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Allied Minds PLC
27 April 2017

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Allied Minds plc

("Allied Minds" or the "Group" or the "Company")

Annual Results Release

Allied Minds plc (LSE: ALM), an innovative US-focused IP commercialisation company, announces its annual results for the year ended 31 December 2016.

- The Group Subsidiary Ownership Adjusted Value (GSOAV) was $416.2 million as of 24 April 2017 compared to $535.8 million at 31 December 2015, a decrease of $119.6 million, or 22.3%, primarily reflecting the discontinuation of funding at several subsidiaries announced on 5 April 2017, partially offset by a net increase in valuations across the remainder of the portfolio driven by HawkEye 360 and ABLS II.
- Net loss of $128.7 million in 2016 (2015: $97.9 million), primarily reflecting an increase in the overall growth of the Group's investment in research and development, and the non-cash finance cost from fair value accounting of the subsidiary preferred shares liability.
- At December 31, 2016 net cash and investments* totaled $226.1 million (2015: $194.8 million) of which $136.7 million (2015: $115.0 million) is held at the parent level.

  * includes funds in form of fixed income securities.

Jill Smith, interim Chief Executive Officer of Allied Minds, said:

"I am excited by Allied Mind's strong foundation for growth represented by highly promising companies in our current portfolio, strong cash position and the distinct competitive advantages inherent in our origination platform. Following the restructuring earlier this month, we have reallocated our capital and management resources to focus on accelerating commercialisation and pipeline expansion.

Additionally, we have taken steps to evolve our business model to achieve our goals, including by capitalising more fully on our competitive advantages, broadening our syndicate and strengthening capital allocation and operational discipline. We are confident that we are well-positioned to build on our platform and crystallise returns for our shareholders."

A call for investors and analysts will be held at 5.00 pm BST today, Thursday 27 April 2017. Dial in details are available from Citigate Dewe Rogerson (contact details below).

HIGHLIGHTS

Investment Highlights

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

- $60.2 million from subsidiary fundraisings with $48.5 million coming from third-party investment and $11.7 million from Allied Minds, to support and accelerate the development of four of the Group's existing companies: Federated Wireless; Precision Biopsy; HawkEye 360 and ABLS II.

  - Federated Wireless, a company developing cloud-based software enabling dynamic sharing of surplus spectrum owned by the US military, raised $22.0 million in early 2016. Allied Minds invested $5.0 million in this fundraising and third-party investment totaled $17.0 million.

  - Precision Biopsy, a company developing early intervention technology that detects in real time suspicious tissue during prostate biopsy examinations, raised $5.0 million during 2016, and received $6.0 million from a fundraising completed in 2015, both sums from external investors.

  - Hawkeye 360, a company developing a space-based radio frequency (RF) mapping and analytics system to be operated via a constellation of formation-flying small satellites in Low Earth Orbit (LEO), raised $11.0 million in a funding round led by Razor's Edge Ventures, with additional participation by Allied Minds and a defence market leader. A further $2.75 million of new equity was issued by Hawkeye 360 post-period end, of which $1.5 million was issued in the form of warrants in association with a $3.0 million development programme.

  - ABLS II raised $15.0 million as it moved from initial feasibility studies to fund the lead optimisation programme for its novel small molecule therapeutics for the treatment of fibrotic and autoimmune diseases. $12.0 million of this funding was provided by ABLS Capital (of which Allied Minds provided $2.7 million), with the remaining $3.0 million from Bristol-Myers Squibb (BMS).

  - The balance of the $60.2 million of capital invested via subsidiary fundraisings comprised $1.2 million of initial seed capital raised from external sources at ABLS Capital (net of placing fees) to cover the initial operating expenses of this entity.

- In addition to these fundraisings, $48.0 million was invested by the Group into new and other existing portfolio companies, including investments in four new businesses: Signature Medical (Boston University), ABLS Capital and ABLS III (New York University (NYU)), and Vatic Materials (Penn State). Following further due diligence on Vatic Materials, a decision was taken post-period end not to exercise an option to license underlying IP and the business was terminated.

- Separately, ABLS secured binding equity commitments of up to $80.0 million into ABLS Capital (predominantly from external investors). These commitments, together with up to $20.0 million from BMS, will fund development costs for lead optimisation programmes of promising drug compounds sourced by ABLS, the partnership formed between Allied Minds and BMS in 2014, following successful completion of the initial feasibility phase. Of these commitments, $12.0 million was drawn in 2016 to fund the lead optimisation programme for ABLS II, as described above. Included in the $80.0 million of commitments to ABLS Capital is the $1.2 million of net cash payments made to ABLS Capital by the external investors referred above.

· In December 2016 Allied Minds raised $80.3 million in gross proceeds via a placing of new ordinary shares, equivalent to 8.1% of the existing share capital prior to the placing. Proceeds from the placing will be applied to invest alongside third parties in the Group's later stage subsidiaries and selected earlier stage subsidiaries and to invest in the pipeline of innovative new technologies.

Corporate Operational Highlights

· During the year, Allied Minds engaged with nearly 50 new research institutions, bringing the total US universities and federal laboratories in the Allied Minds partner network to 207.

· The investment team reviewed more than 2,700 new technologies developed by the partner network. Following extensive due diligence on over 20 of the most promising technologies, the Group formed and funded four new businesses, resulting in a total Group portfolio of 27 subsidiary businesses at 31 December 2016 (17 following the post-period end closure of ABLS I, Vatic Materials and each of Biotectix, Cephalogics, CryoXtract, Novare Pharmaceuticals, Optio Labs, RF Biocidics, and SoundCure/Tinnitus Treatment Solutions (the Discontinued Subsidiaries)).

· Allied Minds launched a strategic alliance with GE Ventures to jointly identify and commercialise next-generation technologies. Under the terms of the agreement, Allied Minds and GE Ventures agreed to invest in new and existing technologies sourced from both Allied Minds' and GE Ventures' innovation pipelines.

· The Group entered into exciting new strategic partnerships and renewed valuable existing partnerships with leading technology sources, including the MITRE Corporation, the Aerospace Corporation, and Pacific Northwest National Labs.

· During 2016 and post-period, Allied Minds and its subsidiaries further developed existing collaborations with industry leaders including BMS, Intel, Advanced Micro Devices (AMD), Alphabet, Cisco, Ruckus Wireless (Brocade), Qualcomm, Nokia, Telrad Networks, Siemens and others, validating the quality of our platforms, people and technologies.

· During 2016 the total workforce expanded from approximately 359 to 413 employees and consultants. The workforce increase was almost entirely concentrated in the operating subsidiaries. Our workforce comprises approximately 68% engineering and technical development professionals, 11% leadership and management professionals and 21% sales, marketing and other business development professionals.

Financial Highlights

· Net cash and investments* of $226.1 million (2015: $194.8 million) of which $136.7 million (2015: $115.0 million) held at the parent level.
  * includes funds in form of fixed income securities.

· Revenues of $2.7 million (2015: $3.3 million) reflecting the early stage nature of our portfolio businesses

· Net loss of $128.7 million, (2015: $97.9 million) primarily reflecting an increase in the overall growth of the Group's investment in commercial and R&D activities, as well as the non-cash finance cost from fair value accounting of the subsidiary preferred shares liability.

· GSOAV of $416.2 million as of 24 April 2017 ($535.8 million as at 31 December 2015), reflecting the discontinuation of funding at the Discontinued Subsidiaries, partially offset by a net increase in valuation in the remainder of the portfolio (specifically, at Hawkeye 360 and ABLS II).

Corporate Partnership Highlights

· ABLS, a drug development joint venture with BMS:

  o reviewed more than 245 technologies from partner research institutions;

  o called on $12.0 million of pre-committed funds, and received a further $3 million of funding from BMS, to finance the lead optimisation phase for ABLS II's novel treatment for fibrotic and autoimmune diseases;

  o formed ABLS III (d/b/a iβeCa Therapeutics), licensing technology sourced from NYU School of Medicine, using proprietary compounds targeting the Wnt signalling (see below); and

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

· Strategic Alliance with GE Ventures

  o formed in September 2016; and

  o perform ongoing work to identify candidate technologies for joint investment.

Selected Subsidiary Highlights

· BridgeSat, a developer of optical communications networks for the satellite industry:

  o initiated development for the three facets of the BridgeSat solution: space terminal, ground station, and management network for targeted completion in 2017;
  o post-period end entered into a commercial agreement with Swedish Space Corporation (SSC) securing access for BSI equipment at SSC ground sites; and
  o secured initial customer agreements for hardware and data services.

· Federated Wireless, a developer of software providing spectrum allocation solutions:

  o received Federal Communications Commission's (FCC) conditional approval for its Spectrum Allocation System (SAS), with full approval expected in 2017;

  o demonstrated interoperability with Alphabet's SAS system, a key step in the FCC approval process;

- founded the CBRS (Citizen's Broadband Radio Service) Alliance with Alphabet, Intel, Qualcomm, Ruckus Wireless (Brocade), Nokia and others, promoting the ecosystem development for shared spectrum; and
- signed partnership agreements with Siemens and Telrad Networks and completed trials with these partners as well as Alphabet, Dell, Ruckus and Qualcomm in 2016 and Nokia, Ericsson, Sercomm and Juni post-period end. Trials with a further 9 ecosystem members are pending, including one with a national Mobile Network Operator (MNO).

- Hawkeye360, a company developing a space-based radio frequency (RF) mapping/analytics system:
  - engaged contractors and commenced manufacturing of satellites and payloads;
  - announced the formation of an Advisory Board, and the appointment of John Serafini as CEO; and
  - secured launch on a SpaceX Falcon 9 rocket targeted for Q1 2018.

- Precision Biopsy, a company developing alternative prostate cancer diagnostics and focal therapy:
  - began clinical trials in the US in a Cohort A study for ClariCore™, to date completing more than 100 patients at 6 US clinical sites.

- SciFluor, a drug discovery and development company making strategic use of fluorine:
  - commenced Phase I/II FDA trials with SF0166, an eye drop formulation of a drug intended to treat age-related macular degeneration (Wet AMD) and diabetic macular edema (DME) populations, following delays due to FDA requests for additional data;
  - secured further patent protection covering methods of use of SF0166 in AMD, DME and retinal vein occlusion (RVO); and
  - completed pre-clinical testing, including toxicology, and prepared IND submission for SF0034 (a fluorinated derivative of retigabine).

- Spin Transfer Technologies (STT), a next-generation computer memory company:
  - shipped samples of its DM1 Diagnostic Memory chip to target customers;
  - became only the second company to have shipped perpendicular ST-MRAM samples;
  - announced fabrication of key magnetic components (pMTJs) as small as 20nm - among the smallest MTJs every reported; and
  - completed prototypes of memory arrays at megabit level densities, another key step in the commercialisation process.

- In addition, Allied Minds formed four new businesses during the year:
  - ABLS entered into a licence agreement with NYU School of Medicine, via ABLS III d/b/a iβeCa Therapeutics, in relation to proprietary compounds targeting the Wnt signalling. These compounds were developed by Dr. Ramanuj Dasgupta, Research Associate Professor at NYU School of Medicine, and NYU's drug discovery accelerator, the Office of Therapeutics Alliances (OTA). The Wnt pathway plays a key role in the development and progression of a number of cancers affecting large numbers of patients;
  - ABLS Capital, a vehicle with binding funding commitments of up to $80.0 million, mostly from external investors, to be drawn down together with up to $20.0 million of funding from BMS to fund lead optimisation studies for ABLS subsidiaries that have successfully completed initial feasibility programmes;
  - Signature Medical, which secured an exclusive option to license patent rights from Boston University relating to technology for application on a wearable device enabling diagnosis and monitoring of heart failure during hospital therapy and post discharge; and
  - Vatic Materials, which closed post-period end following a decision not to exercise an option to license underlying technology due to an unsatisfactory due diligence outcome.

Outlook for Selected Subsidiaries

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

Subsidiary	Expected 2017 Event
ABLS	· Advance ABLS entities through pre-clinical programmes · Create 2 new subsidiaries
BridgeSat	· Complete Series A fund-raise · Acquire launch customers · Demonstrate operation of first BridgeSat ground station
Federated Wireless	· Complete Series B fund-raise · Receive formal SAS and ESC FCC certification · Launch spectrum access commercial product
HawkEye 360	· Prepare for 2018 Pathfinder launch

	· Initiate contract for development of next commercial satellite clusters
Precision Biopsy	· Complete Cohort A; Initiate Cohort B · Progress ClariCore™ CE Mark and FDA approval
SciFluor	· SF0166: complete Phase I/II trials in DME (AMD in 2018) · SF0034: file IND and complete enrollment
STT	· Advance technology to demonstrate differentiators · Secure strategic development / investing partner · Complete Series B fund-raise

Board and Management Highlights

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

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

In compliance with Listing Rule 9.6.3, the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/NSM:

- Annual Report and Accounts for the year ended 31 December 2016; and
- Notice of 2017 Annual General Meeting.

Printed copies of these documents together with the Form of Proxy will be posted to shareholders shortly. Copies will also be available shortly on the Investor Relations section of the Company's website at http://investors.alliedminds.com/reports-and-presentations

The 2017 Annual General Meeting will be held at 1.00 pm BST on 1 June 2017 at the offices of DLA Piper UK LLP, 1 London Wall, London, EC2Y 5EA.

For more information, please contact:

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Further information on Allied Minds is available on our website: www.alliedminds.com

Notes

(i) Nature of announcement

This Annual Results Release was approved by the directors on 27 April 2017. The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from those accounts. Statutory accounts for the year ended 31 December 2015 have been filed with the Registrar of Companies. Statutory accounts for 2016 will be delivered to the registrar of companies in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The text of the Auditor's report can be found in the Company's full Annual Report and Accounts for the year ended 31 December 2016 (2016 Annual Report).

(ii) Forward looking statements

This Annual Results Release and the 2016 Annual Report contain statements that are or may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies. The forward-looking statements are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from current expectations, including, but not limited to, those risks and uncertainties described in the risk management section of the 2016 Annual Report. These forward-looking statements are based on assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future. Each forward-looking statement speaks only as at the date of this Annual Results Release. Except as required by law, regulatory requirement, the Listing Rules and the Disclosure and Transparency Rules, neither the Company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

2016 Annual Report and Accounts

STRATEGIC REPORT

Chairman's Report

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

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

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

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

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

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

Peter Dolan
Chairman

27 April 2017

CEO's Report

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

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

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

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

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

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

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

Jill Smith
Chief Executive Officer

27 April 2017

Company Overview

The Opportunity

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

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

Our Strategy and Capital Allocation

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

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

Our role in our early stage subsidiaries is to provide equity funding, management, operating expertise and shared service resources to bridge the period from brand new invention to an externally financeable business plan. A key component of the Company's strategy is to maintain strict capital discipline within an operationally efficient model for new companies while the commercial viability of the technology is explored and tested.

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

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

Evolution of Our Business Model and Approach

Since inception, Allied Minds has sought to deliver the commercial potential of selected university owned, early-stage intellectual property by working with technology transfer offices (TTOs) and establishing a structure to form, fund, manage and build start-up companies to develop innovative products and services that transform a market or meet unmet customer needs.

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

Form

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

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

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

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

Fund

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

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

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

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

Manage

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

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

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

Portfolio Summary

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

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

Subsidiary	Year Formed	Ownership Interest [1]	Overview

Corporate partnerships			
Allied-Bristol Life Sciences, LLC	2014	80.00%	Created with BMS to identify and conduct pre-clinical development of therapeutic candidates which are intended to be sold to BMS prior to clinical development
ABLS Capital	2016	30.25%	Funding vehicle with up to $80 million of binding commitments to support development of ABLS drug compounds proceeding to lead optimisation phase
ABLS II, LLC	2014	35.95%	Novel small molecule therapeutics for the treatment of fibrotic and autoimmune diseases, developed in the Harvard University laboratory of Professor Malcolm Whitman
ABLS III, LLC, d/b/a iβeCa Therapeutics	2016	80.00%	Proprietary compounds developed by Dr. Ramanuj Dasgupta at the NYU School of Medicine that target the Wnt signalling pathway and nuclear beta catenin, which plays a key role in the development and progression of a number of cancers affecting large numbers of patients
Life sciences			
LuxCath, LLC	2012	98.00%	A catheter-based real-time tissue and lesion visualisation technology for use during cardiac ablation procedures initially focused on atrial fibrillation ablation
Precision Biopsy, Inc.	2008	64.59%	A medical device platform, ClariCore™, utilising tissue spectroscopy, which seeks to distinguish tissue characteristics in real-time and to guide clinicians toward areas of disease for optimum therapy initially focused on prostate cancer. Developing focal therapy system using ClariCore™ for abnormal tissue targeting in the prostate
SciFluor Life Sciences, Inc.	2010	69.89%	Developing a best-in-class portfolio of compounds based on the strategic use of fluorine initially focused on retinal, CNS, fibrotic and pain related diseases
Signature Medical, Inc.	2016	100.00%	Developing cardiac signature technology for application on a wearable device enabling diagnosis and monitoring of heart failure during hospital therapy and post discharge
Technology			
Allied Minds Federal Innovations, Inc.	2012	100.00%	Through a series of Public Private Partnerships (PPPs) with the US federal government, aims to develop and commercialise the next generation of transformative technologies from US federal research institutions
BridgeSat, Inc.	2015	100.00%	Developing an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from LEO satellites, unmanned aerial systems, and remote terrestrial infrastructure compared to traditional radio frequency solutions
Federated Wireless, Inc.	2012	72.96%	A leader in the emerging market for Shared Spectrum, their CINQ cloud-based platform provides coordinated shared spectrum resources to enterprise customers, network operators and service providers
Foreland Technologies, Inc.	2013	100.00%	A cyber security platform company which aims to discover, incubate and commercialise emerging technologies with greater speed and agility than the rest of the market
HawkEye 360, Inc.	2015	53.11%	Building a constellation of small satellites in LEO to generate reports on wireless signals that can be used to track and monitor global transportation networks and assist with emergencies
Percipient Networks, LLC	2014	100.00%	Developing threat-intelligence driven cloud-based cyber security technologies for proactive enterprise network defence

Seamless Devices, Inc.	2014	79.12%	Developer of semiconductor devices using a novel approach to analog-to-digital signal processing based on switched-mode signal processing technology and algorithms
Spin Transfer Technologies, Inc.	2007	48.40%	MRAM computer memory that is being developed with the aspiration of becoming a leading universal memory technology to address a segment of the $60 billion per annum worldwide computer memory market
Whitewood Encryption Systems, Inc.	2014	100.00%	Developer of the next-generation systems of data encryption that leverage advanced quantum cryptography technologies

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

Notes:

(1) Ownership interests are as at 24 April 2017 (being the latest practicable date prior to the publication of this document), and are based upon percentage interest in issued and outstanding share capital in the subsidiary undertakings. Allied Minds' ownership of HawkEye 360 was 56.11% as at 31 December 2016, prior to the second closing of the Series A preferred equity funding round completed in January 2017 which took Allied Minds' ownership to 53.18%, and the subsequent exercise of employee options taking Allied Minds' ownership to 53.11% as at 24 April 2017. The calculation of this ownership interest excludes the dilutive impact of unexercised warrants issued in association with a $3.0 million development programme.

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

Subsidiary Valuation

All of the Company's subsidiary companies are currently majority owned and/or controlled and therefore fully consolidated in the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). As a result, the Consolidated Statements of Financial Position incorporated within the Company's consolidated financial statements do not include current valuations of the Company's subsidiary companies.

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

At the close of each annual financial period, the Directors formally approve the value of all subsidiary businesses in the Group which is used to derive the GSOAV. There can be no guarantee that the aforementioned valuation of the Group will be considered to be correct in light of the future performance of the various Group businesses, or that the Group would be able to realise proceeds in the amount of such valuations, or at all, in the event of a sale by it of any of its subsidiaries.

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

Ownership adjusted value represents Allied Minds' interest in the equity value of each subsidiary and is calculated as follows: (Business Enterprise Value - Long Term Debt + Cash) x Allied Minds percentage ownership plus the value of debt provided by Allied Minds plc to each subsidiary business. Allied Minds commits post-seed funding to its subsidiaries in the form of loans.

Partner Network

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

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

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

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

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

Aerospace Corporation

Air Force Institute of Technology

Albert Einstein College of Medicine

Argonne National Laboratory

Arizona State University
Army Research Lab CERDEC
Beaumont Health System
Beth Israel Deaconess Medical Center
Binghamton University
Boston Children's Hospital
Boston University
Brandeis University
Brigham and Women's Hospital
Brookhaven National Laboratory
Brown University
California Institute of Technology
Carnegie Mellon University
Case Western University
Cedars-Sinai Hospital
City of Hope
City University of New York
Cleveland Clinic
Columbia University
Cornell University
Dana Farber Cancer Institute
Dartmouth College
Draper Labs
Drexel University
Duke University
Emory University
Fermi National Accelerator Laboratory
Florida Institute of Technology
Florida State University
GE-Hitachi Nuclear Energy Americas
General Electric
George Washington University
Georgetown University
Georgia Institute of Technology
Harvard University
Houston Methodist Hospital
Idaho National Laboratory
Indiana University
Iowa State University
Jet Propulsion Laboratory
Johns Hopkins University
Johns Hopkins University - Applied Physics Lab
Lawrence Berkeley National Laboratory
Lawrence Livermore National Laboratory
Lehigh University
Los Alamos National Laboratory
Louisiana State University
Marshall University
Massachusetts General Hospital
Massachusetts Institute of Technology
Mayo Clinic
McLean Hospital
Memorial Sloan Kettering Cancer Center
Michigan State University
Michigan Technological University
Missouri University of Science and Technology
MIT Lincoln Laboratory
MITRE
Mount Sinai School of Medicine
NASA - Ames Research Center
NASA - Armstrong Flight Research Center
NASA - Glenn Research Center
NASA - Goddard Space Flight Center
NASA - Johnson Space Center
NASA - Kennedy Space Center
NASA - Langley Research Center

NASA - Marshall Space Flight Center
NASA - Stennis Space Center
National Energy Technology Laboratory
National Institute of Standards and Technology
National Institutes of Health
National Institute of Health - NCATS
National Institute of Health - NCINational Oceanic and Atmospheric Administration
National Radio Astronomy Observatory
National Renewable Energy Laboratory
National Security Agency
Naval Air Weapons Station China Lake
Naval Research Laboratory
Naval Surface Warfare Center Crane
New Jersey Innovation Institute
New York University
North Carolina State University
North Dakota State University
Ohio Aerospace Institute
Northeastern University
Northwestern University
Oak Ridge National Laboratory
Ohio State University
Ohio University
Oregon State University
Pacific Northwest National Laboratory
Partners Healthcare
PATH
Pennsylvania State University
Picatinny Arsenal
Princeton University
Purdue University
Rice University
Rockefeller University
Rutgers University
St Louis University
Sandia National Laboratories
Sanford Burnham Prebys Medical Discovery Institute
Savannah River National Laboratory
Scripps Institute
Southern Illinois University
Southern Methodist University
SPAWAR
St Jude's
Stanford University
State University of New York - Binghamton
State University of New York - Downstate
State University of New York - Stony Brook
Stevens Institute of Technology
Temple University
Texas AandM University
Texas Tech
The Children's Hospital of Philadelphia
Tufts University
US Army AMRDEC
US Army ARDEC
US Army Engineer Research and Development Center
US Army Research Laboratory
US Department of Homeland Security
US Department of Agriculture
US Environmental Protection Agency
US Naval Air Station Patuxent River
US Naval Air Weapons Station China Lake
US Naval Surface Warfare Center - Indian Head EOD
US Naval Undersea Warfare Center
Uniformed Services University of the Health Science
University of Alabama

University of Arizona
University of Arkansas for Medical Sciences
University of California - Berkeley
University of California - Davis
University of California - Irvine
University of California - Los Angeles
University of California - Merced
University of California - Riverside
University of California - San Diego
University of California - San Francisco
University of California - Santa Barbara
University of California - Santa Cruz
University of California - System
University of Central Florida
University of Chicago
University of Colorado
University of Colorado - Denver
University of Delaware
University of Florida
University of Houston
University of Idaho
University of Illinois - Chicago
University of Illinois - Urbana Champaign
University of Iowa
University of Kansas
University of Louisville
University of Maryland - Baltimore
University of Maryland - College Park
University of Massachusetts - Amherst
University of Massachusetts - Dartmouth
University of Michigan
University of Minnesota
University of Missouri - Columbia
University of Nebraska
University of Nebraska - Lincoln
University of Nebraska Medical Center
University of New Hampshire
University of North Carolina at Chapel Hill
University of North Carolina at Pembroke
University of North Dakota
University of North Texas
University of Notre Dame
University of Oregon
University of Pennsylvania
University of Pittsburgh
University of Rochester
University of South Carolina
University of South Dakota
University of South Florida
University of Southern California
University of Texas - Austin
University of Texas - Dallas
University of Texas - Southwestern
University of Utah
University of Virginia
University of Washington
University of Wisconsin - Madison
University of Wisconsin - Milwaukee
Utah State University
Utah State University Space Dynamics Laboratory
Vanderbilt University
Vencore Labs
Virginia Polytechnic Institute and State University (Virginia Tech)
Wake Forest University
Washington State University
Washington University in St. Louis

Wayne State University

Wentworth Institute of Technology

Yale University

Key Performance Indicators

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

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

Performance against 2016 KPIs is set out below:

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

Notes:

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

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

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

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

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

Notes:

(1) "Validating Events" represent various material achievements, such as fundraisings, mergers and acquisitions, development partnerships, strategic alliances, customer contracts and other significant corporate events.
(2) "Technical Milestones" represent various research and development achievements, as well as advancement of clinical trials.

Portfolio Review and Developments

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

Corporate Partnerships

ABLS, LLC

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

ABLS sources new drug candidates from Allied Minds' network of institutional research partners and funds the initial feasibility study, typically requiring up to approximately $1 million of capital, through a newly formed subsidiary. Consistent with Allied Minds' overall strategy, the ABLS model presents an opportunity for us, with BMS, to evaluate each ABLS subsidiary and determine at an early stage and with limited capital invested whether to continue development based on the results of such subsidiary's initial phase of research, development and testing, measured against objectives defined by ABLS and BMS.

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

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

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

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

ABLS I, LLC

ABLS I was a company formed in August 2015 pursuing pre-clinical development of a Yale University based technology: Antibody Recruiting Molecules. As described above, the ABLS model is structured to allow decisions to be made early in development with little capital invested, lowering risk and helping to inform better capital allocation among the ABLS subsidiaries. Consistent with this approach, upon review and assessment of the initial research and testing results completed in ABLS I's initial feasibility phase, ABLS and BMS resolved that the pre-set objectives were not met and accordingly, the lead optimisation phase for ABLS I was not approved and the company was dissolved post-period end.

ABLS II, LLC

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

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

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

Strategic Alliance with GE Ventures

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

Other Subsidiary Businesses

BridgeSat, Inc.

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

Federated Wireless, Inc.

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

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

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

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

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

HawkEye 360, Inc.

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

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

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

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

Precision Biopsy, Inc.

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

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

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

SciFluor Life Sciences, Inc.

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

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

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

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

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

Spin Transfer Technologies, Inc. (STT)

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

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

MRAM is a promising technology for the next generation of memory applications. OST- MRAM's potentially unique combination of fast write speed, low power, and virtually unlimited endurance is expected to enable it to address a wide range of applications in the standalone and embedded memory markets, which collectively had a combined estimated value of greater than $60 billion per annum worldwide.

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

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

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

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

Discontinued Subsidiaries

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

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

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

Financial Review

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

Consolidated Statement of Comprehensive Loss

For the years ended 31 December

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

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

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

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

Finance cost, net increased by $14.0 million to $15.3 million in 2016 (2015: $1.3 million) primarily due to the finance cost from fair value accounting adjustment of the subsidiary preferred shares liability balance of $17.6 million, offset by exchange rate profits of $1.3 million and interest income, net of interest expense, of $1.0 million.

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

Consolidated Statement of Financial Position

As of 31 December

	2016 *$ '000*	2015 *$ '000*
Non-current assets	38,282	92,784
Current assets	232,007	158.427
Total assets	270,239	251,211
Non-current liabilities	720	863
Current liabilities	155,402	108,974
Equity	114,117	141,374
Total liabilities and equity	270,239	251,211

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

- Property and equipment decreased by $2.3 million to $31.9 million as at 31 December 2016 (2015: $34.2 million), mainly reflecting depreciation expense of $5.7 million and impairment charges of $0.4 million, offset by purchases of approximately $3.8 million, of which $1.8 million relates to STT;
- Intangible assets as of 31 December 2016 decreased by $1.6 million to $2.8 million (2015: $4.4 million) mainly as a result of amortisation expense of $0.9 million and impairment charges of $1.0 million, offset by additions of $0.3 million in capitalised development costs, acquired licenses and software assets;
- Other investments, non-current decreased to $2.7 million (2015: $51.5 million) reflecting the investment of excess cash into fixed income government and corporate securities that have maturities longer than twelve months;

- Cash and cash equivalents increased by $103.6 million to $209.2 million at 31 December 2016 from $105.6 million at 31 December 2015. The increase is mainly attributed to $128.1 million of cash from financing activities from the Company's equity placing in December 2016 and proceeds from subsidiary financing rounds, and $70.7 million cash from investing activities mainly reflecting the conversion of fixed income security investments into cash and cash equivalents. The overall increase in cash and cash equivalents was offset by $95.2 million of net cash used in operations;
- Other investments, current decreased to $14.2 million (2015: $37.6 million) reflecting the investment of excess cash into fixed income government and corporate securities that have maturities shorter than twelve months;
- Inventories increased by $1.1 million to $2.6 million as at 31 December 2016 (2015: $1.5 million) reflecting the purchases of inventories of $2.1 million, offset by cost of goods sold and other obsolescence charges of $1.0 million;
- Trade and other receivables decreased by $1.4 million to $5.9 million at 31 December 2016 (2015: $7.3 million) as a result of decrease in prepaid and other current assets of $0.7 million mainly from write off of advance payments for inventory units at RFB, plus a net decrease of $0.7 million in trade receivables;
- Subscription receivable of $6.0 million reflecting the second tranche of the Series A preferred round at Precision Biopsy due by third party investors was collected in 2016 and the balance decreased to nil as at 31 December 2016 (2015: $6.0 million);
- The loans balance, current and non-current, decreased to $0.1 million as of 31 December 2016 (2015: $0.3 million) reflecting the repayment of the principal balance by CryoXtract Instruments;
- Subsidiary preferred shares increased by $46.8 million to $140.9 million as of 31 December 2016 (2015: $94.1 million) as a result of Series A preferred rounds of $29.2 million at Federated Wireless, Precision Biopsy and HawkEye 360 in 2016 as well as the fair value adjustment for the year of $17.6 million primarily at SciFluor and STT ;
- Deferred revenue remained consistent at $0.5 million as of 31 December 2016, when compared to $0.4 million in prior year; and
- Share capital and premium increased by $1.4 million to a combined $160.7 million at 31 December 2016 (2015: $159.3 million) primarily due to exercises of stock options under the U.S. Stock Option Plan. Merger reserve increased by $77.9 million due to the net proceeds from the Company's equity placing in December 2016. The increase in accumulated deficit of $96.6 million to $289.4 million (2015: 192.8 million) reflected the net comprehensive loss attributable to equity holders of the Group for the year of $96.1 million (2015: $77.8 million) and the effect from change in non-controlling interest of $6.2 million (2015: $3.2 million), offset by the share-based compensation expense charge for the year of $5.9 million (2015: $3.2 million).

Consolidated Statement of Cash Flows

For the years ended 31 December

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

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

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

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

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

Risk Management

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

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

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

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

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

Mitigation:

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

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

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

Mitigation:

- The Group retains significant cash balances in order to support its internal cash flow requirements, including to support the cash requirements for each subsidiary and for corporate resources.
- The Group has close relationships with a wide group of investors, including its shareholder base to ensure it can continue to access the capital markets.
- Senior management continually seek to create additional strategic relationships for the Group, and each subsidiary continually seeks to engage in strategic relationships relevant to their respective markets and to maintain current information on and awareness of potential exit strategies.

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

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

Mitigation:

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

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

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

Mitigation:

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

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

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

Mitigation:

- Prior to licensing any technology under these agreement, the Group's management seeks to identify the commercial and other alternatives available for products and services associated with such technology and innovations, and to ensure that there are sufficient markets available to justify the capital investment.

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

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

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

Mitigation:

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

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

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

Mitigation:

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

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

Impact: Significant delays in any of the clinical studies to support the appropriate regulatory approvals could significantly impact the amount of capital required for the subsidiary business to achieve final regulatory approval, which in turn may impact the value of such subsidiary. A critical failure in any stage of a clinical testing programme would probably necessitate a termination of the project and a loss of the Group's investment.

Mitigation:

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

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

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

Mitigation:

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

Brexit

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

It is expected that companies based in the UK and with significant UK and EU operational focus will be the most directly impacted by Brexit. All of the Group's subsidiary businesses are based in the US, and substantially all of the business and operations of the Group are conducted in the US. However, the Group has raised significant capital in the UK and may need to raise additional capital in the UK in the future to support the growth and development of its subsidiaries. The uncertainty caused by Brexit may result in the Group being unable to obtain additional capital on a timely basis on commercially acceptable terms.

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

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

Corporate and Social Responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities, including diversity, are included in the Sustainability section and are incorporated herein by reference.

This Strategic Report of the 2016 Annual Report has been approved by the Board of Directors.

ON BEHALF OF THE BOARD

Peter Dolan	**Jill Smith**
Chairman	***Chief Executive Officer***

27 April 2017

Consolidated Financial Information

The financial information set out below has been extracted from the 2016 Annual Report and is an abridged version of the full financial statements, not all of which are reproduced in this Annual Results Release.

Directors' Responsibilities Statement

The responsibility statement set out below has been reproduced from the 2016 Annual Report, which was published in April 2017, and relates to that document and not this announcement.

We confirm that to the best of our knowledge:

• the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the parent Company and the undertakings included in the consolidation taken as a whole; and

• the Strategic Report of the 2016 Annual Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the 2016 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

ON BEHALF OF THE BOARD

Peter Dolan	**Jill Smith**
Chairman	***Chief Executive Officer***

27 April 2017

<u>FINANCIAL STATEMENTS</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December	***Note***	**2016** **$ '000**	**2015** **$ '000**
Revenue	*3*	2,664	3,300
Operating expenses:			
Cost of revenue	*4,5*	(5,563)	(3,925)
Selling, general and administrative expenses	*4,5*	(55,484)	(46,888)
Research and development expenses	*4,5*	(55,292)	(49,209)
Operating loss		(113,675)	(96,722)
Finance income	*7*	2,879	723
Finance cost	*7*	(561)	(53)
Finance cost from IAS 39 fair value accounting	*7*	(17,585)	(1,937)
Finance cost, net		(15,267)	(1,267)
Loss before taxation		(128,942)	(97,989)
Taxation	*25*	-	-
Loss for the period		(128,942)	(97,989)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		208	46
Other comprehensive income, net of taxation		208	46
Total comprehensive loss for the period		(128,734)	(97,943)
Loss attributable to:			
Equity holders of the parent		(96,333)	(77,797)
Non-controlling interests	*17*	(32,609)	(20,192)
		(128,942)	(97,989)
Total comprehensive loss attributable to:			
Equity holders of the parent		(96,125)	(77,752)
Non-controlling interests		(32,609)	(20,191)
		(128,734)	(97,943)
Loss per share		**$**	$
Basic	*8*	(0.44)	(0.36)
Diluted	*8*	(0.44)	(0.36)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

(i) The 2015 amounts have been reclassified. See note 1.

See accompanying notes to consolidated financial statements.

Registered number: 8998697

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

Jill Smith
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Share capital		Share	Merger	Translation	Accumulated	Total parent	Non-controlling	Total
		Shares	Amount	premium	reserve	reserve	Deficit (i)	equity	interests (i)	equity
			$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000	$' 000
Balance at 31 December 2014		214,445,579	3,411	153,442	185,544	(61)	(115,027)	227,309	2,524	229,833
Total comprehensive loss for the year										
Loss from continuing operations		-	-	-	-	-	(77,797)	(77,797)	(20,192)	(97,989)

Foreign currency translation		-	-	-	-	45	-	45	1	46
Total comprehensive loss for the year						45	(77,797)	(77,752)	(20,191)	(97,943)
Gain/(loss) arising from change in non-controlling interest	17	-	-	-	-	-	(3,228)	(3,228)	3,228	-
Exercise of stock options	6	1,191,784	18	2,425	-	-	-	2,443	-	2,443
Equity-settled share based payments	6	-	-	-	-	-	3,233	3,233	3,808	7,041
Balance at 31 December 2015		215,637,363	3,429	155,867	185,544	(16)	(192,819)	152,005	(10,631)	141,374
Total comprehensive loss for the year										
Loss from continuing operations		-	-	-	-	-	(96,333)	(96,333)	(32,609)	(128,942)
Foreign currency translation		-	-	-	-	208	-	208	-	208
Total comprehensive loss for the year						208	(96,333)	(96,125)	(32,609)	(128,734)
Issuance of ordinary shares	16	17,457,015	219	-	77,891	-	-	78,110	-	78,110
New funds into non-controlling interest	16	-	-	-	-	-	-	-	13,773	13,773
Gain/(loss) arising from change in non-controlling interest	17	-	-	-	-	-	(6,229)	(6,229)	6,229	-
Exercise of stock options	6	650,000	9	1,200	-	-	-	1,209	-	1,209
Equity-settled share based payments	6	-	-	-	-	-	5,944	5,944	2,441	8,385
Balance at 31 December 2016		233,744,378	3,657	157,067	263,435	192	(289,437)	134,914	(20,797)	114,117

(i) The 2014 and 2015 amounts have been reclassified. See note 1.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	*Note*	**2016** **$ '000**	**2015** **$ '000**
Cash flows from operating activities:			
Net operating loss		(113,675)	(96,722)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	9	5,714	3,339
Amortisation	10	921	747
Impairment losses on property and equipment	9	340	308
Impairment losses on intangible assets	10	1,025	1
Share-based compensation expense	5,6	8,385	7,041
Changes in working capital:			
(Increase)/decrease in inventory	14	(1,040)	1,408
Decrease/(increase) in trade and other receivables	15	1,442	(1,505)
Decrease in other assets		361	-
(Decrease)/increase in trade and other payables	20	(327)	2,929
(Decrease)/increase in other non-current liabilities	20	(31)	569
Increase(decrease) in deferred revenue	3	63	(749)
Interest received	7	1,610	721
Interest paid	7	(527)	(41)
Other finance income	7	519	36
Net cash used in operating activities		(95,220)	(81,918)
Cash flows from investing activities:			
Purchases of property and equipment, net of disposals	9	(3,763)	(21,490)
Purchases of intangible assets, net of disposals	10	(324)	(1,723)
Disposal of investment in equity accounted investees	11	2,535	-
Disposal/(purchases) of other investments	12	72,281	(51,786)
Net cash provided by/(used in) investing activities		70,729	(74,999)
Cash flows from financing activities:			
Proceeds from exercise of stock options	16	1,209	2,443
Repayment of notes payable	19	(225)	(211)
Proceeds from issuance of share capital	16	78,110	-
Proceeds from issuance of share capital in subsidiaries	17	13,773	-
Proceeds from issuance of preferred shares in subsidiaries	18	35,220	36,165
Net cash provided by financing activities		128,087	38,397
Net increase/(decrease) in cash and cash equivalents		103,596	(118,520)
Cash and cash equivalents at beginning of the period		105,555	224,075
Cash and cash equivalents at end of the period		209,151	105,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

(1) Accounting Policies

Basis of Preparation

Allied Minds plc ("Allied Minds" or the "Company") is a company incorporated and domiciled in the UK. The Annual Report and Accounts of Allied Minds and its subsidiaries (together referred to as the "Group") are presented for the year ended 31 December 2016. The group financial statements consolidate those of the Company and its subsidiaries and include the Group's interest in associates using the equity method of accounting. The Group financial statements have been prepared and approved by the directors in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Reclassification

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

Basis of Measurement

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

Use of Judgments and Estimates

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

- Note 11 and 18 - portfolio and subsidiary preferred shares valuations: when determining the appropriate valuation methodology and deriving the estimated fair value of subsidiary undertakings and subsidiary preferred shares. This includes making certain estimates of the future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability and other industry and company specific risk factors.
- Note 18 - subsidiary preferred shares liability classification: when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment whether the financial instrument include any embedded derivative features, whether they include a contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgments and estimates is included below under Financial Instruments.

Changes in Accounting Policies

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

Going Concern

The Directors have prepared trading and cash flow forecasts for the Group covering the period to 31 December 2019. Despite the fact that the Group is currently loss making and is likely to continue to be so, at least in the short term, after making enquiries and considering the impact of risks and opportunities on expected cashflows, and given the fact that the Group has $226 million of available funds in the form of cash and fixed income securities as at 31 December 2016, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the period to 31 December 2019. For this reason, they have adopted the going concern basis in preparing the financial statements.

Basis of Consolidation

Allied Minds plc was formed on 15 April 2014 and the consolidated financial statements for each of the years ended 31 December 2016 and 2015 comprises the financial statements of Allied Minds plc and its subsidiaries.

Subsidiaries

The financial information of the subsidiaries is prepared for the same reporting period as the parent Company, using consistent accounting policies. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates

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

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

Transactions eliminated on consolidation

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

Acquisitions and disposals of non-controlling interests

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

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

Functional and Presentation Currency

This consolidated financial statements are presented in US dollars, which is the functional currency of most of the entities in the Group.

Foreign Currency

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency (U.S. dollar) at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non- controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the Translation reserve, net of amounts previously attributed to non-controlling interests, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a subsidiary or an associate that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Cash and Cash Equivalents

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

Inventories

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

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

Financial Instruments

Financial Assets

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

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

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

The Group classifies its financial assets into the following categories: cash and cash equivalents, trade and other receivables, security and other deposits, other investments. Fixed income securities are recognised at fair value through profit and loss. The remaining categories are recognised at amortised cost using the effective interest rate method.

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

Financial Liabilities

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

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

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

Warrants are accounted for as financial liabilities and recorded at fair value.

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

Financial instruments issued by the Group

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

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

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

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

Share Capital

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

Property and Equipment

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

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

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

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

Intangible Assets

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

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

Capitalised Development Costs

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

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, the Group intends to and has sufficient resources to complete development and to use or sell the asset, and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The point at which technical feasibility is determined to have been reached is when regulatory approval has been received, where applicable. Management determines that commercial viability has been reached when a clear market and pricing point have been identified, which may coincide with achieving recurring sales. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure considered for capitalisation includes the cost of materials, direct labour and an appropriate proportion of overhead costs. Otherwise, the development expenditure is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Software

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

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

Amortisation

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

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

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

Taxation

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

Current Income Tax

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

Deferred Income Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

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

Impairment

Impairment of Non-Financial Assets

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

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

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

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

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

Impairment of Financial Assets

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

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial Assets Measured at Amortised Cost

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

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

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

Share-based Payments

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

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

Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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

Phantom Plan

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

Provisions

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

Revenue Recognition

Sale of Goods

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

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

Rendering of Services

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

Government Grants

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

License Revenue

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

Finance Income and Finance Costs

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

Fair Value Measurements

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

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

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

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

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

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

Operating Leases

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

Operating Segments

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

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

(2) New Standards and Interpretations not yet Adopted

A number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2017, and have not therefore been applied in preparing this consolidated financial information. Management has yet to complete an analysis of these new standards, interpretations and amendments to existing standards on the results of its operations, financial position, and disclosures. The Group intends to adopt these standards on their respective effective dates.

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

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

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

Classification - Financial assets

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

Other investments

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

Investments in subsidiaries

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

Classification - Financial liabilities

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

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

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

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

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

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

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

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

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

(3) Revenue

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

For the year ended 31 December:	2016	2015
	$'000	$'000
Product revenue	1,829	2,208
Service revenue	835	606
Grant revenue	—	486
Total revenue in consolidated statement of loss	2,664	3,300

Product revenue includes license revenue of $55,000 and $10,000 during 2016 and 2015, respectively.
Deferred revenue recorded in the statement of financial position consists of the following:

As of 31 December:	2016	2015
	$'000	$'000
Customer deposits	297	-
Other deferred revenue, current	161	395
Total deferred revenue in statement of financial position	458	395

(4) Operating Segments

Basis for Segmentation

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

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

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

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

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

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

Information about Reportable Segments

The following provides detailed information of the Group's reportable segments as of and for the years ended 31 December 2016 and 2015, respectively:

	2016 $'000					
	Early stage		Commercial		Other	Consolidated
	STT	Other	RFB	Other	operations	
Statement of Comprehensive Loss						
Revenue	—	622	553	1,489	—	2,664
Cost of revenue	—	(134)	(3,911)	(1,518)	—	(5,563)
Selling, general and administrative expenses	(8,628)	(17,392)	(4,304)	(5,536)	(19,624)	(55,484)
Research and development expenses	(15,006)	(39,048)	(140)	(1,098)	—	(55,292)
Finance income/(cost), net	(9,791)	(7,682)	—	(26)	2,232	(15,267)
Loss for the period	(33,425)	(63,634)	(7,802)	(6,689)	(17,392)	(128,942)
Other comprehensive income/(loss)	—	—	(74)	—	282	208
Total comprehensive loss	(33,425)	(63,634)	(7,876)	(6,689)	(17,110)	(128,734)
Total comprehensive loss attributable to:						
Equity holders of the parent	(16,924)	(52,173)	(4,523)	(5,395)	(17,110)	(96,125)
Non-controlling interests	(16,501)	(11,461)	(3,353)	(1,294)	—	(32,609)
Total comprehensive loss	(33,425)	(63,634)	(7,876)	(6,689)	(17,110)	(128,734)
Statement of financial position						
Non-current assets	29,235	3,402	738	1,032	3,825	38,232
Current assets	13,859	78,197	4,808	822		232,007

					134,321	
Total Assets	43,094	81,599	5,546	1,854	138,146	270,239
Non-current liabilities	(90)	(4)	(18)	(110)	(498)	(720)
Current liabilities	(64,394)	(86,362)	(1,075)	(493)	(3,078)	(155,402)
Total Liabilities	(64,484)	(86,366)	(1,093)	(603)	(3,576)	(156,122)
Net Assets	(21,390)	(4,767)	4,453	1,251	134,570	114,117

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

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

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

Geographic Information

Whilst the Group includes RF Biocidics (UK) Limited, which is a UK company, the revenues and net operating losses of that subsidiary are not considered material to the Group, and therefore the Group revenues and net operating losses for the years ended 31 December 2016 and 2015 are considered to be entirely derived from its operations within the United States and accordingly no additional geographical discloses are provided.

(5) Operating Expenses

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

For the year ending 31 December:	**2016**	**2015**
Selling, general and administrative	88	73
Research and development	121	87
Total	209	160

The aggregate payroll costs of these persons were as follows:

For the year ending 31 December:	**2016**	**2015**
	$'000	$'000
Selling, general and administrative	28,913	22,416
Research and development	21,644	17,710
Total	50,557	40,126

Total operating expenses were as follows:

For the year ending 31 December:	**2016**	**2015**
	$'000	$'000
Salaries and wages	36,050	27,602
Payroll taxes	2,110	1,781
Healthcare benefit	2,837	2,328

Other payroll cost	1,175	1,374
Share-based payments	8,385	7,041
Total	50,557	40,126
Cost of revenue	5,563	3,925
Other SG&A expenses	26,571	24,472
Other R&D expenses	33,648	31,499
Total operating expenses	116,339	100,022

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

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

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

(6) Share-Based Payments

UK Long Term Incentive Plan

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

- 60 per cent of each award will be subject to performance conditions based on the Company's total shareholder return ("TSR") performance over a three year period; and
- 40 per cent of each award will be subject to performance conditions based on a basket of shareholder value metrics ("SVM"). Performance will be assessed on these measures on a scorecard basis over a three year period.

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

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

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

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

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

For the year ended 31 December:	2016		2015	
	TSR	SVM	TSR	SVM
Number of shares granted at maximum ('000)	1,443	56	170	280
Weighted average fair value (£)	2.19	3.37	7.01	5.99
Fair value measurement basis	Monte Carlo	Market value of ordinary share	Monte Carlo	Market value of ordinary share

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

The share grants that vests only upon the occurrence of a non-market performance condition (i.e. the SVM grants) and service condition were valued at the fair value of the shares on the date of the grants and the vesting conditions are taken into account by subsequently adjusting the number of instruments included in the measurement of the transaction amount so that, ultimately, the amount of recognised share-based expense is based on the number of instruments that eventually vest.

The accounting charge does not necessarily represent the intended value of share-based payments made to recipients, which are determined by the Remuneration Committee according to established criteria. The share-based payment charge for the fiscal year ended 31 December 2016 related to the UK LTIP was $5.9 million (2015: $3.1 million).

U.S. Stock Option/Stock Issuance Plan

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

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

	Number of options 2016	Weighted average exercise price 2016	Number of options 2015	Weighted average exercise price 2015
Outstanding as of 1 January	9,204,712	$ 2.10	10,396,496	$ 2.09
Granted during the year	—	—	-	-

Exercised during the year	(650,000)	$ 1.86	(1,191,784)	$ 2.05
Forfeited during the year	—	—	-	-
Outstanding as of 31 December	8,554,712	$ 2.12	9,204,712	$ 2.10
Exercisable as of 31 December	8,554,712	$ 2.12	9,204,712	$ 2.10
Intrinsic value of Exercisable	$ 31.5 million		$ 35.2 million	

The options outstanding as of 31 December 2016 and 31 December 2015 had an exercise price in the range of $0.68 to $2.60.

As of 19 June 2014, the maximum number of options reserved under the plan were issued and outstanding and as a result of the Company's IPO in 2014, all issued and outstanding options vested on 19 June 2014 and some options were exercised, resulting in the accelerated share- based payment charge of additional $2.4 million for the period. The Company does not intend to make any further grants under the U.S. Stock Plan.

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

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

Other Plans

Spin Transfer Technologies

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

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

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

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

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

	Number of options 2016	Weighted average exercise price 2016	Number of options 2015	Weighted average exercise price 2015
Outstanding as of 1 January	1,849,367	$ 7.43	1,440,394	$ 7.29
Granted during the year	346,426	$ 7.77	434,746	$ 7.77
Exercised during the year	-	-	-	-
Forfeited during the year	(7,500)	$ 7.77	(25,773)	$ 5.40
Outstanding as of 31 December	2,188,293	$ 7.48	1,849,367	$ 7.43
Exercisable as of 31 December	1,397,056	$ 7.34	964,632	$ 7.30
Intrinsic value of Exercisable	$ 0.1 million		$ 0.5 million	

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

Plans Under Other Subsidiaries

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

Allied Minds Phantom Plan

In 2007, Allied Minds established a cash settled bonus plan for Allied Minds employees, also known as its Phantom Plan. In 2012, the board of directors adopted the Amended and Restated 2007 Phantom Plan. Under the terms of the Amended and Restated Plan, upon a liquidity event Allied Minds will allocate 10% of the value (after deduction of the amount invested by Allied Minds and accrued interest at a rate not exceeding 5% per annum) of the invested capital owned by Allied Minds of each operating company to the plan account. Upon a liquidity event, plan participants holding units will receive their proportionate share of the plan account. The allocated shares at all times remain the sole and exclusive property of Allied Minds and holders of units have no rights or interests in Allied Minds. No amount has been paid out to employees under the Phantom Stock Plan through 31 December 2016.

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2016 or 2015. Management will record an expense relating to this plan when it is probable that a subsidiary will be sold and the amount of the payout is reasonably estimable.

Share-based Payment Expense

The Group recorded share-based payment expense related to stock options of approximately $8,385,000 and $7,041,000 for the years ended 31 December 2016 and 2015, respectively. There was no income tax benefit recognised for share- based payment arrangements for the years ended 31 December 2016 and 2015, respectively, due to operating losses. Shared-based payment expenses are included in selling, general and administrative expenses and research and development expenses in the Consolidated Statement of Comprehensive Income.

(7) Finance Cost, Net

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

For the year ended 31 December:	2016	2015
	$'000	$'000
Interest income on:		

- Bank deposits	1,610	721
Foreign exchange gain	1,269	2
Finance income	2,879	723
Interest expense on:		
- Financial liabilities at amortised cost	(527)	(41)
Foreign exchange loss	(34)	(12)
Finance cost contractual	(561)	(53)
Loss on fair value measurement of subsidiary preferred shares	(17,585)	(1,937)
Finance cost	(18,146)	(1,990)
Total finance cost, net	(15,267)	(1,267)

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

(8) Loss Per Share

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

Loss attributable to ordinary shareholders

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

Weighted average number of ordinary shares

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

Loss per share

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

(9) Property and Equipment

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

Cost *in $'000*	**Machinery and Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Computers and Electronics**	**Under Construction**	**Total**
Balance as of 31 December 2014	14,362	403	1,536	601	3,531	20,433
Additions, net of transfers	18,184	169	3,135	564	(562)	21,490
Disposals	(168)	-	-	-	-	(168)
Balance as of 31 December 2015	32,378	572	4,671	1,165	2,969	41,755
Additions, net of transfers	4,560	313	919	239	(2,268)	3,763
Disposals	(1,829)	(23)	(27)	(53)	-	(1,932)
Balance as of 31 December 2016	35,109	862	5,563	1,351	701	43,586

Accumulated Depreciation and Impairment loss *in $'000*	**Machinery and Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Computers and Electronics**	**Under Construction**	**Total**
Balance as of 31 December 2014	(3,180)	(149)	(770)	(316)	312	(4,103)
Depreciation	(2,371)	(198)	(235)	(223)	(312)	(3,339)
Impairment loss	(422)	150	(6)	(30)	-	(308)
Disposals	168	-	-	-	-	168
Balance as of 31 December 2015	(5,805)	(197)	(1,011)	(569)	-	(7,582)
Depreciation	(4,378)	(135)	(876)	(325)	-	(5,714)
Impairment loss	(320)	(7)	-	(13)	-	(340)
Disposals	1,829	23	27	53	-	1,932
Balance as of 31 December 2016	(8,674)	(316)	(1,860)	(854)	-	(11,704)

Property and

equipment, net *in* *$'000*	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
Balance as of 31 December 2015	26,573	375	3,660	596	2,969	34,173
Balance as of 31 December 2016	26,435	546	3,703	497	701	31,882

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

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

(10) Intangible Assets

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

Cost *in* *$'000*	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of 31 December 2014	4,385	768	257	303	5,713
Additions - Acquired separately	1,032	-	490	-	1,522
Additions - Internally developed	-	-	-	201	201
Disposals	-	-	(3)	-	(3)
Balance as of 31 December 2015	5,417	768	744	504	7,433
Additions - Acquired separately	85	-	20	-	105
Additions - Internally developed	-	-	-	219	219
Disposals	(681)	-	(34)	(629)	(1,344)
Balance as of 31 December 2016	4,821	768	730	94	6,413

Accumulated amortisation and Impairment loss *in* *$'000*	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of December 31, 2014	(2,103)	(79)	(98)	(24)	(2,304)
Amortisation	(512)	(23)	(180)	(32)	(747)
Impairment loss	-	-	(1)	-	(1)
Disposals	-	-	3	-	3
Balance as of December 31, 2015	(2,615)	(102)	(276)	(56)	(3,049)
Amortisation	(522)	(22)	(318)	(59)	(921)
Impairment loss	(487)	-	-	(538)	(1,025)
Disposals	681	-	34	629	1,344
Balance as of December 31, 2016	(2,943)	(124)	(560)	(24)	(3,651)

Intangible assests, net *in* *$'000*	Licenses	Purchased IPR&D	Software	Development cost	Total
Balance as of 31 December 2015	2,802	666	468	448	4,384
Balance as of 31 December 2016	1,878	644	170	70	2,762

Amortisation expense is included in selling, general and administrative expenses in the consolidated statement of comprehensive loss. Amortisation expense, recorded using the straight-line method, was approximately $921,000 and $747,000 for the years ended 31 December 2016 and 2015, respectively.

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

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

(11) Investment in Subsidiaries and Associates

Group Subsidiaries

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

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

	Inception Date	Location (4)	Ownership percentage of economic interest at 31 December (2) 2016	2015
Active subsidiaries				
Holding companies				
Allied Minds, LLC (1), (3)	19/06/14	Boston, MA	100.00%	100.00%
Allied Minds Securities Corp. (3)	21/12/15	Boston, MA	100.00%	100.00%
Project Poldark (Jersey) Limited (3)	29/11/16	Boston, MA	100.00%	—

Early stage companies				
ABLS Capital, LLC	09/07/15	Boston, MA	30.25%	—
Allied-Bristol Life Sciences, LLC	31/07/14	Boston, MA	80.00%	80.00%
ABLS I, LLC	24/09/14	Boston, MA	74.00%	80.00%
ABLS II, LLC	24/09/14	Boston, MA	35.95%	80.00%
ABLS III, LLC	10/03/16	Boston, MA	80.00%	—
Allied Minds Federal Innovations, Inc.	09/03/12	Boston, MA	100.00%	100.00%
Federated Wireless, Inc.	08/08/12	Arlington, VA	72.99%	90.58%
Federated Wireless Government Solutions, Inc. (3)	04/05/16	Arlington, VA	72.99%	90.58%
Foreland Technologies, Inc.	23/01/13	Boston, MA	100.00%	100.00%
BridgeSat, Inc.	09/02/15	Boston, MA	100.00%	100.00%
Cephalogics, LLC	29/11/06	Cambridge, MA	95.00%	95.00%
HawkEye 360, Inc.	16/09/15	Herndon, VA	56.11%	81.25%
HawkEye 360 Federal, Inc. (3)	22/09/15	Herndon, VA	56.11%	81.25%
LuxCath, LLC	29/05/12	Boston, MA	98.00%	98.00%
Optio Labs, Inc.	28/02/12	Baltimore, MD	81.23%	81.23%
Percipient Networks, LLC	29/01/14	Wakefield, MA	100.00%	100.00%
Precision Biopsy, Inc.	17/06/08	Denver, CO	64.59%	68.32%
ProGDerm, Inc. (dba Novare Pharmaceuticals)	19/09/08	Boston, MA	90.38%	90.38%
SciFluor Life Sciences, LLC	14/12/10	Cambridge, MA	69.89%	69.89%
Seamless Devices, Inc.	14/10/14	San Jose, CA	79.12%	79.41%
Signature Medical, Inc.	12/12/16	Boston, MA	100.00%	-
Spin Transfer Technologies, Inc.	03/12/07	Fremont, CA	48.40%	48.40%
Vatic Materials, Inc.	21/11/16	Boston, MA	100.00%	-
Whitewood Encryption Systems, Inc.	21/07/14	Boston, MA	100.00%	100.00%
Commercial stage companies				
Biotectix, LLC	16/01/07	Richmond, CA	64.35%	64.35%
CryoXtract Instruments, LLC	23/05/08	Woburn, MA	93.24%	93.24%
RF Biocidics, Inc.	12/06/08	Sacramento, CA	67.14%	67.14%
RF Biocidics (UK) Ltd (3)	10/09/10	United Kingdom	67.14%	67.14%
SoundCure, Inc. (3)	04/06/09	San Jose, CA	84.62%	84.62%
Tinnitus Treatment Solutions, LLC	26/02/13	San Jose, CA	100.00%	100.00%
Closed subsidiaries				
SiEnergy Systems, LLC (3)	21/09/07	Cambridge, MA	-	100.00%
Number of active subsidiaries as 31 December:			33	29

Notes:

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

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

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

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

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

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

In October 2014, Spin Transfer Technologies ("STT") completed a Series A financing round as a result of which the Allied Minds' ownership percentage in STT decreased from 56.13% to 48.40%. Whilst Allied Minds owns less than 50.00% of the voting share capital after the transaction and as of 31 December 2014, the company remains the largest single shareholder at 48.40% of the voting share capital, and retains control over the majority of the voting rights on the board of directors of STT. Under the terms of the STT organisational documents, the board of directors effectively controls the policies and management of STT, and in all instances, the board acts by majority vote. In addition, all material shareholder voting provisions of the STT organisational documents require a simple majority for approval, giving the Company substantial influence over the outcome of all actions which require a shareholder vote. As a result, following the transaction, Allied Minds continues to exercise effective control over STT and as such will continue to be fully consolidated within the group's financial statements.

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

As of and for the year ended 31 December:

	2016			
	$'000			
	Early stage		**Commercial**	
	STT	**Other**	**RFB**	**Other**
Statement of Comprehensive Loss				
Revenue	—	594	553	1,223
Loss for the year	(33,425)	(59,193)	(7,802)	(5,937)

Other comprehensive loss	–	–	(74)	–
Total comprehensive loss	(33,425)	(59,193)	(7,876)	(5,937)
Comprehensive loss attributed to NCI	(16,501)	(11,461)	(3,353)	(1,294)
Statement of Financial Position				
Non-current assets	29,235	3,242	738	1,029
Current assets	13,859	77,637	4,808	751
Total Assets	43,094	80,879	5,546	1,780
Non-current liabilities	(90)	(4)	(18)	–
Current liabilities	(64,394)	(85,658)	(1,075)	(421)
Total Liabilities	(64,484)	(85,662)	(1,093)	(421)
Net Assets	(21,390)	(4,783)	4,453	1,359
Carrying amount of NCI	(15,074)	10,061	(9,114)	(6,670)
Statement of Cash Flows				
Cash flows from operating activities	(18,617)	(51,853)	(7,993)	(7,653)
Cash flows from investing activities	(2,360)	(402)	1,595	(332)
Cash flows from financing activities	303	80,888	8,189	8,154
	(20,674)	28,633	1,791	169

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

Portfolio Valuation

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

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

Ownership adjusted value represents Allied Minds' interest in the equity value of each subsidiary and is calculated as follows: lower of (Business Enterprise Value - Long Term Debt + Cash) x Allied Minds percentage ownership plus the value of debt provided by Allied Minds plc to each subsidiary business, or the subsidiary Business Enterprise Value. Allied Minds commits post seed funding to its subsidiaries in the form of loans.

Valuation Methodology

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

The Group Subsidiary Ownership Adjusted Value represents the sum-of-the-parts ("SOTP") of, principally, net present value ("NPV") or risk-adjusted net present value ("rNPV") from discounted cash flow ("DCF") valuations and valuations based on recent third party investment at the subsidiary level. A DCF valuation is used for the majority of Allied Minds subsidiaries. The DCF valuations are updated when the underlying assumptions for the valuations warrant a change. Generally, valuations are not increased unless warranted by or in anticipation of a financing transaction. Valuations are decreased in situations where the subsidiary is falling short of expected progress. Otherwise, the valuations are kept constant. When available, financing transactions are used as the basis for the subsidiary valuation. In limited instances other techniques such as based on asset values are utilised.

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

Discounted cash flow (1)	Funding transaction (2)
BridgeSat, Inc	Allied Bristol Life Sciences, LLC
Foreland Technologies, LLC	ABLS II, LLC
LuxCath, LLC	Federated Wireless, Inc.
Percipient Networks, LLC	HawkEye 360, Inc.
Seamless Devices, Inc.	Precision Biopsy, Inc.
Whitewood Encryption Systems, Inc.	SciFluor Life Sciences, Inc.
	Spin Transfer Technologies, Inc.
As per cent of GSOAV: 8.0% (2015: 26.5%)	As per cent of GSOAV: 87.1% (2015: 70.7%)

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

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

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

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

Associates

	Location	Registered number	Ownership percentage 31 December 2016	2015
Stalam S.p.A.	Vicenza, Italy	2083930244	—	28.5%

	2016 $'000	2015 $'000
Stalam S.p.A.	—	1,612
Carrying amount for equity accounted investees	—	1,612

In December 2013, RF Biocidics ("RFB") entered into a manufacturing agreement with the strategic partner Stalam S.p.A. ("Stalam") in Italy, which made Stalam an exclusive manufacturer of the Apex product line series, as well as any new generation RF Systems that incorporates both Stalam and RFB technologies which the parties develop jointly as part of the agreement. Following this transaction in March 2014, RF Biocidics acquired ordinary shares representing 28.5% of the capital of that manufacturer in exchange for 1.1 million Euro ($1.5 million).

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

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

In November 2016, Stalam was acquired by third party investors and RF Biocidics sold its interest in the investment in Stalam for 2.3 million Euro ($2.4 million) plus a potential earn out of 0.6 million Euro ($0.6 million) of which 0.1 million Euro ($0.1 million) was realised in 2016, resulting in a gain for the period of $0.9 million.

(12) Other Investments

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

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

(13) Cash and Cash Equivalents

As of 31 December:	2016 $'000	2015 $'000
Bank balances	209,283	105,687
Restricted cash	(132)	(132)
Total cash and cash equivalents	209,151	105,555

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

(14) Inventories

As of 31 December:	2016 $'000	2015 $'000
Finished units	2,505	1,007
Work in progress	15	149
Raw materials	31	355
Total inventories		

	2,551	1,511

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

(15) Trade and Other Receivables

As of 31 December:	2016	2015
	$'000	$'000
Trade receivables	312	1,012
Prepayments and other current assets	5,588	6,330
Total trade and other receivables	5,900	7,342

(16) Equity

In December 2016, the Company issued 17,457,015 ordinary shares of one pence at 367 pence, which were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the LSE's Main Market for listed securities. This resulted in approximately $78.1 million of net proceeds from the equity placing (net of issue cost of $2.2 million). The amounts subscribed for share capital in excess of the nominal value in relation to this transaction are reflected in the merger reserve balance as of 31 December 2016.

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

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

Movements below explain the movements in share capital:

As of 31 December:	2016	2015
	$'000	$'000
Equity		
Share capital, £0.01 par value, issued and fully paid 233,744,378 and 215,637,363, respectively	3,657	3,429
Share premium	157,067	155,867
Merger reserve	263,435	185,544
Translation reserve	192	(16)
Accumulated deficit [(i)]	(289,437)	(192,819)
Equity attributable to owners of the Company	134,914	152,005
Non-controlling interests [(i)]	(20,797)	(10,631)
Total equity	114,117	141,374

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

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

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

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

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

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

For the two years ended 31 December 2016, the Group recognised the following changes in common and preferred stock ownership in subsidiaries resulting in changes to non-controlling interest:

- In March 2016, Allied-Bristol Life Sciences (ABLS) launched its third project - ABLS III, LLC (dba iβeCa Therapeutics), in a partnership with New York University (NYU). ABLS owns 100% of the common stock of ABLS III. Following the transaction Allied Minds continues to exercise effective control over ABLS and subsidiaries including ABLS III and as such the subsidiary will continue to be fully consolidated within the group's financial statements

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

  In August 2016, ABLS Capital raised $12 million of new equity in a Class B shares round pursuant to the initial commitment discussed to fund its portion of the ABLS II financing (see below). There is no change in the subsidiary's governance structure as a result of the round. Following the transaction Allied Minds continues to exercise effective control over ABLS Capital and as such the subsidiary will continue to be fully consolidated within the group's financial statements.

- In August 2016, ABLS II closed a Series A round of financing issuing 6,410,256 shares of Preferred Stock at issue price of $2.34 per share to ABLS Capital and Bristol-Myers Squibb Company, raising approximately $15.0 million, resulting in a $19.0 million post-money valuation. The use of proceeds from the Series A round is intended primarily to fund further development of the lead optimisation program. Should this next lead optimisation phase prove successful, Bristol-Myers Squibb has the right to acquire Allied Minds' interest in ABLS II at a pre-determined multiple of invested capital.

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

	Early Stage		Commercial		Consolidated
	STT	Other	RFB	Other	
	$'000	$'000	$'000	$'000	$'000
Non-controlling interest as of 31 December 2014 [(i)]	**7,674**	**1,904**	**(3,000)**	**(4,054)**	**2,524**
Share of comprehensive loss	(9,518)	(6,251)	(3,009)	(1,413)	(20,191)
Effect of change in Company's ownership interest	143	3,077	8	-	3,228
Equity-settled share based payments	1,937	1,707	103	61	3,808

Non-controlling interest as of 31 December 2015 [(i)]	**236**	**437**	**(5,898)**	**(5,406)**	**(10,631)**
New funds into non-controlling interest	—	13,773	—	—	13,773
Share of comprehensive loss	(16,501)	(11,460)	(3,353)	(1,295)	(32,609)
Effect of change in Company's ownership interest	62	6,030	137	-	6,229
Equity-settled share based payments	1,129	1,281	—	31	2,441
Non-controlling interest as of 31 December 2016	**(15,074)**	**10,061**	**(9,114)**	**(6,670)**	**(20,797)**

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

(18) Subsidiary Preferred Shares

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

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

The following summarises the subsidiary preferred shares balance:

As of 31 December:	**2016**	Finance cost from IAS 39 fair value accounting	Additions	**2015**
	$'000	$'000	$'000	$'000
Spin Transfer Technologies	61,383	9,865	—	51,518
SciFluor Life Sciences	32,381	6,798	—	25,583
Precision Biopsy	22,518	536	5,000	16,982
Federated Wireless	17,342	372	16,970	—
HawkEye 360	7,264	14	7,250	—
Total subsidiary preferred shares	140,888	17,585	29,220	94,083

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

As of 31 December:	**2016**	**2015**
	$'000	$'000
Spin Transfer Technologies	50,000	50,000
SciFluor Life Sciences	25,200	25,200
Precision Biopsy	22,000	17,000
Federated Wireless	17,000	—
HawkEye 360	7,250	—
Total liquidation preference	121,450	92,200

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

2016

- Federated Wireless completed a $22.0 million round of Series A financing in January 2016. Of the $22.0 million raised in this financing, Allied Minds contributed approximately $5.0 million for the purchase of 2,727,580 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round.
- Precision Biopsy received the second tranche of the October 2015 Series A round (see below) and raised addition $5.0 million from one of the existing shareholders that originally participated in the round for additional 945,966 shares.
- HawkEye 360 completed a $11.0 million round of Series A-2 financing in November 2016. Of the $11.0 million raised in this financing, Allied Minds contributed approximately $4 million for the purchase of 3,096,459 preferred shares, and other new investors contributed with the remainder of the round.

2015

- SciFluor Life Sciences completed a $30.0 million round of Series A financing in April 2015. Of the $30.0 million raised in this financing, Allied Minds contributed approximately $4.8 million for the purchase of 501,857 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round.
- Precision Biopsy completed a $33.6 million round of Series A financing in October 2015. Of the $33.6 million raised in this financing, Allied Minds contributed approximately $16.6 million for the purchase of 3,140,608 preferred shares, and other existing shareholders of the Group contributed with the remainder of the round. The round was funded in two tranches and the second tranche of $10.0 million was due after one year from closing of the round, of which $4.0 million was contributed by Allied Minds and other existing shareholders of the Group contributed with the remainder $6.0 million.

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

Net Present Valuation ("NPV") method

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

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

- Estimated income generally consists of sales, co-development revenues, one-time payments and royalty payments on sales depending on the company, its business model and industry. These are estimated based on a variety of factors including: total addressable market; competitive factors; barriers to competition; pricing; typical standards for contract value; royalty rates; and likelihood of development of a product that is commercially viable.
- Costs and capital expenditures are estimated for each phase of development based on the companies' information or according to industry standards. Costs are typically forecasted for cost of goods, SG&A (selling, general and administrative), research and development as well as a variety of other expenses. These are typically developed "from the ground up" for earlier years and for later years depicted as a factor or percentage of sales.
- The terminal or exit value represents the aggregate value of an entity at the end of the discrete forecast period. Terminal value may be estimated using the terminal multiple method, which inherently assumes that the business will be valued at the end of the projection period based on reference valuations. Under this methodology, the terminal value is typically calculated by applying one of two commonly accepted methodologies:
  - Multiple base terminal value: Use of an appropriate multiple to the relevant financial metric forecasted for the last projected year taking into consideration the ongoing growth potential of the business in the terminal year. Exit values included in the analysis are typically projected as a multiple of EBIT, EBITDA or Sales based on the final year results for the forecast period. Where available, a set of guideline public companies that are similar to the company to be used for comparative purposes and the multiple is derived from this set;
  - Gordon growth model based terminal value: Use of a formula that calculates the present value of cash flow in the terminal year growing into infinity at an ascribed terminal growth rate. The terminal growth rate is derived by estimating the long-term annual growth potential of the business at the terminal year.
- Selection of discount rates is based on part utilising American Institute of Certified Public Accountants (AICPA) practice standards varying by stage of development of the subsidiary as well as other risk factors and typically range from 20-45%.
- Where available NPV results are compared against peer companies and to valuations for similar companies.

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

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

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

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

Option Pricing Model Inputs

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

As of 31 December:	**2016**	**2015**
Volatility	33.0% - 75.5%	60.0% - 70.0%
Time to Liquidity (years)	2.06 - 3.76	3.78 - 4.76
Risk-Free Rate	1.22% - 1.70%	1.48% - 1.71%
DLOM	20.0% - 27.5%	20.0% - 27.8%

Sensitivity Analysis

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

As of 31 December:		**2016**	**2015**
		$'000	$'000
Input	**Sensitivity range**	**Subsidiary Preferred Shares Liability increase/(decrease)**	
Enterprise Value	-2%	(1,746)	(1,232)
	+2%	1,746	1,232
Volatility	-10%	(377)	1,783
	+10%	(776)	(2,353)
Time to Liquidity	-6 months	416	1,253
	+6 months	(762)	(1,221)
Risk-Free Rate (1)	-0.18% / -0.12%	416	1,253
	+0.13% / +0.12%	(762)	(1,221)
DLOM	-5.0%	42	42
	+5.0%	(26)	(26)

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

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

(19) Loans

As of 31 December:	**2016**	**2015**
	$'000	$'000
Non-current liabilities - Loans:		
Unsecured loan	-	112
	-	112
Current liabilities - Loans:		
Unsecured loan	115	228
	115	228
Total loans	115	340

The terms and conditions of outstanding loans are as follows:

As of 31 December:	Currency	Nominal interest rate	Year of maturity	2016 $'000 Face value	2016 $'000 Carrying amount	2015 $'000 Face value	2015 $'000 Carrying amount
Unsecured loan	USD	6.5%	2013-17	115	115	340	340
Total interest bearing liabilities				115	115	340	340

CryoXtract Instruments, LLC Promissory Note

In May 2012, CryoXtract Instruments, LLC signed a promissory note with a state financing authority in the amount of $800,000 to provide working capital for materials and fund salaries. The note fully matures in May 2017 and bears interest of 6.5%. Payment of interest only is due in the first 18 months. As of 31 December 2013, CryoXtract had drawn the full balance of the note, of which $225,000 and $221,000 was repaid during 2016 and 2015, respectively, and $115,000 (2015: $28,000), net of discount, is included in current liabilities. Interest expense incurred on the note was $26,000 and $41,000 for the years ended 31 December 2016 and 2015, respectively.

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

(20) Trade and Other Payables

As of 31 December:	2016 $'000	2015 $'000
Trade payables	4,362	6,326
Accrued expenses	9,210	7,690
Other current liabilities	369	252
Trade and other payables, current	13,941	14,268
Other non-current payables	720	751
Total trade and other payables	14,661	15,019

(21) Leases

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

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

For the year ended 31 December:	2016 $'000	2015 $'000
Less than one year	2,015	2,421
Between one and five years	3,713	4,822
More than five years	438	1,183
Total minimum lease payments	6,166	8,426

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

(22) Financial Instruments and Related Disclosures

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

As of 31 December: 2016 $'000	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets designated as fair value through profit or loss					
Fixed income securities	16,912	-	16,912	-	16,912
Loans and receivables					
Cash and cash equivalents	209,151	-	209,151	-	209,151
Trade and other receivables	5,900	-	5,900	-	5,900
Security and other deposits	1,065	-	1,065	-	1,065
Total	233,028	-	233,028	-	233,028
Financial liabilities designated as fair value through profit or loss					
Subsidiary preferred shares	140,888	-	-	140,888	140,888
Financial liabilities measured at amortised cost					
Unsecured loan	115	-	123	-	123
Trade and other payables	14,662	-	14,662	-	14,662
Total	155,665	-	14,785	140,888	155,673

As of 31 December: 2015 $'000	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets designated as fair value through profit or loss					
Fixed income securities	89,193	14,360	75,385	-	89,745

Loans and receivables					
Cash and cash equivalents	105,555	-	105,555	-	105,555
Trade and other receivables	7,342	-	7,342	-	7,342
Subscription receivable	6,000	-	6,000	-	6,000
Security and other deposits	1,213	-	1,213	-	1,213
Total	209,303	14,360	195,495	-	209,855
Financial liabilities designated as fair value through profit or loss					
Subsidiary preferred shares	94,083	-	-	94,083	94,083
Financial liabilities measured at amortised cost					
Unsecured loan	340	-	359	-	359
Trade and other payables	15,019	-	15,019	-	15,019
Total	109,442	-	15,378	94,083	109,461

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

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

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

(23) Capital and Financial Risk Management

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

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

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

Credit Risk

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

The Group held following balances:

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

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

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

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

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

The Group has no significant concentration of credit risk. The Group assesses the credit quality of customers, taking into account their current financial position. An analysis of the credit quality of trade receivables that are neither past due nor impaired is as follows:

As of 31 December:	**2016**	**2015**
	$'000	$'000
Customers with less than three years of trading history with the Group	312	1,012

312	1,012

Liquidity Risk

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

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

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

As of 31 December 2016:		Contractual cash flows			
$'000	Carrying amount	Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	13,941	13,941	13,941	-	-
Other non-current liabilities	720	720	236	433	51
Unsecured bank loans	115	115	115	-	-
	14,776	14,776	14,292	433	51

As of 31 December 2015:		Contractual cash flows			
$'000	Carrying amount	Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	14,268	14,268	14,268	-	-
Other non-current liabilities	751	751	358	365	28
Unsecured bank loans	340	370	252	118	-
	15,359	15,389	14,878	483	28

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

Market Risk

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

Capital Risk Management

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

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

(24) Related Parties

Transactions with Key Management Personnel

Key Management Personnel Compensation

Key management personnel compensation received comprised the following:

For the year ended 31 December:	2016 $'000	2015 $'000
Short-term employee benefits	3,097	3,341
Share-based payments	2,073	1,708
Total	5,170	5,049

Short-term employee benefits of the Group's key management personnel include salaries and bonuses, health care and other non-cash benefits.

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

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

Key Management Personnel Transactions

Directors' remuneration for the year comprised the following:

For the year ended 31 December:	2016 $'000	2015 $'000
Non-executive Directors' fees	492	357
Non-executive Directors' share-based payments	275	225
Total	767	582

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

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

Other related party transactions

Consolidated Statement of Comprehensive Loss

For the year ended 31 December:	2016 $'000	2015 $'000
Purchase of goods		
Equity-accounted investee	948	1,334

Consolidated Statement of Financial Position

As of 31 December:	2016 $'000	2015 $'000
Purchase of goods outstanding balance		
Equity-accounted investee	—	171

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

(25) Taxation

Amounts recognised in profit or loss

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

For the year ended 31 December:	2016 $'000	2015 $'000
Net loss	128,942	97,989
Income taxes	-	-
Net loss before taxes	128,942	97,989

Reconciliation of Effective Tax Rate

The Group is primarily subject to taxation in the US, therefore the reconciliation of the effective tax rate has been prepared using the US statutory tax rate. A reconciliation of the US statutory rate to the effective tax rate is as follows:

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

Factors that may affect future tax expense

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

Unrecognised Deferred Tax Assets

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

As of 31 December:	2016 $'000	2015 $'000
Operating tax losses (1)	115,868	87,280
Capital losses (2)	1,146	1,612
Research credits (1)	10,130	6,558
Temporary differences (3)	20,620	15,390
Deferred tax assets	147,764	110,840
Other temporary differences (3)	(1,079)	(398)
Deferred tax liabilities	(1,079)	(398)
Deferred tax assets, net, not recognised	146,685	110,442

(1) expire starting in 2024

(2) expiring since 2015

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

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

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

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

(26) Subsequent Events

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

HawkEye 360, Inc.

In February 2017, HawkEye completed a second closing of the Series A-2 financing round for additional $2.75 million, of which $1.25 million from existing shareholders of the Group and members of management of the company for 967,641 Series A-2 shares and a warrant to purchase 1,161,172 Series A-2 shares for $1.5 million issued to an existing investor of the company.

Group Restructuring Plan

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

Vatic Materials, Inc.

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

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Jeff Rohr
(Independent Non-Executive Director)

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