Percentage of Target	0.0%	100.0%	150.0%

Financial Review

During 2019, \$104.0 million was invested into existing subsidiary businesses and associates. This included \$26.3 million from subsidiary and associate fundraisings invested by Allied Minds, with \$77.7 million coming from third-party investment, to further accelerate the development of the Group's existing companies.

Consolidated Statement of Comprehensive Profit

For the years ended 31 December

	2019 \$ '000	2018 \$ '000 (Restated*)
Revenue	2,692	5,561
Cost of revenue	(1,433)	(2,827)
Selling, general and administrative expenses	(34,316)	(49,328)
Research and development expenses	(16,146)	(44,947)
Finance income, net	9,992	92,875
Other income (restated*)	89,465	44,021
Other comprehensive income	808	561
Total comprehensive income	51,062	45,916
of which attributable to:		
Equity holders of the parent (restated*)	52,143	37,916
Non-controlling interests	(1,081)	7,999

*See note 25 for details of the adjustment.

Revenue decreased by \$2.9 million, to \$2.7 million in 2019 (2018: \$5.6 million). This decrease is primarily attributable to deconsolidation of one of the company's subsidiaries, Federated Wireless, in 2019 as well as the deconsolidation of HawkEye 360 and Spin Memory at the end of 2018. The decrease is partly offset by revenue from new contracts in 2019 at BridgeComm of \$1.0 million. Cost of revenue at \$1.4 million (2018: \$2.8 million) was lower as a percentage of revenue, when compared to the prior year, mainly due to deconsolidation of the Company's subsidiaries and inventory write-offs at closed and dissolved companies in 2018 and 2019.

Selling, general and administrative (SG&A) expenses decreased by \$15.0 million, to \$34.3 million (2018: \$49.3 million). This reduction was mainly due to the restructuring charge for closed and dissolved subsidiaries in 2018 and deconsolidated subsidiaries in the second half of 2018 and 2019. Also, central cost reductions implemented during 2019 had a direct impact towards the decrease of SG&A charges. Total SG&A was offset, in part, by the net gain of \$0.1 million from the disposal of assets at LuxCath in the first half of 2019.

Research and development (R&D) expenses decreased by \$28.8 million, to \$16.1 million (2018: \$44.9 million). The decrease was primarily due to the deconsolidated and closed and dissolved subsidiaries in 2018 and 2019. The remainder of the decrease reflects the net effect from R&D spend at the remaining subsidiaries.

Net finance income decreased by \$82.9 million in 2019 to \$10.0 million (2018: \$92.9 million). The decrease reflects the impact from deconsolidation of the Company's subsidiaries in 2018 and 2019 partly offset by net finance income of \$9.3 million from IFRS 9 fair value accounting of the subsidiary preferred shares liability balance (2018: \$91.6 million), and interest income, net of interest expense, of \$0.7 million (2018: \$1.3 million).

Other income increased to \$89.4 million (2018: \$44.0 million, restated) reflecting \$41.2 million in gain on investments held at fair value, \$7.1 million gain on dissolution of subsidiaries, \$69.8 million of gain on deconsolidation of one of the company's subsidiaries. The increase is partly offset by the company's share of loss of \$28.9 million from the deconsolidated entities accounted under the equity method. In addition, the increase reflects \$0.2 million of net gain mainly from the disposal of trade and assets at LuxCath.

- As a result of Federated Wireless' most recent financing round that was completed in September 2019, Allied Minds' issued and outstanding ownership percentage dropped from 52.23% to 42.57%. Consequently, the Company no longer controls a majority of the outstanding voting stock and does not control a majority of the board seats and as a result, the subsidiary was deconsolidated. Upon deconsolidation, Allied Minds recognised the fair value of the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock (collectively the "Federated Wireless Preferred Stock") held in Federated Wireless, classified as an investment at fair value of \$22.2 million. Additionally, due to Allied Minds Common Stock holdings that have equity-like characteristics, the investment is accounted for under IAS 28 and is classified by the Company as an investment in associate of \$16.1 million. The deconsolidation resulted in a total net gain of \$69.8 million. At 31 December 2019, Allied Minds' investment was adjusted by the share of losses generated by Federated Wireless from September through December 2019 of \$9.3 million.
- In May 2019, the Company completed an asset sale for LuxCath, LLC in the form of a promissory note and other contingent consideration, reflecting a \$0.1 million of net gain from the disposal of such trade and assets. LuxCath was dissolved as of 31 December 2019.

As a result of these factors, total comprehensive income increased by \$5.1 million to \$51.0 million (2018: \$45.9 million, restated). Total comprehensive income attributed to the equity holders of the Group was \$52.1 million (2018: \$37.9 million, which is restated) and \$1.1 million loss (2018: \$8.0 million profit, restated) was attributable to the owners of non-controlling interests.

Consolidated Statement of Financial Position

As of 31 December

	2019 \$ '000	2018 \$ '000 (Restated*)
Non-current assets (restated*)	72,695	83,739
Current assets	97,854	107,034
Total assets	170,549	190,773

Non-current liabilities	4,819	436
Current liabilities	13,159	69,557
Equity (restated*)	152,571	120,780
Total liabilities and equity	170,549	190,773

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 \$4.5 million to \$1.5 million (2018: \$6.0 million), primarily as a result of the deconsolidation of Federated Wireless of \$6.6 million, impairment loss of \$0.4 million and depreciation expense of \$1.1 million, offset by purchases of approximately \$3.6 million, mainly at BridgeComm.

Intangible assets decreased by \$1.0 million to \$0.2 million (2018: \$1.2 million) mainly as a result of amortisation expense of \$0.6 million, impairment charges and disposals of \$0.4 million and the net effect of the deconsolidation of Federated Wireless of \$0.2 million, offset by additions of \$0.2 million in acquired licenses and software assets.

Investments at fair value increased to \$61.9 million (2018: \$56.5 million) reflecting \$37.5 million increase in fair value adjustments due to fair value accounting for investments held on the date of deconsolidation, \$22.2 million recognised as a result of the deconsolidation of Federated Wireless and \$2.5 million that was released from escrow by Allied Minds in April 2019 when Spin Memory completed the final closing of its \$52.0 million Series B preferred shares financing. The increase was offset by the sale of Allied Minds' entire stake in its portfolio company HawkEye 360 to Advance for cash consideration of \$65.6 million. As a result, the Company reduced its investment held at fair value related to its preferred shares in HawkEye 360 of \$65.6 million and recognised \$35.0 million increase in fair value adjustments due to fair value accounting for investment held in HawkEye 360 on the date of the sale.

Investments in associates decreased to \$6.8 million (2018: 19.5 million). As a result of the deconsolidation of Federated Wireless, the company recorded \$16.2 million in investments in associates which was offset by share of loss generated by Federated Wireless and Spin Memory as of 31 December 2019 of \$28.9 million.

Right-of-use assets increased by \$1.0 million (2018: \$ nil). On 1 January 2019, the Company adopted the new lease standard using the modified retrospective approach applied to lease arrangements that were in place on the transition date. As such, results reported as of 31 December 2019 are presented under the new standard.

Current assets

Cash and cash equivalents decreased by \$7.2 million to \$90.5 million (2018: \$97.7 million). The decrease is mainly attributed to \$69.8 million of net cash used in operations, \$26.5 million cash from investing activities and \$33.7 million cash from financing activities.

Restricted cash decreased by \$2.5 million due to Allied Minds' additional investment in Spin Memory of \$2.5 million, cash that was released from the escrow in April 2019.

Trade and other receivables decreased by \$0.7 million due to a decrease in trade receivables of \$1.2 million primarily due to deconsolidation of Federated Wireless. This decrease is offset in part by an increase in prepaid expenses of \$0.6 million as a result of advanced payments made by BridgeComm towards the construction of a ground station.

Other current assets increased by \$1.1 million due to the issuance of a new convertible note to Table Up and offset by assets deconsolidated at Federated Wireless.

Current liabilities

Subsidiary preferred shares decreased by \$49.2 million to \$5.0 million (2018: \$54.2 million) primarily driven by the deconsolidation of Federated Wireless of \$43.9 million, and \$9.3 million in IFRS 9 fair value adjustment for the year offset by issuance of convertible stock by Precision Biopsy and SciFluor of \$4.0 million.

Deferred revenue increased by \$1.1 million to \$3.4 million (2018: \$2.3 million) primarily due to new revenue contracts entered by BridgeComm throughout 2019.

Non-current liabilities

Lease liabilities increased by \$2.9 million (2018: \$ nil) due to the implementation of the new lease accounting under IFRS 16 at 1 January 2019.

Other non-current liabilities increased by \$1.5 million (2018: \$0.4) due to issuance of new convertible promissory notes at BridgeComm and SciFluor.

Equity

Net equity increased by \$31.8 million to \$152.6 million (2018: \$120.8 million, restated) reflecting the combination of comprehensive income for the period of \$51.0 million, \$0.1 issuance of ordinary shares and deconsolidation of Federated Wireless of \$1.6 million, offset by US subsidiary distribution to shareholders of \$12.1 million, change in non-controlling interest of \$0.2 million, dissolution of Company's subsidiaries of \$7.1 million and a \$1.5 million charge due to equity-settled share based payments.

Consolidated Statement of Cash Flows

For the years ended 31 December

	2019 \$ '000	2018 \$ '000 (Restated*)
Net cash outflow from operating activities	(44,851)	(70,879)
Net cash inflow/(outflow) from investing activities	21,505	(27,994)
Net cash inflow from financing activities	13,683	41,032
Net decrease in cash and cash equivalents	(9,663)	(57,841)
Cash and cash equivalents in the beginning of the year	100,234	158,075
Cash and cash equivalents at the end of the year	90,571	100,234

The Group's net cash outflow from operating activities of \$44.8 million in 2019 (2018: \$70.9 million, restated) was primarily due to the losses for the year of \$50.3 million, the net effect from movement in working capital of \$0.5 million and the adjustment for non-cash items such as depreciation, amortisation, impairments and share-based expenses of \$2.0 million offset by other finance charges of \$8.1 million, \$89.5 million in gain and losses due to deconsolidation, dissolution of subsidiaries and fair value adjustments.

The Group had a net cash inflow from investing activities of \$21.5 million in 2019 (2018: \$28.0 million). This inflow predominately reflected the proceeds from sale of investments at fair value at HawkEye 360 of \$65.6 million and \$0.1 million in proceeds from disposal of assets, offset in part by the deconsolidation of Federated Wireless of \$33.1 million (2018: \$25.9 million), the investments at fair value of \$7.5 million (2018: \$7.5 million) and purchases of property and equipment and intangibles of \$3.6 million (2018: \$9.1 million).

The Group's net cash inflow from financing activities of \$13.7 million in 2019 (2018: \$41.0 million) primarily reflects \$2.0 million proceeds from issuance of convertible notes and \$25.3 million proceeds from issuance of preferred shares in subsidiaries throughout the year. This includes proceeds from issuance of preferred shares as a result of Federated Wireless' most recent financing round that was completed in September 2019. The increase is offset by \$1.5 million in lease payments and \$12.1 million in US distributions to shareholders of certain portfolio companies that were dissolved.

The Group's strategy is to maintain healthy, highly liquid cash balances that are readily available for investment in a manner consistent with the Board's strategy for the Company and Group. To further minimise its exposure to risks the Group does not maintain any material borrowings or cash balances in foreign currency.

The Directors have further considered the on-going viability of the Company through to December 2022, as required pursuant to the 2018 version of the UK Corporate Governance Code, in the Management and Governance section of the Annual Report and Accounts at pages 42 to 43.

Risk Management

The execution of the Group's strategy is subject to a number of risks and uncertainties. The Board has adopted a system of continuous review in which it regularly consults with management to identify principal and emerging risks facing the Group and to assess and determine how to address and mitigate against such risks in a manner consistent with the Company's risk appetite to achieve its strategic goals. Throughout the year, the Board considers and reviews 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 development, commercialisation and monetisation, the Group inherently faces significant risks and challenges. The overall aim of the risk management policy is to achieve an effective balance 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 and emerging 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 portfolio companies may fail or not succeed as anticipated, whether as a result of technical, product, market, fund-raising or other risks, resulting in an impairment of the Group's value.

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

Mitigation:

- Before making any follow-on investment in the current portfolio, extensive due diligence is carried out by the Group which covers all the major business risks including market size, strategy, adoption and intellectual property. Where appropriate, we seek validation through co-investment by other strategic and/or financial parties.
- A disciplined approach to capital allocation is pursued whereby we closely monitor milestone developments before committing additional capital. Should a project fail to achieve sufficient progress or is unable to attract other co-investors, we may terminate the investment.
- Dedicated leadership with deep industry or sector knowledge, and relevant technical and/or leadership experience, is recruited to management positions, and the Group ensures that each portfolio company has independent directors and/or other advisors, as appropriate for the relevant stage of development.

- Each portfolio company holds board of director meetings at least quarterly, with participation from the Group’s management and/or investment team, along with senior management and independent directors and/or advisors, as appropriate, of such portfolio company.
 - The shared services model provides meaningful administrative support to our earlier stage portfolio companies, including strong budgetary and financial controls that ensure good governance.
 - Within the Group there is meaningful operating and investment expertise that provide direct, hands-on and strategic, operating and fund-raising support to its portfolio companies, as appropriate.
 - The Group actively uses third party advisors and consultants, specific to the particular domain in which a portfolio company 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, sales and marketing and other operational activities of its businesses. There is no guarantee that the Group or any of its individual portfolio companies will become profitable prior to the achievement of a portfolio company sale or other liquidity event, and, even if the Group or any of its individual portfolio companies does become profitable, such profitability may not be sustainable. The Group may not be able to attract other co-investors, or monetise its ownership interests in portfolio companies, during any specific time frame or otherwise on desirable terms, if at all.

Impact: Allied Minds’ objective is to generate returns for its shareholders through early stage company development within the technology sector. Such value is expected to be delivered through the commercialisation and monetisation of these businesses via a sale or other liquidity event for each. 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 at values significantly less than the amount of capital invested, then it would be difficult to sustain the current levels of investment in the other portfolio companies. This would lead to reduced participation in funding rounds, which will result in a lower ownership position, or potentially impact the ability of a company to raise additional funds.

Mitigation:

- The Group retains significant cash balances in order to support its cash flow requirements, including Allied Minds’ investment requirements for each portfolio company and for corporate resources.
- The Group has close relationships with a wide group of investors, including within its current shareholder base, and continues to identify and develop strategic and financial relationships for co-investing in the Group’s portfolio companies.
- Senior management continually seeks to build and maintain strategic and financial relationships for the Group, and each portfolio company continually seeks to engage in strategic and financial relationships relevant to their respective markets and to maintain current information on, and awareness of, potential fund-raising and monetisation strategies.

3. A significant portion of the Group’s intellectual property relates to technologies which 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 that this were to happen, this could impact the financial return to the Group on its investment in the applicable portfolio companies.

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.
4. The Group, including certain of the portfolio companies, 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. 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, potentially harm the reputation and standing of the Group and cause the termination of certain important relationships with federally funded research institutions.

Mitigation:

- Prior to licensing any technology under these 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, including certain of the portfolio companies, 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, 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.
5. 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 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 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 incentivise performance and retention properly.
 - Senior management continually monitor and assess compensation levels to ensure the Group remains competitive in the employment market.
6. 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 portfolio company and have a consequent effect on the value of the overall Group.

Mitigation:

- In each portfolio company, 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 company.
 - 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.
7. 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.

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 portfolio companies 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 through its current portfolio of 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 certain of its portfolio companies, and more than 25% of all of its other portfolio companies, and intends to continue to try to hold the majority of the voting securities in its portfolio companies, or otherwise maintain primary control.
 - In addition to ownership levels, the Company seeks to maintain primary control of its portfolio companies through a combination of the following:
 - Rights to elect representatives to the board of directors, with ability to exercise influence over the portfolio company’s business strategy, operating plans, budgets and key corporate decisions;
 - 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;
 - Protective provisions, such as rights to block certain portfolio company actions; and
 - Active involvement in the management of our earlier stage portfolio companies, such as shared service support, business development introductions, co-locating, and key management recruiting.
8. The Group expects to remain operational through December 2023 given its current cash and financial position. However, if the Group is unable to generate sufficient revenue, appropriately manage expenses, attract co-investors to participate in follow-on portfolio company financings, or generate a sale or other liquidity event for any of its existing portfolio companies or portfolio company interests 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. In turn, this could ultimately lead to failure of individual portfolio companies and loss of investment as well as failure of the Group as a whole.

Mitigation:

- Senior management continually seeks to build and maintain close relationships with its shareholder base and other strategic partners at the Group level, and each portfolio company continually seeks to engage in strategic relationships relevant to their respective markets and to maintain current information on and awareness of potential fund-raising and monetisation strategies.
- The Company strives to maintain majority ownership and/or primary control over all of the portfolio 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 companies since its inception.
- The Company continuously and critically reviews the progress of its portfolio companies 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 (EU) in a so-called "Brexit" referendum. Following several delays, parliament ratified the withdrawal agreement, and the UK left the EU on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. The UK remains subject to EU law and remains part of the EU customs union and single market during the transition, but is no longer part of the EU's political bodies or institutions.

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 portfolio companies 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, while no such activities are planned, may need to raise additional capital in the UK in the future to support its portfolio companies. 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 portfolio companies 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 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.

COVID-19

The ongoing spread of the coronavirus disease (COVID-19) that started in December 2019 has been declared a public health emergency of international concern by the World Health Organisation. COVID-19 has the potential to greatly disrupt all aspects of the Group's business. Potential impacts include the risk to the health and safety of our workforce, the ability for our businesses to operate normally, global economics, and the flow of goods and services. Our people could be at potential health risk if they come into contact with confirmed cases of COVID-19. In addition, given the mandatory health and safety restrictions across the world, including travel and quarantine restrictions, it may affect the ability of our workforce to continue working normally. There could also be disruption to operations as a result of the virus negatively impacting our suppliers, customers and partners. Finally, the virus has already caused downturn to the global economy, which may become worse as it continues to spread. This may make it difficult for our portfolio companies to raise money, enter into new strategic partnerships, retain customers, or continue operations.

In order to mitigate against these risks, we are closely monitoring the health, safety and security of our workforce and complying with applicable regulatory requirements and guidelines. We have put in place temporary travel restrictions and have made accommodations that will allow our workforce to work remotely. We are also in close communication with all of our customers, suppliers and partners to collaborate on how to best support each other's needs in this new environment.

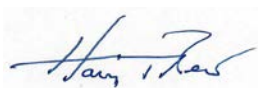
The Group is closely monitoring developments regarding COVID-19 and will continuously reassess and put in place appropriate continuity plans to mitigate against the risks faced.

Corporate and Social Responsibility

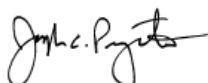
Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities, including diversity, are included in the Sustainability section on pages 58 to 66 and are incorporated into this Strategic Report by reference.

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

ON BEHALF OF THE BOARD



Harry Rein
Chairman



Joseph Pignato
Chief Executive Officer

4 June 2020

MANAGEMENT AND GOVERNANCE

The Board

Executive Director

Joseph Pignato – Chief Executive Officer

Joe joined Allied Minds as Chief Financial Officer in August 2015, served as Co-Chief Executive Officer and Executive Director from June 2019, and has served in the role of Chief Executive Officer and Executive Director since March 2020. Prior to joining Allied Minds, Joe amassed more than 20 years of professional experience in Chief Financial Officer, Chief Operating Officer and General Partner roles at Upserve (formerly Swipely) (CFO), Prism Venture Works (General Partner, COO and CFO), Charles River Ventures (CFO), and Lightbridge (NASDAQ: LTBG) (CFO). Joe also served as a Senior Staff Accountant at Deloitte. Joe holds a Bachelor of Arts in Financial Economics from Saint Anselm College.

Non-Executive Directors

Harry Rein – Non-Executive Chairman

Harry joined Allied Minds as an independent Non-Executive Director in November 2017, and has served as the Non-Executive Chairman since March 2020. 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. Harry 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). Harry 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, Nomination (Chair) and Remuneration Committees.

Bruce Failing – Senior Independent Director

Bruce joined Allied Minds as the Senior Independent Director in March 2020. Bruce has over 30 years of management and investment experience in the areas of media and consumer products, applied technology and logistics management. He founded and currently is the General Partner of Alerion Partners and serves on the Boards of Directors of Instadium as the Executive Chairman, Enviroscent and DeliverCareRX. Previously, he was CEO of Productivity Solutions, Electronic Retailing Systems and Actmedia, and Executive Chairman of ScentAir Technologies and Lamaze Publishing & the Newborn Channel. Bruce attended Tufts University (1971) and holds an MBA from Harvard Business School (1973). Bruce serves on each of the Audit, Nomination and Remuneration (Chair) Committees.

Mark Lerdal - Independent Non-Executive Director

Mark joined Allied Minds as an independent Non-Executive Director in December 2019. Mark brings more than 30 years of executive leadership to his role at Allied Minds, as well as numerous executive and non-executive board directorships at public and private companies. Mark currently serves as the executive chairman of Leaf Clean Energy Company. Previously, Mark has served as managing director of MP2 Capital, LLC, president of Hydrogen Energy California, a developer of a carbon capture and sequestration facility, and a managing director at KKR Finance in its debt securities division. Mark currently serves on the Board of Directors of Leaf Clean Energy Company (LSE: LEAF) and served on the Boards of Directors of Trading Emissions plc (LSE: TRE) until January 2019, TerraForm Global Inc. (NASDAQ: GLBL) until December 2017, and TerraForm Power (NASDAQ: TERP) until November 2015. Mark also serves on a number of private company boards, including Empower Energies, Element Markets, Southern Current, Cotton Plains Holding III and Canadian Breaks. Mark attended Stanford University (1981) and holds a JD from Northwestern University Pritzker School of Law (1984). Mark serves on each of the Audit (Chair), Nomination and Remuneration Committees.

Former Executive Directors

Michael Turner – Co-Chief Executive Officer (resigned)

Mike joined Allied Minds as General Counsel in May 2014, served as Executive Vice President and General Counsel from March 2015, served as Co-Chief Executive Officer and Executive Director from June 2019, and resigned from Allied Minds and the Board in March 2020. Upon his resignation, Joe Pignato was appointed sole Chief Executive Officer and Executive Director.

Jill Smith – Chief Executive Officer and President (resigned)

Jill joined Allied Minds as an independent Non-Executive Director in January 2016, served in the role of Chief Executive Officer, President and Executive Director from March 2017, and resigned from Allied Minds and the Board in June 2019. Upon her resignation, Joe Pignato and Mike Turner were appointed Co-Chief Executive Officers and Executive Directors.

Former Non-Executive Directors

Jeff Rohr – Non-Executive Chairman (resigned)

Jeff joined Allied Minds as an independent Non-Executive Director in April 2014, served as the Non-Executive Chairman since June 2019, and resigned from the Board in March 2020. Jeff was succeeded by Harry Rein as Non-Executive Chairman and as Chair of the Nomination Committee.

Fritz Foley – Independent Non-Executive Director (resigned)

Fritz joined Allied Minds as an independent Non-Executive Director in May 2018, and resigned from the Board in December 2019. Fritz was succeeded by Harry Rein as Chair of the Audit Committee.

Peter Dolan – Non-Executive Chairman (resigned)

Peter joined Allied Minds as an independent Non-Executive Director in April 2014, served as Non-Executive Chairman from April 2015, and resigned from the Board in June 2019. Peter was succeeded by

Jeff Rohr as Non-Executive Chairman and as Chair of the Nomination Committee (who was subsequently succeeded by Harry Rein as Chair of the Nomination Committee).

Kevin Sharer – Senior Independent Director (resigned)

Kevin joined Allied Minds as an independent Non-Executive Director in June 2015, served as Senior Independent Director from May 2018, and resigned from the Board in June 2019. Kevin was succeeded by Harry Rein as Senior Independent Director and as Chair of the Remuneration Committee (who was subsequently succeeded by Bruce Failing as Senior Independent Director and Chair of the Remuneration Committee).

Table of Board Attendance

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

Director	Meetings Attended			
	Board	Audit Committee	Nomination Committee	Remuneration Committee
Joseph Pignato ⁽¹⁾	10 of 10	n/a	n/a	n/a
Jeffrey Rohr ⁽²⁾	19 of 20	5 of 5	5 of 5	2 of 2
Harry Rein ⁽³⁾	19 of 20	5 of 5	2 of 2	8 of 8
Mark Lerdal ⁽⁴⁾	n/a	n/a	n/a	n/a
Michael Turner ⁽⁵⁾	10 of 10	n/a	n/a	n/a
Jill Smith ⁽⁶⁾	8 of 8	n/a	n/a	n/a
Fritz Foley ⁽⁷⁾	20 of 20	5 of 5	1 of 1	7 of 7
Peter Dolan ^{(3), (8)}	10 of 11	n/a	3 of 3	n/a
Kevin Sharer ^{(2), (7), (9)}	11 of 11	n/a	3 of 3	6 of 6

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- 1 Mr. Pignato was appointed to the Board on 10 June 2019.
 - 2 Mr. Rohr replaced Mr. Sharer as a member of the Remuneration Committee on 28 June 2019. Mr. Rohr resigned from the Board effective as of 10 March 2020.
 - 3 Mr. Rein replaced Mr. Dolan as a member of the Nomination Committee on 28 June 2019.
 - 4 Mr. Lerdal was appointed to the Board, and as a member of each of the Audit, Nomination and Remuneration Committee, on 11 December 2019.
 - 5 Mr. Turner was appointed to the Board on 10 June 2019, and resigned effective as of 10 March 2020.
 - 6 Ms. Smith resigned from the Board effective as of 10 June 2019.
 - 7 Mr. Foley replaced Mr. Sharer as a member of the Nomination Committee on 28 June 2019 and resigned from the Board effective as of 10 December 2019.
 - 8 Mr. Dolan resigned from the Board effective as of 28 June 2019.
 - 9 Mr. Sharer resigned from the Board effective as of 28 June 2019.
 - 10 The missed meetings were as a result of unexpected scheduling conflicts. Where absences were unavoidable, the impacted director reviewed, with management and the respective Chair, the topics and materials to be discussed at the meeting, and provided appropriate feedback to be conveyed at the upcoming meeting.

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 2019. 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 2019 were those listed on pages 34 to 35 and these pages are incorporated into this Directors' Report by reference. The changes to the composition of the Board during the year were:

- The resignation of Jill Smith as an Executive Director on 10 June 2019.
- The appointment of each of Joseph Pignato and Michael Turner as an Executive Director on 10 June 2019.
- The resignation of each of Peter Dolan and Kevin Sharer as a Non-Executive Director on 28 June 2019.
- The resignation of Fritz Foley as a Non-Executive Director on 10 December 2019.
- The appointment of Mark Lerdal as a Non-Executive Director on 11 December 2019.
- Post-period end, the resignation of Michael Turner as an Executive Director on 10 March 2020.
- Post-period end, the appointment of Bruce Failing as a Non-Executive Director on 10 March 2020.
- Post-period end, the resignation of Jeffrey Rohr as a Non-Executive Director on 10 March 2020.

The Directors' interests in the share capital of the Company are as shown in the Directors' Remuneration Report on pages 88 to 89. None of the Directors were materially interested in any significant contract to which the Company or any of its portfolio companies 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 46 to 57, the Directors' Remuneration Report on pages 67 to 97, and the Audit Committee Report on pages 98 to 102, and is incorporated into this Report of the Directors by reference.

Directors' Compensation for Loss of Office and Payments to Past Directors

Details regarding loss of office and payments to past directors are set forth on page 88 within the Directors' Remuneration Report.

Employees

The Group's policies in relation to employees are disclosed on pages 61 to 66, and these pages are incorporated into this Directors' Report by reference.

Results and Dividends

During the period, the Group generated a net comprehensive income after taxation for the year ended 31 December 2019 of \$50.7 million (2018: income of \$45.9 million, which is restated). The Directors do not recommend the payment of an ordinary dividend for 2019 (2018: nil). However, post period end on 16 January 2020, the Board declared a special dividend of 12.62 pence per ordinary share (Special Dividend) totalling £30.49 million. The ordinary shares went ex-dividend on 23 January 2020, and the Special Dividend was paid in cash on 14 February 2020 to holders of ordinary shares recorded on the register as at the close of business on 24 January 2020.

Strategic Report

The Group's Strategic Report can be found on pages 5 to 33, 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 20 to 21.

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 portfolio companies, and the ability to consummate expected fundraising and other transactions.

Principal and Emerging 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 27 to 33 and in the Governance Report on pages 55 to 56. 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 21 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 14 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.

At the last Annual General Meeting of the Company held on 28 June 2019 (2019 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 30 April 2019 at any time up to the earlier of the conclusion of the next Annual General Meeting (AGM) of the Company and 28 September 2020. In addition, at the 2019 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 30 April 2019 in connection with an offer by way of a fully pre-emptive rights issue. The Directors propose to renew both of these authorities at the Company's next AGM to be held on 30 June 2020. The authorities being sought are in accordance with guidance issued by the Investment Association.

A special resolution passed at the 2019 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 30 April 2019 in connection with a fully pre-emptive rights issue; and (ii) up to a maximum of approximately 5% of the aggregate nominal value of the shares in issue on 30 April 2019. A further special resolution passed at the 2019 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 30 April 2019, 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 28 September 2020. None of these authorities were used during 2019. The Directors will seek to renew these authorities for a similar period at the next AGM to be held on 30 June 2020. 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 2019 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 30 April 2019 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 28 September 2020. This authority has not been used during the year and therefore the outstanding authority is 24,070,386. While the Company has no current intention to use this authority, the Directors will seek to renew the authority within similar parameters and for a similar period at the next AGM to be held on 30 June 2020.

At the general meeting held by the Company on 6 November 2019, the Company's shareholders approved special resolutions that (i) the amount standing to the credit of the Company's merger reserve in the sum of \$263,367,000 was capitalised by way of a bonus issue of newly created capital reduction shares; (ii) the newly created capital reduction shares were cancelled; and (iii) the amount standing to the credit of the share premium account (such amount being, as at 31 December 2018, \$160,170,000) was cancelled.

On 3 December 2019, the High Court of Justice in England and Wales made an order confirming the reduction of the capital reduction shares and the cancellation of the amount standing to the credit of the share premium account under section 648 Companies Act 2006. On 5 December 2019, the Company completed the court-approved reduction of the Company's capital by way of: (i) the capitalisation of the amount standing to the credit of the Company's merger reserve by way of the issue and subsequent cancellation of such capital reduction shares; and (ii) the cancellation of the amount standing to the credit of the Company's share premium account, so as to create distributable reserves (the "Capital Reduction"). The Capital Reduction created realised profits sufficient to eliminate the accumulated losses of the Company and establish positive distributable reserves of approximately \$191.6 million. The purpose of the reduction of capital was to provide distributable reserves which enabled the Company to make a special dividend payment of \$40.0 million to shareholders and provided the flexibility for future dividend payments. Following the reduction of capital, the number of issued shares and the rights attached to those shares remained unchanged.

Articles of Association

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

Substantial Shareholders

As at 31 December 2019, the Company had been advised of the following notifiable interests in the Company's voting rights under DTR 5. Other than as shown, so far as the Company (and its directors) are aware, no other person holds or is beneficially interested in a disclosable interest in the Company.

Shareholder	Number of Shares	Percentage
Invesco Ltd.	55,479,253	22.97%
Crystal Amber Fund Limited	41,144,545	17.03%
GIC Private Limited	19,382,360	8.02%
Mark Pritchard	15,197,240	6.29%

Between the year end and 1 June 2020 (the latest practicable date prior to publication), the Company issued and allotted 5,183 ordinary shares, and was advised pursuant to DTR 5 that Crystal Amber Fund Limited had increased its holdings to 54,605,066 shares (or 22.60%).

Research and Development

Details of the Group's research and development activities are included in the Portfolio Review and Developments section on pages 12 to 19.

Stakeholder Engagement

Details of the Group's engagement with key stakeholders, including suppliers, customer and other business relationships are included in the Stakeholder Engagement section on pages 61 to 65.

Political and Charitable Donations

The Group did not make any political or charitable donations in 2018 or 2019.

Corporate and Social Responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities are included in the Sustainability section on pages 58 to 66, and are incorporated into this Directors' Report by reference.

Greenhouse Gas Emissions

Details on the greenhouse gas emissions associated with the Group's operations are included in the Sustainability section on pages 58 to 61.

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 2019.

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 for an individual director	Not applicable
5	Waiver of emoluments by a director	Directors' Remuneration Report, page 87
6	Waiver of future emoluments by a director	Directors' Remuneration Report, page 87

7	Non pre-emptive issues of equity for cash	Notes to the Consolidated Financial Statements, Note 15
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:

- Allied Minds paid a special dividend of 12.62 pence per ordinary share totalling £30.49 million.
- SciFluor Life Sciences raised an additional \$375K in the second closing of its convertible note financing.
- BridgeComm issued \$2,000,000 in convertible notes to Allied Minds, following the issuance of \$1,000,000 in convertible notes to Boeing HorizonX Ventures in December 2019.
- Federated Wireless raised an additional \$13.7 million from existing shareholders in a second closing of the preferred financing round from September 2019, half of which was contributed by Allied Minds.

Viability Statement

While the financial statements and accounts have been prepared on a going concern basis, provision 31 of the 2018 version 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 2022, taking into account the Group's current position and capital allocation strategy. As stated in the Company Overview on pages 3 and 9, the Directors have determined to focus exclusively on supporting our seven existing portfolio companies and maximising monetisation opportunities for portfolio company interests, and not to deploy any capital into new portfolio companies. This shift in strategy, taken together with significant reductions of its central costs and the successful HawkEye 360 liquidity event, allows the Company to remain viable for the next three years. This strategy, pursued to its conclusion, would see the Group's existing assets continue to be managed and eventually monetised, with no new investments being taken on and with a view to returning surplus proceeds to shareholders. The Directors expect this strategy to take at least three years to be fully implemented, and as a matter of good governance, will continue to keep this strategy under review

at appropriate intervals. Consequently, in terms of reporting on the viability of the Group as required under the Code, the Directors have prepared projections running out three years to December 2022 as, in their view, this remains an appropriate period, notwithstanding the eventual conclusion to the strategy as outlined.

The Directors also carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, and the other principal and emerging risks detailed in the Strategic Report. The three-year period includes the assumption that further funding is not required by the Group in the form of proceeds from either the sale of individual portfolio companies, the sale of certain portfolio company interests in secondary market transactions, or a combination thereof. 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 potential sale of certain portfolio company interests in secondary market transactions.

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 portfolio companies 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 to take advantage of new opportunities.

In summary, the Directors have assessed the viability of the Group over the three-year period to December 2022. They were comforted by the Group's strong financial position, the Board and management's proactive steps taken in 2019 to manage cash expenses, the retained cash proceeds from the sale of its shares of HawkEye 360, its long-term capital allocation objectives, the Group's control over its capital allocation 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 2022.

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 8.00 a.m EST on 30 June 2020 at Allied Minds' headquarters located at 374 Congress Street, Suite 308, Boston, Massachusetts 02210, USA. The Notice of AGM circulated with this Report and Accounts contains a full explanation of the business to be conducted at that meeting.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming AGM.

Directors' Responsibilities Statement

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

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

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

- select suitable accounting policies and 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, 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 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 the relevant law and 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

Each of the Directors whose names and functions are set out in pages 34 to 35 of this Annual Report and Accounts confirms that to the best of their 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 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 and emerging risks and uncertainties that they face.

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

ON BEHALF OF THE BOARD



Harry Rein
Chairman



Joseph Pignato
Chief Executive Officer

4 June 2020

Corporate Governance Report

Compliance with the UK Corporate Governance Code

The Directors are committed to a high standard of corporate governance and have prepared this Annual Report with reference to the 2018 UK Corporate Governance Code (Code) which was published by the Financial Reporting Council (FRC) in July 2018. The Code is available at the FRC website at www.frc.org.uk. During the year ended 31 December 2019, the Directors consider that the Company has been in compliance with the provisions set out in the Code with the following exceptions:

- Contrary to provision 34 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 2016, 2017, 2018 and 2019, and do not have performance conditions. After careful consideration, given that the level of the awards are limited, do not have performance-based vesting, and effectively operate like cash remuneration, the Board does not believe that ownership of these RSUs impacts the independence of the Non-Executive Directors.
- Contrary to provision 24 of the Code, the Chairman, Jeff Rohr, was a member of the Audit Committee in 2019. The Board believes that Mr. Rohr's professional background and experience, together with his past participation on such committee for the past six years, made him a valuable member of the Audit Committee and that his membership was in the best interests of our shareholders.
- An external search consultancy was not used to identify and recruit Mr. Lerdal as a non-executive director. Mr. Lerdal was proposed as a director candidate by a substantial shareholder of Allied Minds. After careful consideration of Mr. Lerdal's qualifications and upon recommendation by the Nomination Committee, Mr. Lerdal was appointed to the Board and will be up for shareholder election at the 2020 AGM.

Further explanation as to how the provisions set out in the Code have been applied by the Company is provided in the following statements, 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 aim, direction and culture; 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 54 to 56. 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 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, Nomination and Remuneration) play an essential role in supporting the Board in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Group. Each Committee has its own terms of reference which set out the specific matters for which delegated authority has been given by the Board. The initial terms of reference for each of the Committees, which are fully compliant with the provisions of the Code and which reflect both best practice and the recommendations arising from the external evaluation process undergone by the Board and its Committees in connection with the Company's IPO, were adopted by the Board during 2014. These were reviewed in November 2019, and will be reviewed annually on an ongoing basis and updated where necessary. All of these are available on request from the Company Secretary or within the Investors section of the Group's website at www.alliedminds.com.

Board Size and Composition

As at 31 December 2019, there were five Directors on the Board: the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. During the year, changes to the composition of the Board were:

- The resignation of Jill Smith as an Executive Director on 10 June 2019.
- The appointment of each of Joseph Pignato and Michael Turner as an Executive Director on 10 June 2019.
- The resignation of each of Peter Dolan and Kevin Sharer as a Non-Executive Director on 28 June 2019.
- The resignation of Fritz Foley as a Non-Executive Director on 10 December 2019.
- The appointment of Mark Lerdal as a Non-Executive Director on 11 December 2019.
- Post-period end, the resignation of Michael Turner as an Executive Director on 10 March 2020.
- Post-period end, the appointment of Bruce Failing as a Non-Executive Director on 10 March 2020.
- Post-period end, the resignation of Jeffrey Rohr as a Non-Executive Director on 10 March 2020.

The biographies of all of the Directors are provided on pages 34 to 36.

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 67 to 97.

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

The Company's Articles 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, in accordance with provision 18 of the Code and in line with the Company's past practice, all Directors will submit themselves for annual re-election by shareholders at the AGM of the Company to be held on 30 June 2020. 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. Furthermore, such reviews, together with the recruitment and evaluation of new Directors that have joined the Board, highlight that the skills, experience, opinions and judgment of each Director up for re-election are important to the Company's long-term sustainable success because they complement each other and will enable the Company to effectively execute on its strategy of delivering shareholder value by focusing on its existing portfolio and maximising monetisation opportunities for portfolio company interests.

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. 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, age, professional background, and ethnicity, 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 66.

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 10 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

Harry Rein is the current Non-Executive Chairman, succeeding Jeff Rohr upon his resignation on 10 March 2020. Jeff Rohr served as Chairman from June 2019 through the end of the year. 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, Joe Pignato, is to lead the delivery of the strategy and the executive management of the Group and its operating businesses. He is responsible, amongst other things, for the development and implementation of strategy and processes which enable the Group to meet the requirements of shareholders, for delivering the operating plans and budgets for the Group's businesses, monitoring business performance against key performance indicators (KPIs) and reporting on these to the Board and for providing the appropriate environment to recruit, engage, retain and develop the high quality personnel needed to deliver the Group's strategy.

Senior Independent Director

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

Board Support

The Company Secretary is responsible to the Board for ensuring Board procedures are followed, applicable rules and regulations are complied with and that the Board is advised on governance matters and relevant regulatory matters. All Directors have access to the impartial advice and services of the Company Secretary. There is also an agreed procedure for directors to take independent professional advice at the

Company's expense. In accordance with the Company's Articles 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 needs. The Board had twenty scheduled Board meetings in 2019. 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 36. The Chairman and Non-Executive Directors also met without the presence of the Executive Directors nine 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 and 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 portfolio companies, the opportunity to formally present to the Board. This assists the Board in gaining a deeper understanding of the breadth, stage of development and diversity of the Group's portfolio companies. Meetings between the Chairman and Non-Executive Directors, both with and without the presence of the Chief Executive Officer, are also held as the need arises.

Directors' Conflicts of Interest

Each director has a statutory duty under the Companies Act to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or may potentially conflict with the interests of the Company. This duty is in addition to the continuing duty that a director owes to the Company to disclose

to the Board any transaction or arrangement under consideration by the Company in which he or she is interested. The Company's Articles permit the Board to authorise conflicts or potential conflicts of interest. The Board has established procedures for managing and, where appropriate, authorising any such conflicts or potential conflicts of interest. It is a recurring agenda item at all Board meetings and this gives the directors the opportunity to raise at the beginning of every Board meeting, any actual or potential conflict of interests that they may have on the matters to be discussed, or to update the Board on any change to a previous conflict of interest already declared. In deciding whether to authorise any conflict, the directors must have regard to their general duties under the 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 portfolio 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 corporate broker, 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 sector, which operates and funds a portfolio of companies 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 members completing a detailed questionnaire. A summary of the results of the questionnaire and review, together with the Chairman and Company Secretary's observations and recommendations, are prepared and shared with members of the Board. The Board engages in a discussion of these results, provides feedback on the observations and recommendations, and develops a list of proposed improvements and actions, as deemed necessary. In addition to the aforementioned annual reviews, the performance of Executive Directors is reviewed by the Board on an ongoing basis, as deemed necessary.

During the 2019 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 recent years have resulted in a well-balanced Board with a range of skills and experience. The size of the Board has been appropriately reduced to reflect taking into account the Group's current position and capital allocation strategy to focus exclusively on supporting our seven existing portfolio companies and maximising monetisation opportunities for portfolio company interests, and not to deploy any capital into new portfolio companies. 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 36. 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 67 to 72, and pages 98 to 102, 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 is comprised of individuals with the necessary skills, knowledge and experience to ensure that it is effective in discharging its duties. It is responsible for making recommendations to the Board and its Committees concerning the composition and skills of the Board including any changes considered necessary in the identification and nomination of new directors, the reappointment of existing directors and the appointment of members to the Board's Committees. It also assesses the roles of the existing directors in office to ensure there continues to be a

balanced Board in terms of skills, knowledge, experience and diversity. In addition, the Nomination Committee reviews the senior leadership needs of the Group to enable it to compete effectively in the marketplace. The Nomination Committee also advises the Board on succession planning for Executive Director appointments, although the Board itself is responsible for succession generally.

The Committee was chaired by Jeff Rohr and its other members as at 31 December 2019 were Harry Rein and Mark Lerdal, being a majority of independent Non-Executive Directors as prescribed by the Code. The Nomination Committee meets as and when required or as requested by the Board. The Nomination Committee met five times during 2019 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 Rein, along with former Directors, Messrs. Dolan, Sharer and Foley, were present at all meetings during the year.

Before selecting new appointees to the Board, the Nomination Committee shall consider the balance, skill, knowledge, independence, diversity (including gender) and experience on the Board to ensure that a suitable balance is maintained. The Committee shall adopt a formal, rigorous and transparent procedure for the appointment of new directors to the Board. Consideration shall always be given as to whether identified candidates have sufficient time available to devote to the role. When searching for appropriate candidates, the Committee shall give consideration to using an external search company, but may also 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 2019.

As part of its annual duties in 2019, the Committee and the full Board fulfilled its duties which resulted in the appointment of each of Joe Pignato and Mike Turner as an Executive Director in June 2019, the appointment of Mark Lerdal as a Non-Executive Director in December 2019 and post-period end, the appointment of Bruce Failing as a Non-Executive Director in March 2020. The Committee did not use an external search firm to identify and recruit Messrs. Pignato and Turner, as they had worked extensively with the Board as members of senior management of the Company since August 2015 and May 2014, respectively. The Committee also did not openly advertise or use an external search firm to identify and recruit Mr. Lerdal, who was recommended by a substantial shareholder, Crystal Amber Fund Limited, or Mr. Failing, who was recommended by existing Directors, and each was deemed by the Board to possess the skill, knowledge and experience to enhance the effectiveness of the Board. In the year ahead, the Nomination Committee will continue to assess the Board's size and composition and how it may be enhanced.

Internal control

The Board fully recognises the importance of the guidance contained in Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (FRC). The Group's internal controls and risk management systems, which are Group wide, were in place during the whole of 2019, were reviewed by the Board and Audit Committee. After careful consideration and discussion of the Group's financial statements and underlying control systems by the Board and Audit Committee, including extensive review and collaboration with the Company's executive team to remedy issues identified, the Group's internal

controls and risk management systems were considered to be effective throughout the year ended 31 December 2019 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 reviews and evaluates the internal control policies and procedures in place against the nature of the Group's business, the size of its workforce and the competing risks and interests being managed. In addition, the Board utilises its independent auditors, KPMG, to review its internal control procedures for recommendations on improvement and then implements changes it deems appropriate. Through these actions and considerations, the Board has satisfied itself that the controls been effective for the year ended 31 December 2019.

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 portfolio companies on a regular basis, and reviews the performance of the Group and its portfolio companies 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 27 to 33.

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 that transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The Board approves the annual operating budgets and each quarter receives details of actual performance measured against the budget.

Principal and emerging 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 27 to 33.

Relations with shareholders

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. Extensive shareholder meetings were undertaken to receive feedback ahead of the Company's change in strategy in April 2019, the change in senior management in June 2019, and the further changes to implement the current strategy in December 2019.

The Company uses the AGM as an opportunity to communicate with its shareholders. Notice of the AGM, which will be held at 8.00 a.m EST on 30 June 2020 at the Company's headquarters located at 374 Congress Street, Suite 308, Boston, MA 02210 USA, 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 portfolio companies, and details of all recent Group and portfolio company announcements.

Political expenditure

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

Going concern

The Directors acknowledge that the ongoing spread of the coronavirus disease (COVID-19) that started in December 2019 has the potential to greatly disrupt all aspects of the Group's business, including potential negative impacts on the Group's financial position. However, the Directors are closely monitoring the disease with Group management in order to mitigate against such impact, including careful financial planning to allow for continued operations. The Directors confirm that, after taking all applicable factors

into consideration, including the impact of COVID-19, they have a reasonable expectation that the Group will have adequate resources to continue operations for a period of not less than 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. For further explanation, see note 1 of the financial statements on page 120.

ON BEHALF OF THE BOARD

A handwritten signature in blue ink, appearing to read "Harry Rein".

Harry Rein
Chairman of the Nomination Committee
4 June 2020

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 operating 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 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;
- 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 2019 were:

- 68.9 tonnes of CO₂ equivalent (tCO₂e) using a 'location-based' emission factor methodology for Scope 2 emissions; and
- 69.4 tonnes of CO₂ equivalent (tCO₂e) using a 'market-based' emission factor methodology for Scope 2 emissions.

This is the fourth year of reporting for the Group so we can now show a comparison between 2019, 2018, 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. 2019 saw a number of businesses close.

Overall, there has been a drop in total emissions across both Scopes 1 and 2. There was a large decrease in scope 1 emissions as only one entity used gas and only for a short period as they moved premises. There was also a significant decrease in scope 2 emissions (both location-based and market-based) due to the closing of several business entities.

Intensity Ratio

As well as reporting the absolute emissions, the Group's GHG emissions are reported below on the metrics of tonnes of CO₂ equivalent per employee and tonnes of CO₂ equivalent per square foot of the occupied areas. For one 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.

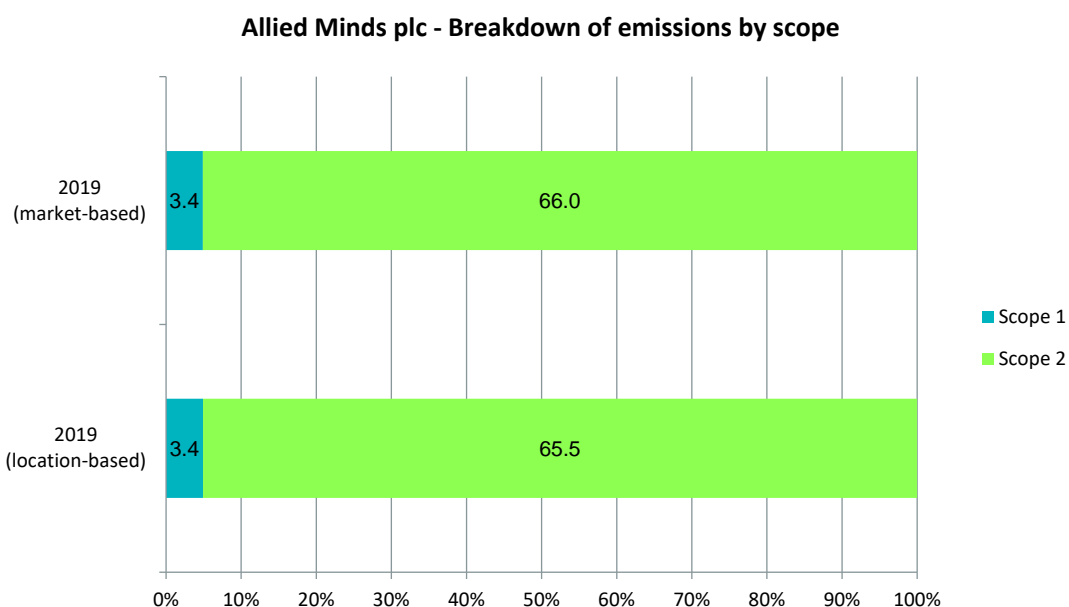
Target and Baselines

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.

The intensity metric for office space decreased from 0.009 tCO₂e per ft² to 0.001 tCO₂e per ft² using the location-based method and using the market-based method. Both the total emissions and floor area have reduced in 2019.

The intensity metric for number of employees decreased from 3.51 tCO₂e per employee to 0.73 tCO₂e per employee using the location-based method and from 3.53 tCO₂e per employee to 0.74 tCO₂e per employee using the market-based method. Both the total emissions and number of employees has reduced in 2019.

Key Figures



GHG emissions	2019			2018			2017			2016		
	Tonnes CO ₂ e	tCO ₂ e / emp. ⁴	tCO ₂ e / sq. ft. ⁵	Tonnes CO ₂ e	tCO ₂ e / emp. ⁶	tCO ₂ e / sq. ft. ⁷	Tonnes CO ₂ e	tCO ₂ e / emp. ⁸	tCO ₂ e / sq. ft. ⁹	Tonnes CO ₂ e	tCO ₂ e / emp. ¹⁰	tCO ₂ e / sq. ft. ¹¹
Scope 1 ¹	3.4	0.04	0.0001	85.9	0.43	0.001	103.5	0.53	0.001	97.6	0.46	0.001
Scope 2 ²	65.5	0.70	0.001	613.5	3.08	0.009	804.4	4.15	0.009	841.4	4.01	0.011
Scope 2 ³	66.0	0.70	0.001	616.6	3.10	0.009	808.9	4.17	0.009	915.7	4.36	0.012
Total GHG emissions (Location-based Scope 2)	68.9	0.73	0.001	699.4	3.51	0.009	907.9	4.68	0.010	939.0	4.47	0.012
Total GHG emissions (Market-based Scope 2)	69.4	0.74	0.001	702.5	3.53	0.009	912.4	4.70	0.010	1,013.3	4.83	0.013

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

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

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

4 Employee numbers: 94.

5 Occupied office space: 45,645 sq. feet (this does not include sites where floor area was not known).

- 6 Employee numbers: 199.
- 7 Occupied office space: 66,886 sq. feet (this does not include sites where floor area was not known).
- 8 Employee numbers: 194.
- 9 Occupied office space: 91,589 sq. feet (this does not include sites where floor area was not known).
- 10 Employee numbers: 209.
- 11 Occupied office space: 66,696 sq. feet (this does not include sites where floor area was not known).

Understanding the Indirect Environmental Impacts of our Business Activities

The Group's day-to-day operational activities have a limited impact on the environment. We do, however, recognise that the more significant impact occurs indirectly, through the investment decisions we make and through 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 the Group's directors and staff to have due regard to the interest of all of its stakeholders including investors, partners, employees, customers, suppliers and the businesses in which the Group invests. We expect our entire workforce to maintain high standards in accordance with our internal policies on conduct. The Company has in place avenues through which employees can raise matters confidentially or anonymously and the Board, through the Audit Committee, regularly reviews whistleblowing reports provided by the whistleblowing officer and the Chairman of the Audit Committee.

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.

Stakeholder engagement

Section 172 of the Companies Act requires Directors to take into consideration the interests of stakeholders in their decision making. The Board is committed to understanding and engaging with all key stakeholder groups of the Company in order to maximise value and promote long-term Company success in line with our strategic objectives. The Board recognises its duties under Section 172 and continuously has regard to the likely consequences of any decision for the long term, how the Company's activities and decisions will impact employees, those with which it has a business relationship, the

community and environment, and its reputation for high standards of business conduct. In weighing all of the relevant factors, the Board, acting in good faith and fairly between members of the Company, makes decisions and takes actions that it considers will best lead to the long-term success of the Company in accordance with its strategy. The Board strives to be a good employer to its workforce, responds to shareholder feedback, supports its communities and focuses on maintaining strong partner relationships.

During the year, the Board assessed its current activities between the Board and its stakeholders through direct conversations with investors, receiving reports from the executive team regarding workforce feedback, direct engagement with portfolio company management teams, and review of key partners at Board meetings throughout the course of the year, all of which demonstrated that the Board actively engages with its stakeholders and takes their various objectives into consideration when making decisions. Furthermore, in its decision-making, the Board evaluates and considers the long-term effects and consequences resulting from such decisions. For example, in line with the Group’s renewed strategy to focus exclusively on funding and operating its existing portfolio companies, the Board considers how a present decision such as the disposal of the Company’s entire shareholding in HawkEye 360 was the most appropriate action that achieved a well-timed, favorable financial return for its shareholders that aligns with and supports its longer-term goal of delivering attractive overall returns for our shareholders in the next three to four years. This statement also focuses on how the Directors have had regard during the year to the matters set out in Section 172(1)(a) through (f) of the Act as considered further below.

The Board identified that its key stakeholders include shareholders, employees, portfolio companies, partners, advisors and communities. Specifically, actions the Board has taken to engage with its stakeholders in 2019 include:

SHAREHOLDERS (Companies Act 2006, sections 172(1)(a) and (f))	
<i>Why they matter to us</i>	They are our investors and we measure success through delivering value to our shareholders. Our shareholders play an important role in monitoring and safeguarding the governance of the Group.
<i>What matters to them</i>	Broad range of issues spanning from financial and operational performance, strategic execution, investment plans and capital allocation.
<i>How the Board engaged</i>	<p>Engaged with our major shareholders and discussed their viewpoints and concerns, including gaining their input as we revised our Company strategy as further described on pages 9 to 11.</p> <p>Attended the 2019 AGM to answer questions and receive additional feedback from investors.</p> <p>Met with larger shareholders extensively to discuss and incorporate feedback in changes to the remuneration program.</p> <p>Chairman and CEO actively contact and make themselves available to shareholders who have questions, issues or concerns to raise.</p>

<i>How they influenced the Board's decision making</i>	Shareholder feedback, opinions and concerns are taken into consideration throughout the year as the Board makes decisions on the Company's strategy, investment decisions, capital allocation, remuneration and other key matters.
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EMPLOYEES (Companies Act 2006, section 172(1)(b))	
<i>Why they matter to us</i>	Our talented, dedicated and experienced workforce is a key asset to the Group and critical for the Group's success.
<i>What matters to them</i>	Opportunities for career development, culture of inclusion and diversity, compensation and benefits, acknowledgement for high performance and ability to meaningfully contribute to the Group's success.
<i>How the Board engaged</i>	<p>Monitored company culture, including NEDs visiting and interacting with the Company's employee base, and received reports from senior executives on morale throughout the year.</p> <p>Received feedback and viewpoints from the workforce for consideration from the Chief Executive Officer, who was the workforce representative director as the method of workforce engagement with the Board.</p> <p>For additional information on employee retention, rewarding our workforce and diversity, please see page 65.</p>
<i>How they influenced the Board's decision making</i>	The Board is committed to creating a positive working environment in line with the Company's culture that retains and rewards our workforce. For additional information on steps taken, please see page 65.

PORTFOLIO COMPANIES (Companies Act 2006, sections 172(1)(a) and (c))	
<i>Why they matter to us</i>	The success of our portfolio companies is what enables us to bring value to our shareholders. We are invested in supporting our portfolio companies, the management teams at those companies, and helping them achieve their operational and strategic goals.
<i>What matters to them</i>	Achieving strategic objectives, meeting performance milestones, fundraising, growth, and overall company success.
<i>How the Board engaged</i>	Met with executive teams of multiple portfolio companies in person to better understand such companies' objectives, strategies, and goals and provide feedback and offer ongoing assistance to help further such companies' progress and growth.
<i>How they influenced the Board's decision making</i>	Understanding the various objectives of our portfolio companies allows the Board to make informed and thoughtful decisions regarding the portfolio as a whole for the overall benefit of the Group.

PARTNERS (Companies Act 2006, sections 172(1)(c) and (e))	
<i>Why they matter to us</i>	Strategic partners throughout the portfolio help the Group succeed as a whole. Their points of view provide unique perspectives in the various markets in which our portfolio companies operate
<i>What matters to them</i>	These partners have invested in our portfolio companies and/or have strategic partnerships in place with our portfolio companies. They want our companies to succeed and for their partnership arrangements to be well-executed.
<i>How the Board engaged</i>	Direct engagement with key partners of the Company and its portfolio companies by Executive Director participation and interaction on strengthening relationships and understanding objectives.
<i>How they influenced the Board's decision making</i>	The Board routinely considered the interests of our various advisors and service providers to ensure that they are aligned with the Company's strategy, values and objectives.

ADVISORS (Companies Act 2006, sections 172(1)(c) and (e))	
<i>Why they matter to us</i>	Independent and third party perspectives allow the Board to make better decisions on behalf of all of its stakeholders.
<i>What matters to them</i>	Good communication and the ability to work closely with the Company to enable them to provide strategic and thoughtful advice and excellent service to help guide the Board and provide support to the Group across its operations.
<i>How the Board engaged</i>	Direct engagement with advisors and key service providers to discuss Company strategy and to receive advice and recommendations from such advisors.
<i>How they influenced the Board's decision making</i>	The Board considers and values the input and advice provided by its advisors and relies on such advice in various aspects of decision making when determining how to navigate the various transactions, issues, and other matters facing the Board.

COMMUNITIES / ENVIRONMENT (Companies Act 2006, section 172(1)(d))	
<i>Why they matter to us</i>	We are committed to maintaining strong ethical and corporate responsibility principles. We care about doing business responsibly.
<i>What matters to them</i>	Sustainability and environmental impact resulting from operations.
<i>How the Board engaged</i>	Through the Group's sustainability strategy, aimed to make a positive contribution to the community and environment by reducing our carbon footprint and energy use. Please see pages 58 to 61 for additional information.
<i>How they influenced the Board's decision making</i>	The Board aims to reduce the direct environmental impact of the Group's operations.

The Board believes that appropriate steps and considerations have been taken during the year so that each Director has an understanding of the various key stakeholders of the Company.

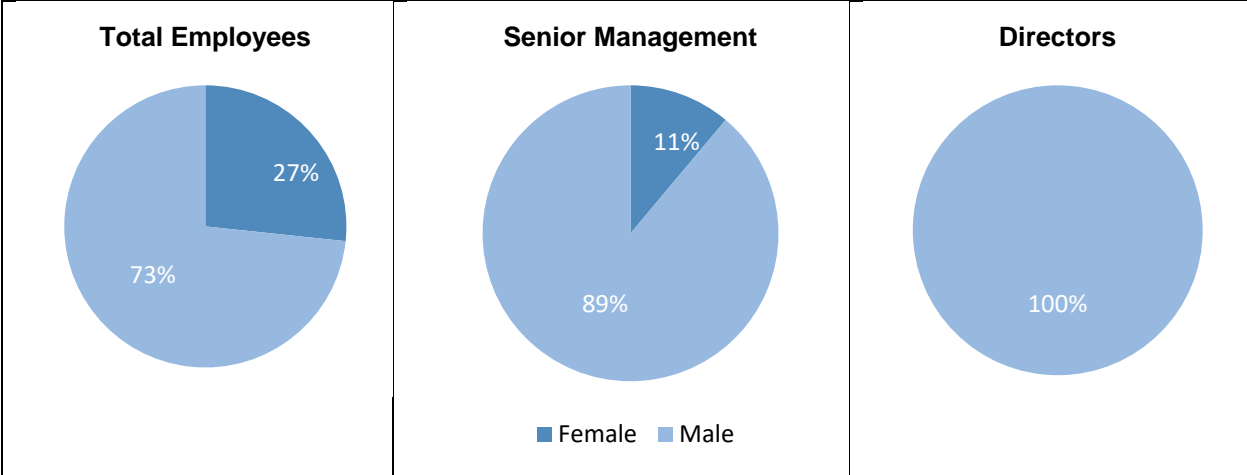
The Board recognises its responsibility to contemplate all such stakeholder needs and concerns as part of its discussions, decision-making, and in the course of taking actions and will continue to make stakeholder engagement a top priority in the coming years.

Focus on Culture

The Company is committed to maintaining a dynamic culture focused on bringing value to its shareholders by taking a hands-on approach in supporting its portfolio companies, and in particular, working directly with the management teams at such companies to help them achieve milestones, accelerate growth and realise monetisation opportunities. Our workforce maintains the appropriate balance of skills, capabilities, experience and training that allows it to effectively execute on its strategy. Specifically, our Chief Executive Officer has significant experience in growing companies and exiting them in successful liquidity events as well as general operational experience. Our culture is critical to our success and we strive to align our workforce through the way we conduct our business. Over the course of the year, we have continued to embed our values by offering career development opportunities throughout our workforce, providing direct access and engagement between executives and senior management with the rest of the workforce, and rewarding high performance, all of which encourages our employees to be engaged and invested in the execution of our strategy.

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 and 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 is committed to recruitment and retention of the talent required to execute on maximising shareholder value, as described above. Specifically, in line with its culture as described above, the Group is committed to providing a working environment that allows its workforce to succeed, including providing career advancement opportunities internally within the Group and providing flexible work arrangements that allow employees to earn additional degrees. The Group engages with its workforce throughout each year to receive feedback and evaluate whether practices and behaviour throughout the business are aligned with the Group's purpose, values and strategies. When issues are identified, the Group takes corrective actions such as revising policies and implementing changes collaboratively with its workforce to improve alignment and overall culture. Allied Minds and its consolidated portfolio companies had 30 employees as at 31 December 2019. A breakdown of employees by gender as at 31 December 2019 can be seen in the illustrations below. Allied Minds supports the rights of all people as set out in the UN Universal Declaration of Human Rights and ensures that all transactions the Group enters into uphold these principles.



Directors' Remuneration Report

Statement by Chairman of the Remuneration Committee

I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 31 December 2019.

What's in this report?

The Directors' Remuneration Report sets out: (i) an annual statement by Chairman of the Remuneration Committee on pages 67 to 72; (ii) the current Remuneration Policy for the Company on pages 73 to 82, and an Annual Report on Remuneration on pages 83 to 97 which describes the implementation of the current Remuneration Policy during 2019, and expected implementation in 2020. It has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended. The current Remuneration Policy was developed taking into account the principles of the UK Corporate Governance Code 2018, the Listing Rules and shareholders' executive remuneration guidelines.

The Statement by Chairman of the Remuneration Committee on pages 67 to 72, together with the Annual Report on Remuneration on pages 83 to 97, will be subject to an advisory vote at the 2020 AGM.

Remuneration Context and Overview

Our current Remuneration Policy received 85.13% shareholder support at our 2019 AGM, took effect from that date, and will operate for up to three years. The Remuneration Committee reviewed the approach to remuneration for the Executive Directors and senior management to assess whether it continues to (i) meet its design objectives, (ii) support the ongoing business strategy, and (iii) balance good governance practice in the UK-listed company environment with the ability to attract and retain US-based management and employees of the highest calibre to execute on this business strategy.

The Company believes that remuneration should be weighted toward rewarding entrepreneurial achievement and the creation of value over time. During 2019, we had a particular focus on the Group's current position and capital allocation strategy to focus exclusively on supporting our seven existing portfolio companies and maximising monetisation opportunities for portfolio company interests over the next 3- to 4- year period, and not to deploy any capital into new portfolio companies.

Extensive shareholder meetings were undertaken to receive feedback ahead of changes to the remuneration program. The Remuneration Committee also received input from the Executive Directors while ensuring that conflicts of interest were suitably mitigated. Based on this review, the Remuneration Committee approved a number of changes to better align remuneration with the revised strategy, in each case within the scope of the approved Remuneration Policy. Key changes are set out below.

Accordingly, the total remuneration package for Executive Directors is geared towards the variable and long-term elements, with a significant proportion of potential Executive Director remuneration delivered through the operation of the Phantom Plan. The Company believes that the Phantom Plan aligns the Executive Directors' interests directly with shareholders, in that distributions from the Phantom Plan will only be made upon a successful portfolio company monetisation event, and beginning in 2020, only after the achievement of an overall portfolio gross proceeds threshold. The Remuneration Committee therefore considers the Phantom Plan to be of particular importance through to the wind-up of the Company.

Responding to Shareholder Feedback and Key Changes for 2020

The 2018 Directors' Remuneration Report received an 80.84% vote in favour at the 2019 AGM. While this resolution was passed, the Committee was disappointed that there was a significant minority of votes against the advisory resolution.

Overall, the Committee considered that the remuneration program continued to be broadly appropriate and aligned with the Company's revised strategy while balancing typical UK-listed market practice with US practice in our market for talent. In line with our commitment to maintaining an open and transparent dialogue with shareholders, the Company consulted with all major shareholders in the second half of 2019 to gain their input.

The review of the remuneration program in light of the Company's revised strategy, along with the feedback received from shareholders, resulted in changes to the remuneration program, as set out in the table below. The Committee determined that all of the changes are in compliance with the Remuneration Policy approved by shareholders at the 2019 AGM. Following feedback from the proxy advisory bodies and in the spirit of good governance, we have also taken the opportunity to provide expanded disclosure regarding the achievement of MBOs under our 2019 Incentive Bonus Awards.

The Committee will continue to monitor the alignment and effectiveness of the Remuneration Policy and its implementation in light of the Company's revised strategy and developments in the UK remuneration environment. The Committee remains conscious of the current external economic environment, and will be mindful of this when determining 2020 out-turns.

Feature	Prior Remuneration Program	Revised 2020 Remuneration Program
Incentive Bonus Award; maximum	225% of salary	Executive Directors voluntarily agreed to reduced maximum of 150% of salary
LTIP; future awards	Annual performance-based awards to Executive Directors	LTIP retired for Executive Directors, senior management and other employees, with no future awards to these persons; no awards made in 2019
LTIP; existing awards	Awards made in 2017 and 2018 in force	Executive Directors voluntarily agreed to forfeit the existing performance-based LTIP awards made in 2017 and 2018
Phantom Plan; gross proceeds threshold	Payments arise under the Phantom Plan in connection with each successful portfolio company liquidity event; no overall return of capital threshold applied prior to such discrete payments	Executive Directors (and all other current unitholders) voluntarily agreed to introduce an additional underpin, such that no payments arising under the Phantom Plan will be made to participants until the Company has generated \$109.2 million of gross proceeds (plus any future additional invested capital) in one or more future liquidity events
Phantom Plan; percentage cap	Awards of units to Executive Directors may not exceed 30,000 of the 200,000 available units, but the aggregate number of outstanding units allocated to participants at the time of a specific liquidity event may be lower than	Executive Directors (and all other current employees) voluntarily agreed to a personal cap (set at 25% for Executive Directors and lower for other current employees) of any allocated

	200,000; which, could result in a percentage of proceeds allocated to Executive Directors in connection with a specific liquidity event to be greater than the fully-diluted pro rata portion	proceeds in connection with a specific liquidity event
Phantom Plan; plan termination	Phantom Plan in force; ability to add new participants and new portfolio companies to the Phantom Plan	Phantom Plan terminated; the Plan will not be available to any new unitholders nor will any companies be added to the existing Plan; this does not extinguish the vested payment obligations to unitholders with respect to liquidity events of companies in the current portfolio
Management Incentive Plan (MIP)	One-off plan introduced for key below-Board employees; the Co-Chief Executive Officers were invited to participate prior to their appointment as Executive Directors	Executive Directors voluntarily agreed to waive their interests in the MIP
Stock Options; existing awards granted under the US Stock Plan pre-IPO	Stock option awards granted to key employees under the US Stock Plan prior to 2014 initial public offering, including to Michael Turner, remain in force	Michael Turner voluntarily agreed to forfeit all existing stock option awards

Performance and Reward for 2019

Following strong achievement against a number of the management by objectives (MBOs) set at the start of 2019 (revised in April 2019 in light of the Company's revised strategy), including:

- technical and operational progress at our technology companies;
- securing funding and strategic partners for our portfolio companies; and
- managing cash and maintaining strong operational support in furtherance of the Company's revised strategy,

a cash incentive bonus award of 58.4% of the maximum opportunity, or 87.6% of target opportunity, was made to the Executive Directors. The Committee considered this annual bonus outcome appropriately reflected overall performance in the period.

No performance-based LTIP awards vested to the Executive Directors in 2019.

On 8 November 2019, the Company sold its entire shareholding in the share capital of HawkEye 360, Inc. (HawkEye 360) to Advance Publications, Inc. for an aggregate cash consideration of \$65.6 million. In accordance with the terms of the Phantom Plan, 10% of the proceeds from the liquidity event (after deducting invested capital and interest of \$16.6 million), was allocated and distributed to the 24 participants having remaining unit interests in the Phantom Plan, including current and former Executive Directors. Details of individual payouts under the plan are set out on pages 86, 88 and 94.

The Work of the Remuneration Committee

The Remuneration Committee has responsibility for setting the Remuneration Policy for, and determining remuneration of, the Executive Directors and senior management, and reviewing pay and conditions of the wider workforce.

The Committee met on eight occasions during the year. Reflecting the meetings for which each member was then appointed to the Committee, all members were present at all meetings during the year. In addition, Harry Rein, the former Chairman of the Committee, met several times during the year with the Chief Executive Officers and other members of senior management in order to review all elements of remuneration and their operation. The Committee also received professional advice from Deloitte LLP where appropriate.

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

Review of Remuneration Program

- Conducted a review of all elements of remuneration for the Executive Directors and senior management, including each of the Long Term Incentive Plan (LTIP) and the Phantom Plan, to determine their alignment and effectiveness in light of the Company's revised strategy;
- Obtained and reviewed feedback received from major shareholders and shareholder advisory services, in connection with each of the adoption and implementation of the revised Remuneration Policy in 2019, and the subsequent changes to the remuneration program in late 2019;
- In light of the Company's revised strategy, reviewed and approved the changes to the remuneration program, including (1) retirement of the LTIP, with no further awards made to Executive Directors, senior management and other employees, (2) modifications to the Phantom Plan which include the establishment of a threshold that must be met before any future payments are made to participants and the introduction of an individual percentage cap, (3) reduction of the target bonus for Executive Directors from 150% of base salary to 100% of base salary, (4) voluntary forfeiture of annual LTIP grants made to Executive Directors in 2017 and 2018, (5) voluntary forfeiture of stock option awards made to Executive Directors before the Company's IPO in 2014 pursuant to the US Stock Plan, and (6) voluntary forfeiture of Executive Directors' interests in the MIP;

Remuneration for 2019

- Determined the 2019 cash incentive bonus and prior LTIP award outcomes for the Executive Directors and senior management;
- Reviewed the remuneration reporting regulations in connection with the review of the Group's Remuneration Policy and preparation of the Directors' Remuneration Report;
- Reviewed remuneration and related policies for the wider workforce;
- Approved the delivery of a proportion of 2019 fees to Non-Executive Directors in the form of equity-based payments (subject to time-based vesting only);

Remuneration for 2020

- Determined base salaries of the Executive Directors and senior management, for the period starting 1 January 2020;
- Determined the 2020 cash incentive bonus award performance targets;

Management Changes

- Reviewed and approved the remuneration elements of the resignation of Jill Smith;
- Reviewed and approved the remuneration elements of the appointment of each of Joseph Pignato and Michael Turner; and
- Reviewed and approved the remuneration elements of the resignation of Michael Turner.

Exercise of Discretions

No discretion has been exercised in relation to the formulaic outturns under the Company's incentive plans for Executive Directors.

Alignment to the UK Corporate Governance Code Principles

When reviewing the appropriateness of the Remuneration Policy and determining its operation for 2020, the Committee took into consideration, and feels it has appropriately addressed, the following design principles set out in the revised Corporate Governance Code:

Clarity	<ul style="list-style-type: none">• The Committee welcomes open and frequent dialogue with shareholders on the approach to remuneration.• We have sought to simplify our remuneration disclosure in the 2019 Annual Report and Accounts, making clear how we have implemented the Remuneration Policy in the year and how the Committee intends to operate it for the year ahead.• Incentive Bonus Awards are subject to clearly defined MBOs which are aligned with the Company's key strategic priorities.
Simplicity	<ul style="list-style-type: none">• Following the cancellation of all outstanding performance awards and the future operation of the LTIP for Executive Directors, in addition to the Executive Directors voluntarily forfeiting their interests in the MIP and outstanding stock options awards, the only performance-based incentive plans in operation for the Executive Directors are the annual Incentive Bonus Awards and the Phantom Plan.• The remuneration approach taken for our Executive Directors is cascaded down the organisation as appropriate.
Risk	<ul style="list-style-type: none">• The Committee considers that the structure of incentive arrangements do not encourage inappropriate risk-taking.• Under the Incentive Bonus Awards, discretion may be applied where formulaic outturns are not considered reflective of overall performance.• During the year, the Company introduced an additional underpin under the Phantom Plan, such that no bonus payments arising under the Phantom Plan will be made to participants until the Company has generated \$109.2 million of gross proceeds (plus any future additional invested capital) in one or more future liquidity events.• Malus and clawback provisions apply to the Incentive Bonus Awards.
Predictability	<ul style="list-style-type: none">• Our Remuneration Policy contains details of threshold and maximum opportunity levels under our Incentive Bonus Awards, with actual outcomes dependent on performance achieved against predetermined measures and target ranges.

Proportionality	<ul style="list-style-type: none"> • The Committee’s ability to apply discretion ensures appropriate outcomes in the context of long-term performance. • Our incentive time horizons provide strong alignment between Executive Directors’ remuneration outcomes and long-term Company performance and shareholder returns. • Our performance measures and target ranges under the Incentive Bonus Awards, and the construct of the Phantom Plan, are aligned to Company strategy.
Alignment to culture	<ul style="list-style-type: none"> • Our reward arrangements are designed to reward delivery of the Group’s revised strategy which is focussed exclusively on supporting our seven existing portfolio companies and maximising monetisation opportunities for portfolio company interests. This is achieved through our Incentive Bonus Award MBOs and the operation of the Phantom Plan. • Our remuneration structure for Executive Directors cascades as appropriate throughout the Company.

We continue to appreciate any feedback shareholders may have.



Bruce Failing
Chairman of the Remuneration Committee

4 June 2020

Remuneration Policy (pages 73 to 82)

The Remuneration Policy for the Executive and Non-Executive Directors (Policy) was approved by shareholders at the 2019 AGM. The Remuneration Policy took formal effect from that date.

The Committee will consider the Policy annually to ensure that it continues to align with the Company's strategic objectives; however, it is intended that the Policy will apply for three years from the 2019 AGM.

Where appropriate, commentary has been added to the policy to reflect the changes to the remuneration program in late 2019 as described above.

The Remuneration Policy Table for Executive and Non-Executive Directors

The table below sets out the Policy for each element of remuneration for Executive and Non-Executive Directors and how they support the Company's short- and long-term strategic objectives.

Element of remuneration and how it supports the Company's objectives	Operation	Opportunity	Performance metrics
<p>Salary</p> <p>Provides an appropriate level of salary in order to be competitive and to maintain the ability to recruit and retain Executive Directors of the required calibre.</p>	<p>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.</p> <p>Salary will normally be paid twice per month in cash. In exceptional circumstances, part of the salary may be deferred at the request of the individual and become payable at a later date.</p> <p>Salaries and salary increases are set taking into consideration a number of factors including (but not limited to):</p> <ul style="list-style-type: none"> • scale, scope and responsibility of the role; • skills and experience of the individual; • individual and Company performance; • the impact on other remuneration elements and the total remuneration package; • the individual's marketability; • pay and conditions across the Company; • the wider economic environment; and • market-appropriate pay positioning against relevant US and UK listed peers and other companies of a similar size and complexity. 	<p>There is no prescribed maximum annual salary or increase, however annual increases will normally be in line with those of the wider workforce.</p> <p>More significant increases may be made from time to time, for example to recognise an increase to the individual's role and responsibilities, or a significant increase in the scale or size of the Company.</p>	<p>There are no performance conditions attached to the payment of salary, although there are a number of performance-based factors both at the individual and Company level that influence the level of salaries provided to Executive Directors.</p>
<p>Benefits</p> <p>Provides a benefits package in line with US employment market practice.</p>	<p>The main benefits provided to Executive Directors include (but are not limited to):</p> <ul style="list-style-type: none"> • life insurance; • disability insurance; • medical benefits and dental care; • a car allowance; and • an annual payment to cover personal legal and tax advice. <p>Executive Directors may also participate in any all-employee share plans that may be operated by the Group from time to time on the same terms as other employees.</p> <p>Additional benefits, which may include relocation expenses, housing allowance or other benefits-in-kind, may be provided in certain circumstances if considered appropriate and reasonable by the Committee, for example on recruitment.</p>	<p>The cost of benefits provided varies from year to year in accordance with market conditions, therefore there is no prescribed monetary limit.</p>	<p>N/A</p>

Element of remuneration and how it supports the Company's objectives	Operation	Opportunity	Performance metrics
<p>Pension</p> <p>Provides pension benefits in line with US employment market practice.</p> <p>The Company is not required to provide pension benefits in order to be competitive and to ensure its ability to recruit and retain Executive Directors.</p>	<p>A consistent pension policy operates for all employees across the Company, creating alignment between Executive Directors and the wider workforce.</p> <p>In line with US market practice, no element of the Executive Directors' remuneration is pensionable, and the Company does not operate any pension scheme or other scheme providing retirement or similar benefits.</p> <p>However, in line with the approach taken for all employees, the Company offers a retirement plan in accordance with subsection 401(k) of the Internal Revenue Code in which Executive Directors may make voluntary pre-tax contributions toward their own retirement. The Company does not make any payments or contributions to such 401(k) Plan.</p>	N/A	N/A
<p>Incentive Bonus Awards</p> <p>Incentivises the achievement of pre-determined strategic goals – management by objectives (MBOs) – over a single year period.</p>	<p>Annual MBOs and their respective weightings and targets, are set at or around the start of each financial year.</p> <p>An Executive Director's incentive bonus award is considered by the Committee upon completion of each financial year.</p> <p>The decision to provide any award and the amount and terms of any such award, are determined based on the level of achievement against the MBOs set at the start of the year.</p> <p>The Committee may exercise its discretion and make adjustments to the formulaic payout level (both upwards and downwards, including a reduction to zero) if the formulaic outcome is not considered to be appropriate. When making this judgement, the Committee will consider a number of factors, including (but not limited to) the overall shareholder experience, underlying business performance (including financial, operational and technical performance) and individual performance during the year.</p>	<p>Incentive Bonus opportunities are capped at 225% of salary per annum, which is only achieved if performance significantly exceeds expectations across all MBOs set for the year.</p> <p>The level of annual bonus payable for on-target performance is set at a level significantly below the maximum opportunity, and will be disclosed each year in the Annual Report on Remuneration.</p> <p>Operation for 2020 onwards: Incentive Bonus opportunities will be capped at 150% of salary per annum.</p>	<p>The Committee and senior management review the Group's 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.</p> <p>MBOs may include financial, operational, technical and other performance targets.</p> <p>The MBOs will be weighted primarily towards Group, and not individual, MBO performance.</p>
<p>Allied Minds Long Term Incentive Plan (LTIP)</p> <p>Incentivises and rewards the achievement of the Company's long-term strategic objectives.</p> <p>Provides alignment with shareholders through long-term time horizons and the facilitation of share ownership.</p>	<p>An award over Company stock is typically made to Executive Directors annually, subject to pre-determined performance measures which are typically tested over a period of three years.</p> <p>The specific performance measures, weightings and targets are set at or around the start of each financial year.</p> <p>Performance will normally be tested after three years, subject to the Committee's assessment of the extent to which the performance measures have been met. This assessment may take into account any additional relevant factors, at the Committee's discretion.</p> <p>A further two-year holding period will typically apply to awards, giving a total period between the date of the initial award was made and the end of the holding period of five years.</p> <p>Awards are subject to malus and clawback provisions, as described in the notes to this Policy table.</p> <p>Operation for 2020 onwards: the LTIP has been retired for Executive Directors, senior management and other employees, with no further awards to be made under this plan to these persons. In addition, the Executive Directors voluntarily agreed to forfeit the performance-based LTIP awards made to them in 2017 and 2018, and no LTIP awards were made in 2019 to them.</p>	<p>LTIP awards are normally granted to an individual each financial year and are capped at 300% of salary. The award will only vest in full if performance significantly exceeds expectations over the performance period.</p> <p>The proportion of the award that will vest for threshold performance will be 16.67%.</p> <p>When attracting a new executive director of the required calibre, an additional LTIP award of up to 300% of salary may be granted in the executive's first year of appointment if deemed appropriate by the Committee. Thereafter, LTIP awards granted to the executive would be made under the normal policy maximum above.</p>	<p>The Committee may vary specific measures and targets applicable to LTIP awards from year to year, to ensure they continue to support the achievement of the Company's strategy and to ensure that the target range remains sufficiently stretching.</p> <p>In respect of the LTIP awards to be granted in 2019, 60% of vesting will be based on the Company's relative total shareholder return (rTSR) performance in respect of a three-year performance period, and 40% of vesting will be based upon the monetisation of portfolio companies over such period.</p>

Element of remuneration and how it supports the Company's objectives	Operation	Opportunity	Performance metrics
<p>Allied Minds Phantom Plan</p> <p>Rewards participants for a successful portfolio company liquidity event, a key strategic objective of the Group and its shareholders, thereby providing alignment between the interests of participants and shareholders.</p> <p>Operation of such plans is common practice amongst our peers in the venture creation / IP commercialisation sectors, therefore the Phantom Plan allows the Company to provide a market-competitive remuneration offering within the relevant market for talent across this industry.</p>	<p>The Phantom Plan is a performance-based, cash settled bonus plan for Allied Minds' Executive Directors and management.</p> <p>The Plan is triggered by a successful portfolio liquidity event, including (i) a portfolio company IPO, (ii) the sale of all or substantially all of a portfolio company's assets, (iii) the sale of at least two-thirds of the outstanding shares of a portfolio company's voting equity, (iv) the merger or consolidation of a portfolio company with or into another entity, or (v) a portfolio company's liquidation.</p> <p>Upon a liquidity event, Allied Minds will deduct the amount it invested in such portfolio company and deduct the accrued interest in respect of such investment, and will then allocate 10% of the remaining net proceeds to the Phantom Plan account for allocation among the participants.</p> <p>Participants receive "units", which equates to a pro-rata share of the Phantom Plan pool.</p> <p>Vesting of units is determined at the time of grant of the units.</p> <p>Operation for 2020 onwards: the Phantom Plan will not be available to any new unitholders nor will any companies be added to the Plan.</p>	<p>The maximum aggregate number of units that may be awarded under the Phantom Plan is 200,000 units.</p> <p>Awards to Executive Directors under the Phantom Plan may not exceed 30,000 units.</p> <p>Upon a liquidity event Allied Minds will distribute 80% of the Phantom Plan account to the participants based on their pro rata share of all vested units on the date of the applicable liquidation event, and the remaining 20% of the Phantom Plan account will be distributed to participants at the discretion of the Committee.</p> <p>Operation for 2020 onwards: Executive Directors are subject to a cap of 25% of any allocated proceeds in connection with a specific liquidity event.</p>	<p>No amounts accrue under the Phantom Plan, and no amounts are distributed to participants, until and unless a successful portfolio company liquidity event occurs, and the cash generated in such liquidity event exceeds the amount Allied Minds invested in such portfolio company, plus accrued interest and expenses in respect of such investment. No other performance metrics apply.</p> <p>Operation for 2020 onwards: an additional underpin has been introduced, such that no payments arising under the Phantom Plan will be made to participants until the Company has generated \$109.2 million of gross proceeds (plus any future additional invested capital) in one or more future liquidity events.</p>
<p>Share ownership requirement</p> <p>Encourages Executive Directors to build a meaningful shareholding in the Company, providing alignment between the long-term interests of Executive Directors and shareholders.</p>	<p>Executive Directors are required to acquire and maintain a minimum ownership level of ordinary shares in the Company.</p> <p>This minimum level is set at the equivalent of 400% of salary for the CEO.</p>	<p>N/A</p>	<p>N/A</p>
<p>Non-Executive Directors' Fees</p> <p>Provides an appropriate level of fees in order to be competitive and to maintain the ability to recruit and retain Non-Executive Directors of the required calibre and experience.</p> <p>Partial delivery in Company stock encourages alignment of interests with shareholders.</p>	<p>Non-Executive Directors receive an annual fee, with additional fees paid to reflect additional time commitment and responsibilities for certain roles, e.g. Chairmanship of a Board Committee / the Board.</p> <p>Non-Executive Directors' fee levels are typically reviewed annually, taking into consideration a number of factors, including (but not limited to):</p> <ul style="list-style-type: none"> • scale, scope and responsibility of the role; • relevant skills and experience required; and • market-appropriate pay positioning against relevant US and UK listed peers and other companies of a similar size and complexity. <p>Non-Executive Directors are not entitled to participate in any Company pension scheme or to receive benefits, other than the reimbursement of reasonable and properly documented expenses incurred in performing the duties of their office (and any associated taxes).</p>	<p>There is no prescribed maximum fee or increase, however total fees payable are subject to the limits set out in the Articles of Association.</p>	<p>N/A</p>

Element of remuneration and how it supports the Company's objectives	Operation	Opportunity	Performance metrics
	<p>Non-Executive Directors do not receive any performance-related awards.</p> <p>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, a proportion of the fees are paid in stock (with the remainder paid in cash). The stock element is subject to time-based vesting over a three-year period, however no performance conditions are applied.</p> <p>Careful consideration has been given as to whether including an equity component would affect the independence of the Non-Executive Directors, and the conclusion was reached that it would not, given the level of the awards and the fact that they are not performance-related.</p>		

Common award terms

The Committee will operate the LTIP in accordance with the Policy table above and the respective rules. Awards under these schemes:

- will normally take the form of restricted share units (RSUs) in respect of shares in Allied Minds, although instruments with similar economic effect may be used if considered appropriate;
- may incorporate the right to receive an amount (paid in cash or additional shares) equal to the value of dividends that would have been paid on the shares under the award that vests up to the time of vesting (and where awards are subject to a holding period, the end of the holding period). This amount may be calculated assuming the dividends have been reinvested in the Company's shares;
- may exceptionally be cash-settled at the Committee's discretion;
- may have the applicable performance conditions amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy; and
- may be appropriately adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

Any use of these discretions above would, where relevant, be explained in the relevant year's Annual Report on Remuneration and may (if deemed appropriate) be subject to prior consultation with the Company's major shareholders.

As noted, the Committee has determined that no further awards will be made under the LTIP to Executive Directors, senior management or other employees.

Minor amendments

The Committee may make minor amendments to the Policy set out in this report (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining

shareholder approval for the amendment(s).

Malus and clawback

Awards under the annual Incentive Bonus and the LTIP are subject to malus provisions (allowing for the reduction of deferred awards) and clawback provisions (the recovery of awards to which the participants are entitled) in the case of:

- Material misstatement of the Group accounts;
- A material correction of any figures used to assess satisfaction of any performance conditions;
- A participant's gross misconduct;
- Serious reputational damage; or
- Corporate failure.

Under both plans, the clawback provision applies for the two-year period following vesting.

Legacy awards

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 Policy set out in the table on the previous pages, where the terms of the payment were agreed:

- before the 2016 AGM (being the date on which the previous Policy came into effect);
- before the Policy set out above came into effect at the 2019 AGM, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or
- 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.

Consideration of employee remuneration arrangements and policies elsewhere in the company

Although the Policy set out above applies only to Executive and Non-Executive Directors of the Company, in practice the Committee is responsible for setting the policy for, and determining remuneration of, the Company's senior management team, and reviewing workforce remuneration and related policies. In considering changes to the remuneration of the Executive Directors, for example when determining salary increases, the Committee is mindful of pay and conditions in the wider Group.

The Group's senior management team also participate in the components of remuneration set out above (i.e. salary, benefits, pension, Incentive Bonus, LTIP and Phantom Plan). The operation of the incentive

schemes for senior management varies from Executive Directors where appropriate, for example award maxima and vesting criteria.

All US employees at the Allied Minds (parent company) level are eligible for discretionary incentive bonus awards. While a range of bonus plans are operated at the portfolio company level, appropriate to the relevant business, the main drivers of these portfolio company plans, in common with the annual Incentive Bonus awards to Executive Directors, are the achievement of company milestones, and other company and individual objectives.

In addition, the Company remains committed to fostering alignment with shareholders. Therefore, equity incentive plans are operated within the portfolio companies, with the aim of incentivising and rewarding employees of those companies to achieve long-term shareholder value and the delivery of the Company's long-term strategic and business objectives.

As noted, in light of the Company's revised strategy, the LTIP has been retired for all Executive Directors, senior management and other employees, and the Phantom Plan has been closed to new participants and new portfolio companies.

How the views of shareholders and employees are taken into account

Through the Board, the Committee is regularly updated as to employees' views on remuneration generally and receives periodic updates in relation to salary and bonus reviews across the Company. As set out above, in setting remuneration for the Executive Directors, the Committee takes note of the overall approach to reward employees in the Company and salary increases will ordinarily be considered in light of those of the wider workforce. Thus, the Committee is satisfied that the decisions made in relation to Executive Directors' pay are made with an appropriate understanding of the wider workforce.

The Committee values the input of shareholders and is committed to dialogue on material matters. Any feedback received from time to time from shareholders, and the AGM voting results in respect of remuneration-related resolutions, are considered as part of the Committee's annual review of the Policy. When developing the 2019 Policy, a key part of the process was the engagement with the Company's major shareholders and proxy voting agencies on the proposed remuneration changes, prior to finalising the Policy.

The Committee will seek to engage formally with shareholders and their representative bodies when it is proposed that any material changes are to be made to the Policy, and also welcomes and appreciates feedback at any other time. Extensive shareholder meetings were undertaken ahead of changes to the remuneration program in late 2019.

Approach to recruitment remuneration

The Committee will apply the principles set out in the Policy table above for any new Executive Director recruited to the Board, in particular:

- Providing a remuneration package that attracts, retains and motivates individuals of the required calibre, while at all times ensuring that the Company pays no more than necessary;

- Taking into consideration a number of factors when determining the appropriate package on recruitment, including the individual’s skills and experience, scale, scope and responsibility of the role, and pay conditions across the Company;
- Ongoing remuneration arrangements for the individual will be limited to those elements listed within the Policy table above;
- Additional benefits in kind, pensions and other allowances, such as relocation, education and tax equalisation, may be provided in order to recruit the intended candidate; and
- Full disclosure will be made of the recruitment package provided to the individual within the next Annual Report on Remuneration, including rationale for the decisions made where appropriate.

Salaries may be set below market levels on appointment with a view to increase them to broad market levels, subject to individual performance and progression within the role, by making phased salary increases above inflation levels.

The maximum level of variable remuneration under the annual Incentive Bonus and LTIP that may be awarded will be within the usual maximums set out in the Remuneration Policy, subject to the exceptional limit provided under the LTIP. However, as noted, in light of the Company’s revised strategy, the LTIP has been retired for all Executive Directors, senior management and other employees.

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 and the likelihood of achieving these conditions, 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 provision which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director without seeking prior shareholder approval.

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 pre-existing arrangements arising from an individual’s previous role will continue to be honoured in line with their original terms and conditions.
- 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.

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

Remuneration Policy on payment for loss of office

The Directors believe the policy on payments for loss of office detailed below are aligned with UK corporate governance expectations and local market practice, and appropriate to attract and retain 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.

If an Executive Director's employment is terminated by the Company for "Cause", the Director 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 the Company's incentive compensation plan (such amounts, the "Standard Benefit").

If the Executive Director terminates the service contract for "Good Reason" or the Company 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;
- an annual incentive award equal to the product of: (A) the level of Group and individual MBO performance during the current year, as determined by the Committee; and (B) a fraction based on the number of days in which the Executive Director was employed during that year; or, alternatively, an annual incentive award equal to the product of: (A) the Executive Director's average bonus for the prior three (3) years; 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 the Director and eligible dependents; and
- payment of the Standard Benefit.

The annual incentive award component above was changed in early 2019 in Ms. Smith's service contract to include a performance element and Remuneration Committee discretion in the calculation of the size of the award, whereas her prior agreement was simply based upon the prior years' bonus award multiplied by the number of days employed during the year.

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

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 normally 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. The Committee also has discretion to determine that awards will vest at the time of cessation of employment, taking into account performance up to that time, and pro-rated to reflect the time worked in the performance period (with discretion to determine vesting to a greater or lesser extent).

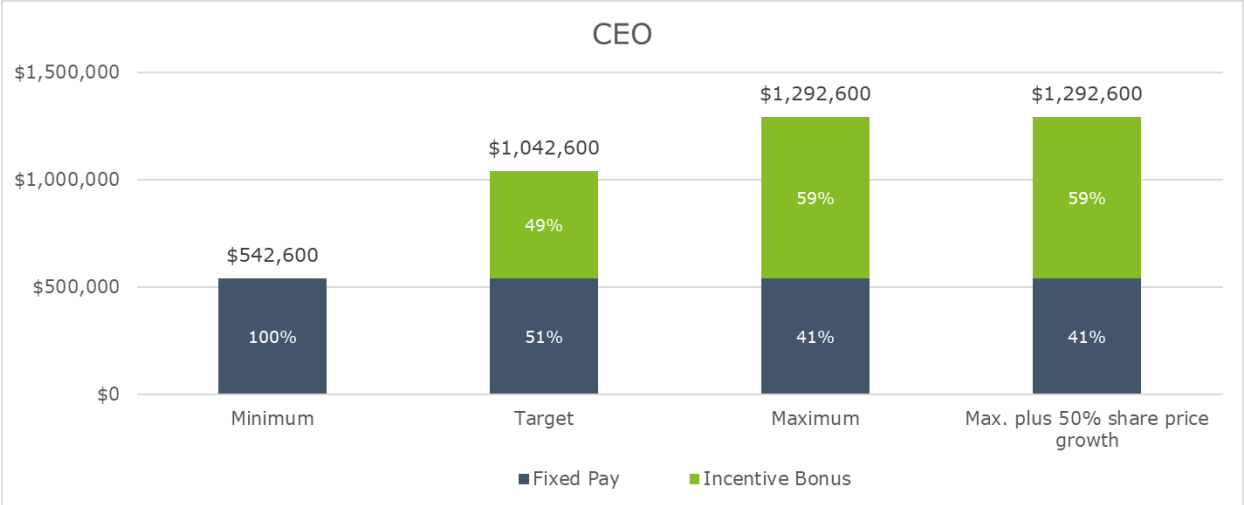
Impact of change of control on awards under LTIP

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 with respect to a change of control. This discretion to accelerate vesting upon a change of control is included in the LTIP to meet the expectations of a US-based workforce.

Illustration of application of the Remuneration Policy – updated for implementation in respect of 2020

The value and composition of the Executive Director’s remuneration package for the year ending 31 December 2020 is illustrated in the chart below under the following four scenarios:

	Minimum	On-target	Maximum	Maximum plus 50% share price growth
Fixed Pay	2020 salary (\$500,000) plus estimated value of benefits			
Incentive Bonus	-	Two-thirds of maximum opportunity	100% of the maximum opportunity	100% of the maximum opportunity
LTIP	-	None	None	None



Annual Report on Remuneration (pages 83 to 97)

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 2019 and 2018.

In \$'000	Base salary/ fees ⁽¹⁾		Benefits ⁽²⁾		Incentive Bonus ⁽³⁾		Phantom Plan ⁽⁴⁾		EBP ⁽⁵⁾		Pension ⁽⁶⁾		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive Directors														
Joe Pignato ⁽⁷⁾	281	—	23	—	369	—	870	—	—	—	—	—	1,543	—
Mike Turner ⁽⁸⁾	281	—	23	—	369	—	870	—	—	—	—	—	1,543	—
Jill Smith ⁽⁹⁾	265	600	12	16	—	576	—	—	—	—	—	—	277	1,192
Non-Executive Directors														
Jeff Rohr	131	100	—	—	—	—	—	—	20	20	—	—	151	120
Harry Rein	81	75	—	—	—	—	—	—	18	—	—	—	99	75
Mark Lerdal ⁽¹⁰⁾	4	—	—	—	—	—	—	—	—	—	—	—	4	—
Fritz Foley ⁽¹¹⁾	86	44	—	—	—	—	—	—	21	—	—	—	107	44
Peter Dolan ⁽¹²⁾	79	156	—	—	—	—	—	—	30	29	—	—	109	185
Kevin Sharer ⁽¹³⁾	42	85	—	—	—	—	—	—	20	20	—	—	62	105

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, car allowance and/or Company contribution to medical, dental and other insurance premiums, pro-rated for the portion of the year they served on the Board.
- (3) Incentive bonus includes annual cash incentive bonus awards, pro-rated for the portion of the year serving as Executive Directors.
- (4) The Phantom Plan is a performance-based, cash settled bonus plan which is triggered by a successful portfolio company liquidity event. Amounts include the allocation made to Executive Officers during the period in connection with the distribution triggered by the sale of the Company's shares of HawkEye 360, Inc.
- (5) Equities based payments for Non-Executive Directors represent the portion of the fees paid in stock and granted to the Non-Executive Directors in 2015, 2016, 2017 and 2018 which vested in 2018 and 2019 (based on the value on the date the awards vested (on a time-only basis) and the shares were issued). The amount of these awards which is attributable to share price appreciation is nil (2019) (2018: nil).

- (6) 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 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 Plan.
- (7) Mr. Pignato was appointed as Co-Chief Executive Officer and Executive Director on 10 June 2019.
- (8) Mr. Turner was appointed as Co-Chief Executive Officer and Executive Director on 10 June 2019; post period end, Mr. Turner resigned as Co-Chief Executive Officer and Executive Director on 10 March 2020.
- (9) Ms. Smith resigned as Chief Executive Officer and President, and Executive Director, as of 10 June 2019. Details of the effect of her resignation on outstanding payments and benefits are given on page 94.
- (10) Mr. Lerdal was appointed as a Non-Executive Director in on 11 December 2019.
- (11) Mr. Foley resigned as a Non-Executive Director on 10 December 2019.
- (12) Mr. Dolan resigned as a Non-Executive Director on 28 June 2019.
- (13) Mr. Sharer resigned as a Non-Executive Director on 28 June 2019.

Individual Elements of Remuneration

Base Salary and Incentive Bonus Awards during 2019

In conjunction with the Company's year-end compensation review process, including an analysis of the traditional elements of executive pay (base salary, annual incentive bonus, long-term equity incentives and total direct compensation), and based upon a review of Company performance in 2018, the Remuneration Committee recommended to the Board the following for 2019:

- For Jill Smith, that base salary remain constant at \$600,000, and that maximum incentive bonus award remain constant at 225% of base salary (150% at target);
- For Joe Pignato and Mike Turner, during the period that they served as Co-Chief Executive Officers and Executives Directors, that base salary be set at \$500,000, and that maximum incentive bonus award be set at 225% of base salary (150% at target), to be pro-rated for their number of days of service as Co-Chief Executive Officers and Executives Directors during 2019.

The Remuneration Committee determined that the base salary and incentive bonus award continued to reflect its policy to emphasise the variable component of compensation, by allocating a significant percentage of cash compensation to the 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 incentive bonus award is considered by the Remuneration Committee upon completion of each

financial year. The decision to provide any incentive bonus award and the amount and terms of any such award, are determined solely by the level of achievement against the MBOs set by the Remuneration Committee at the start of the financial year. The 2019 MBOs were approved by the Remuneration Committee at the beginning of the year; however, following the revision to the Company's strategy in April 2019, the MBOs were revised accordingly. The Committee determined that the revised MBOs were no less stretching than those originally set.

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

The 2019 MBOs set by the Remuneration Committee, along with the level of achievement against such MBOs, is set forth below:

<u>MBO</u>	<u>Threshold Weightings</u>	<u>Target Weightings</u>	<u>Maximum Weightings</u>	<u>Achieved Weightings</u>
Deliver Validating Events and Technical Milestones and Revenue for Key Portfolio Companies ⁽¹⁾	0.0%	30.0%	45.0%	17.6%
Secure Funding and Strategic Relationships for Portfolio Companies ⁽²⁾	0.0%	20.0%	30.0%	20.0%
Manage Cash and Maintain Strong Operational Support				
Capital Allocation to Portfolio Companies ⁽³⁾	0.0%	20.0%	30.0%	20.0%
Manage Reorganisation and Cash, and Reduce HQ Expenses	0.0%	20.0%	30.0%	20.0%
Deliver Shared Services Support	0.0%	5.0%	7.5%	5.0%
Manage Deconsolidation of Portfolio Companies	0.0%	5.0%	7.5%	5.0%
Total Percentage of Target	0.0%	100.0%	150.0%	87.6%

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

20 out of 27 Validating Events and Technical Milestones (20% weighting) were achieved (or 74.1%) and 28.1% of the revenue targets were met for key portfolio companies (10% weighting).

- (2) Successful funding rounds were raised at HawkEye 360, Inc., raising \$70.0 million, and Federated Wireless, Inc., raising \$51.3 million, and strategic relationships were secured and/or expanded upon with key third parties by all portfolio companies.

- (3) The Company implemented a revised strategy to focus exclusively on existing portfolio companies, enforcing careful cash management and capital allocation plans, significant cost reductions to annual central costs at HQ, and the successful deconsolidation of HawkEye 360, Federated Wireless, and Spin Memory.

Based on the above, the Remuneration Committee determined that the MBO percentage achievement for 2019 was 87.6% of target percentage, or 58.4% of the maximum opportunity. The Remuneration

Committee reviewed this outcome in light of individual and Company performance and considered them appropriate, and therefore, did not exercise any discretion.

As noted above, the target incentive bonus award for Executive Directors was set at 150% of base salary for 2019, with maximum award set at 225% of base salary. Based upon the MBO achievement, the incentive bonus award to the Co-Chief Executive Officers was set at 131.4% of base salary, pro-rated for their number of days of service as Co-Chief Executive Officers and Executives Directors during 2019, resulting in a 2019 incentive bonus of \$369,000 with respect to such period.

As a result of her resignation on 10 June 2019, Ms. Smith was not eligible for and did not receive a 2019 incentive bonus.

Phantom Plan during 2019

The Phantom Plan is a performance-based, cash settled plan which is triggered by a successful portfolio company liquidity event. No amounts accrue under the Phantom Plan, and no amounts are distributed to participants, until and unless a successful portfolio company liquidity event occurs, and the cash generated in such liquidity event exceeds the amount Allied Minds invested in such portfolio company, plus accrued interest in respect of such investment.

On 8 November 2019, the Company sold its entire shareholding in the share capital of HawkEye 360, Inc. (HawkEye 360) to Advance Publications, Inc. for an aggregate cash consideration of \$65.6 million. In accordance with the terms of the Phantom Plan, 10% of the net proceeds from the liquidity event was allocated and distributed to the 24 participants having remaining unit interests in the Phantom Plan. The Board did not exercise any discretion, and allocated 100% of the Phantom Plan pool by reference to each participant's unit interests, as set out below:

Aggregate cash consideration from sale	\$65.6m
Invested capital and interest	\$(16.6)m
Net proceeds	<u>\$49.0m</u>
Phantom Plan distribution (10% of net proceeds)	\$4.9m
Joseph Pignato share (17.74% of Phantom Plan distribution)	\$869,830
Michael Turner share (17.74% of Phantom Plan distribution)	\$869,830

During 2019, Executive Directors and all current employees voluntarily agreed to introduce an underpin that \$109.2 million of gross proceeds (plus any future additional invested capital) must be generated from one or more liquidity events prior to any future allocations of proceeds in connection with an individual liquidity event under the Phantom Plan and to a personal cap (set at 25% for Executive Directors) of any allocated proceeds in connection with an individual liquidity event under the Phantom Plan. Furthermore, the Phantom Plan was terminated in 2019 and will not be available to any new unitholders nor will any companies be added to the existing plan.

LTIP Awards made during 2019 (audited information)

In June 2019, the Board determined to retire the LTIP for Executive Directors, senior management and other employees, and to make no future awards to these persons. No LTIP awards were made to Executive Directors in 2019.

As set out on page 88, a proportion of the Non-Executive Director fees for 2019 was paid in stock, subject to time-based vesting based upon time of service in equal instalments over a three-year period. No performance conditions apply. The level of these awards was determined by the Committee after giving due consideration to 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. These awards were delivered under the LTIP, as set out in the table below:

	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
Non-Executive Directors							
Jeff Rohr	RSU	See below	84,669	\$75	n/a	n/a	Based on service, annually over three years to July 2022
Harry Rein	RSU	See below	56,446	\$50	n/a	n/a	Based on service, annually over three years to July 2022
Fritz Foley	RSU	See below	70,822	\$50	n/a	n/a	Based on service, annually over three years to May 2021
Fritz Foley	RSU	See below	56,446	\$50	n/a	n/a	Based on service, annually over three years to July 2022

Notes:

- (1) At 18 February 2019, the initial LTIP award above for 70,822 RSUs was granted to the Non-Executive Director (Mr. Foley). The total value of the award was calculated using the closing share price of 54.8p on such date. This grant to Mr. Foley dated back to his appointment in May 2018.
- (2) At 1 July 2019, the annual LTIP awards above for 84,669, 56,446 and 56,446 shares were granted to the Non-Executive Directors (Messrs. Rohr, Rein and Foley, respectively). The total value of the award was calculated using the closing share price of 69.8p on such date.

Long Term Incentive Plan Vesting during 2019 (audited information)

Executive Director Awards

No performance LTIP awards vested to the Executive Directors in 2018 or 2019.

In connection with the Board's review of the remuneration program in late 2019, Mr. Pignato voluntarily agreed to forfeit all of his 745,045 performance-based LTIP awards made in 2017 and 2018. Mr. Pignato does not have any additional performance-based LTIP awards outstanding.

Mr. Pignato has 251,423 time-based LTIP awards outstanding that are scheduled to vest on the later of 30 April 2020 or the earliest date after the date of the announcement of the Company's annual results. These awards were initially made to the Mr. Pignato in 2017, prior to him becoming an Executive Director.

Non-Executive Director Awards

Equity-based awards were granted to the Non-Executive Directors in 2015, 2016, 2017 and 2018, subject to time-based vesting in three equal instalments over a three year period. The LTIP was used as the mechanism to grant these awards, however they are not subject to performance conditions. These awards partially vested in 2018 and 2019. As a result of such vesting in 2018, ordinary shares were allotted and issued to Mr. Rohr (14,225), Mr. Dolan (21,338), and Mr. Sharer (14,225). As a result of such vesting in 2019, ordinary shares were allotted and issued to Mr. Rohr (22,913), Mr. Rein (24,170), Mr. Foley (23,607), Mr. Dolan (34,371) and Mr. Sharer (22,913).

Payments to Past Directors and Loss of Office Payments (audited information)

During 2019, a payment was made to Chris Silva pursuant to the terms of the Phantom Plan and the units granted to Mr. Silva during his service as an Executive Director, and the subsequent successful portfolio company liquidity event completed on 8 November 2019 (the sale of the Company's entire shareholding in the share capital of HawkEye 360, Inc. to Advance Publications, Inc.). The Board did not exercise any discretion, and allocated Mr. Silva his allocation, which represented 0.33% based on his unit interests, resulting in a distribution of \$16,048. For the period ending on the date falling 36 months after his resignation date (10 March 2017), Mr. Silva remained entitled to a proportion of the payment he would have received on a liquidity event had he remained an employee.

Details regarding payments made to Jill Smith following her resignation on 10 June 2019 are set out on page 94.

Total Pension Entitlements (audited information)

No payments for pension entitlements were made to Directors during 2019. 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, therefore the Committee operates a share ownership policy for Executive Directors. The policy currently requires Executive Directors to acquire and maintain a minimum ownership level of ordinary shares in the capital of the Company equal to 400% of base salary. At 31 December 2019, the Executive Directors were making progress against this requirement, including market purchases of stock by Mr. Pignato in December 2019.

The table below sets out the number of shares held by Directors as at 31 December 2019.

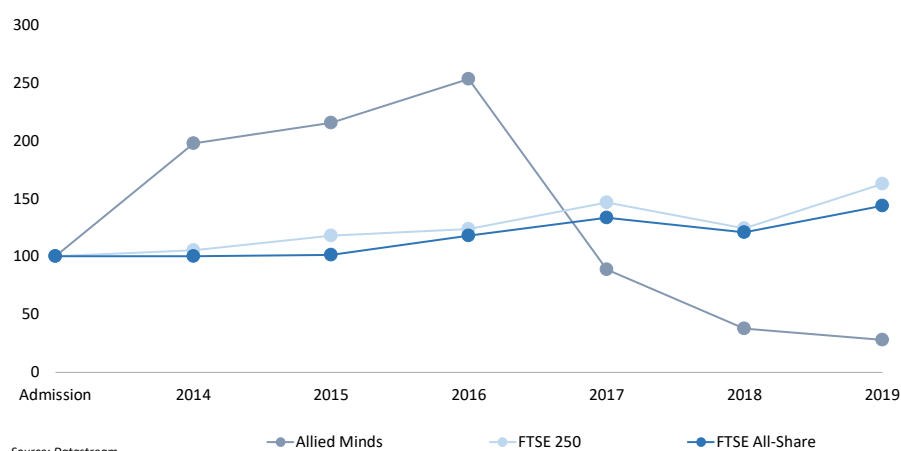
	Shares held outright	Shares conditional on performance	Shares conditional on service	Options to purchase shares (US Stock Plan)	Total
Executive Directors					
Joe Pignato	710,610	745,045	251,423	-	1,707,078
Mike Turner	731,674	745,045	179,588	230,000	1,886,307
Non—Executive Directors					
Jeff Rohr	161,798	-	114,659	-	276,457
Harry Rein	24,170	-	84,290	-	108,460
Mark Lerdal	-	-	-	-	-

The following changes to the table have occurred in the period between 31 December 2019 and 1 June 2020 (the latest practicable date prior to publication):

- In connection with the Board’s review of the remuneration program in late 2019, Mr. Pignato voluntarily agreed to forfeit all of his 745,045 performance-based LTIP awards made in 2017 and 2018; and
- In connection with the Board’s review of the remuneration program in late 2019 and his resignation agreement entered into on 10 December 2019, Mr. Turner voluntarily agreed to forfeit all of his 745,045 performance-based LTIP awards made in 2017 and 2018 and all of his 230,000 stock option awards made in 2014 under the pre-IPO US Stock Plan. In addition, of Mr. Turner's 179,588 LTIP awards conditional on service, in accordance with their terms, 154,194 vested on his resignation and the balance were cancelled and terminated.

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, from the Admission date of 25 June 2014 to 31 December 2019. These indices were chosen since the Company was / is a constituent for a significant proportion of the relevant period. The graph shows performance of a hypothetical £100 invested and its performance over that period.



Historical CEO remuneration outcomes

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

	2019	2018	2017	2016	2015	2014	2013
CEO single total figure for remuneration (\$'000) ⁽¹⁾		\$1,192	\$1,328	\$9,178	\$1,067	\$15,942	\$1,236
Joe Pignato ⁽²⁾	\$1,543						
Mike Turner ⁽²⁾	\$1,543						
Jill Smith	\$277						
Annual incentive bonus award pay-out (% of maximum) ⁽³⁾	58.40%	42.67%	87.33%	74.13%	n/a	n/a	n/a
LTIP award vesting (% of maximum) ⁽⁴⁾	0.00%	33.00%	94.33%	n/a	n/a	n/a	n/a
US Stock Plan award vesting (% of maximum) ⁽⁵⁾	n/a	n/a	n/a	n/a	n/a	100%	100%

Notes:

- (1) With respect to 2019, the figures represent the remuneration to Jill Smith prior to her resignation as CEO on 10 June 2019, and the remuneration to each of Joseph Pignato and Michael Tuner after their appointments as Co-CEOs on 10 June 2019.
- (2) The 2019 figures for Mr. Pignato and Mr. Turner include the payments made to them under the Phantom Plan resulting from a successful portfolio company liquidity event in 2019 (as further described on page 86). As illustrated on pages 83 to 84, the single total figure of remuneration excluding the Phantom Plan payment for each such individual was \$673,000.
- (3) With respect to 2015, 2014 and 2013, the percentage of maximum is not applicable because the Company did not have any cap on 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.
- (4) No equity-based awards vested to the CEO under the LTIP during 2019, 2016, 2015, 2014 or 2013.
- (5) 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.

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 (Mr. Pignato) and that of our US Group employees (excluding Directors) from 2018 to 2019. Our US Group employees were chosen since they are exposed to the same economic factors as the Chief Executive Officer, who is also US-based.

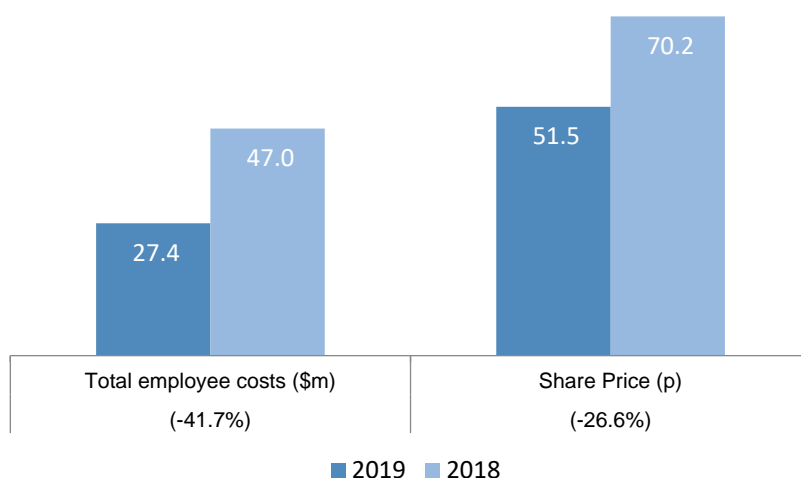
	% change in base salary	% change in incentive bonus	% change in benefits
CEO	(16.67)%	(35.94)%	43.75%
US Group Employees	5.16%	(10.54)%	39.63%

Relative importance of spend on pay

The chart below shows the total employee costs, and change in share price from 2018 to 2019.

The information shown in this chart is based on the following:

- Total employee pay: Total US Group employee staff costs from note 5 to the consolidated financial statements, including salaries and wages, payroll taxes, healthcare benefit, and share-based payments.
- Returns to shareholders: Since the Group does not currently pay an annual dividend, returns to shareholders are represented by the change in the Group's share price over the period from 31 December 2018 to 31 December 2019.
- However, post period end on 16 January 2020, the Board declared a special dividend of 12.62 pence per ordinary share (Special Dividend) totalling £30.49 million. The ordinary shares went ex-dividend on 23 January 2020, and the Special Dividend was paid in cash on 14 February 2020 to holders of ordinary shares recorded on the register as at the close of business on 24 January 2020.



Statement of implementation of remuneration policy in the following financial year (2020)

The Committee reviewed the remuneration approach in the year, and input was received from Executive Directors while ensuring that conflicts of interest were suitably mitigated. A number of changes to the operation of the remuneration program have been made, within the scope of the shareholder-approved Remuneration Policy. The approach to operation for 2020 has been set out below.

Base Salary, Pension and Benefits

Effective from 1 January 2020, the base salary of the current Executive Director (Mr. Pignato) will be:

	Base Salary	Increase	% Increase
Joe Pignato	\$500,000	0	0.0%

In conjunction with the Company's year-end compensation review process, the Committee recommended Mr. Pignato's base salary remain constant at \$500,000. This compares to an average base salary increase across the Group to US employees of 5.16%.

The pension and benefits package during 2020 will continue to be in line with US employment market practice and the Remuneration Policy.

Incentive Bonus Awards

In line with the commentary on the cover statement from the Chairman of the Remuneration Committee, the maximum incentive bonus opportunity for the Executive Director (Mr. Pignato) in 2020 will be 150% of base salary (target will be 100% of base salary), which is a reduction from the maximum opportunity of 225% that was in place for 2019.

Performance will be measured according to 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 2020, as follows:

<u>MBO</u>	<u>Threshold Weightings</u>	<u>Target Weightings</u>	<u>Maximum Weightings</u>
Increase Aggregate Portfolio Value (NAV)	0.0%	12.5%	18.75%
Increase ALM Share Price	0.0%	12.5%	18.75%
Manage HQ Cash and Expenses	0.0%	25%	37.5%
Secure Funding and Strategic Partners at Portfolio Companies	0.0%	25%	37.5%
Maintain Strong Operational Support	0.0%	25%	37.5%
Total Percentage of Target	0.0%	100.0%	150.0%

Notes:

(1) 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.

The underlying targets have not been disclosed at this time due to commercial sensitivity.

The Remuneration Committee may then exercise its discretion and make adjustments to the formulaic payout level if the formulaic outcome is not considered to be appropriate. When making this judgement, the Committee will consider a number of factors, including (but not limited to) the overall shareholder experience, underlying business performance (including financial, operational and technical performance) and individual performance during the year.

Long Term Incentive Plan

In June 2019, the Board determined to retire the LTIP for Executive Directors, senior management and other employees, and to make no future awards to these persons. No LTIP awards will therefore be made to Executive Directors in 2020.

Phantom Plan Awards

The Executive Director (Mr. Pignato) holds 30,000 Phantom Units under the Phantom Plan, which as of 31 December 2019, represented 17.74% of the total pool. The Executive Director is capped at 25% of any

allocated bonus proceeds in connection with an individual liquidity event under the Phantom Plan.

Chairman and Non-Executive Directors

The 2020 fee arrangements of the Chairman and Non-Executive Directors remain unchanged from 2019:

	2020
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 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 fees above include an equity component, which is subject to time-based vesting over three years.

Service Contracts and Letters of Appointment

Mr. Pignato entered into an amended and restated service contract on 10 June 2019 in connection with his appointment as Co-Chief Executive Officer and Executive Director.

Mr. Turner entered into an amended and restated service contract on 10 June 2019 in connection with his appointment as Co-Chief Executive Officer and Executive Director. Post-period end, Mr. Turner resigned as Chief Executive Officer and Executive Director effective on 10 March 2020. Full details on his remuneration arrangements upon stepping down are provided on pages 94 to 95.

Ms. Smith entered into an amended and restated service contract on 7 March 2019, to implement (i) the deferral of base salary for 2019 and 2020, and (ii) revisions to the calculation of any annual incentive award to be made to her in connection with any termination of service, to include that such award is subject to MBO performance achievement. During 2019, a payment to past director was made to Ms. Smith pursuant to the terms of the Phantom Plan and the units granted to Ms. Smith during her service as an Executive Director, and the subsequent successful portfolio company liquidity event completed on 8 November 2019. Full detail is disclosed below.

The Executive Directors' contracts do not provide for extended notice periods or compensation in the event of a change of control. Details on the treatment of remuneration on loss of office or on a change of control are provided in the Remuneration Policy.

The Non-Executive Directors have letters of appointment, which are for an initial fixed term of three years. The letters are reviewed and may be extended, and are terminable on one months' notice by either party.

The letters of appointment do not provide for any compensation on termination, other than payment of fees accrued or owing but not yet paid.

The letters of appointment and service contracts 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 following their appointment to the Board, and for annual re-election by shareholders at each AGM.

Resignation of Jill Smith

With effect from 10 June 2019 (Resignation Date), Ms. Smith resigned as Chief Executive Officer and President and as an Executive Director of the Company.

The Remuneration Committee approved the arrangements below which are in line with the terms of the agreements with Ms. Smith and the Company's Remuneration Policy in place at that time, and as disclosed in full in the Company's Section 430(2B) announcement on 10 June 2019.

Upon her resignation, Ms. Smith was entitled to base salary and benefits in accordance with the terms of her employment contract up to and including the Resignation Date, including accrued but unpaid deferred base salary, in accordance with the terms of her employment contract and the arrangements relating to Ms. Smith's voluntary deferral of her based salary as disclosed on page 101 of the Company's 2018 annual report and accounts.

Ms. Smith did not receive an annual incentive award for 2019, and she forfeited all of her outstanding LTIP awards.

Ms. Smith has outstanding awards in the form of 15,000 units granted under the Phantom Plan, which are fully vested. For the period ending on the date falling 12 months after her Resignation Date, Ms. Smith remains entitled to a proportion of the payment she would have received on a liquidity event had she remained an employee. That proportion is 100% if the liquidity event occurs within 3 months after her Resignation Date, 90% if 4-6 months after her Resignation Date; 50% if 7-9 months after her Resignation Date; 25% if 10-12 months after her Resignation Date, and 0% if later than 12 months after her Resignation Date.

During 2019, a payment was made to Ms. Smith pursuant to the terms of the Phantom Plan and the units granted to Ms. Smith during her service as an Executive Director, and the subsequent successful portfolio company liquidity event completed on 8 November 2019 (the sale of the Company's entire shareholding in the share capital of HawkEye 360, Inc. to Advance Publications, Inc.). The Board did not exercise any discretion, and allocated Ms. Smith her allocation, which represented 7.98% based on her unit interests, resulting in distribution of \$391,423.

Ms. Smith was engaged as a consultant by the Company for a period of three (3) months following the Resignation Date at a rate of \$50,000 per month, pursuant to which she provided transition services, including serving on the board of directors of Federated Wireless as a representative of Allied Minds.

No further payments will be made to Ms. Smith in connection with her resignation.

Resignation of Mike Turner

With effect from 10 March 2020 (Resignation Date), Mr. Turner resigned as Co-Chief Executive Officer and as an Executive Director of the Company.

The Remuneration Committee approved the arrangements below which are in line with the terms of the agreements with Mr. Turner and the Company's Remuneration Policy approved by the Company's

shareholders at the 2019 AGM, and as disclosed in full in the Company's Section 430(2B) announcement on 10 March 2020.

Pursuant to the terms of Mr. Turner's service contract, he will be entitled to:

- payment of one year's salary equal to \$500,000 based on his rate of annual base salary at the Resignation Date;
- an annual incentive award for 2020 of \$76,500, which is equal to the product of: (A) \$400,160 (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 2020 and the denominator of which is the number of days in such year; and
- participation at the Company's expense under COBRA for six months for him and each of his eligible dependents in all medical, dental, hospitalization and other employee welfare benefit plans, programs and arrangements covered by COBRA.

Prior to the Resignation Date, Mr. Turner had interests in the following schemes operated by the Company:

- interest in the MIP, which was forfeited as of the Resignation Date in accordance with the terms of the MIP;
- outstanding vested options to acquire an aggregate of 230,000 shares granted under the US Stock Plan, which Mr. Turner voluntarily forfeited in full as of the Resignation Date;
- outstanding restricted share unit awards (RSUs) granted under the LTIP to acquire an aggregate of 745,045 shares subject to performance, which Mr. Turner voluntarily forfeited in full as of the Resignation Date;
- outstanding RSUs, granted prior to Mr. Turner becoming an Executive Director, to acquire an aggregate of 179,588 shares subject to continued employment, of which 154,194 shares vested in accordance with their terms as of the Resignation Date, and the remainder were cancelled and terminated as a result of time pro-rating; and
- outstanding awards in the form of 30,000 units granted under the Phantom Plan, which are fully vested; for the period ending on the date falling 24 months after his Resignation Date, Mr. Turner will remain 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 6 months after his Resignation Date, 75% if 7-12 months after his Resignation Date; 50% if 13-18 months after his Resignation Date; 25% if 19-24 months after his Resignation Date, and 0% if later than 24 months after his Resignation Date.

No further payments will be made to Mr. Turner in connection with his resignation.

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 2019.

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 and senior management, 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 34 to 35:

- Bruce Failing (Chair)
- Harry Rein
- Mark Lerdal

Mr. Rein served during the entire financial year, Jeff Rohr served beginning on 10 June 2019 (replacing Mr. Sharer) through the end of the year, and Mr. Lerdal served beginning on 11 December 2019 (replacing Mr. Foley). Post-period end, Mr. Rohr resigned from the Board and Mr. Failing was appointed as a Director and replaced Mr. Rein as the Chair of the Committee, in each case, effective as of 10 March 2020.

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

Key activities carried out by the Committee were during 2019 are set out in the Committee Chairman's statement on pages 70 to 73.

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 Deloitte LLP and Ropes and Gray LLP. Deloitte LLP and Ropes and Gray LLP assisted the Remuneration Committee through a review of the Remuneration Policy in 2019 in connection with the change in Group strategy to focus exclusively on supporting our seven existing portfolio companies and maximising monetisation opportunities for portfolio company interests, and not to deploy any capital into new portfolio companies, and to adjust the remuneration program to better align remuneration with this revised strategy. Fees paid to Deloitte LLP in connection with advice to the Remuneration Committee in 2019 were \$61,500 (2018: \$43,000) and fees paid to Ropes and Gray LLP

were \$91,612 (2018: nil). Deloitte provided no other services or advice to the Group during the year. Deloitte LLP is a founding member of the Remuneration Consultants Group and adhere to its Code of Conduct in relation to executive remuneration consulting in the UK.

Statement of voting at general meeting

The table below sets out the proxy results of the vote on the Group's Remuneration Report at the Group's 2019 AGM, and the proxy results of the vote on the Group's Remuneration Policy at the Group's 2019 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	% of cast votes	Number	% of cast votes		
Remuneration Report	107,255,825	80.84%	25,426,802	19.16%	132,682,627	38,788,134
Remuneration Policy	129,448,525	85.13%	22,612,862	14.87%	152,061,387	19,409,374

Approval

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



Bruce Failing
Chairman of the Remuneration Committee

4 June 2020

Audit Committee Report

The Audit Committee plays an integral role in assisting the Board in fulfilling its oversight responsibilities, and as a whole, has the competence relevant to the sector in which the Company operates. 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 and CFO, General Counsel and external auditors also participate in Committee meetings by invitation. As Chair of the Audit Committee, Mr. Lerdal has relevant, recent financial experience with over thirty years of senior management and executive experience. Messrs. Rein and Rohr served on the Audit Committee during the entire financial year, with Mr. Lerdal's service beginning on 11 December 2019 (replacing Mr. Foley). Post-period end, Mr. Rohr resigned from the Board and Bruce Failing was appointed as a Director and shall serve on the Audit Committee (replacing Mr. Rohr), effective as of 10 March 2020.

The Committee met five times in 2019, and the external auditors participated in three of these meetings. Reflecting the meetings for which each member was then appointed to the Committee, all members were present at all meetings during the year during their term of service.

Responsibilities

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

- Review the Company's internal financial controls and the Company's internal control and risk management systems;
- Advise on the need for 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;
- Conduct a performance evaluation of the Committee annually to ensure that it continues to be effective and that each of the Directors on the Committee demonstrates commitment to his or her respective role and has sufficient time to meet his or her commitment to the Company; and
- Report to the Board on how it has discharged its responsibilities.

The Committee carries out these duties for the Company, major subsidiary undertakings and the Group as a whole, as appropriate. In 2019, the Committee discharged all such duties as further described below, including, without limitation, completing an annual review of its internal controls and risk management systems with its external auditors and reviewing the Financial Position, Prospects and Procedures of the Company on an ongoing basis throughout the year to enable the Board to make proper judgements.

Activities during the year

The Committee's activities for the year ended 31 December 2019 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 2019, and the financial statements in the Annual Report and Accounts for the year ended 31 December 2019;
- Reviewed the Company's approach and methodology for determining the fair value of investments and the preferred share liability. Considered and recommended the involvement of an 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 position and 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 27 to 33 of this Annual Report. The Committee gives consideration and provides guidance on enhancing the internal controls and risk management framework, as needed;
- Reviewed the established procedures, which provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the Financial Position, Prospects and Procedures (FPPP) of the Company following the adopted risk approach; and
- Reviewed the whistleblower policy that was established and approved by the Board in 2014, which has been communicated to employees. The Audit Committee is satisfied that the policy has been designed to encourage staff to report suspected wrongdoing as soon as possible, provide staff with guidance on how to raise those concerns, and ensure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken.

Significant areas reported to the Board

Financial instruments valuation

The Group finances its subsidiaries partly through preferred shares or convertible notes which are classified as liabilities and carried at fair value. The Group also holds financial assets held at fair value through profit and loss. Significant estimates are made when determining the appropriate valuation methodology and deriving the estimated fair value of the preferred shares and convertible notes. As such, they present a significant risk for the financial statements.

Parent company recoverability of intra-group debtors

The significant issue is the recoverability of the investment by the Company, due to its materiality in the context of the total assets of the Company. The carrying value of investments and related party receivables was not supported by the market capitalisation of the Group therefore an impairment was recorded. The Committee was satisfied with the conclusion reached.

Determination of the accounting and valuation of investment in associates and investments held at fair value

It has been determined that the Group no longer has control as defined in IFRS 10 but has maintained significant influence over some of its former subsidiaries and due to the fact that Group holds a variety of instruments in these entities, which have varying risks and rights, there is significant judgement in relation to the accounting for these instruments. It has been determined that where the instruments held are preferred shares these will be accounted for as financial assets and held at fair value rather than equity accounted for as associates. This is due to the fact that the preferred shares are determined not to have equity like features. The valuation of these financial assets also includes a significant level of judgement and external valuation specialists are utilised in this process. The Committee believes that the Group considered the pertinent terms and accurate accounting of each of the financial instruments (and sought external expertise as well).

Prior Year Adjustments

During 2019, three prior year adjustments were identified to the consolidated financial statements for the year ended 31 December 2018 as follows: share of loss in associate now reported as loss of \$3.7

million (previously loss of \$1.3 million); gain on deconsolidation and investments held at fair value now reported as \$55.1 million (previously income of \$42.8 million); loss on dissolution of subsidiaries now reported at \$11.3 million (previously \$ nil); and non-controlling interest now adjusted to accurately reflect the share of comprehensive loss and effect of change in Company's ownership interest resulting from changes in common stock ownership in subsidiaries of the Group. These adjustments have been reflected in this Annual Report and Accounts and are further described in note 25 to the consolidated financial statements.

Change in strategy – impact on viability

Reviewed the impact of the change in strategy on the Company's viability as stated in the Overview on pages 42 to 43, as the Directors have now determined to focus exclusively on supporting our seven existing portfolio companies and maximising monetisation opportunities for portfolio company interests, and not to deploy any capital into new portfolio companies. The Committee concluded that the change in strategy did not adversely impact the Company's viability.

Going concern

There is judgement relating to whether the Group and Company have sufficient financial resources to continue as a going concern based on the Group and Company's business model and other applicable factors that may impact such determination. As previously noted, the ongoing spread of COVID-19 has the potential to negatively impact the Group's and the Company's financial position. However, the Group continues to closely monitor the disease, its impact on its workforce, the global economy and its suppliers, customers and partners in order to make decisions and take meaningful actions to mitigate against disruption to operations across the portfolio and the potential negative financial impact. Taking all factors into consideration, management have assessed that the Group and Company continue to be a going concern and the Committee is satisfied with the assessment made.

External audit

- Reviewed and approved the scope of the external audit procedures over the half-yearly report for the period ended 30 June 2019, and the Annual Report and Accounts for the year ended 31 December 2019;
- 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. The Committee has considered, on an ongoing basis, that the Group receives a high quality and effective audit service from its external auditor. In evaluating KPMG's performance during 2019, prior to making a recommendation on its re-appointment for the following year, the Committee reviewed the quality of the audit, independence and overall performance of KPMG against industry standards. Charles le Strange Meakin was the audit partner through 2018, and Robert Seale has served in this capacity starting in 2019. The total fees to KPMG LLP for the year ended 31 December 2019 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 that all Group financial systems, transactions, and processes are conducted at the central office, 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.



Mark Lerdal

Chairman of the Audit Committee

4 June 2020

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 2019 which comprise the Consolidated Statement of Comprehensive Income/(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 2019 and of the Group’s profit 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 first appointed as auditor by the shareholders on 10 July 2014. The period of total uninterrupted engagement is for the six financial years ended 31 December 2019. 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.

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.

Valuation of financial instruments measured at fair value through profit/loss (\$62.7m financial assets, \$7m financial liabilities; 2018: \$56.5m financial assets, \$54.2m financial liabilities) (Risk is unchanged from prior year)

Refer to page 100 (Audit Committee Report), note 1 on pages 122 to 123 (accounting policy) and note 11, 16, 18 and 20 on pages 152 to 155, 159 to 163, 164 and pages 166 to 168 (financial disclosures).

The Group finances its subsidiaries partly through preferred shares or convertible notes which are classified as liabilities and carried at fair value. The Group also holds financial assets held at fair value through profit and loss.

Determining the fair value of the financial instruments involves a significant level of judgement around the assumptions used, and internal and external factors that may impact the assumptions.

The fair value of these liabilities is derived using an option pricing model (OPM) or Probability-Weighted Expected Return Model (PWERM) analysis or hybrid of both which involves a significant level of judgement around the key assumptions, such as subsidiary values (by applying either market, income or cost valuation approaches), volatility, expected time to the conversion event, forecast exit dates and scenarios and applicable probability weighting.

The valuation methodologies utilised to determine the subsidiary and associate equity valuations are based on the market approach (either implied value from a recent third party funding or comparable guideline public companies or comparable transactions), income approach or cost approach. It is noted that in the current and prior year none of the equity values were determined using the income approach.

- There is judgement in relation to the appropriate valuation technique to adopt in determining the equity value of each entity, dependent on the nature and the stage of the company being valued.
- Where the market approach (comparable public companies or transactions) is used, there is subjectivity relating to the comparable companies or transactions selected and then the equity value in the range that is used.
- For market based valuations utilising the implied value from recent third party funding rounds, there is judgement as to whether the funding round is sufficiently arm's length to ensure that it is representative of an independent market valuation at fair value. The considerations include whether the investors are, or include, third parties and whether the portion of investors that are third parties are sufficient to represent fair value as well as if the funding round is 'distressed funding' or other such factors which could impact whether it can be representative of fair value. There is also judgement in relation whether indexation should be applied to the valuation from the period between the date of the third party funding round and the year end date. This includes consideration of both market and company specific factors and events in this period.
- Where the valuation utilises the cost approach, there is judgement relating to whether the costs incurred by the company in developing the intellectual property and/ or the value of the IP and the assets of the company is representative of what would be recoverable if the company had to be sold.
- The effect of these matters is that, as part of our risk assessment, we determined that the valuation of financial instruments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 11 and 16) disclose the sensitivity estimated by the Group.

Our procedures included:

Our valuation expertise:

- We used our own valuation specialists to assist us in critically assessing certain key inputs utilised within the OPM, PWERMs or hybrid approaches for each company being valued, being equity value where derived from the market valuation approach and the volatility and risk free rates used in the OPM models using independent external corroboration.
- We critically challenged the appropriateness of the comparable companies utilised in the market based valuation approach by using our own valuation experts to source confirming and disconfirming evidence. which involves critically assessing the appropriateness of the comparable companies and transactions utilised in the valuation by management's experts as well as forming their own independent view on which companies should be included in the assessment.
- Our valuation specialists critically assessed the appropriateness of the discount rates applied for income based equity valuations, with specific focus on the venture capital rates of return utilised. We considered against the stage of development of the company where capital rates of return are utilised.
- Our valuation specialists critically assessed the appropriateness of comparable companies used by management's specialists in determining the volatility assumption by using their own comparable company data.
- Our valuation specialists critically assessed the appropriateness of the risk free rates used by reference to independent external corroboration.

Our valuation expertise:

- Our valuation experts assessed the expertise and independence of the external experts that assisted the Group in deriving the fair value amounts.

Methodology choice:

- We, with assistance from our specialists, assessed the appropriateness of the valuation methodology used for each company based on the specific circumstances relevant to each company such as the stage of development, whether there are relevant comparable companies to the company, whether reliable forecasts are available, proximity to funding round, the industry in which it operates and also the likely exit date of commercialisation date and assessed for consistency with the approach taken in the prior year, understanding and challenging changes made.

Test of detail:

- 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 included comparing to prior periods for consistency, assessing the probabilities assigned to the scenarios given the stage of the company in its life cycle, 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.
- Where valuations are based on the implied value from the most recent third party investment we assessed the accuracy of the data used including agreeing to related contracts and capitalisation tables. We evaluated the independence of the funding rounds on which the valuation was based by looking at the number of external investors included within the funding round and the significance of their

investments. For a sample of external investors we compared the directors and key management of those investors for any potential overlap with the Group. We also critically assessed whether there had been market or company specific events between the date of the third party funding round and the year end date which would impact the value of the company and therefore be needed to be considered in terms of indexing the valuation.

- Where an asset based valuation was utilised to value a company we critically assessed both the appropriateness of using this methodology, based on the circumstances specific to the company as well as critically assessing the appropriateness of the determined valuation amount with reference to the activities of the company to date and the value on its balance sheet.

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 valuation of financial instruments carried at fair value through profit and loss to be acceptable (2018: acceptable).

Determination of the accounting and valuation of investment in associate and investments held at fair value (\$68.7m; 2018: \$76.1m) (Risk is unchanged from prior year)

Refer to page 100 (Audit Committee Report), note 1 on page 121 (accounting policy) and note 11 on pages 149 to 155 (financial disclosures).

Accounting treatment: The Group has entities it controls and therefore consolidates these entities under IFRS 10 Consolidated Financial Statements. As the entities progress through their life cycles from start-up R&D activities through to commercialisation they may require further external funding which in some scenarios reduces the Group's shareholding to an extent that it loses control which results in them no longer consolidating the entity. Where the Group loses control of the entities, there is judgement in relation to whether the Group retains significant influence and therefore has an associate entity. Due to the fact that the Company holds a variety of instruments in the entities, which have varying risks and rights, there is significant judgement in relation to whether the shares that the Group holds are such that they should be equity accounted under IAS 28 Investments in Associates and Joint Ventures or accounted for as a financial asset under IFRS 9 Financial Instruments and therefore accounted for at fair value through profit or loss.

Subjective valuation:

There is a significant level of judgement involving estimates in relation to determining the fair value of this financial asset. The valuation risk is outlined on page 104 to 106.

In the current year this risk is specific to Federated Wireless Inc, Spin Memory Inc. TableUp Inc and Orbital Sidekick Inc.

Our procedures included:

- Accounting analysis: We assessed the Group's determination of whether significant influence exists

including key factors such as; access to financial information, presence on the Board of Directors and voting rights of shares owned by the Group. We have considered The Group's technical accounting where there is a determination that the investment held by the Group falls within the scope of IAS 28 and/or IFRS 9. We have considered the appropriate accounting in each case whether that be equity accounting or accounted as a financial asset or a combination of both.

- Assessing transparency: We considered the adequacy of the disclosure of the accounting treatment in the financial statements and disclosure of assumptions relating to the valuation of the investment when it falls into the scope of IFRS 9.
- Our valuation expertise: We assessed the Group's valuation of the financial assets in line with the procedures outlined in our response to the significant risk detailed in the "Valuation of preferred share liabilities measured at fair value through profit/loss".

Our results

We found the determination of the classification of and the valuation of the investments to be acceptable (2018: acceptable).

Parent company recoverability of intra-group debtors (\$187.4m; 2018: \$186.8m) (Risk is unchanged from prior year)

Refer to note 1 on page 181 (accounting policy) and note 4 on page 183 (financial disclosures).

High risk, High value

The carrying amount of the parent company's intra-group debtor balance with the intermediary holding company represents 99% (2018: 99%) of the Company's total assets. The recoverability of this balance is at risk of due to the fall in value of some of the subsidiaries including the fact that a number of subsidiaries have ceased to operate in the year. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in determining the fair value of the subsidiaries. The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the intra-group debtors has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. 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:

- We compared the carrying amount of the intra-group debtor to the market capitalisation of the Group, as Allied Minds LLC contains all of the Group's trading operations, to assess for indicators of impairment.
- As an indicator of impairment was identified, we compared the carrying value of the intercompany receivables to the sum of valuations derived for the purposes of the fair value of the financial instruments plus the cash that is held by intermediate holding companies to determine if an impairment should be recorded.

Our results

We found the Group's assessment of the parent Company recoverability of intra-Group debtors to be

acceptable (2018: acceptable).

In our audit report for the year ended 31 December 2018 we included:

- Financial instrument liabilities – preferred shares classification as one of the risks of material misstatement that had the greatest effect on our audit. However, as the Group did not issue any new preferred shares with different terms, there was no judgement in assessing whether the instrument 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.
- Revenue recognition as one of the risks of material misstatement that had the greatest effect on our audit. However, as the group had limited new revenue contracts during the year that were determined to not be complex, there was no significant level of judgement involved in revenue recognition.
- Going concern as one of the risks of material misstatement that had the greatest effect on our audit. However, as the Group was able to sell one of its minority investments in the year which resulted in sufficient cash for the company to remain a going concern for at least 12 months from signing the financial statements. The impact of COVID-19 has been considered in this assessment and determined that, although there still remains uncertainty, it is likely to have a limited impact on the cash and therefore going concern position of the Group.

Therefore these are no longer one of the most significant risks in our current year audit and are therefore not separately identified in our report this year.

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

Materiality for the Group financial statements as a whole was set at \$1.3m (2018: \$0.9m), determined with reference to a benchmark of total assets (2018: total expenses (being general and administrative expenses and research and development expenses)) of \$170.5m (2018: \$94.3m) which represents 0.7% (2018: 1.0%). Total assets is considered to be the most appropriate benchmark given the change in strategy of the company to managing its existing portfolio and ceasing investment in new companies. Allied Minds are now predominantly focussed on increasing the value of their currently held investments (assets) in order to realise a gain once they exit.

Materiality for the parent Company financial statements as a whole was set at \$0.3m (2018: \$0.8m), determined with reference to a benchmark of total assets of \$189.6m (2018: \$188.8m), of which it represents 0.16% (2018: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$65k (2018: \$45k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 4 (2018: 2) reporting components, we subjected 4 (2018: 2) to full scope audits for group purposes.

The components within the scope of our work accounted for 100% of revenue, profit/ loss for the year and total assets. The component materiality ranged from \$260k to \$845k, having regard to the mix of size and risk profile of the Group across the components. The work on all components, including the audit of the parent Company, was performed by the Group team.

100% of revenue, profit/ loss for the year and total assets have been included in the scope of our audit work.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was:

- Failure to raise future funding to finance the Group's strategic business model.

As this risk could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, 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 41 to 42 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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 emerging and 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 on pages 42 to 43 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal and Emerging Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

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 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.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 44 to 45, 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 general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, Food and Drug Administration regulation and whether they need to comply with the 1940's Investment Act and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, 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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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.

Robert Seale (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

4 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/ (LOSS)

For the year ended 31 December	Note	2019 \$ '000	2018 Restated* \$ '000
Revenue	3	2,692	5,561
Operating expenses:			
Cost of revenue	4,5	(1,433)	(2,827)
Selling, general and administrative expenses	4,5	(34,316)	(49,328)
Research and development expenses	4,5	(16,146)	(44,947)
Operating loss		(49,203)	(91,541)
Other income:			
Gain on disposal of assets	11	165	3,887
Gain on deconsolidation of subsidiary	11	69,828	52,857
Gain on investments held at fair value (net)	11	41,194	2,213
(Loss)/ gain on dissolution of subsidiaries	4,15	7,128	(11,279)
Other income		118,315	47,678
Finance income	7	1,008	1,775
Finance cost	7	(267)	(462)
Finance income from IFRS9/ fair value accounting	7	9,251	91,562
Finance income/(loss), net		9,992	92,875
Share of net loss of associates accounted for using the equity method	11	(28,850)	(3,658)
Income before taxation		50,254	45,354
Taxation	23	—	—
Income for the period		50,254	45,354
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		808	561
Other comprehensive income, net of taxation		808	561
Total comprehensive income for the period		51,062	45,915
Income/(loss) attributable to:			
Equity holders of the parent		51,335	37,355
Non-controlling interests	15	(1,081)	7,999
		50,254	45,354
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		52,143	37,916
Non-controlling interests	15	(1,081)	7,999
		51,062	45,915
Income per share		\$	\$
Basic	8	0.21	0.16
Diluted	8	0.21	0.16

*See accompanying notes to consolidated financial statements. Prior year financials have been restated (see note 25).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December	Note	2019 \$ '000	2018 Restated* \$ '000
Non-current assets			
Property and equipment	9	1,485	5,997
Intangible assets	10	197	1,221
Investment at fair value	11,20	61,895	56,544
Investment in associate	11	6,845	19,543
Right-of-use assets	19	1,016	—
Other financial assets	20	1,257	434
Total non-current assets		72,695	83,739
Current assets			
Cash and cash equivalents	12	90,571	97,734
Restricted cash	12	—	2,500
Trade and other receivables	13	5,702	6,400
Other financial assets	20	1,581	400
Total current assets		97,854	107,034
Total assets		170,549	190,773
Equity			
Share capital	14	3,759	3,743
Share premium	14	—	160,170
Merger reserve	14	—	263,367
Translation reserve	14	1,459	651
Accumulated profit/ (deficit)	14	147,238	(325,635)
Equity attributable to owners of the Company		152,456	102,296
Non-controlling interests	14,15	115	18,484
Total equity		152,571	120,780
Non-current liabilities			
Lease liabilities	19	2,854	—
Other non-current liabilities	18	1,965	436
Total non-current liabilities		4,819	436
Current liabilities			
Trade and other payables	17	4,685	13,030
Deferred revenue	3	3,457	2,333
Subsidiary preferred shares	16	5,017	54,194
Total current liabilities		13,159	69,557
Total liabilities		17,978	69,993
Total equity and liabilities		170,549	190,773

*See accompanying notes to consolidated financial statements. Prior year financials have been restated (see note 25).

Registered number: 08998697

The financial statements on pages 115 to 177 were approved by the Board of Directors and authorised for issue on 4 June 2020 and signed on its behalf by:



Joseph Pignato
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Share capital		Share	Merger	Translation	Accumulated	Total parent	Non-controlling	Total
		Shares	Amount	premium	reserve	reserve	Profit/(Deficit)	equity	interests	equity
			\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Balance at 31 December 2017		238,202,541	3,714	158,606	263,367	89	(354,443)	71,333	(59,241)	12,092
Prior year adjustment*	25	—	—	—	—	—	(12,992)	(12,992)	10,332	(2,660)
Balance at 31 December 2017 restated*		238,202,541	3,714	158,606	263,367	89	(367,435)	58,341	(48,909)	9,432
Total comprehensive income for the year										
Income from continuing operations restated*		—	—	—	—	—	37,355	37,355	7,999	45,354
Foreign currency translation		—	—	—	—	562	(63)	499	—	499
Total comprehensive income for the year						562	37,292	37,854	7,998	45,853
Issuance of ordinary shares	14	1,224,831	17	—	—	—	—	17	—	17
Gain/(loss) arising from change in non-controlling interest restated*	15	—	—	—	—	—	(889)	(889)	889	—
Deconsolidation of subsidiaries restated*	15	—	—	—	—	—	—	—	45,209	45,209
Dissolution of subsidiaries restated*	15	—	—	—	—	—	—	—	11,279	11,279
Exercise of stock options	6	887,373	12	1,564	—	—	—	1,577	—	1,577
Equity-settled share based payments	6	—	—	—	—	—	5,397	5,397	2,016	7,413
Balance at 31 December 2018 restated*		240,314,745	3,743	160,170	263,367	651	(325,635)	102,296	18,484	120,780
Total comprehensive income for the year										
Income from continuing operations		—	—	—	—	—	51,335	51,335	(1,081)	50,254
Foreign currency translation		—	—	—	—	808	—	808	—	808
Total comprehensive income for the year						808	51,335	52,143	(1,081)	51,062
Issuance of ordinary shares	14	1,248,378	16	—	—	—	—	16	—	16
Gain/(loss) arising from change in non-controlling interest	15	—	—	—	—	—	—	—	(194)	(194)
Capital reduction	15	—	—	(160,170)	(263,367)	—	423,537	—	—	—
Deconsolidation of subsidiaries	15	—	—	—	—	—	—	—	1,550	1,550
Dissolution of subsidiaries	15	—	—	—	—	—	—	—	(7,128)	(7,128)
US subsidiary distribution to shareholders		—	—	—	—	—	—	—	(12,050)	(12,050)
Equity-settled share based payments	6	—	—	—	—	—	(1,999)	(1,999)	534	(1,465)
Balance at 31 December 2019		241,563,123	3,759	—	—	1,459	147,238	152,456	115	152,571

*See accompanying notes to consolidated financial statements. Prior year financials have been restated (see note 25).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	<i>Note</i>	2019 \$ '000	2018 Restated* \$ '000
Cash flows from operating activities:			
Income/(loss) for the period*		50,254	45,354
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	9	2,273	5,662
Amortisation	10	551	396
Impairment losses on property and equipment	9	421	84
Impairment losses on intangible assets	10	250	461
Share-based compensation expense	5,6	(1,465)	7,413
Gain on disposal of assets	4	(165)	(3,887)
Gain on investments held at fair value*	11	(41,194)	(2,213)
Gain on deconsolidation of subsidiary*	11	(69,828)	(52,857)
(Loss)/gain on dissolution of subsidiaries*	4	(7,128)	11,279
Share of net loss of associate*	11	28,850	3,658
Changes in working capital:			
Decrease in trade and other receivables	13	(429)	(7)
(Increase)/decrease in other assets	11	(2,412)	(614)
Increase in trade and other payables	17	(2,929)	4,836
(Decrease)/increase in other non-current liabilities	17	(1,042)	(686)
Increase in deferred revenue	3	1,136	1,623
Increase/(decrease) in other liabilities		6,182	(380)
Unrealised (gain)/loss on foreign currency transactions		808	561
Other finance (income)/expense	7	(8,984)	(91,562)
Net cash used in operating activities		(44,851)	(70,879)
Cash flows from investing activities:			
Purchases of property and equipment, net of disposals	9	(3,604)	(7,908)
Purchases of intangible assets, net of disposals	10	(71)	(1,202)
Purchase of investments at fair value	11	(7,500)	(7,500)
Proceeds on disposal of assets	11	65	3,600
Cash payment on disposal of assets	11	—	(113)
Receipt of payment for finance sub-lease	19	61	—
Proceeds on disposal of other investments	11	65,605	11,057
Cash derecognised upon loss of control over subsidiary	11	(33,051)	(25,928)
Net cash provided/(used in) by investing activities		21,505	(27,994)
Cash flows from financing activities:			
Proceeds from exercise of stock options	6,14	—	1,577
Proceeds from issuance of convertible notes	18	1,965	—
Payment of lease liability	19	(1,540)	—
US Subsidiary distributions to shareholders		(12,050)	—
Proceeds from issuance of share capital	6,14	16	17
Proceeds from issuance of preferred shares in subsidiaries	16	25,292	39,438
Net cash provided by financing activities		13,683	41,032
Net decrease in cash and cash equivalents, and restricted cash		(9,663)	(57,841)
Cash and cash equivalents, beginning of the period		100,234	158,075
Cash and cash equivalents, and restricted cash, end of the period		90,571	100,234

*See accompanying notes to consolidated financial statements. Prior year financials have been restated (see note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(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 2019. 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 except that the following assets and liabilities are stated at their fair value: investments held at fair value, derivative financial instruments and financial instruments classified as fair value through the profit or loss.

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:

Significant estimates made include:

- Note 11 and 17 – Valuation of financial instruments measured at fair value through profit/loss: There is uncertainty in estimating the fair value of subsidiary note payables, subsidiary preferred shares, and convertible note assets and investments carried at fair value through profit and loss (FVTPL) according to IFRS 9 at initial recognition and upon subsequent measurement. This includes determining the appropriate valuation methodology and making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability, the probability weighting of the scenarios and other industry and company specific risk factors.

Significant judgements made include:

- Note 11 – there is judgement in considering when the power to control the subsidiary exists or retaining significant influence as it is dependent on certain factors including the voting power the entity exercises over the company, the proportion of seats the company controls on the board and the investees dependence on the investor for funding, knowledge and its operations.
- Note 11 – as the entities in the group progress they require further external funding which in some scenarios reduces the Group's shareholding to an extent that it loses control under IFRS 10 which results in them no longer being able to consolidate the entity. There is a significant judgement in relation to whether the shares are accounted for as an investment in associate per IAS 28 or as a financial asset per IFRS 9 and therefore held at fair value. This judgement includes, among others, an assessment of whether the Company has representation on the board of directors of the investee, whether the Company participates in the policy making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee and if there are any transactions between the Company and the investee.
- Note 17 – financial instrument 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 is included below under Financial Instruments.
- Note 11 and 17 – financial instrument valuations and investment at fair value valuations: when determining the appropriate valuation methodology.

Other estimates and judgments:

- Note 3 – revenue recognition: in determining the correct amount of revenue to be recognised, the Directors 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 or make estimates of future costs when applying the inputs method.
- Note 3 – timing of revenue recognition: making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards and in determining whether revenue should be recognised at a point in time or over a period of time.

Changes in Accounting Policies

With the exception of the new standards the Group adopted as of 1 January 2019, included below, no other new standards, interpretations and amendments have had a material effect on the Group's financial

statements.

Going Concern

The Directors have taken proactive cost management measures that include reduction in expenses of the management function of the head office at the parent level. They have also decided to focus exclusively on supporting the 7 existing portfolio companies and maximising monetisation opportunities for portfolio company interests, and not to deploy any capital into new portfolio companies. In the event of successful monetisation events from the sale of portfolio companies or portfolio company interests, the Directors anticipate distributing the net proceeds to shareholders, after due consideration of potential follow-on investment opportunities within the existing portfolio and working capital requirements. The Directors expect this strategy to take at least three years to be fully implemented, and as a matter of good governance, will continue to keep this strategy under review at appropriate intervals. They have prepared trading and cash flow forecasts for the parent covering the period to 31 December 2023 after taking into account the \$40.0 million dividend paid to shareholders in February 2020 after the successful disposal of its ownership in Hawkeye 360. Reflecting this revised strategy, although 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 parent has \$84.1 million of available funds in the form of cash and cash equivalents as at 31 December 2019, the Directors have a reasonable expectation that the parent has adequate cash to continue in operational existence for a period of not less than 12 months from the date of approval of the financial statements.

The Directors have also put in measures to mitigate against the risks to the business due to the impact of COVID-19. Specifically, these include closely monitoring the health, safety and security of our workforce; complying with applicable regulatory requirements and guidelines; implementing temporary travel restrictions; making accommodations to allow our workforce to work remotely; and remaining in close communication with all of our customers, suppliers and partners to collaborate on how to best support each other's needs in this new environment.

Despite all of this, any impact from COVID-19 will not affect Allied Minds from a going concern perspective. In fact, the impact of COVID-19 is adding cost savings during Q1 2020 and into Q2 2020 as a result of suspension of all travel for board meetings, investor meetings and the 2020 Annual General Meeting. These savings have a positive impact on Allied Minds as a going concern.

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 2019 and 2018 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. To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests and are more akin to debt like securities, the instrument held by Allied Minds is accounted for in accordance with IFRS 9.

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.

Cash and Cash Equivalents

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

Financial Instruments

Classification – Financial Assets

IFRS 9 contains a 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”). 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 are 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 fair value. 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 are 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 are classified as assets at amortised cost under IFRS 9.

Investments at fair value: Reflect investments made by the Group in non-derivative instruments of the investees that are designated in this category or not classified in any other category. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date, and on derecognition. The Company elects if the gain or loss will be recognised in the Consolidated Statements of Comprehensive Income/ (Loss) in Other Comprehensive Income/(Loss) or through the profit and loss on an instrument by instrument basis. Investments at fair value are presented in the Consolidated Statements of Financial Position as non-current assets, unless the Group intends to dispose of them within 12 months after the end of the reporting period. If the investments at fair value continue to 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 decided to classify them as FVTPL. 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. To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests and are more akin to debt like securities, the instrument held by Allied Minds is accounted for in accordance with IFRS 9.

Classification – Financial Liabilities

Under IFRS 9 all fair value changes of liabilities designated as at fair value through profit or loss are generally 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.

Impairment

IFRS 9 includes a ‘forward looking expected credit loss’ (“ECL”) model. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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
Right-of-Use Assets	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.

The directors have considered the value of fixed assets without revaluing them.

The directors are satisfied that the aggregate value of those assets at the time in question is or was not less than aggregate amount at which they are or were for the time being stated in the company's accounts

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.

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
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.

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

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

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.

Revenue Recognition

The Group recognizes revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods. In order to achieve this, the Group uses the five step model outlined in IFRS 15: 1) to identify the contract with the customer; 2) identify the performance obligation(s) in the contract; 3) determine the transaction price; 4)

allocate the transaction price to the performance obligation(s); and 5) recognise revenue when (or as) we satisfy the performance obligation(s).

IFRS 15 implements a uniform method of recognising revenue based on the actual contract and performance obligation. Under IFRS 15, revenue will be recognised when the Company satisfies a performance obligation by transferring a promised good or service to its customer. As such, the amount of revenue recognised is the amount allocated to the satisfied performance obligation. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer).

Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Based on Group's assessment, it was concluded that the majority of the Company's projects that:

- *Render a service* is performed on a time and materials basis and revenue will be recognised as services are provided based on actual hours worked for a set period. The performance obligations identified within these projects are distinct and meet the criteria resulting in transfer of control over time.
- *Sell goods*, revenue is recognised when the control of the products were transferred to the customer. The performance obligations identified within these projects are distinct and meet the criteria resulting in transfer of control at a point in time.

Refer to Note 3, "Revenue Recognition," for additional information related to the net revenue recognised in the consolidated statements of operations.

Finance Income and Finance Costs

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

Fair Value Measurements

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

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

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

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

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

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

Operating 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.

Newly adopted standards

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. The standard is effective for annual periods beginning on or after 1 January 2019.

Under IAS 17 payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees in a similar way to finance leases under IAS 17. The new lease standard requires leases to be accounted for using a right-of-use model, which recognises that, at the date of commencement, a lessee has a financial obligation to make lease payments to the lessor for the right to use the underlying asset during the lease term. The lessee recognizes a corresponding right-of-use asset related to this right.

On 1 January 2019, the Company elected to adopt the new lease standard using the modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transition and therefore comparative information will not be restated.

Upon transition, the Group has applied the following practical expedients:

- excluding initial direct costs from the right-of-use assets;
- use hindsight when assessing the lease term;
- not reassessing whether a contract is or contains a lease; and
- not separating the lease components from the non-lease components in lease contracts.

The Group has elected to account for lease payments as an expense on a straight-line basis over the life of the lease for:

- Leases with a term of 12 months or less and containing no purchase options; and
- Leases where the underlying asset has a value of less than \$5,000.

The lease liability is initially measured at the present value of the lease payments that are not paid at the transition date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group used its incremental borrowing rate. The right-of-use asset is depreciated on a straight-line basis and the lease liability will give rise to an interest charge.

Finance leases will continue to be treated as finance leases. In November 2019 the Company has relocated its corporate headquarters as part of management's initiative to minimise headquarters expenses. As a result, starting November 2019, the Company entered into a sublease for the remaining period of the head lease.

Based on the information currently available, the Group recognised additional lease liabilities of \$4.5 million and \$4.2 million in lease assets with the cumulative effect of \$0.2 million that was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019. Those rights and obligations are primarily related to operating leases for office and laboratory space.

In 2019, the Company entered into additional leases that added more right of use assets and lease liabilities to the statement of financial position. Further information regarding the right of use asset and lease liability can be found in Note 19.

Other new standards and interpretations adopted in the current year that did not have a material impact on the Company's financial statements were as follows:

- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017).

(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 2020, 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:

Effective date	New standards or amendments
1 January 2020	<i>Amendments to References to Conceptual Framework in IFRS Standards</i>
	<i>Definition of a Business (Amendments to IFRS 3)</i>
	<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>
	<i>Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Benchmark reform</i>
1 January 2021	<i>IFRS 17 Insurance Contracts</i>
Available for optional adoption/ effective date deferred indefinitely	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>

(3) Revenue

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

For the year ended 31 December:	2019 \$'000	2018 \$'000
Product revenue	61	290
Service revenue	2,631	5,271
Total revenue in consolidated statement of income/(loss)	2,692	5,561

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The Group disaggregates contract revenue based on the transfer of control of the underlying performance obligations:

For the year ended 31 December:	2019 \$'000	2018 \$'000
Transferred at a point in time	—	—
Transferred over time	2,692	5,561
Total revenue in consolidated statement of income/(loss)	2,692	5,561

Product revenue includes license revenue of \$61,000 and \$40,342 during 2019 and 2018, respectively.

Contract Balances

Accounts receivables represent rights to consideration in exchange for products or services that have been transferred by the Group, when payment is unconditional and only the passage of time is required before payment is due. Accounts receivables do not bear interest and are recorded at the invoiced

amount. Accounts receivable are included within Trade and other receivables on the Consolidated Statement of Financial Position.

Contract assets represent the Group's right to consideration in exchange for products or services that have not been transferred by the Group as yet. The balances will be recognised in Profit and Loss when the related performance obligation is met. Prepayments are included within Trade and other receivables on the Consolidated Statement of Financial Position.

Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received, or for which an amount of consideration is due from the customer. When applicable, contract assets and liabilities are reported on a net basis at the contract level, depending on the contracts position at the end of each reporting period. Contract liabilities are included within deferred revenue on the Consolidated Statement of Financial Position.

As of 31 December:	2019	2018
	<u>\$'000</u>	<u>\$'000</u>
Accounts receivable	60	1,334
Prepayments that represent contract assets	4,528	2,380
Deferred revenue, current	3,457	2,333
Total deferred revenue in statement of financial position	<u>8,045</u>	<u>6,047</u>

(4) Operating Segments

Basis for Segmentation

For management purposes, the Group's principal operations are currently organised in three 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;
- (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;
- (iii) Minority holdings companies – reflects the activity related to portfolio companies other than consolidated subsidiary businesses where the Group has made a minority investment and does not control or exercise joint control over the financial and operating policies of those entities.

Minority holdings: As of year-end 2018, as a result of its investment activities in 2018, Allied Minds captures its minority and deconsolidated portfolio companies within the minority holdings segment. As of 31 December 2019, this operating segment includes the following:

- Spin Memory, Inc., one of the company's subsidiaries that was deconsolidated during the second half of 2018 as a result of financing events at the company;

- TableUp, Inc. and Orbital Sidekick, Inc., two companies in which Allied Minds holds a significant minority stake.
- As a result of Federated Wireless' most recent financing round that was completed in September 2019, Allied Minds' issued and outstanding ownership percentage dropped from 52.23% to 42.57%. Consequently, the Company no longer controls a majority of the outstanding voting stock or a majority of the board seats and as a result, the subsidiary was deconsolidated and included as part of the minority holdings segment. Allied Minds recognised the fair value of the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock (collectively the "Federated Wireless Preferred Stock") held in Federated Wireless as an investment at fair value. Additionally, due to Allied Minds Common Stock holdings that have equity-like characteristics, the investment is accounted for under IAS 28 and is classified by the Company as an investment in associate. At 31 December 2019, Allied Minds' investment was adjusted by the share of losses generated by Federated Wireless from 3 September through 31 December 2019 of \$9.3 million. Upon deconsolidation, the Company recognised a gain of \$69.8 million at consolidated financial statement level. The gain was calculated by taking the difference between the fair value of the interest retained in the former subsidiary at the date control is lost less the carrying amount of net assets any non-controlling interests of the former subsidiary.
- On 8 November 2019, Allied Minds completed the disposal of its entire stake in its portfolio company, HawkEye 360, to Advance for cash consideration of \$65.6 million and as such, the company is no longer included within the minority holdings segment.

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.

Information about Reportable Segments

The following provides detailed information of the Group's reportable segments as of and for the years ended 31 December 2019 and 2018, respectively:

	2019				Consolidated
	Early stage	Later stage	Minority Holdings	Other operations	
	\$'000				
Statement of Comprehensive Loss					
Revenue	—	1,226	1,466	—	2,692
Cost of revenue	—	(805)	(628)	—	(1,433)
Selling, general and administrative expenses	(2,475)	(3,347)	(11,501)	(16,993)	(34,316)
Research and development expenses	(2,963)	(4,068)	(9,115)	—	(16,146)
Other income	7,273	21	-	111,021	118,315
Finance income/(cost), net	6,687	6,653	3,546	(6,894)	9,992
Share of net loss of associates accounted for using the equity method	—	—	—	(28,850)	(28,850)
Income/(loss) for the period	8,522	(320)	(16,232)	58,284	50,254
Other comprehensive income	—	—	—	808	808
Total comprehensive income/(loss)	8,522	(320)	(16,232)	59,092	51,062

Total comprehensive income/ (loss) attributable to:					
Equity holders of the parent	8,906	(658)	(15,197)	58,284	51,335
Non-controlling interests	<u>(384)</u>	<u>338</u>	<u>(1,035)</u>	<u>—</u>	<u>(1,081)</u>
Total comprehensive income/(loss)	<u>8,522</u>	<u>(320)</u>	<u>(16,232)</u>	<u>58,284</u>	<u>50,254</u>

Statement of financial position

Non-current assets	494	1,302	—	70,899	72,695
Current assets	<u>2,173</u>	<u>9,209</u>	<u>—</u>	<u>86,472</u>	<u>97,854</u>
Total assets	2,667	10,511	—	157,371	170,549
Non-current liabilities	(425)	(2,082)	—	(2,312)	(4,819)
Current liabilities	<u>(3,257)</u>	<u>(20,213)</u>	<u>—</u>	<u>10,311</u>	<u>(13,159)</u>
Total liabilities	(3,682)	(22,295)	—	7,999	(17,978)
Net assets/(liabilities)	<u>(1,015)</u>	<u>(11,784)</u>	<u>—</u>	<u>165,370</u>	<u>152,571</u>

2018 Restated*

\$'000

	Early stage	Later stage	Minority Holdings	Other operations	Consolidated
Statement of Comprehensive Loss					
Revenue	250	4,792	519	—	5,561
Cost of revenue	(5)	(2,384)	(438)	—	(2,827)
Selling, general and administrative expenses	(2,168)	(17,400)	(10,907)	(18,853)	(49,328)
Research and development expenses	(4,454)	(23,763)	(16,730)	—	(44,947)
Other income	(7,392)	—	—	55,070	47,678
Finance income/(cost), net	261	57,597	34,247	770	92,875
Share of net loss of associates accounted for using the equity method	—	—	—	(3,658)	(3,658)
Income/(loss) for the period	(13,508)	18,842	6,691	33,329	45,354
Other comprehensive income	—	—	—	561	561
Total comprehensive income/(loss)	<u>(13,508)</u>	<u>18,842</u>	<u>6,691</u>	<u>33,890</u>	<u>45,915</u>
Total comprehensive loss attributable to:					
Equity holders of the parent	(12,646)	9,067	7,605	33,329	37,355
Non-controlling interests	<u>(862)</u>	<u>9,777</u>	<u>(916)</u>	<u>—</u>	<u>7,999</u>
Total comprehensive income/(loss)	<u>(13,508)</u>	<u>18,844</u>	<u>6,689</u>	<u>33,329</u>	<u>45,354</u>
Statement of financial position					
Non-current assets	(50)	6,895	—	76,894	83,739
Current assets	<u>19,529</u>	<u>33,537</u>	<u>—</u>	<u>53,968</u>	<u>107,034</u>
Total assets	19,479	40,432	—	130,862	190,773
Non-current liabilities	—	(60)	—	(376)	(436)
Current liabilities	<u>(1,696)</u>	<u>(64,156)</u>	<u>—</u>	<u>(3,705)</u>	<u>(69,557)</u>
Total liabilities	(1,696)	(64,216)	—	(4,081)	(69,993)
Net assets/(liabilities)	<u>17,783</u>	<u>(23,784)</u>	<u>—</u>	<u>126,781</u>	<u>120,780</u>

All closed or dissolved subsidiaries were presented in the Early Stage segment up to the time at which they were all dissolved. In September 2019, Allied Minds sold all its shares in QuayChain to Smart P3 Group, LLC. Accordingly, QuayChain is no longer part of our consolidated group and no longer one of our companies. The results of Quaychain to the date it was sold is included in the Early Stage Segment.

In May 2019, the Company completed an asset sale for LuxCath in return for a \$100 thousand in the form of a promissory note and other contingent consideration. During 2019, the Group ceased operations and dissolved each of Allied-Bristol Life Sciences, LLC, ABLs II, LLC, ABLs IV, LLC, ABLs Capital, LLC entity, Precision Biopsy and Signature Medical. The impact of this was assessed in the Group financials as of 31 December 2019 and unrecoverable amounts were written off. The Group recorded \$7.2 million gain on dissolution of subsidiaries as of 31 December 2019 (2018: income of \$11.3 million).

Later stage companies comprise those that have graduated from Early stage by way of further advancements in their development as described above. Those currently include BridgeComm, and SciFluor Life Sciences. This change has been reflected accordingly in the comparative year information about reportable segments. For the twelve months ended 31 December 2019, the spend and loss before taxes in the Minority Interests segment reflects Federated Wireless for the period between 4 September 2019 and 31 December 2019. The Group has retrospectively restated 2018 segment amounts to reflect the above transactions.

The results of the management function of the head office at the parent level of Allied Minds are reported separately as Other operations. As the investment in associate is a parent activity, the share of loss, gain on deconsolidation, remeasurement of the investments to fair value and investment in associate are disclosed in the Other operations segment.

Summarised information related to the Company's operating revenues by reporting segment for the years ended 31 December 2019 and 2018 is as follows:

	2019			2018		
	Service revenue	Software revenue	Total	Service revenue	Software revenue	Total
Early Stage	-	-	-	-	250	250
Later Stage	1,225	-	1,225	4,752	40	4,792
Minority	1,406	61	1,467	519	-	519
Total revenue	2,631	61	2,692	5,271	290	5,561

In 2019, Cost of revenue and Selling, general and administrative expenses of Early stage, Later stage, Minority holdings and Other operations segments included depreciation and amortisation expense of \$115,000, \$664,000, \$597,000, and \$233,000, respectively (2018: \$117,000, \$1,041,000, \$4,664,000, and \$235,000, respectively).

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed further in notes 11 and 16.

Geographic Information

The Group revenues and net operating losses for the years ended 31 December 2019 and 2018 are considered to be entirely derived from its operations within the United States and accordingly no additional geographical disclosures 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 ended 31 December:	2019	2018
Selling, general and administrative	41	68
Research and development	71	124
Total	112	192

The aggregate payroll costs of these persons were as follows:

For the year ended 31 December:	2019	2018
	\$'000	\$'000
Selling, general and administrative	17,960	25,896
Research and development	8,043	21,070
Total	26,003	46,966

Total operating expenses were as follows:

For the year ended 31 December:	2019	2018
	\$'000	\$'000
Salaries and wages	23,727	33,915
Payroll taxes	1,290	2,267
Healthcare benefit	1,942	2,233
Other payroll cost	509	1,138
Share-based payments	(1,465)	7,413
Total	26,003	46,966
Cost of revenue	1,433	2,827
Other SG&A expenses	16,356	23,432
Other R&D expenses	8,103	23,877
Total operating expenses	51,895	97,102

	2019	2018
	\$'000	\$'000
Auditor's remuneration		
Audit of these financial statements	544	618
Audit of the financial statements of subsidiaries	—	20
Audit-related assurance services	122	211
	666	849

The Group recorded an impairment charge on property and equipment of \$0.5 million (2018: \$0.1 million) and on intangible assets of \$0.1 million (2018: \$0.5 million) and wrote off certain tangible and intangible assets as a result of companies that were closed during fiscal year 2019.

See note 6 for further disclosures related to share-based payments and note 22 for management's remuneration disclosures.

(6) Share-Based Payments

UK Long Term Incentive Plan

Under the UK Long Term Incentive Plan ("LTIP"), awards of 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.

On 10 June 2019, the Board has determined to retire the long term incentive plan (LTIP) scheme for executive directors, management and other employees. New annual LTIP awards planned for issuance in May 2019 subsequent to the release of annual results, were cancelled and no future awards will be made to executive directors, management and other employees. Historic awards will remain outstanding and eligible to vest in accordance with their terms. A significant majority of the outstanding awards are subject to relative total shareholder return (TSR) performance. At the current share price no value is attributable to these performance awards.

The Company issued awards under the LTIP during 2019 and 2018 in respect of a total of 343,383 and 3,924,851 Ordinary Shares, respectively. A summary of stock option activity under the UK LTIP for the year ended 31 December 2019 and 2018, respectively, is shown below:

For the year ended 31
December:

	2019			2018		
	rTSR	SVM	Time	rTSR	SVM	Time
Number of shares granted at maximum ('000)	—	—	343	3,481	—	444
Weighted average fair value (\$)	—	—	0.63	1.13	—	1.12
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 credit for the fiscal year ended 31 December 2019 related to the UK LTIP was \$1.9 million (2018: \$5.4 million charge).

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.

No new stock option grants were awarded in 2019 and 2018 under the Allied Minds 2008 Plan. A summary of stock option activity in the U.S. Stock Plan is presented in the following table:

For the twelve months ended:	31 December 2019		31 December 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as of 1 January	1,300,000	\$ 2.15	7,499,116	\$2.21
Exercised during the period	—	\$ 0.00	(887,373)	\$1.78
Forfeited during the period	(1,070,000)	\$ 1.80	(5,311,743)	\$2.30
Outstanding as of period end	230,000	\$ 2.49	1,300,000	\$2.15
Exercisable at period end	230,000	\$ 2.49	1,300,000	\$2.15
Intrinsic value of exercisable	\$ nil		\$ nil	

The options outstanding as of 31 December 2019 had an exercise price of \$2.49 (2018: a range of \$1.78 to \$2.49).

Allied Minds Phantom Plan

In 2007, Allied Minds established a cash settled 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.

In December 2019, the Company made a distribution of \$4.9 million to participants under the terms of the Company's Phantom Plan as a result to Allied Minds' sale of its entire stake in its portfolio company HawkEye 360 for cash consideration of \$65.6 million in November 2019. No other amounts have been scheduled to be paid out to employees under the Phantom Stock Plan through 31 December 2019.

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2019 and 2018. Management records 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 credit/charge related to stock options of approximately \$1,465,000 and \$7,413,000 for the years ended 31 December 2019 and 2018, respectively. There was no income tax benefit recognised for share-based payment arrangements for the years ended 31 December 2019 and 2018, respectively, due to operating losses.

The following table provides the classification of the Group's consolidated share-based payment income/expense as reflected in the Consolidated Statement of Income/ (Loss):

For the year ended 31 December:	2019	2018
	<u>\$'000</u>	<u>\$'000</u>
Selling, general and administrative	(1,597)	6,047
Research and development	<u>132</u>	<u>1,365</u>
Total	<u><u>(1,465)</u></u>	<u><u>7,412</u></u>

(7) Finance Cost, Net

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

For the year ended 31 December:	2019	2018
	<u>\$'000</u>	<u>\$'000</u>
Interest income on:		
– Bank deposits	1,007	1,771
Foreign exchange gain	<u>1</u>	<u>4</u>
Finance income	<u>1,008</u>	<u>1,775</u>
Interest expense on:		
– Financial liabilities at amortised cost	(267)	(407)
Foreign exchange loss	<u>–</u>	<u>(55)</u>
Finance cost contractual	<u>(267)</u>	<u>(462)</u>
Income on fair value measurement of subsidiary preferred shares	<u>9,251</u>	<u>91,562</u>
Finance income	<u>8,984</u>	<u>91,100</u>
Total finance income, net	<u><u>9,992</u></u>	<u><u>92,875</u></u>

See note 17 for further disclosure related to subsidiary preferred shares.

(8) Income Per Share

The calculation of basic and diluted income per share as of 31 December 2019 was based on the income attributable to ordinary shareholders of \$51.3 million (2018: \$37.4 million) and a weighted average number of ordinary shares outstanding of 240,981,168 (2018: 239,915,664), calculated as follows:

Income) attributable to ordinary shareholders

	2019		2018	
	<u>\$'000</u>		<u>\$'000</u>	
	Basic	Diluted	Basic	Diluted
Income for the year attributed to the owners of the Company	<u>51,335</u>	<u>51,335</u>	<u>37,355</u>	<u>37,355</u>
Income for the year attributed to the ordinary shareholders	<u><u>51,335</u></u>	<u><u>51,335</u></u>	<u><u>37,355</u></u>	<u><u>37,355</u></u>

Weighted average number of ordinary shares

	2019		2018	
	Basic	Diluted	Basic	Diluted
Issued ordinary shares on 1 January	240,314,745	240,314,745	238,202,541	238,202,541
Effect of share capital issued	—	—	—	—
Effect of vesting of RSUs	666,423.35	666,423.35	896,372	896,372
Effect of share options exercised	—	—	816,751	816,751
Effect of dilutive shares	—	—	—	778,945
Weighted average ordinary shares	<u>240,981,168</u>	<u>240,981,168</u>	<u>239,915,664</u>	<u>240,694,609</u>

Income per share

	2019		2018 Restated*	
	\$		\$	
	Basic	Diluted	Basic	Diluted
Income per share	<u>0.21</u>	<u>0.21</u>	<u>0.16</u>	<u>0.16</u>

*Prior year financials have been restated (see note 25).

(9) Property and Equipment

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

Cost	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
<i>in \$'000</i>						
Balance as of 31 December 2017	34,673	676	5,674	1,194	568	42,785
Additions, net of transfers	1,685	184	1,813	464	3,762	7,908
Disposals	(561)	—	—	(14)	—	(575)
Deconsolidation of subsidiaries	<u>(33,334)</u>	<u>(151)</u>	<u>(4,405)</u>	<u>(733)</u>	<u>(2,691)</u>	<u>(41,314)</u>
Balance as of 31 December 2018	2,463	709	3,082	911	1,639	8,804
Additions, net of transfers	(71)	122	26	185	3,341	3,603
Disposals	(1,233)	(455)	(272)	(166)	—	(2,126)
Deconsolidation of subsidiaries	<u>(110)</u>	<u>(305)</u>	<u>(1,965)</u>	<u>(575)</u>	<u>(4,772)</u>	<u>(7,727)</u>
Balance as of 31 December 2019	<u>1,049</u>	<u>71</u>	<u>871</u>	<u>355</u>	<u>208</u>	<u>2,554</u>

Accumulated Depreciation and Impairment loss

	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
<i>in \$'000</i>						
Balance as of 31 December 2017	(12,396)	(341)	(2,675)	(746)	—	(16,158)
Depreciation	(4,184)	(131)	(1,065)	(282)	—	(5,662)

Impairment loss	(81)	—	—	(3)	—	(84)
Disposals	561	—	—	14	—	575
Deconsolidation of subsidiaries	15,091	91	2,899	441	—	18,522
Balance as of 31 December 2018	(1,009)	(381)	(841)	(576)	—	(2,807)
Depreciation	(280)	(101)	(535)	(141)	—	(1,057)
Impairment loss	(305)	(101)	—	(15)	—	(421)
Disposals	1,233	455	272	166	—	2,126
Deconsolidation of subsidiaries	61	125	611	293	—	1,090
Balance as of 31 December 2019	(300)	(3)	(493)	(273)	—	(1,069)

Property and equipment, net

<i>in \$'000</i>	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
Balance as of 31 December 2018	1,456	328	2,240	334	1,639	5,997
Balance as of 31 December 2019	749	68	378	82	208	1,485

Impairment of property and equipment of \$421,000 and \$84,000 for the years ended 31 December 2019 and 2018, respectively, is mainly attributed to the closing of subsidiary companies, which resulted in the associated assets being impaired. Impairment of property and equipment is included in selling, general and administrative expenses in the consolidated statement of comprehensive income.

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

(10) Intangible Assets

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

Cost <i>in \$'000</i>	Licenses	Purchased IPR&D	Software	Total
Balance as of 31 December 2017	1,202	277	543	2,022
Additions - Acquired separately	20	—	1,182	1,202
Disposals	(529)	—	—	(529)
Deconsolidation of subsidiaries	(530)	—	(35)	(565)
Balance as of 31 December 2018	163	277	1,690	2,130
Additions - Acquired separately	29	192	4	225
Disposals	(142)	(384)	(66)	(592)
Deconsolidation of subsidiaries	(50)	(85)	(702)	(837)
Balance as of 31 December 2019	—	—	926	926

Accumulated amortisation and Impairment loss <i>in \$'000</i>	Licenses	Purchased IPR&D	Software	Total
Balance as of 31 December 2017	(413)	—	(535)	(948)

Amortisation	(59)	—	(337)	(396)
Impairment loss	(461)	—	—	(461)
Disposals	529	—	—	529
Deconsolidation of subsidiaries	340	—	27	367
Balance as of 31 December 2018	(64)	—	(845)	(909)
Amortisation	(4)	—	(546)	(550)
Impairment loss	(58)	(192)	—	(250)
Disposals	111	192	66	369
Deconsolidation of subsidiaries	15	—	596	611
Balance as of 31 December 2019	—	—	(729)	(729)

Intangible assets, net <i>in \$'000</i>	Licenses	Purchased IPR&D	Software	Total
Balance as of 31 December 2018	97	277	847	1,221
Balance as of 31 December 2019	—	—	197	197

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 \$551,000 and \$396,000 for the years ended 31 December 2019 and 2018, respectively.

Impairment of intangible assets of \$249,000 and \$461,000 for the years ended 31 December 2019 and 2018, respectively, is mainly attributed to the closing of subsidiary companies, which resulted in the associated intangible assets being impaired to zero. Impairment expense is included in selling, general and administrative expenses in the consolidated statement of comprehensive income.

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 and associates

As of 31 December 2019, Allied Minds has seven portfolio companies, including investments in associates. As of and for the two years ended 31 December 2019 the capitalisation of all subsidiary companies in the Group portfolio is in the form of ordinary shares only, except for certain subsidiaries where preferred shares were issued to both Allied Minds and third parties in financing rounds, namely BridgeComm, Federated Wireless, Precision Biopsy, SciFluor Life Sciences, Spin Memory and Spark Insights. 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 2019 were 38.22%, 14.62%, 0.00%, 3.80%, 18.95% and 70.57% respectively (2018: 38.22%, 12.59%, 18.02%, 3.80%, 17.45% and 0.00% 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 2019:

	Inception Date	Location ⁽⁴⁾	Ownership percentage of equity interest at 31 December ⁽²⁾	
			2019	2018
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%
Allied Minds Federal Innovations, Inc. ⁽³⁾	09/03/12	Boston, MA	100.00%	100.00%
Early stage companies				
Spark Insights, Inc.	09/10/18	Boston, MA	70.59%	100.00%
Later stage companies				
BridgeComm, Inc.	09/02/15	Denver, CO	81.38%	81.38%
SciFluor Life Sciences, Inc.	14/12/10	Cambridge, MA	62.67%	70.03%
Closed subsidiaries				
Allied-Bristol Life Sciences, LLC ⁽⁶⁾	31/07/14	Boston, MA	—	80.00%
ABLS Capital, LLC ⁽⁶⁾	09/07/15	Boston, MA	—	30.25%
ABLS II, LLC ⁽⁶⁾	24/09/14	Boston, MA	—	35.95%
ABLS IV, LLC ⁽⁶⁾	26/10/17	Boston, MA	—	80.00%
LuxCath, LLC ⁽⁶⁾	17/06/08	Denver, CO	—	64.84%
Precision Biopsy, Inc ⁽⁶⁾	12/12/16	Boston, MA	—	88.09%
Signature Medical, Inc. ⁽⁶⁾	31/07/14	Boston, MA	—	80.00%
Number of active subsidiaries at 31 December:			6	13
Associates				
Spin Memory, Inc. ^{(2) (4)(5)}	03/12/07	Fremont, CA	42.69%	41.63%
Federated Wireless, Inc. ⁽²⁾⁽³⁾⁽⁵⁾	08/08/12	Arlington, VA	42.57%	52.23%
Federated Wireless Government Solutions, Inc. ⁽²⁾⁽³⁾⁽⁵⁾	04/05/16	Arlington, VA	42.57%	52.23%
TableUp, Inc. ^{(4) (5)}	04/20/07	Boston, MA	35.52%	35.52%
Orbital Sidekick, Inc. ^{(4) (5)}	02/08/16	San Francisco, CA	33.23%	33.23%
Disposed Companies				
HawkEye 360, Inc. ^{(2) (4)}	16/09/15	Herndon, VA	—	48.33%
HawkEye 360 Federal, Inc. ^{(2) (4)}	22/09/15	Herndon, VA	—	48.33%
QuayChain, Inc. ⁽²⁾	18/09/18	San Pedro, CA	—	72.22%

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 BridgeComm, Federated Wireless, HawkEye 360, Precision Biopsy, SciFluor Life Sciences, Signature Medical and Spin Memory in which cases the percentage used to allocate the non-controlling interests was 99.12%, 93.60%, 0%, 80.59%, 86.86%, 100.00% and 56.31% (2018: 99.12%, 93.69%, 0%, 80.59%, 86.86%, 100.00% and 56.31%), where in these cases there are liability classified preferred shares in issue, which are excluded. Note that Federated Wireless was deconsolidated in the current year and the Non-controlling interest was allocated up to the time it was deconsolidated. On 8 November 2019, Allied Minds plc completed the disposal of its entire stake in its portfolio company HawkEye 360 and is no longer part of our consolidated group and no longer one of our companies. In September 2019, Allied Minds sold all its shares in QuayChain to Smart P3 Group, LLC. QuayChain is no longer part of our consolidated group and no longer one of our companies.
- (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, and 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. Hawkeye 360 Inc., Hawkeye 360 Federal Inc., Spin Memory Inc. and TableUp Inc. have a registered office address at 1209 Orange Street, Wilmington, DE 19801. Orbital Sidekick Inc. has a registered office at Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808.
- (5) The preferred shares that allied Minds has in these companies is accounted for under IFRS 9.
- (6) During 2019, the Group ceased operations and dissolved each of Allied-Bristol Life Sciences, LLC, ABLs II, LLC, ABLs IV, LLC, ABLs Capital, LLC, and Signature Medical. Precision Biopsy and LuxCath were dissolved as of 31 December 2019.

2019

On 6 August 2019, HawkEye 360, Inc. secured the first closing of \$35.0 million from a total of \$70.0 million planned to be raised via a Series B preferred funding round. The Series B financing is being closed in multiple tranches. The \$35.0 million includes \$5.0 million subscribed by Allied Minds. In connection with the Initial Series B Closing, the HawkEye 360's Board of Directors authorized and declared that the Company pay a stock dividend to each holder of shares of Series A-2 Preferred Stock and Series A-3 Preferred Stock in order to satisfy all dividends accrued but unpaid on such shares through the date of the Initial Series B Closing. As such, Allied Minds received \$3.7 million of dividend shares in form of Series A-2 Preferred Stock and Series A-3 Preferred Stock which respectively, increased its investment basis by that amount.

On 8 November 2019, Allied Minds plc completed the disposal of its entire stake in its portfolio company HawkEye 360 to Advance for cash consideration of \$65.6 million.

On 3 September 2019, Federated Wireless, Inc. ("Federated Wireless") successfully raised \$51.3 million in a Series C financing round. As a result of the round, Allied Minds' ownership percentage dropped from 52.23% to 42.57%. Allied Minds does not control Federated Wireless' Board as it only holds 3 out of 8 director seats. Therefore, in losing such control and majority voting rights in Federated Wireless, Federated Wireless was no longer consolidated in the group accounts as of the date of the closing of the Series C financing round (3 September 2019). As of 31 December 2019 Federated Wireless is presented as investment in associates (for its share in common shares) & investment at fair value (for its share in preferred shares) within the company's financials.

In February 2019, Allied Minds and Woodford Investment Management WIM as manager (WIM) (now succeeded by Schroder Investment Management Limited as manager) jointly contributed an aggregate of \$4.0 million of equity financing to SciFluor Life Sciences, half of which was contributed by Allied Minds and half by WIM. Throughout the year, Allied Minds determined to cease any new funding to SciFluor. As of year-end, SciFluor was raising bridge financing in the form of convertible promissory notes of up to a maximum of \$1.5 million and completed its first close of \$950K.

Allied Minds and WIM contributed an aggregate of \$5.0 million of equity financing to Precision Biopsy, half of which was contributed by Allied Minds and half by WIM. After months of fundraising, the Company was unable to secure additional financing. As a result, Allied Minds determined to cease funding to and operations at Precision Biopsy. At 31 December 2019, Precision Biopsy was dissolved.

Spin Memory completed the final closing of its \$52.0 million Series B Preferred Stock financing when \$2.5 million was released from escrow and invested by Allied Minds in March 2019.

In April 2019, TableUp secured \$350 thousand of funding through the issuance of a convertible bridge

note to Allied Minds. An additional \$50 thousand in principal was issued to the same note in June 2019. In the third quarter of 2019, TableUp secured an additional \$325 thousand of funding under the existing convertible bridge note issued to Allied Minds. In December 2019, TableUp raised an additional \$100 thousand to other existing shareholders through the issuance of convertible promissory notes and Allied Minds converted its existing note (principal and interest of \$749,156) into the same debt security.

In April 2019, Allied Minds subscribed to a \$3.2 million preferred share financing in Spark Insights, with \$1.2 million invested in April and the remaining \$2.0 million invested in September 2019 due upon the achievement of certain technical milestones. As a result, Allied Minds holds a 70.59% ownership interest.

In April 2019, QuayChain secured \$0.4 million of funding through the issuance of a convertible bridge note to Allied Minds. In September 2019, Allied Minds sold all its shares in QuayChain to Smart P3 Group, LLC. In connection with such transaction, the management agreement was terminated and the promissory note was cancelled. QuayChain is no longer part of our consolidated group and no longer one of our companies.

In May 2019, the Company completed an asset sale for LuxCath in return for a \$100 thousand in the form of a promissory note and other contingent consideration. LuxCath was dissolved as of 31 December 2019.

During 2019, the Group ceased operations and dissolved each of Allied-Bristol Life Sciences, LLC, ABLs II, LLC, ABLs IV, LLC, ABLs Capital, LLC, and Signature Medical. The impact of this was assessed in the Group financials as of 31 December 2019 and unrecoverable amounts were written off.

There are no new subsidiaries formed since 31 December 2019.

2018

On 24 August 2018, BridgeComm closed a Series B Preferred Stock round of financing issuing 7,098,240 Series B preferred shares for an aggregate purchase price of \$10.0 million to Allied Minds and another strategic investor. As a result, following the transaction, Allied Minds' ownership percentage in BridgeComm as of 31 December 2018 was 81.38%. Allied Minds continues to exercise effective control over BridgeComm and as such, the subsidiary will continue to be fully consolidated within the Group's financial statements.

On 7 September 2018, HawkEye 360 closed a Series A-3 Preferred Stock financing round for \$14.9 million. On the date of the closing, Allied Minds' ownership percentage was reduced to 48.33%, the Company no longer controls a majority of the outstanding voting stock and does not control a majority of the board seats and as a result, the subsidiary was deconsolidated.

On 9 November 2018, Spin Memory completed the first closing of its Series B Preferred Stock financing round for up to \$52.0 million. As of 31 December 2018, as a result of such funding round, the Company's ownership percentage was reduced to 41.63%, the Company no longer controls a majority of the outstanding voting stock and does not control a majority of the board seats and as a result, the subsidiary was deconsolidated.

During 2018, the Company formed two new subsidiaries, QuayChain, Inc. (72.22%) and Spark Insights, Inc. (100.0%).

In April 2018 the Company made two minority investments in TableUp, Inc. ("TableUp") and Orbital Sidekick, Inc. ("OSK"). They are accounted for as investments held at fair value as the shares held do not

have equity like features.

Also during 2018, the Company dissolved Foreland Technologies, RF Biocidics, RF Biocidics (UK), Seamless Devices and Whitewood Encryption Systems. In January 2018, Allied Minds completed a sale of the trade and assets of Percipient Networks for \$3.6 million with \$0.4 million in escrow and a gain on disposal of assets of \$3.9 million, and subsequently ceased operations and dissolved the company. Further, at the end of 2018, the Company discontinued funding for Allied-Bristol Life Sciences, LLC, LuxCath and Signature Medical and as such, the assets for the three companies were written down as of 31 December 2018.

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:

	2019		
	\$'000		
	Early stage	Later stage	Minority holdings
Statement of Comprehensive Loss			
Revenue	-	1,226	1,466
Loss for the year	8,522	(320)	(16,232)
Other comprehensive loss	-	-	-
Total comprehensive loss	8,522	(320)	(16,232)
Comprehensive loss attributed to NCI	(384)	338	(1,035)
Statement of Financial Position			
Non-current assets	494	1,302	-
Current assets	2,173	9,209	-
Total assets	2,667	10,511	-
Non-current liabilities	(425)	(2,082)	-
Current liabilities	(3,257)	(20,213)	-
Total liabilities	(3,682)	(22,295)	-
Net assets/(liabilities)	(1,015)	(11,784)	-
Carrying amount of NCI	(1,418)	1,533	-
Statement of Cash Flows			
Cash flows from operating activities	27,511	(3,199)	11,064
Cash flows from investing activities	16,244	(133)	(3,315)
Cash flows from financing activities	(61,347)	915	4,701
	(17,592)	(2,417)	12,450

	2018		
	\$'000		
	Early stage	Later stage	Minority holdings
Statement of Comprehensive Loss			
Revenue	250	4,792	519
Loss for the year	(13,508)	18,842	6,691
Other comprehensive loss	—	—	—
Total comprehensive loss	(13,508)	18,842	6,691
Comprehensive loss attributed to NCI	(862)	9,777	(916)
Statement of Financial Position			
Non-current assets	(50)	6,895	—
Current assets	19,529	33,537	—
Total assets	19,479	40,432	—
Non-current liabilities	—	(60)	—
Current liabilities	(1,696)	(64,156)	—
Total liabilities	(1,696)	(64,216)	—
Net assets/(liabilities)	17,783	(23,784)	—
Carrying amount of NCI	18,181	302	—
Statement of Cash Flows			
Cash flows from operating activities	(7,511)	47,658	24,183
Cash flows from investing activities	(272)	(5,931)	(2,886)
Cash flows from financing activities	5,289	(68,866)	(3,232)
	(2,494)	(27,139)	18,065

Investment in Associates

The Group has two associates that are material to the Group, both of which are equity accounted.

	Spin Memory	Federated Wireless
Nature of relationship with the Group	Portfolio company of the Group	Portfolio company of the Group
Principal place of business	Fremont, CA	Arlington, VA
Ownership interest	42.69% (2018: 41.63%)	42.57% (2018: 52.23%)

Spin Memory: As of November 2018, Spin Memory was deconsolidated from the Group's financial statements as a result of its Series B Preferred Stock financing round. Allied Minds' ownership percentage as of 31 December 2018 dropped from 48.55% to 41.63%. Upon the date of deconsolidation, Allied Minds recognised an investment in Spin Memory related to its common shares of \$23.2 million with a share of loss in associate of \$3.7 million (which is restated) for the month of December. As a result of the deconsolidation, Allied Minds recorded an unrealised gain of \$48.1 million in the Consolidated Statements of Comprehensive Income/ (Loss).

As of 31 December 2019, Allied Minds' ownership percentage went from 41.63% to 42.69% and the investment in common stock in Spin Memory continues to be subject to the equity method accounting. In accordance with IAS 28, the Company's investment was adjusted by the share of profits and losses

generated by Spin Memory subsequent to the date of deconsolidation. Allied Minds recognised \$19.5 million as its share of loss from Spin through the Consolidated Statements of Comprehensive Income/ (Loss) as follows:

	Location	Ownership percentage	
		31 December 2019	31 December 2018
Spin Memory, Inc.	Fremont, CA	42.69%	41.63%

	31 December 2019 \$'000	31 December 2018 Restated* \$'000
Group's interest in net assets of investee, beginning of period	19,543	23,201
Share of loss from continuing operations	(19,543)	(3,658)
Carrying amount for equity accounted investees	—	19,543
Unrecognised share of losses in associate	(406.5)	—
Total	(406.5)	19,543

Federated Wireless: As of September 2019, Federated Wireless was deconsolidated from the Group's financial statements as a result of its latest Series C Preferred Stock financing round. Allied Minds' ownership percentage as of 31 December 2019 dropped from 52.23% to 42.57%. Consequently, since the Company no longer holds a majority of the voting rights in Federated Wireless and it does not hold a majority on its board of directors, Allied Minds does not exercise effective control over Federated Wireless. However, even after the transaction, Allied Minds is able to exercise significant influence over the entity by virtue of its large, albeit minority, stake in the company and its representation on the Federated Wireless's board of directors. As such, only the profits and losses generated by Federated Wireless through September 2019 were included in the Group's Consolidated Statements of Comprehensive Income/ (Loss). Upon the date of deconsolidation, Allied Minds recognised an investment in Federated Wireless related to its common shares of \$16.2 million. The fair value of the investment in associate at the date of deconsolidation was based on the value implied from the third party funding round which lead to the loss of control. This is a market based valuation approach. At 31 December 2019, Allied Minds' investment was adjusted by the share of losses generated by Federated Wireless from 3 September through 31 December 2019 of \$9.3 million. As a result of the deconsolidation, Allied Minds recorded an unrealised gain of \$69.8 million in the Consolidated Statements of Comprehensive Income/ (Loss).

In accordance with IAS 28, the Company's investment was adjusted by the share of profits and losses generated by Federated Wireless subsequent to the date of deconsolidation. Allied Minds recognised \$9.3 million as its share of loss from Federated Wireless through the Consolidated Statements of Comprehensive Income/ (Loss) as follows:

	Location	Ownership percentage	
		31 December 2019	31 December 2018
Federated Wireless, Inc.	Arlington, VA	42.57%	52.23%
		31 December 2019	31 December 2018
		\$'000	\$'000
Group's interest in net assets of investee, beginning of period		—	—
Addition in the year		16,151	—
Share of loss from continuing operations		(9,306)	—
Carrying amount for equity accounted investees		6,845	—

The following is summarised financial information for Spin Memory and Federated Wireless, based on their perspective consolidated financial statements prepared in accordance with IFRS:

	Spin Memory		Federated Wireless	
	\$'000		\$'000	
	2019	2018	2019	2018
Revenue	2,080	25	2,322	4,627
Loss for the period	(35,429)	(25,367)	(28,816)	(18,326)
Total non-current assets	14,694	19,442	19,874	4,312
Total current assets	5,315	20,755	44,319	22,352
Total assets	20,009	40,197	64,193	26,664
Total non-current liabilities	(209)	-	(4,315)	-
Total current liabilities	(96,206)	(75,668)	(125,039)	(65,631)
Net assets	(76,406)	(35,471)	(65,161)	(38,967)

The Group's other current and non-current financial assets have changed as follows:

	2019	
	\$'000	
	Other Current Financial Assets	Other Non-current Financial Assets
At 1 January 2019	400	434
Movement in other current assets relating to Federated Wireless	20,000	-
Deconsolidated balance relating to Federated Wireless	(20,000)	(317)
Other	1,181	1,140
As of 31 December 2019	1,581	1,257

Investments at fair value

The Group's investments at fair value represent securities of portfolio companies where Allied Minds holds a minority stake in those companies. These investments are initially measured at fair value through profit or loss and are subsequently re-measured at fair value at each reporting date and on derecognition.

The fair value is derived using the option pricing model ("OPM"), the Probability-Weighted Expected Return Method ("PWERM") or a hybrid of the two.

The key inputs into these valuation models include the equity value of the portfolio company, the term of the instrument, risk free rate and volatility.

The valuation methodologies utilised for determining the equity value include market approach, income approach or cost approach or hybrid of these approaches. Other methodologies such as asset based and cash in are also utilised where deemed appropriate. It is noted that in the current year none of the equity values were determined using the income approach.

Other valuation approaches

In certain cases, the value of a portfolio company 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 portfolio company or comparable guideline public companies or comparable transactions, 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.

PWERM and OPM

The principal methods the Group applies for allocation of value are the PWERM, the OPM as well as a hybrid of the two. These models take assumptions such as the equity values, term of the instruments, risk free rate and volatility to determine the fair value of each share class.

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 key judgement relates to probability weighting of the scenarios.

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.

Those investments are presented in the below table:

	31 December 2019	Disposals	Finance (income)/cost from IFRS 9 fair value accounting	Additions	31 December 2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Federated Wireless, Inc.	22,354	—	110	22,244	—
Spin Memory, Inc.	29,972	—	315	2,500	27,157
HawkEye 360, Inc.	-	(65,606)	38,719	5,000	21,887
Orbital Sidekick, Inc.	4,026	—	526	—	3,500
TableUp, Inc.	5,524	—	1,524	—	4,000
Total investments at fair value	61,876	(65,606)	41,194	29,744	56,544

On 3 September 2019, Federated Wireless successfully raised \$51.3 million in a Series C financing round. As a result of such funding round, the Company's ownership percentage was reduced from 52.23% to 42.57%, the Company does not control a majority of the board seats and therefore, the subsidiary was deconsolidated. However, even after the transaction, Allied Minds is able to exercise significant influence over the entity by virtue of its large, albeit minority, stake in the company and its representation on the Federated Wireless's board of directors. As such, only the profits and losses generated by Federated Wireless through September 2019 were included in the Group's Consolidated Statements of Comprehensive Income/ (Loss). Upon the date of deconsolidation, Allied Minds held preferred shares in Federated Wireless as well as common shares. The preferred shares held by Allied Minds fall under the scope of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of the investment in preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/(Loss), accordingly. As of 31 December 2019, Allied Minds recognised an investment held at fair value related to its Preferred Shares in Federated Wireless of \$22.4 million. The fair value is based on the implied value from the third party funding round which is a market based valuation approach. As a result of the deconsolidation, Allied Minds recorded an unrealised gain of \$69.8 million in the Consolidated Statements of Comprehensive Income/ (Loss). The gain was calculated by taking the difference between the fair value of the interest retained in the former subsidiary at the date control is lost less the carrying amount of net assets adjusted for the non-controlling interests of the former subsidiary.

On 7 September 2018, HawkEye 360 was deconsolidated from the Group's financial statements as a result of its Series A-3 Preferred Stock financing round. On the date of the closing, Allied Minds' ownership percentage was reduced from 54.07% to 48.33%. Allied Minds has significant influence over financial and operating policies of the investee. Allied Minds only held shares of preferred stock in HawkEye 360. The preferred shares held by Allied Minds fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of Allied Minds' share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/(Loss). There was no gain/loss on deconsolidation recorded.

On 6 August 2019, HawkEye 360, Inc. secured the first closing of \$35.0 million from a total of \$70.0 million planned to be raised via a Series B preferred funding round. The Series B financing is being closed in multiple tranches. The \$35.0 million includes \$5.0 million subscribed by Allied Minds. In connection with the Initial Series B Closing, Allied Minds received \$3.7 million of dividend shares in form of Series A-2

Preferred Stock and Series A-3 Preferred Stock which respectively, increased its investment basis by that amount.

On 8 November 2019, Allied Minds plc completed the disposal of its entire stake in its portfolio company HawkEye 360 to Advance for cash consideration of \$65.6 million and recognised \$38.7 million increase in fair value adjustments due to fair value accounting for investment held in HawkEye 360 on the date of the sale. As the investment was remeasured to fair value at the date of the sale there was no gain/loss on disposal recorded.

As of November 2018, Spin Memory was deconsolidated from the Group's financial statements as a result of its Series B Preferred Stock financing round. Allied Minds' ownership percentage as of 31 December 2018 dropped from 48.55% to 41.63%. As a result of the deconsolidation, Allied Minds recorded an unrealised gain of \$55.1 million in the Consolidated Statements of Comprehensive Income/ (Loss) as of 31 December 2018. Allied Minds has significant influence over financial and operating policies of the investee. Allied Minds held shares of preferred stock and common shares in Spin Memory. The preferred shares held by Allied Minds fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of Allied Minds' share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/(Loss). In April 2019, Spin Memory completed the final closing of its Series B Preferred Stock round issuing 653,068 Series B preferred shares for an aggregate purchase price of \$2.5 million to Allied Minds. As a result, following the transaction, Allied Minds' ownership percentage in Spin is 42.69% and therefore, Allied Minds has maintained significant influence as of 31 December 2018 and 2019. As of 31 December 2019, Allied Minds recognised an investment held at fair value related to its Preferred Shares in Spin Memory of \$29.9 million (31 December 2018: \$27.2 million).

On 6 April 2018, Allied Minds made an investment in Orbital Sidekick, a company developing capabilities in aerial and space-based hyperspectral imaging and analytics, initially for the oil and gas industry. Allied Minds has significant influence over financial and operating policies of the investee. Allied Minds only held shares of preferred stock in Orbital Sidekick. The preferred shares held by Allied Minds fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of Allied Minds' share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/(Loss). As of 31 December 2019, Allied Minds recognised an investment held at fair value related to its Preferred Shares in Orbital Sidekick of \$4.0 million (31 December 2018: \$3.5 million).

On 6 April 2018, Allied Minds made an investment in TableUp, a software provider enabling end-to-end transparency through the restaurant supply chain to enable more effective inventory and operations management. Allied Minds has significant influence over financial and operating policies of the investee. Allied Minds only held shares of preferred stock in TableUp. The preferred shares held by Allied Minds fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of Allied Minds' share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/(Loss). As of 31 December 2019, Allied Minds recognised an investment held at fair value related to its Preferred Shares in TableUp of \$5.5 million (31 December 2018: \$4.0 million).

Allocation Model Inputs

Allied Minds has significant influence over financial and operating policies of the investee. Allied Minds only held shares of preferred stock in Orbital Sidekick. The preferred shares held by Allied Minds fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of Allied Minds' share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/(Loss). The following presents the quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's financial assets:

As of 31 December:	2019	2018
Volatility	26.7%-62.1%	42.3%-60.0%
Time to Liquidity (years)	0.5 - 3.27	1.64 - 2.30
Risk-Free Rate	1.58% - 1.6%	2.73% - 2.86%
IPO/M&A/Sale Probability	40%-60%/ 40%-60%/ n/a	45% - 50%/ 45%-50%/ 0%-10.0%

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 financial assets. The sensitivities provided reflect reasonably possible changes to the key assumptions:

As of 31 December:		2019	2018
		\$'000	\$'000
Input	Sensitivity range	Financial assets increase/(decrease)	
Enterprise Value	-2%	(819)	(887)
	+2%	846	855
Volatility	-10%	1,136	32
	+10%	(1,133)	95
Time to Liquidity	-6 months	886	572
	+6 months	(915)	(320)
Risk-Free Rate ⁽¹⁾	0.01%/-0.10%	886	572
	0.02% / 0.09%	(915)	(320)
M&A vs. IPO Probability	40%	(865)	(1,778)
	60%	842	1,901

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

(12) Cash and Cash Equivalents

As of 31 December:	2019	2018
	\$'000	\$'000
Bank balances	90,571	100,366
Restricted cash	—	(2,632)
Total cash and cash equivalents	90,571	97,734

Restricted cash balance for 2018 includes \$2.5 million that is held in escrow and represents the remaining commitment by Allied Minds to subscribe to the Spin Memory Series B funding round to the extent further investors do not take it up. The amount was classified as current assets in the statement of financial position. The remaining \$0.1 million within restricted cash represents a 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 was classified as other financial assets, non-current in the statement of financial position.

(13) Trade and Other Receivables

As of 31 December:	2019 \$'000	2018 \$'000
Trade receivables	60	1,334
Prepayments and other current assets	5,642	5,066
Total trade and other receivables	5,702	6,400

(14) 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.

On 8 November 2019, Allied Minds plc completed the sale of its entire stake in its portfolio company HawkEye 360 to Advance for cash consideration of \$65.6 million. As a result, the Company remeasured the investment to the fair value on the date of the sale and derecognised its investment of \$65.6 million. In addition, Allied Minds made a distribution of \$4.9 million to participants under the terms of the Company's Phantom Plan.

On 5 December 2019, Allied Minds plc completed a court-approved reduction of the Company's capital by way of: (i) the capitalisation of the amount standing to the credit of the Company's merger reserve by way of the issue and subsequent cancellation of the Capital Reduction Shares; and (ii) the cancellation of the amount standing to the credit of the Company's share premium account, so as to create distributable reserves (the "Capital Reduction"). The Capital Reduction created realised profits sufficient to eliminate the accumulated losses of the Company and establish positive distributable reserves of approximately \$191.4 million. The purpose of the reduction of capital was to provide distributable reserves which enabled the Company to make a special dividend payment of \$40.0 million to shareholders and provided the flexibility for future dividend payments. Following the reduction of capital, the number of issued shares and the rights attached to those shares remained unchanged.

During 2019, there were no options exercised under the U.S. Stock Plan. During 2018, existing and former employees of the Group exercised options to purchase 877,373 shares of the Company under the U.S.

Stock Plan, resulting in additional share premium of \$1,564,000. Additionally, 1,248,378 (2018: 1,224,831) shares were issued to existing and former employees of the Group during the year as result of vesting of RSUs under the LTIP.

As of 31 December 2019, 11,551,496 ordinary shares were reserved under the U.S. Stock Plan and 24,156,312 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:	2019	2018
	\$'000	\$'000
Equity		
Share capital, \$0.01 par value, issued and fully paid 241,563,123 and 240,314,745, respectively	3,759	3,743
Share premium	—	160,170
Merger reserve	—	263,367
Translation reserve	1,459	651
Accumulated deficit	147,238	(325,635)
Equity attributable to owners of the Company	152,456	102,296
Non-controlling interests	115	18,484
Total equity	152,571	120,780

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. After the balance sheet date dividends of £30.49 per qualifying ordinary share (2018: £nil) were proposed by the directors. The dividends have not been provided for.

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.

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

For the two years ended 31 December 2019, the Group recognised the following changes in common stock ownership in subsidiaries resulting in changes to non-controlling interest:

- On 3 September 2019, Federated Wireless, Inc. successfully raised \$51.3 million in a Series C financing round. As a result of the round, Allied Minds' ownership percentage dropped from 52.23% to 42.57%. Allied Minds does not control Federated Wireless' Board as it only holds 3 out of 8 director seats. Therefore, in losing such control and majority voting rights in Federated Wireless, Federated Wireless will no longer be consolidated in the group accounts as of the date of the closing of the Series C financing round (3 September 2019). As of 31 December 2019 Federated Wireless is presented as

investment in associates (for its share in common shares) & investment at fair value (for its share in preferred shares) within the company's financials. The impact of the deconsolidation of Federated Wireless resulted in a \$3.0 million impact to non-controlling interest total balance as of 31 December 2019.

- Allied Minds and Woodford Investment Management as manager (WIM) (now succeeded by Schroder Investment Management Limited as manager) contributed an aggregate of \$5.0 million of equity financing to Precision Biopsy, half of which was contributed by Allied Minds and half by WIM. After months of fundraising, the Company was unable to secure additional financing. As a result, Allied Minds determined to cease funding to and operations at Precision Biopsy. At 31 December 2019 Precision Biopsy was dissolved.
- In April 2019, QuayChain secured \$0.4 million of funding through the issuance of a convertible bridge note to Allied Minds. In September 2019, Allied Minds sold all its shares in QuayChain to Smart P3 Group, LLC. In connection with such transaction, the management agreement was terminated and the promissory note was cancelled. QuayChain is no longer part of our consolidated group and no longer one of our companies. As a result, QuayChain was deconsolidated from the company's financials. The impact of the deconsolidation of QuayChain resulted in a \$0.4 million impact to non-controlling interest total balance as of 31 December 2019.
- In May 2019, Allied Minds sold all of the assets of LuxCath in return for a \$100 thousand in the form of a promissory note and other contingent consideration. At 31 December 2019, LuxCath was dissolved.
- During 2019, the Group ceased operations and dissolved each of Allied-Bristol Life Sciences, LLC, ABL5 II, LLC, ABL5 IV, LLC, ABL5 Capital, LLC and Signature Medical. The impact of this was assessed in the Group financials as of 31 December 2019 and unrecoverable amounts were written off.
- On 7 September 2018, HawkEye 360 completed the second closing of its Series A-3 Preferred Stock financing round for a combined total proceeds with its first closing of \$14.9 million. On the date of the second closing the Company's ownership percentage was reduced to 48.33%, and the Company does not hold a majority of the board seats and as a result, the subsidiary was deconsolidated.
- On 9 November 2018, Spin Memory completed the first closing of its Series B Preferred Stock financing round for up to \$52.0 million. As of 31 December 2018, the Company's ownership percentage was reduced to 41.63% and the Company does not control a majority of the board seats and therefore, the subsidiary was deconsolidated.
- During 2018, the Company formed two new subsidiaries, QuayChain, Inc. (72.22%) and Spark Insights, Inc. (100.0%).
- During 2018, Allied Minds sold the trade and assets of Percipient Networks and subsequently ceased operations and dissolved the company. In addition, Allied Minds dissolved each of Whitewood Encryption, Seamless Devices, RF Biocidics, Inc., RF Biocidics (UK), and Foreland Technologies.

- Further, at the end of 2018, the Company discontinued funding for Allied-Bristol Life Sciences, LuxCath and Signature Medical and as such, the assets for the three companies were written down as of 31 December 2018.

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 2017 restated*	7,608	(56,516)	(48,908)
Share of comprehensive loss	(878)	8,877	7,999
Effect of change in Company's ownership interest	332	557	889
Equity-settled share based payments	(160)	2,176	2,016
Deconsolidation of subsidiaries	—	45,209	45,209
Dissolution of subsidiaries	11,279	—	11,279
Non-controlling interest as of 31 December 2018 restated*	18,181	303	18,484
Share of comprehensive loss	(384)	(697)	(1,081)
Effect of change in Company's ownership interest	(105)	(89)	(194)
Equity-settled share based payments	61	473	534
US Subsidiary distributions to shareholders	(12,050)	—	(12,050)
Deconsolidation of subsidiaries	7	1,543	1,550
Dissolution of subsidiaries	(7,128)	—	(7,128)
Non-controlling interest as of 31 December 2019	(1,418)	1,533	115

(16) 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 IFRS 9 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:	2019 \$'000	Finance cost from IFRS 9 fair value accounting \$'000	Additions \$'000	Disposals \$'000	2018 \$'000
BridgeComm	5,017	(470)	—	—	5,487
Federated Wireless	—	(2,708)	41,290	(85,216)	46,634
Precision Biopsy	—	(3,042)	2,500	—	542
SciFluor Life Sciences	—	(3,001)	2,000	—	1,001
Signature Medical ⁽¹⁾	—	(30)	—	(500)	530
Total subsidiary preferred shares	5,017	(9,251)	45,790	(85,716)	54,194

(1) The \$0.5 million represents a cash movement as a result of the disposal of the subsidiary and is netted against the \$45.8 million in additions as presented per the consolidated statement of cash flows.

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:	2019 \$'000	2018 \$'000
BridgeComm	5,020	5,325
Federated Wireless	—	50,000
Precision Biopsy	—	22,000
SciFluor Life Sciences	—	25,200
Signature Medical	—	500
Total liquidation preference	5,020	103,025

For the two years ended 31 December 2019, the Group recognised the following changes in subsidiary preferred shares:

2019

- On 3 September 2019, Federated Wireless successfully raised \$51.3 million in a Series C financing round. As a result of the round, Allied Minds' ownership percentage dropped from 52.23% to 42.57%. Allied Minds does not control Federated Wireless Board as it only holds 3 out of 8 director seats. Therefore, in losing such control and majority voting rights in Federated Wireless, Federated Wireless will no longer be consolidated in the group accounts as of the date of the closing of the Series C financing round (3 September 2019). As of 31 December 2019 Federated Wireless is presented as investment in associates (for its share in common shares) & investment at fair value (for its share in preferred shares) within the company's financials.

- Allied Minds and Woodford Investment Management as manager (WIM) (now succeeded by Schroder Investment Management Limited as manager) contributed an aggregate of \$5.0 million of equity financing to Precision Biopsy, half of which was contributed by Allied Minds and half by WIM. After months of fundraising, the Company was unable to secure additional financing. As a result, Allied Minds determined to cease funding to and operations at Precision Biopsy. At 31 December 2019 Precision Biopsy was dissolved.
- In February 2019, Allied Minds and Woodford Investment Management (WIM) (now succeeded by Schroder Investment Management Limited) jointly contributed an aggregate of \$4.0 million of equity financing to SciFluor, half of which was contributed by Allied Minds and half by WIM. During the year, Allied Minds determined to cease any new funding to SciFluor. As of year-end, SciFluor was raising bridge financing in the form of convertible promissory notes of up to a maximum of \$1.5 million and completed its first close of \$950K.
- During 2019, the Group ceased operations and dissolved Signature Medical.

2018

- On 24 August 2018, BridgeComm closed a Series B Preferred Stock round of financing issuing 7,098,240 Series B preferred shares for an aggregate purchase price of \$10.0 million to Allied Minds and another strategic investor. As a result, following the transaction, Allied Minds' ownership percentage in BridgeComm was 81.38%. Allied Minds continues to exercise effective control over BridgeComm and as such, the subsidiary will continue to be fully consolidated within the Group's financial statements.
- On 7 September 2018, HawkEye 360 closed a Series A-3 Preferred Stock financing round for \$14.9 million. On the date of the closing, Allied Minds' ownership percentage was reduced from 54.07% to 48.33%, the Company no longer controls a majority of the outstanding voting stock and does not control a majority of the board seats and as a result, the subsidiary was deconsolidated.
- On 9 November 2018, Spin Memory completed the first closing of its Series B Preferred Stock financing round for up to \$52.0 million. As of 31 December 2018, as a result of such funding round, the Company's ownership percentage was reduced from 48.55% to 41.63%, the Company does not control a majority of the board seats and therefore, the subsidiary was deconsolidated.

The fair value is derived using the option pricing model ("OPM"), the Probability-Weighted Expected Return Method ("PWERM") or a hybrid of the two.

The key inputs into these valuation models include the equity value of the subsidiary, the term of the instrument, risk free rate and volatility.

The valuation methodologies utilised for determining the equity value include the market approach, income approach or cost approach or hybrid of these approaches. Other methodologies such as asset based are also utilised where deemed appropriate. It is noted that in the current year none of the equity values were determined using the income approach.

Where there has been a third party funding round in the year this has been used as the implied value of the portfolio company or comparable guideline public companies or comparable transactions, 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.

PWERM and OPM

The principal methods the Group applies for allocation of value are the PWERM, the OPM as well as a hybrid of the two. These models take assumptions such as the equity values, term of the instruments, risk free rate and volatility to determine the fair value of each share class.

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 key judgement relates to probability weighting of the scenarios.

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:	2019	2018
Volatility	n/a*	27.6%-90.1%
Time to Liquidity (years)	1.64	0.50 - 2.50
Risk-Free Rate	n/a*	2.47% - 2.60%
Probability M&A	15%-85%	n/a*

*The Group valued BridgeComm using PWERM as opposed to OPM used in the current year and as such not applicable.

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. Option Pricing Model and Probability Weighted Expected Return Method Inputs for Investments Held at Fair Value at 31 December 2018 and 2019 respectively:

PWERM Measurement Date		
As of 31 December:		2019
		\$'000
Input	Sensitivity range	
Enterprise Value	-2%	(38)
	2%	76
Discount rate	-5%	378
	5%	(304)
Time to Liquidity	-2.0 months	304
	+2.0 months	(228)

OPM Measurement Date		
As of 31 December:		2018
		\$'000
Input	Sensitivity range	
Enterprise Value	-2%	(569)
	+2%	329
Volatility	-10%	541
	+10%	(1,148)
Time to Liquidity	-6 months	237
	+6 months	(209)
Risk-Free Rate ⁽¹⁾	-0.04%/-0.44%	237
	0.01% / 0.06%	(209)

⁽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.

(17) Trade and Other Payables

As of 31 December:	2019	2018
	\$'000	\$'000
Trade payables	1,195	4,254
Accrued expenses	3,100	8,251
Other current liabilities	390	525
Trade and other payables, current	4,685	13,030
Other non-current payables	1,965	436
Total trade and other payables	6,650	13,466

(18) Loans

As of 31 December:	2019 \$'000	2018 \$'000
Non- Current liabilities - Loans:		
Unsecured loans	1,965	—
Total loans	1,965	—

The terms and conditions of outstanding loans are as follows:

As of 31 December:	Currency	Nominal interest rate	Year of maturity	2019 \$'000		2018 \$'000	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured loan	USD	5.0%	2019-21	1,000	1,000	—	—
Unsecured loan	USD	8.0%	2019-22	950	965	—	—
Total interest bearing liabilities				1,950	1,965	—	—

BridgeComm convertible note

On 16 December 2019, BridgeComm secured \$1.0 million of funding through the issuance of a convertible bridge note to Boeing HorizonX Ventures, LLC (“Boeing”). All principal and accrued interest shall be due and payable on 31 January 2021. The \$1.0 million promissory note was issued at a 5.0% interest rate that will be compounded monthly and computed on the basis of a year of 365 days for the actual number of days elapsed and shall be paid on the maturity date. The Company shall use commercially reasonable efforts to direct a minimum of \$1,000,000 of the Note proceeds toward the purpose of funding the implementation of the Commercial Agreement within twelve (12) months of the date hereof. The entire instrument and the offsetting discount will be measured at fair value through profit or loss as the conversion feature fails the fixed for fixed equity classification.

SciFluor convertible note

On 5 November 2019, SciFluor secured \$0.95 million of funding through the issuance of a convertible bridge note to multiple investors at annual interest rate of 8.0%. The note was issued at an interest rate that will accrue on the unpaid Principal Amount at the rate of eight (8%) per annum, payable at the maturity date (36 month anniversary of the closing date). All accrued interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and shall be payable on the date the outstanding principal amount shall become due and payable, whether on the Maturity Date or by acceleration or otherwise, or upon conversion. The entire instrument and the offsetting discount will be measured at fair value through profit or loss as the conversion feature fails the fixed for fixed equity classification.

(19) 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.

Right of use asset

	Right of use assets
	\$000s
Balance at 31 December 2018	-
Adoption of IFRS 16	4,205
Balance at 1 January 2019	4,205
Additions	6,897
Derecognition of right-of-use assets*	(1,693)
Depreciation	(1,216)
Deconsolidation	(7,177)
Balance at 31 December 2019	1,016

* Derecognition of the right-of-use assets during 2019 is as a result of entering in to a finance sub-lease.

Lease liability

	Total lease liability
	\$000s
Balance at 31 December 2018	-
Adoption of IFRS 16	4,490
Balance at 1 January 2019	4,490
Additions	6,898
Cash paid	(1,540)
Interest expense	209
Deconsolidation	(7,203)
Balance at 31 December 2019	2,854

The following details the short term and long-term portion of the lease liability as at 31 December 2019:

	Total lease liability
	\$000s
Short-term Portion of Lease Liability	(1,023)
Long-term Portion of Lease Liability	3,877
Total Lease Liability	2,854

During 2019, the Group has relocated its corporate headquarters and as a result it sub-leased the office space that has been presented as part of a right-of-use asset. As the sub-lease is for all of the remaining useful economic life of the right-of-use asset, the sub-lease is classified as a finance lease.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under IAS 17, the Group did not have any finance leases as a lessor.

<i>In thousands of \$</i>	31 December 2019
Less than 1 year	728
Between 1 and 5 years	1,178
More than 5 years	-
Total undiscounted lease receivable	1,906
Unearned finance income	(125)
Net investment in the lease	1,781

Additions in the period relate to site leases that were entered into by Allied Minds' consolidated subsidiaries during 2019. Amounts were arrived at using the contractual minimal lease payments, present valued using the applicable incremental borrowing rate of 5.50%.

Amounts recognised in profit or loss

<i>In thousands of \$</i>	31 December 2019
2019 – Leases under IFRS 16	
Interest on lease liabilities	209
Income from sub-leasing right-of-use assets presented in 'other revenue'	(61)
2018 – Operating leases under IAS 17	
Lease expense	2,484

(20) 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:

	Carrying Amount	2019 \$'000 Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets designated as fair value through profit or loss					
Investments at fair value	—	—	—	61,895	61,895
Convertible note receivable ⁽¹⁾	750	—	750	—	750
Loans and receivables					
Cash and cash equivalents	90,571	90,571	—	—	90,571
Trade and other receivables	5,702	—	5,702	—	5,702
Security and other deposits	2,088	—	2,088	—	2,088
Total	99,111	90,571	8,540	61,895	161,006
Financial liabilities designated as fair value through profit or loss					
Convertible notes	1,965	—	1,965	—	1,965

Subsidiary preferred shares	5,017	—	—	5,017	5,017
Financial liabilities measured at amortised cost					
Trade and other payables	4,685	—	4,685	—	4,685
Total	11,667	—	6,650	5,017	11,667

- (1) On 18 December 2019, TableUp secured \$0.75 million of funding through the issuance of a convertible bridge note to Allied Minds at annual interest rate of 6.0%. The promissory note was issued on 18 December 2019 and has a maturity date of 31 December 2020. The entire instrument and the offsetting discount will be measured at fair value through profit or loss as the conversion feature fails the fixed for fixed equity classification.

As of 31 December:

	Carrying Amount	2018 Fair value \$'000			Total
		Level 1	Level 2	Level 3	
Financial assets designated as fair value through profit or loss					
Investments at fair value	—	—	—	56,544	56,544
Loans and receivables					
Cash and cash equivalents	100,366	—	100,366	—	100,366
Trade and other receivables	6,400	—	6,400	—	6,400
Security and other deposits	834	—	834	—	834
Total	107,600	—	107,600	56,544	164,144
Financial liabilities designated as fair value through profit or loss					
Subsidiary preferred shares	54,194	—	—	54,194	54,194
Financial liabilities measured at amortised cost					
Trade and other payables	13,468	—	13,468	—	13,468
Total	67,662	—	13,468	54,194	67,662

Total other financials assets were as follows:

For the year ended 31 December:	2019 \$'000	2018 \$'000
Deposits	122	434
Other long term assets	1,135	—
Total	1,257	434
Convertible note receivable ⁽¹⁾	750	—
Other current assets	831	400
Total	1,581	400
	2,838	834

- (1) On 18 December 2019, TableUp secured \$0.75 million of funding through the issuance of a convertible bridge note to Allied Minds at annual interest rate of 6.0%. The promissory note was issued on 18 December 2019 and has a maturity date of 31 December 2020. The entire instrument and the offsetting discount will be measured at fair value through profit or loss as the conversion feature fails the fixed for fixed equity classification.

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 to be included in Level 1 and 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 convertible notes designated as Level 2, see footnote 18.

For assumptions used in the fair value measurement of the Group's subsidiary preferred shares liability designated as Level 3, see footnote 16. For assumptions used in the fair value measurement of Investments at fair value designated as Level 3, see footnote 11.

(21) Capital and Financial Risk Management

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

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

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

Credit Risk

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

The Group held following balances:

As of 31 December:	2019 \$'000	2018 \$'000
Cash and cash equivalents	90,571	97,734
Investments held at fair value	61,895	56,544
Trade and other receivables	5,702	6,400
	<u>158,168</u>	<u>160,678</u>

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:	2019 \$'000	2018 \$'000
Neither past due nor impaired	60	467
Past due 30-90 days	—	867
Past due over 90 days	—	—
Reserve for bad debt	—	—
	<u>60</u>	<u>1,334</u>

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:	2019 \$'000	2018 \$'000
Customers with less than three years of trading history with the Group	60	1,334
	<u>60</u>	<u>1,334</u>

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group seeks to manage liquidity risk, ensuring that sufficient liquidity is available to meet foreseeable requirements.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements. The current portion of the carrying amount of lease obligations is included in trade and other payables.

As of 31 December 2019:

\$'000	Carrying amount	Contractual cash flows			
		Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	4,685	4,685	4,685	—	—
Subsidiary notes payable	1,965	1,965	1,965	—	—
Subsidiary preferred shares	5,017	5,017	5,017	—	—
Lease liability	2,854	2,854	2,854	—	—
	<u>14,521</u>	<u>14,521</u>	<u>14,521</u>	<u>—</u>	<u>—</u>

As of 31 December 2018:

\$'000	Carrying amount	Contractual cash flows			
		Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	13,030	13,030	13,030	—	—
Subsidiary notes payable	—	—	—	—	—
Subsidiary preferred shares	54,914	54,914	54,914	—	—
Other non-current liabilities	436	436	—	436	—
	<u>68,380</u>	<u>68,380</u>	<u>67,944</u>	<u>436</u>	<u>—</u>

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

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 in the form of preferred shares and no material externally imposed capital requirements. The Group's share capital is set out in note 16.

Brexit

On 23 June 2016, the UK electorate voted to leave the European Union in a so-called "Brexit" referendum. The UK formally left the European Union on 31 January 2020.

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 portfolio companies are based in the US, and substantially all of the business and operations of the Group are conducted in the US. Brexit exposes the Group to increased foreign currency risk. However, since the functional currency of the Group's portfolio companies is US dollars and the cash deposits are maintained in US based banks, the Group's exposure to changes in foreign exchange rates as a result of Brexit is determined to be insignificant.

COVID-19

The ongoing spread of the coronavirus disease (COVID-19) that started in December 2019 has been declared a public health emergency of international concern by the World Health Organisation. COVID-19 has the potential to greatly disrupt all aspects of the Group's business. Potential impacts include the risk to the health and safety of our workforce, the ability for our businesses to operate normally, global economics, and the flow of goods and services. Our people could be at potential health risk if they come into contact with confirmed cases of COVID-19. In addition, given the mandatory health and safety restrictions across the world, including travel and quarantine restrictions, it may affect the ability of our workforce to continue working normally. There could also be disruption to operations as a result of the virus negatively impacting our suppliers, customers and partners. Finally, the virus has already caused downturn to the global economy, which may become worse as it continues to spread. This may make it difficult for our portfolio companies to raise money, enter into new strategic partnerships, retain customers, or continue operations.

In order to mitigate against these risks, we are closely monitoring the health, safety and security of our workforce and complying with applicable regulatory requirements and guidelines. We have put in place temporary travel restrictions and have made accommodations that will allow our workforce to work remotely. We are also in close communication with all of our customers, suppliers and partners to collaborate on how to best support each other's needs in this new environment.

Despite all of this, any impact from COVID-19 will not impact Allied Minds from a going concern perspective. Adequate cash reserves have been set aside to fund the central costs through 2023. In fact, the impact of COVID-19 is adding cost savings during Q1 2020 and into Q2 2020 as all travel has been suspended for board meetings, investor meetings and the annual general meeting later in Q2. These savings have a positive impact for Allied Minds as a going concern.

(22) 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:	2019	2018
	\$'000	\$'000
Short-term employee benefits	3,219	3,032
Share-based payments	493	3,713
Total	3,712	6,745

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 \$1,045,200 were outstanding at 31 December 2019 (2018: \$1,237,000) and were paid in January of 2020.

Key Management Personnel Transactions

Directors' remuneration for the year comprised the following:

For the year ended 31 December:	2019	2018
	\$'000	\$'000
Executive Directors' fees	3,363	1,192
Non-executive Directors' fees	428	493
Total	3,791	1,685

Executive management and Directors of the Company control 0.8% of the voting shares of the Company as of 31 December 2019 (2018: 0.5%).

In November 2019, Jeff Rohr (Chairman/Director) purchased 78,000 shares of the company and in December 2019, Joseph Pignato (CEO and Executive Director) purchased 346,800 shares of the company.

As discussed in note 11 and 18, Allied Minds has participated in the current year's financings at Federated Wireless, Inc. and Spin Memory, Inc. As a result of the financing round at Federated Wireless, the subsidiary was no longer consolidated in the group accounts. The subsidiary paid \$0.2 million in management fees to Allied Minds up to the time it was deconsolidated. Spin Memory paid \$0.2 million in management fees to Allied Minds from 1 January to 30 September 2019 as Allied Minds did accounting services for Spin Memory during that time.

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

(23) Taxation

Amounts recognised in profit or loss

No current income tax expense was recorded for the years ended 31 December 2019 and 2018 due to accumulated losses.

For the year ended 31 December:	2019	2018
	\$'000	\$'000 (Restated*)
Net income/(loss)	50,254	45,354
Income taxes	—	—
Net income/(loss) before taxes	<u>50,254</u>	<u>45,354</u>

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:

	2019	2018
	%	% (Restated*)
US federal statutory rate	21.0	21.0
Effect of state tax rate in US	5.1	5.6
Research credits	(2.5)	(7.9)
Share-based payment remeasurement	(1.2)	5.2
Permanent differences on dissolved/deconsolidated subsidiaries and preferred stock valuation	(38.3)	(32.9)
Other temporary differences	0.1	0.9
Current year income/(losses) for which no deferred tax asset/(liability) is recognised	15.8	8.1
	<u>—</u>	<u>—</u>

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). A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

On 22 December 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.

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 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 operating 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 Internal Revenue Code Section 382 rules:

As of 31 December:	2019 \$'000	2018 \$'000 (Restated*)
Tax loss carry forward	78,472	99,852
Research credits	6,739	10,190
Temporary differences	5,931	2,275
Deferred tax assets	91,142	112,317
Other temporary differences	—	(3,549)
Deferred tax liabilities	—	(3,549)
Deferred tax assets, net, not recognised	91,142	108,768

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.

As of 31 December 2019 the Company had United States federal net operating losses carry forwards (“NOLs”) of approximately \$288.4 million (2018: \$374.8 million) available to offset future taxable income, if any. These carryforwards start to expire in 2024 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 utilise its current NOLs against future profits, although these are not expected to be material.

(24) Subsequent Events

The Company has evaluated subsequent events through 4 June 2020, which is the date the consolidated

financial information is available to be issued.

On 10 January 2020, SciFluor Life Sciences raised an additional \$375K in the second closing of its convertible note financing.

On 4 February 2020, BridgeComm issued \$2,000,000 in convertible notes to Allied Minds, following the issuance of \$1,000,000 in convertible notes to Boeing HorizonX Ventures in December 2019.

On 20 April 2020, Federated Wireless raised an additional \$13.7 million from existing shareholders in a second closing of the preferred financing round from September 2019, half of which was contributed by Allied Minds.

(25) Prior year adjustments

Share of loss in associate adjustment

During 2019, it was identified that as at and for the year ended 31 December 2018 the share of loss in associate was understated by \$2.4 million. This was due to a fair value loss on liabilities of the associate that was measured at fair value through profit or loss not being reflected in the equity accounted result of the group's associate, Spin Memory.

Gain on deconsolidation adjustments

During 2019, it was identified that for the year ended 31 December 2018 the gain on deconsolidation recognised in the income statement for Spin Memory was understated by \$16.4 million and the gain on deconsolidation for HawkEye 360 was overstated by \$11.1 million. This was primarily due to applying an incorrect methodology within the Group's calculation of the gain on deconsolidation. The investment value in the subsidiary was included in the calculation and the net liabilities were taken pre-consolidation adjustments instead of after them. The NCI balance removed at deconsolidation also did not include 100% of the share based payment reserve as required by IFRS. The adjustments had an impact on Group's Accumulated deficit balance reflective of the respective changes as detailed below.

Other adjustments

During 2019, it was identified that as at 31 December 2018:

In addition the NCI in relation to dissolved entities in previous years had been retained rather than removed from the NCI balance. It should have been taken to the P&L as a gain or loss on dissolution at the date that the subsidiaries were dissolved.

As a result, the prior year adjustments have been made to correct the position. The impact of these have been as follows:

For the year ended 31 December	2018			2018 Restated*
	\$ '000	Associate loss	Deconsolidation and NCI	\$ '000
Operating loss	(91,541)	—	—	(91,541)
Other income:				
Gain on disposal of assets	3,887	—	—	3,887
Gain on deconsolidation of subsidiary	42,831	—	10,026	52,857
Gain on investments held at fair value (net)	—	—	2,213	2,213
(Loss)/ gain on dissolution of subsidiaries	—	—	(11,279)	(11,279)
Other income	46,718	—	960	47,678
Finance income/(loss), net	92,875	—	—	92,875
Share of net loss of associates accounted for using the equity method	(1,301)	(2,357)	—	(3,658)
Income before taxation	46,751	(2,357)	960	45,354
Taxation	—	—	—	—
Income for the period	46,751	(2,357)	960	45,354
Income/(loss) attributable to:	38,761	(2,357)	951	37,355
Equity holders of the parent	7,990	—	9	7,999
Non-controlling interests	46,751	(2,357)	960	45,354
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	39,322	(2,357)	951	37,916
Non-controlling interests	7,990	—	9	7,999
	47,312	(2,357)	960	45,915

As of 31 December	2018			2018 Restated*
	\$ '000	Associate loss	Deconsolidation and NCI	\$ '000
Total non-current assets	86,096	(2,357)	—	83,739
Total current assets	107,034	—	—	107,034
Total assets	193,130	(2,357)	—	190,773
Equity				
Equity attributable to owners of the Company	127,627	(2,357)	(22,974)	102,296
Non-controlling interests	(4,490)	—	22,974	18,484
Total equity	123,137	(2,357)	—	120,780
Total non-current liabilities	436	—	—	436
Total current liabilities	69,557	—	—	69,557
Total liabilities	69,993	—	—	69,993
Total equity and liabilities	193,130	(2,357)	—	190,773

Income statement:

- The share of loss in associate for the period to 31 December 2018 is now reported as loss of \$3.7 million (previously a loss of \$1.3 million);
- The gain on deconsolidation for the period to 31 December 2018 is now reported as \$52.9 million (previously income of \$42.8 million);
- The gain on investments at fair value is now reported at \$2.2 million (previously \$nil);
- The loss on dissolution of subsidiaries for the period to 31 December 2018 is now reported as \$11.3 million (previously \$nil);
- There was no tax impact recognised as the adjustments increases tax losses that are unrecognised;
- The net profit from the year ended 31 December 2018 is now reported as \$45.4 million (previously a profit of \$46.8 million);
- Income attributable to the owners of the company for the year ended 31 December 2018 is now reported as \$37.4 million (previously as income of \$38.8 million);
- The total comprehensive income for the year ended 31 December 2018 is now reported as \$45.9 million (previously income of \$47.3 million);
- The earnings per share at 31 December 2018 is now reported as \$0.16 (previously earnings per share of \$0.16);

Equity:

- The accumulated deficit at 31 December 2017 is now reported as \$367.4 million (previously \$354.4 million);
- The NCI at 31 December 2017 is now reported as charge of \$48.9 million (previously charge of \$59.2 million);
- The statement in changes in equity at 31 December 2017 is now reported as \$9.4 million (previously \$12.1 million);
- The accumulated deficit at 31 December 2018 is now reported as \$325.6 million (previously \$300.3 million);
- The Dissolution of subsidiaries line in the Statement of Changes in Equity is now reported as \$nil in the parent accumulated profit/(deficit) and \$11.3 million in NCI (previously \$9.9 million in parent and \$9.9 million charge in NCI) a change of \$9.9 million and \$1.4 million respectively;
- The Deconsolidation of subsidiaries line in the Statement of Changes in Equity is now reported as \$nil in the parent accumulated profit/(deficit) and \$45.2 million in NCI (previously \$5.3 million in parent and \$49.5 million in NCI) a change of \$5.3 million and \$4.3 million respectively;
- The Gain/(loss) arising from change in NCI line in the Statement of Changes in Equity is now reported as \$0.9 million charge in the parent accumulated profit/(deficit) and \$0.9 million in NCI (previously \$5.2 million charge in parent and \$5.2 million in NCI) a change of \$4.3 million and \$4.3 million respectively;
- The NCI at 31 December 2018 is now reported as \$18.5 million (previously charge of \$4.5 million).

Balance sheet:

- The investment in associate at 31 December 2018 is now reported as \$19.5 million (previously \$21.9 million).

COMPANY BALANCE SHEET

As of 31 December	Note	2019 \$ '000	2018 \$ '000
Non-current assets			
Loan to subsidiary	4	147,432	186,842
Total non-current assets		147,432	186,842
Current assets			
Cash and cash equivalents	3	2,082	1,746
Trade and other receivables		85	224
Loan to subsidiary	4	40,000	—
Total current assets		42,167	1,970
Total assets		189,599	188,812
Equity			
Share capital	5	3,759	3,743
Share premium	5	—	160,170
Merger reserve	5	—	263,367
Translation reserve	5	(54,612)	(70,857)
Accumulated deficit	5	239,876	(167,815)
Total equity	5	189,023	188,608
Current liabilities			
Trade and other payables		576	204
Total current liabilities		576	204
Total liabilities		576	204
Total equity and liabilities		189,599	188,812

Registered number: 08998697

The financial statements on pages 178 to 185 were approved by the Board of Directors and authorised for issue on 4 June 2020 and signed on its behalf by:



Joseph Pignato
Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019	Share capital		Share	Merger	Translation	Accumulated	Total
	Shares	Amount \$'000	premium \$'000	reserve \$'000	reserve \$'000	deficit \$'000	equity \$'000
Balance at 31 December 2017	238,202,541	3,714	158,606	263,367	(48,043)	(1,328)	376,316
Total comprehensive loss for the year							
Loss for the year	—	—	—	—	—	(171,390)	(171,390)
Foreign currency translation	—	—	—	—	(24,829)	(495)	(25,324)
Total comprehensive loss for the year					(24,829)	(171,885)	(196,714)
Issuance of ordinary shares	1,224,831	17	—	—	—	—	17
Exercise of stock options	887,373	12	1,564	—	—	—	1,576
Equity-settled share based payments	—	—	—	—	2,015	5,398	7,413
Balance at 31 December 2018	240,314,745	3,743	160,170	263,367	(70,857)	(167,815)	188,608
Total comprehensive loss for the year							
Loss for the year	—	—	—	—	—	(6,310)	(6,310)
Foreign currency translation	—	—	—	—	16,245	(7,537)	8,708
Total comprehensive loss for the year					16,245	(13,847)	2,398
Reduction of capital	—	—	(160,170)	(263,367)	—	423,537	—
Issuance of ordinary shares	1,248,378	16	—	—	—	—	16
Exercise of stock options	—	—	—	—	—	—	—
Equity-settled share based payments	—	—	—	—	—	(1,999)	(1,999)
Balance at 31 December 2019	241,563,123	3,759	—	—	(54,612)	239,876	189,023

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December:

	Note	2019 \$ '000	2018 \$ '000
Cash flows from operating activities:			
Net operating loss		(6,310)	(173,813)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation expense		(1,999)	5,398
Impairment loss in subsidiary and loan to subsidiary		6,515	165,349
Changes in working capital:			
Decrease/(increase) in trade and other receivables		139	64
Decrease in trade and other payables		370	(23)
Other finance cost		(2,691)	2,210
Net cash used in operating activities		(3,976)	(815)
Cash flows from investing activities:			
(Issuance)/repayments of note receivable to subsidiary, net	4	4,296	(2,127)
Net cash (used in)/ provided by investing activities		4,296	(2,127)
Cash flows from financing activities:			
Proceeds from issuance of share capital	5	16	17
Proceeds from exercise of stock options	5	—	1,577
Net cash provided by financing activities		16	1,594
Net (decrease)/increase in cash and cash equivalents		336	(1,348)
Cash and cash equivalents at beginning of the period		1,746	3,094
Cash and cash equivalents at end of the period		2,082	1,746

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

(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 non-current assets.

Cash and Cash Equivalents

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

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 relation to the investment held in subsidiaries and intra group receivable balance the net realisable value is the fair value of the underlying subsidiaries. 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. The underlying assumptions in determining the fair value of the subsidiaries are key estimates and include the determination of the fair value as described in note 11 and 16 of the group financial statements.

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

	2019	2018
	<u>\$'000</u>	<u>\$'000</u>
Balance at 1 January	—	173,531
Additions	—	—
Impairment	—	(162,791)
Disposals	—	—
Effect from currency translation	—	(10,740)
Balance at 31 December	<u>—</u>	<u>—</u>

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.

During 2018, the Directors reviewed the value of the underlying business and concluded an impairment charge of \$165.3 million should be recorded. The recoverable amount is based on the net realisable value of the subsidiaries, being determined to be fair value. This has been recorded against the investment in subsidiary balance (this note) and the loan to subsidiary balance (note 4).

(3) Cash and Cash Equivalents

As of 31 December:	2019 \$'000	2018 \$'000
Bank balances	2,082	1,746
Cash and cash equivalents	2,082	1,746

(4) Loan to Subsidiary

	2019 \$'000	2018 \$'000
Balance at 1 January	186,842	199,629
Additions	3,572	3,302
Impairment	(6,515)	(2,558)
Repayments	(7,867)	(1,176)
Effect from currency translation	11,399	(12,355)
Balance at 31 December	187,431	186,842

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.

During 2019, the Directors reviewed the value of the underlying business and concluded an impairment charge of \$4.1 million should be recorded. The recoverable amount is based on the net realisable value of the asset, determined to be the fair value of the subsidiaries. This has been recorded against the loan to subsidiary balance (this note). During 2018, the Directors reviewed the value of the underlying business and concluded an impairment charge of \$165.3 million should be recorded. The recoverable amount is based on the net realisable value being determined to be fair value. This has been recorded against the investment in subsidiary balance (note 3) and the loan to subsidiary balance (this note).

As there is no intention of settlement in the foreseeable future, the loan is classified as a non-current asset, with the exception of \$40 million which is intended to be recalled during 2020.

(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:	2019 \$'000	2018 \$'000
Equity		
Share capital, \$0.01 par value, issued and fully paid 241,563,123 and 240,314,745, respectively	3,759	3,743
Share premium	—	160,170
Merger reserve	—	263,367
Translation reserve	(54,612)	(70,857)
Accumulated deficit	239,876	(167,815)
Total equity	189,023	188,608

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.

On 8 November 2019, Allied Minds plc completed the sale of its entire stake in its portfolio company HawkEye 360 to Advance for cash consideration of \$65.6 million. As a result, the Company remeasured the investment to the fair value on the date of the sale and derecognised its investment of \$65.6 million. In addition, Allied Minds made a distribution of \$4.9 million to participants under the terms of the Company's Phantom Plan.

On 5 December 2019, Allied Minds plc completed a court-approved reduction of the Company's capital by way of: (i) the capitalisation of the amount standing to the credit of the Company's merger reserve by way of the issue and subsequent cancellation of the Capital Reduction Shares; and (ii) the cancellation of the amount standing to the credit of the Company's share premium account, so as to create distributable reserves (the "Capital Reduction"). The Capital Reduction created realised profits sufficient to eliminate the accumulated losses of the Company and establish positive distributable reserves of approximately \$191.4 million. The purpose of the reduction of capital was to provide distributable reserves to enable the Company to make a special dividend payment of \$40.0 million to shareholders and provided the flexibility for future dividend payments. Following the reduction of capital, the number of issued shares and the rights attached to those shares remained unchanged.

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.

After the balance sheet date, a dividend of 12.62p per qualifying ordinary share (2018: £nil) was proposed by the directors. The dividend has not been provided for.

The share-based payment credit for the fiscal year ended 31 December 2019 included in accumulated deficit was \$0.6 million (2018 charge: \$5.4 million).

(6) Profit and Loss Account

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the year was \$5,873,000 (2018: \$171,390,000).

(7) Directors' Remuneration, Employee Information and Share-based Payments

The remuneration of the Directors of the Company is disclosed in note 23 to the consolidated financial statements. Full details for their remuneration can be found in the Directors' Remuneration Report on pages 83 to 97. Full detail of the share-based payment charge and related disclosures can be found in note 6 to the consolidated financial statements.

The Company had one employee during 2019 (2018: one).

Company Information

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(Non-Executive Chairman)

Joseph Pignato
(Chief Executive Officer)

Bruce Failing
(Senior Independent Director)

Mark Lerdal
(Independent Non-Executive Director)

Company Secretary

Nina Thayer

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