

4 June 2020

Allied Minds

Annual Results Release

Allied Minds plc (LSE: ALM) ("the Group" or the "Company"), the IP commercialisation company focused on early stage company development within the technology sector, announces its annual results for the year ended 31 December 2019.

- Net cash and investments of \$90.6 million (2018: \$97.7 million) of which \$84.1 million (2018: \$50.6 million) is held at the parent level.
- Revenues of \$2.7 million (2018: \$5.6 million) mainly from non-recurring engineering (NRE) and service contracts, reflecting the early stage nature of our portfolio companies.
- Net profit of \$50.3 million, (2018: net profit of \$45.4 million, which is restated) primarily reflects SG&A and R&D spending of \$34.3 million and \$16.1 million, respectively, to support the portfolio development activities, offset by NRE revenue of \$2.7 million, finance income of \$9.9 million reflecting the fair value accounting adjustment of the portfolio company preferred shares liability balance, and other income of \$89.5 million reflecting \$41.2 million of net gain on investments held at fair value as well as \$69.8 million due to the deconsolidation of one of the Company's existing portfolio company, Federated Wireless; including \$28.9 million share of loss from the deconsolidated entities accounted under the equity method as investments in associates.
- On 14 February 2020, Allied Minds paid a special dividend of 12.62 pence per ordinary share totaling £30.49 million.
- Achieved additional cost efficiencies through restructuring management incentive schemes, reducing headcount at HQ, subletting HQ office space, deconsolidating certain portfolio companies and eliminating other non-essential third party costs
- Continued progress made towards refocused strategy of delivering shareholder value by focusing on existing portfolio.

Joseph Pignato, Chief Executive Officer of Allied Minds said:

"This has been a transformational year for the business. We have made significant progress in delivering our re-focused strategy, we optimised our cost base, right-sized the business, restructured the Board and delivered substantial value for shareholders.

"The sale of our stake in HawkEye 360 clearly demonstrates the value in our portfolio. Our focus remains on supporting our existing investments through to meaningful commercialization and generating value for shareholders.

"Our existing portfolio has continued to make significant technical and commercial progress. We saw notable developments from across the portfolio, including Federated Wireless, which received FCC certification and launched a new managed service offering, working with Amazon Web Services and Microsoft Azure as well as BridgeComm, which entered the next stage in its relationship with Boeing HorizonX.

"Whilst the Covid-19 pandemic has brought global uncertainty, we remain focused on supporting our portfolio companies and maximising monetisation opportunities at the right time in order to deliver value to our shareholders in the coming years."

HIGHLIGHTS

Investment Highlights

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

- \$101.0 million from portfolio company equity fundraisings with \$75.8 million coming from third-party investment and \$25.2 million from Allied Minds, to support and accelerate the development of seven of the Group's existing and former companies: Federated Wireless, HawkEye 360, Spin Memory, Spark Insights, SciFluor Life Sciences and Precision Biopsy.
 - o In February 2019, SciFluor Life Sciences and Precision Biopsy raised \$4.0 million and \$5.0 million, respectively, of equity financing, half of which was contributed by Allied Minds.
 - o In April 2019, \$3.2 million was invested by Allied Minds into Spark Insights, Inc. in a preferred stock financing.
 - o In August 2019, HawkEye 360 secured a \$70.0 million funding round at a pre-money valuation of \$200.0 million, up from prior round post-money of \$89.9 million.
 - o In September 2019, Federated Wireless secured a \$51.3 million funding round at a pre-money valuation of \$150.0 million, up from prior round post-money of \$121.5 million.

- In addition to these fundraisings, \$1.1 million was invested by Allied Minds into two portfolio companies: QuayChain and TableUp in exchange for convertible notes.
- On 8 November 2019, Allied Minds sold its shareholding in HawkEye 360 for an aggregate cash consideration of \$65.6 million. This enabled the Board to return \$40.0 million to shareholders in February 2020.
- In November 2019, SciFluor Life Sciences raised \$950K through the issuance of convertible notes to various third parties.
- On 16 December 2019, BridgeComm secured \$1.0 million from Boeing HorizonX in the form of convertible debt pursuant to a note purchase agreement, with an additional \$1.5 million committed subject to achieving conditions precedent.

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

- BridgeComm issued \$2.0 million in convertible notes to Allied Minds under the same note purchase agreement as that with Boeing HorizonX.
- SciFluor Life Sciences raised an additional \$375K in the second closing of its convertible note financing.
- Federated Wireless raised an additional \$13.7 million from existing shareholders in a second closing of the preferred financing round from September 2019, half of which was contributed by Allied Minds.

Financial Highlights

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

Corporate Developments

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

Selected Portfolio Company Highlights

- BridgeComm:
 - o Developed its new One-to-Many (OTM) technology that provides bi-directional, ultra-high-speed mesh connectivity for terrestrial, airborne and space systems
 - o BridgeComm entered the next stage in its relationship with Boeing HorizonX to collaboratively pioneer the development of applications for BridgeComm's OTM technology, which was announced in January 2020
- Federated Wireless:
 - o Completed the nationwide deployment of its Environmental Sensing Capability (ESC) network and received full Federal Communications Commission (FCC) approval of its ESC network deployment and coverage plan, providing authorisation to operate its ESC sensors
 - o Received FCC certification of its Spectrum Access System (SAS) and approval of its Initial Commercial Deployment (ICD)
 - o Initiated commercial services with over 20 customers in 36 states in the U.S.
 - o In January 2020, the FCC certified the SAS operated by Federated Wireless for full commercial operations in the 3.5GHz band
 - o In February 2020, launched a new managed service offering, working with Amazon Web Services and Microsoft Azure
- Orbital Sidekick:
 - o Expanded its pilot programs to additional oil and gas pipeline operators to deliver Spectral Intelligence™ for asset integrity and regulatory compliance monitoring via web-based user interface
 - o Captured over 12 million square kilometres of earth imaging data from its first-generation hyperspectral system on-board the International Space Station (ISS)
- SciFluor Life Sciences:
 - o Pared back clinical development activities to focus exclusively on toxicology studies necessary to initiate Phase II trials for SF0166
 - o Engaged Maxim Group LLC to assist with fundraising efforts
- Spark Insights:

- o Built a core data science and machine learning team consisting of 6 data scientists, engineers and machine learning experts
- o Sourced and labelled thousands of satellite and aerial images to support modelling efforts
- o Built initial machine learning models and achieved initial R&D performance milestones for accuracy
- Spin Memory:
 - o Completed design of Spin's patented "Endurance Engine" in collaboration with Arm and submitted such design for prototype manufacturing; samples of the prototype are due back to the company by the end of 2020
 - o Achieved major advances in the development and demonstration of MRAM for long-term memory storage applications in cooperation with Applied Materials; MRAM was deposited using Applied's state-of-the-art Endura platform and processed through Spin's back-end prototype line
 - o Was awarded a multi-phase, multi-year, multi-million US government project as subcontractor to a leading US semiconductor company
- TableUp:
 - o Entered into a partnering agreement with Upserve, a leading point of sale (POS) vendor, which expanded its partnering relationships
 - o Transitioned away from a direct sales model and is expected to reach cash flow break even in 2020 under this new sales strategy

In compliance with Listing Rule 9.6.3R, the following documents will be submitted to the National Storage Mechanism and will shortly be available for inspection at <https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism>:

- Annual Report and Accounts for the year ended 31 December 2019; and
- Notice of 2020 Annual General Meeting.

Printed copies of these documents will be posted to shareholders shortly. Copies will also be available shortly on the Investor Relations section of the Company's website at <http://www.alliedminds.com/investor/>.

The 2020 Annual General Meeting will be held at 8:00 a.m. EST on 30 June 2020 at the Company's headquarters located at 374 Congress Street, Suite 308, Boston, Massachusetts 02210, USA.

For more information, please contact:

Allied Minds plc
Joseph Pignato

c/o Instinctif Partners

Instinctif Partners
Adrian Duffield / Kay Larsen / Chantal Woolcock

AlliedMinds@instinctif.com

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 4 June 2020. The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 2018 but is derived from those accounts. Statutory accounts for the year ended 31 December 2018 have been filed with the Registrar of Companies. Statutory accounts for 2019 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 2019 (2019 Annual Report).

(ii) Forward looking statements

This Annual Results Release and the 2019 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 2019 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 Guidance 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.

2019 Annual Report and Accounts

STRATEGIC REPORT

Chairman's Report

2019 was a transformational year for Allied Minds. It was a year in which we reset the strategy of the Group to focus exclusively on funding and operating our existing portfolio while ceasing new company formation. Through disciplined capital allocation, we continue to support our companies and provide follow-on investment alongside other investment syndicate members, where we believe the risk-adjusted value of that position is protected by our continued ownership and effort. To align with this new strategy, we have

streamlined our organisation and reduced our central office costs. Our focus continues to be building value in our portfolio for our shareholders by effectively driving our companies through development to commercialisation and growth. Our ultimate aim is to deliver strong monetisation events, as illustrated by the sale of our entire shareholding in HawkEye 360 in 2019. This disposal generated an attractive capital gain leading to a 12.62 pence per share dividend paid to our shareholders in February 2020. We believe that given the strength of the existing portfolio, the skills of the management teams and our cash position, we have positioned ourselves to deliver additional returns to our shareholders in the next three to four years.

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

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

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

Harry Rein, Chairman

4 June 2020

Company Overview

Our Company

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

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

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

Our Portfolio

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

We have invested in companies at an early stage, including seed investments to build companies based on a technical breakthrough or invention. As such, our investments have significant upside potential, but also carry significant risk inherent in the early stage model. Allied Minds provides equity funding at the initial seed or Series A investment round and participates in follow-on investment rounds. Additionally, we provide hands-on support through the appropriate level of management, operating and governance support and expertise, and shared services over the life of the portfolio company to commercialisation and monetisation.

A key component of the Company's strategy is to maintain strict discipline in the allocation of financial and human capital to those businesses meeting the objectives or milestones set, and ceasing funds for those where the path to commercialisation is no longer attractive.

Allied Minds has several portfolio companies that we believe are well-positioned for commercialisation and have the potential to realise significant monetisation opportunities, including BridgeComm, Federated Wireless, and Spin Memory. These three portfolio companies currently represent the substantial majority of portfolio company value.

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

Our Model

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

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

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

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

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

Seeking Monetisation Opportunities

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

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

Portfolio Company Valuation

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

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

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

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

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

There can be no guarantee that the aforementioned post-money valuations of the portfolio companies will be considered to be correct in light of the future performance of the various companies, or that the Company would be able to realise proceeds in the amount of such valuations, or at all, in the event of a sale by it of any of its portfolio companies or its ownership interest in such portfolio companies.

Portfolio Review and Developments

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

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

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

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

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

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

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

In January 2020, BridgeComm announced the next stage in its relationship with Boeing HorizonX. The two companies are collaboratively pioneering the development of applications of the OTM technology via a joint development agreement, which is expected to be completed in phases over the next 24 months.

BridgeComm secured \$1.0 million from Boeing HorizonX in the form of convertible debt financing pursuant to a note purchase agreement, with an additional \$1.5 million committed subject to achieving conditions precedent. Post-period end, Allied Minds subscribed for \$2.0 million of convertible debt under the same note purchase agreement.

Holdings and valuation:

- Date of Last Funding Round: September 2018
- Post-Money Valuation: \$38.0 million
- Co-Investors: Boeing HorizonX Ventures (venture arm of Boeing Company)
- Allied Minds' Issued and Outstanding Ownership: 81.30%
- Allied Minds' Fully-Diluted Ownership: 62.92%
- BridgeComm has made reasonable progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

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

Federated Wireless, Inc.

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

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

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

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

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

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

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

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

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

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

Holdings and valuation:

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

2020 key operational management objectives include:

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

Orbital Sidekick, Inc.

Orbital Sidekick is a company developing capabilities in aerial and space-based hyperspectral imaging and analytics, initially for the oil and gas industry. Orbital Sidekick's Spectral Intelligence™ platform is designed to enable more efficient monitoring of natural resource assets and infrastructure integrity. Orbital Sidekick is initially targeting monitoring of assets for the oil and gas market - estimated at over \$4 billion annually. There are potentially multiple additional commercial and government applications for its technology.

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

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

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

Holdings and valuation:

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

2020 key operational management objectives include:

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

SciFluor Life Sciences, Inc. ⁽¹⁾

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

SciFluor sought to raise external equity financing over the course of 2018 and 2019, facilitated by the \$4.0 million bridge financing from Allied Minds and Woodford Investment Management (now succeeded by Schroder Investment Management Limited), to fund Phase II trials for SF0166, on the back of safety and preliminary efficacy data from the Phase I/II trials. This process was not successfully completed. As a result, SciFluor has experienced clinical delays since its last funding round and the valuation is substantially impaired due to a prolonged inability to attract new external financing. Clinical development activities at SciFluor have been pared back, and are now focused exclusively on the toxicology studies necessary to initiate the Phase II trials for SF0166. To assist with its fundraising efforts, SciFluor engaged Maxim Group LLC. During Q4 2019 (and completing in Q1 2020), SciFluor was able to raise \$1.325 million of convertible debt financing from third parties and continues its fundraising efforts for an external equity financing to fund Phase II trials. It is uncertain if SciFluor will be successful in securing the required funds in 2020.

Holdings and valuation:

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

Spark Insights, Inc. ⁽¹⁾

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

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

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

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

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

Holdings and valuation:

- Date of Last Funding Round: April 2019
- Post-Money Valuation: \$3.2 million
- Co-Investors: n/a
- Allied Minds' Issued and Outstanding Ownership: 70.59%
- Allied Minds' Fully-Diluted Ownership: 60.00%
- Spark Insights has made reasonable progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

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

Spin Memory, Inc.

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

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

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

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

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

Holdings and valuation:

- Date of Last Funding Round: November 2018 (date of first closing, final closing in April 2019)
- Post-Money Valuation: \$172.0 million
- Co-Investors: Arm Technology Investments Limited, Applied Ventures, LLC, Abies Venture Fund, Woodford Investment Management (now succeeded by Schroder Investment Management Limited) and Invesco Asset Management
- Allied Minds' Issued and Outstanding Ownership: 42.69%
- Allied Minds' Fully-Diluted Ownership: 33.33%
- Spin Memory has made significant progress against its key operational objectives since its last funding round.

2020 key operational management objectives include:

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

TableUp, Inc.

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

Holdings and valuation:

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

2020 key operational management objectives include:

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

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

Sold Portfolio Companies

HawkEye 360, Inc.

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

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

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

Discontinued Portfolio Companies

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

Key Performance Indicators

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

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

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

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

Notes:

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

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

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

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

Financial Review

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

Consolidated Statement of Comprehensive Profit

For the years ended 31 December

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

*See note 25 for details of the adjustment.

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

Selling, general and administrative (SG&A) expenses decreased by \$15.0 million, to \$34.3 million (2018: \$49.3 million). This reduction was mainly due to the restructuring charge for closed and dissolved subsidiaries in

2018 and deconsolidated subsidiaries in the second half of 2018 and 2019. Also, central cost reductions implemented during 2019 had a direct impact towards the decrease of SG&A charges. Total SG&A was offset, in part, by the net gain of \$0.1 million from the disposal of assets at LuxCath in the first half of 2019.

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

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

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

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

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

Consolidated Statement of Financial Position

As of 31 December

	2019 \$ '000	2018 \$ '000 (Restated*)
Non-current assets (restated*)	72,695	83,739
Current assets	97,854	107,034
Total assets	170,549	190,773
Non-current liabilities	4,819	436
Current liabilities	13,159	69,557
Equity (restated*)	152,571	120,780
Total liabilities and equity	170,549	190,773

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

Non-current assets

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

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

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

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

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

Current assets

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

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

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

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

Current liabilities

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

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

Non-current liabilities

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

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

Equity

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

Consolidated Statement of Cash Flows

For the years ended 31 December

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

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

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

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

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

The Directors have further considered the on-going viability of the Company through to December 2022, as required pursuant to the 2018 version of the UK Corporate Governance Code, in the Management and Governance section of the 2019 Annual Report.

Risk Management

The execution of the Group's strategy is subject to a number of risks and uncertainties. The Board has adopted a system of continuous review in which it regularly consults with management to identify principal and emerging risks facing the Group and to assess and determine how to address and mitigate against such risks in a manner consistent with the Company's risk appetite to achieve its strategic goals. Throughout the year, the Board considers and reviews both risks arising from the internal operations of the Group, and those arising from the business environment in which it operates. It is possible that one or more of these identified risks could impact the Group in a similar timeframe which may compound their effects.

With our focus on early stage company development, commercialisation and monetisation, the Group inherently faces significant risks and challenges. The overall aim of the risk management policy is to achieve an effective balance of risk and reward, although ultimately, no strategy can provide an absolute assurance against loss.

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

1. The science and technology being developed or commercialised by the Group's businesses may fail and/or the Group's businesses may not be able to develop their innovations and intellectual property into commercially viable products or technologies. There is also a risk that some of the portfolio companies may fail or not succeed as anticipated, whether as a result of technical, product, market, fund-raising or other risks, resulting in an impairment of the Group's value.

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

Mitigation:

- Before making any follow-on investment in the current portfolio, extensive due diligence is carried out by the Group which covers all the major business risks including market size, strategy, adoption and intellectual property. Where appropriate, we seek validation through co-investment by other strategic and/or financial parties.
 - A disciplined approach to capital allocation is pursued whereby we closely monitor milestone developments before committing additional capital. Should a project fail to achieve sufficient progress or is unable to attract other co-investors, we may terminate the investment.
 - Dedicated leadership with deep industry or sector knowledge, and relevant technical and/or leadership experience, is recruited to management positions, and the Group ensures that each portfolio company has independent directors and/or other advisors, as appropriate for the relevant stage of development.
 - Each portfolio company holds board of director meetings at least quarterly, with participation from the Group's management and/or investment team, along with senior management and independent directors and/or advisors, as appropriate, of such portfolio company.
 - The shared services model provides meaningful administrative support to our earlier stage portfolio companies, including strong budgetary and financial controls that ensure good governance.
 - Within the Group there is meaningful operating and investment expertise that provide direct, hands-on and strategic, operating and fund-raising support to its portfolio companies, as appropriate.
 - The Group actively uses third party advisors and consultants, specific to the particular domain in which a portfolio company operates, to assist on market strategy and direction.
2. The Group expects to continue to incur substantial expenditure in further research and development, product development, sales and marketing and other operational activities of its businesses. There is no guarantee that the Group or any of its individual portfolio companies will become profitable prior to the achievement of a portfolio company sale or other liquidity event, and, even if the Group or any of its individual portfolio companies does become profitable, such profitability may not be sustainable. The Group may not be able to attract other co-investors, or monetise its ownership interests in portfolio companies, during any specific time frame or otherwise on desirable terms, if at all.

Impact: Allied Minds' objective is to generate returns for its shareholders through early stage company development within the technology sector. Such value is expected to be delivered through the commercialisation and monetisation of these businesses via a sale or other liquidity event for each. The timing and size of these potential inflows is uncertain and, should liquidity events not be forthcoming, or in the event that they are achieved at values significantly less than the amount of capital invested, then it would be difficult to sustain the current levels of investment in the other portfolio companies. This would lead to reduced participation in funding rounds, which will result in a lower ownership position, or potentially impact the ability of a company to raise additional funds.

Mitigation:

- The Group retains significant cash balances in order to support its cash flow requirements, including Allied Minds' investment requirements for each portfolio company and for corporate resources.
 - The Group has close relationships with a wide group of investors, including within its current shareholder base, and continues to identify and develop strategic and financial relationships for co-investing in the Group's portfolio companies.
 - Senior management continually seeks to build and maintain strategic and financial relationships for the Group, and each portfolio company continually seeks to engage in strategic and financial relationships relevant to their respective markets and to maintain current information on, and awareness of, potential fund-raising and monetisation strategies.
3. A significant portion of the Group's intellectual property relates to technologies which originated in the course of research conducted in, and initially funded by, US universities or other federally-funded research institutions. Although the Group has been granted exclusive licenses to use this intellectual property, there are certain limitations inherent in these licenses, for example as required by the Bayh-Dole Act of 1980.

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

Mitigation:

- To the Board's knowledge, while these so called "march in" rights exist, the US government has never had cause to use them.
 - The Group seeks to develop dual use capabilities for the technology it licenses and generally tends to avoid use cases directly applicable to government use.
 - This risk is also mitigated through employing experienced technology transfer experts supported by our legal team to assess risks that may arise out of this eventuality.
4. The Group, including certain of the portfolio companies, currently has in place cooperative research and development agreements with certain US Department of Defense laboratories and other federally funded government institutions. Certain regulatory measures apply to these agreements which restrict the export of information and material that may be used for military or intelligence applications by a non-US person. Compliance with these regulatory measures may be complex and limit commercial alternatives.

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

Mitigation:

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

5. The Group operates in complex and specialised business domains and requires highly qualified and experienced management to implement its strategy successfully. All of the operations of the Group are located in the United States, which is a highly competitive employment market. Furthermore, given the relatively small size of the senior management at the corporate level, the Group is reliant on a small number of key individuals.

Impact: There is a risk that the Group may lose key personnel, or fail to attract or retain new personnel. The loss of key personnel may negatively affect the Group's competitive advantage.

Mitigation:

- The Board annually seeks external expertise to assess the competitiveness of the compensation packages of its senior management, and to ensure that the structure of compensation is designed to incentivise performance and retention properly.
 - Senior management continually monitor and assess compensation levels to ensure the Group remains competitive in the employment market.
6. A large proportion of the overall value of the Group's businesses may be concentrated in a small proportion of the Group's businesses. If one or more of the intellectual property rights relevant to a valuable business were terminated, this would have a material adverse impact on the overall value of the Group's businesses.

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

Mitigation:

- In each portfolio company, the management is specifically directed to pursue a policy of generating and patenting additional intellectual property to both provide additional protection and create direct IP ownership for the company.
 - Where possible, the Group seeks to negotiate intellectual property ownership rights in any research and development agreement it enters into with a network partner, such that the Group becomes a part owner of the underlying IP.
7. The US Investment Company Act of 1940 regulates companies which are engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities. Securities issued by companies other than consolidated partner companies are generally considered "investment securities" for purposes of the Investment Company Act, unless other circumstances exist which actively involve the company holding such interests in the management of the underlying company.

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

Mitigation:

- The Company intends to monitor and conduct its operations so that it will not be deemed to be an investment company under the Investment Company Act.
 - The Company seeks to build value through its current portfolio of majority-owned or primarily controlled subsidiary companies; it is not engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities and does not own or propose to acquire investment securities above prescribed thresholds under the Investment Company Act.
 - Currently the Company holds more than 50% of the voting securities of certain of its portfolio companies, and more than 25% of all of its other portfolio companies, and intends to continue to try to hold the majority of the voting securities in its portfolio companies, or otherwise maintain primary control.
 - In addition to ownership levels, the Company seeks to maintain primary control of its portfolio companies through a combination of the following:
 - o Rights to elect representatives to the board of directors, with ability to exercise influence over the portfolio company's business strategy, operating plans, budgets and key corporate decisions;
 - o Legal rights, such as access to information (books and records) and financial statements, liquidation preferences, registrations rights, rights of first refusal, pre-emptive rights and co-sale rights;
 - o Protective provisions, such as rights to block certain portfolio company actions; and
 - o Active involvement in the management of our earlier stage portfolio companies, such as shared service support, business development introductions, co-locating, and key management recruiting.
8. The Group expects to remain operational through December 2023 given its current cash and financial position. However, if the Group is unable to generate sufficient revenue, appropriately manage expenses, attract co-investors to participate in follow-on portfolio company financings, or generate a sale or other liquidity event for any of its existing portfolio companies or portfolio company interests prior to the end of such period, then the Group's business, financial condition, results of operations, prospects and future viability could be adversely affected.

Impact: Lack of capital could restrict the Group's ability to further fund, develop and commercialise its existing businesses. In turn, this could ultimately lead to failure of individual portfolio companies and loss of investment as well as failure of the Group as a whole.

Mitigation:

- Senior management continually seeks to build and maintain close relationships with its shareholder base and other strategic partners at the Group level, and each portfolio company continually seeks to engage in strategic relationships relevant to their respective markets and to maintain current information on and awareness of potential fund-raising and monetisation strategies.
- The Company strives to maintain majority ownership and/or primary control over all of the portfolio companies, so that it can seek to influence optimal capital allocation, use of cash, and fund-raising strategy.
- The Company has built a valuable portfolio of companies since its inception.
- The Company continuously and critically reviews the progress of its portfolio companies against pre-set milestones to ensure its financial capital and human resource is properly allocated to the more promising areas of its portfolio to help strengthen and accelerate the Group's path to monetisation.

Brexit

On 23 June 2016, the UK electorate voted to leave the European Union (EU) in a so-called "Brexit" referendum. Following several delays, parliament ratified the withdrawal agreement, and the UK left the EU

on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. The UK remains subject to EU law and remains part of the EU customs union and single market during the transition, but is no longer part of the EU's political bodies or institutions.

It is expected that companies based in the UK and with significant UK and EU operational focus will be the most directly impacted by Brexit. All of the Group's portfolio companies are based in the US, and substantially all of the business and operations of the Group are conducted in the US. However, the Group has raised significant capital in the UK and, while no such activities are planned, may need to raise additional capital in the UK in the future to support its portfolio companies. The uncertainty caused by Brexit may result in the Group being unable to obtain additional capital on a timely basis on commercially acceptable terms.

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

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

COVID-19

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

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

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

Corporate and Social Responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities, including diversity, are included in the Sustainability section of the 2019 Annual Report and are incorporated therein by reference.

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

ON BEHALF OF THE BOARD

Harry Rein
Chairman

Joseph Pignato
Chief Executive Officer

4 June 2020

Directors' Responsibilities Statement

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

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

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

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

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

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

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

Responsibility Statement of the Directors in respect of the Annual Financial Report

Each of the Directors whose names and functions are set out below confirms that to the best of their knowledge:

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

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

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

ON BEHALF OF THE BOARD

Harry Rein

Chairman

4 June 2020

Joseph Pignato

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/ (LOSS)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December	Note	2019 \$ '000	2018 Restated* \$ '000
Non-current assets			
Property and equipment	9	1,485	5,997
Intangible assets	10	197	1,221
Investment at fair value	11,20	61,895	56,544
Investment in associate	11	6,845	19,543
Right-of-use assets	19	1,016	-
Other financial assets	20	1,257	434
Total non-current assets		72,695	83,739
Current assets			
Cash and cash equivalents	12	90,571	97,734
Restricted cash	12	-	2,500
Trade and other receivables	13	5,702	6,400
Other financial assets	20	1,581	400
Total current assets		97,854	107,034
Total assets		170,549	190,773
Equity			

Share capital	14	3,759	3,743
	14	—	160,170
Share premium	14	—	263,367
Merger reserve	14	1,459	651
Translation reserve	14	147,238	(325,635)
Accumulated profit/ (deficit)		152,456	102,296
Equity attributable to owners of the Company		115	18,484
Non-controlling interests	14,15	152,571	120,780
Total equity			
Non-current liabilities			
Lease liabilities	19	2,854	—
Other non-current liabilities	18	1,965	436
Total non-current liabilities		4,819	436
Current liabilities			
Trade and other payables	17	4,685	13,030
Deferred revenue	3	3,457	2,333
Subsidiary preferred shares	16	5,017	54,194
Total current liabilities		13,159	69,557
Total liabilities		17,978	69,993
Total equity and liabilities		170,549	190,773

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

Registered number: 08998697

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

Joseph Pignato
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	2019 \$'000	2018 Restated* \$'000
Cash flows from operating activities:		
Income/(loss) for the period*	50,254	45,354
Adjustments to reconcile net loss to net cash		

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

(1) Accounting Policies

Basis of Preparation

Allied Minds plc ("Allied Minds" or the "Company") is a company incorporated and domiciled in the UK. The Annual Report and Accounts of Allied Minds and its subsidiaries (together referred to as the "Group") are presented for the year ended 31 December 2019. The Group financial statements consolidate those of the Company and its subsidiaries and include the Group's interest in associates using the equity method of accounting. The Group financial statements have been prepared and approved by the directors in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRSs"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Basis of Measurement

The consolidated financial statements, with exception of financial instruments, have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments held at fair value, derivative financial instruments and financial instruments classified as fair value through the profit or loss.

Use of Judgments and Estimates

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

Significant estimates made include:

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

Significant judgements made include:

- Note 11 - there is judgement in considering when the power to control the subsidiary exists or retaining significant influence as it is dependent on certain factors including the voting power the

entity exercises over the company, the proportion of seats the company controls on the board and the investees dependence on the investor for funding, knowledge and its operations.

- Note 11 - as the entities in the group progress they require further external funding which in some scenarios reduces the Group's shareholding to an extent that it loses control under IFRS 10 which results in them no longer being able to consolidate the entity. There is a significant judgement in relation to whether the shares are accounted for as an investment in associate per IAS 28 or as a financial asset per IFRS 9 and therefore held at fair value. This judgement includes, among others, an assessment of whether the Company has representation on the board of directors of the investee, whether the Company participates in the policy making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee and if there are any transactions between the Company and the investee.
- Note 17 - financial instrument liability classification: when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment whether the financial instrument include any embedded derivative features, whether they include a contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgments is included below under Financial Instruments.
- Note 11 and 17 - financial instrument valuations and investment at fair value valuations: when determining the appropriate valuation methodology.

Other estimates and judgments:

- Note 3 - revenue recognition: in determining the correct amount of revenue to be recognised, the Directors make estimates of the fair values of each component of a contract to be able to allocate the overall consideration to each component based on the relative fair value method or make estimates of future costs when applying the inputs method
- Note 3 - timing of revenue recognition: making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards and in determining whether revenue should be recognised at a point in time or over a period of time.

Changes in Accounting Policies

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

Going Concern

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

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

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

For this reason, they have adopted the going concern basis in preparing the financial statements.

Basis of Consolidation

Allied Minds plc was formed on 15 April 2014 and the consolidated financial statements for each of the years ended 31 December 2019 and 2018 comprises the financial statements of Allied Minds plc and its subsidiaries.

Subsidiaries

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

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

Associates

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

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any

accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to \$nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests and are more akin to debt like securities, the instrument held by Allied Minds is accounted for in accordance with IFRS 9.

Transactions eliminated on consolidation

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

Acquisitions and disposals of non-controlling interests

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

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

Functional and Presentation Currency

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

Foreign Currency

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

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

Cash and Cash Equivalents

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

Financial Instruments

Classification - Financial Assets

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model, in which assets are managed, and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid as a whole is assessed for classification.

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

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

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

Investments at fair value: Reflect investments made by the Group in non-derivative instruments of the investees that are designated in this category or not classified in any other category. These financial assets are initially measured at fair value and subsequently re-measured at fair value at each reporting date, and on derecognition. The Company elects if the gain or loss will be recognised in the Consolidated Statements of Comprehensive Income/ (Loss) in Other Comprehensive Income/(Loss) or through the profit and loss on an instrument by instrument basis. Investments at fair value are presented in the Consolidated Statements of Financial Position as non-current assets, unless the Group intends to dispose of them within 12 months after the end of the reporting period. If the investments at fair value continue to be held for the same long-term strategic purposes, per the application of IFRS 9, the Group may elect then to classify them as FVOCI or FVTPL. The Group decided to classify them as FVTPL. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognised in profit or loss as they arise, increasing volatility in the Group's profits. To the extent the Group holds interests in associates that are not providing access to returns underlying ownership interests and are more akin to debt like securities, the instrument held by Allied Minds is accounted for in accordance with IFRS 9.

Classification - Financial Liabilities

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

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

Impairment

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

Financial Instruments Issued by the Group

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

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

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

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

Share Capital

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

Property and Equipment

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

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

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

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

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

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

Intangible Assets

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

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

Capitalised Development Costs

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

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

Software

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

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

Amortisation

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

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

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

Taxation

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

Current Income Tax

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

Deferred Income Tax

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

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

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

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

Impairment

Impairment of Non-Financial Assets

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

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

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

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

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

Impairment of Financial Assets

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

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

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

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

Share-based Payments

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

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option pricing valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions,

the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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

Phantom Plan

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

Provisions

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

Revenue Recognition

The Group recognizes revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods. In order to achieve this, the Group uses the five step model outlined in IFRS 15: 1) to identify the contract with the customer; 2) identify the performance obligation(s) in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligation(s); and 5) recognise revenue when (or as) we satisfy the performance obligation(s).

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

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

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

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

Finance Income and Finance Costs

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

Fair Value Measurements

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

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

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

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

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

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

Operating Segments

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

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

Newly adopted standards

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC -15 Operating Leases - Incentives and SIC - 27 Evaluating the substance of

transactions involving the legal form of a lease. The standard is effective for annual periods beginning on or after 1 January 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) New Standards and Interpretations not yet Adopted

A number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2020, and have not therefore been applied in preparing this consolidated financial information. Management has yet to complete an analysis of these new standards, interpretations and amendments to existing standards on the results of its operations, financial position, and disclosures. The Group intends to adopt these standards on their respective effective dates.

The following are amended or new standards and interpretations that may impact the Group. The Group is finalising the required disclosures, which includes an assessment of the impact of the new guidance on our financial position and results of operations. The adoption of the proposed changes is not expected to have a material effect on the financial statements unless otherwise indicated:

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

(3) Revenue

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

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

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

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

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

Contract Balances

Accounts receivables represent rights to consideration in exchange for products or services that have been transferred by the Group, when payment is unconditional and only the passage of time is required before payment is due. Accounts receivables do not bear interest and are recorded at the invoiced amount. Accounts receivable are included within Trade and other receivables on the Consolidated Statement of Financial Position.

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

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

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

(4) Operating Segments

Basis for Segmentation

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

- (i) Early stage companies - subsidiary businesses that are in the early stage of their lifecycle characterised by incubation, research and development activities
- (ii) Later stage companies - subsidiary businesses that have substantially advanced with or completed their research and development activities, are closer in their lifecycle to commercialisation, and/or have a potential of realising material return on investment through a future liquidity event;
- (iii) Minority holdings companies - reflects the activity related to portfolio companies other than consolidated subsidiary businesses where the Group has made a minority investment and does not control or exercise joint control over the financial and operating policies of those entities.

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

- Spin Memory, Inc., one of the company's subsidiaries that was deconsolidated during the second half of 2018 as a result of financing events at the company;
- TableUp, Inc. and Orbital Sidekick, Inc., two companies in which Allied Minds holds a significant minority stake.
- As a result of Federated Wireless' most recent financing round that was completed in September 2019, Allied Minds' issued and outstanding ownership percentage dropped from 52.23% to 42.57%. Consequently, the Company no longer controls a majority of the outstanding voting stock or a majority of the board seats and as a result, the subsidiary was deconsolidated and included as part of the minority holdings segment. Allied Minds recognised the fair value of the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock (collectively the "Federated Wireless Preferred Stock") held in Federated Wireless as an investment at fair value. Additionally, due to Allied Minds Common Stock holdings that have equity-like characteristics, the investment is accounted for under IAS 28 and is classified by the Company as an investment in associate. At 31 December 2019, Allied Minds' investment was adjusted by the share of losses generated by Federated Wireless from 3 September through 31 December 2019 of \$9.3 million. Upon deconsolidation, the Company recognised a gain of \$69.8 million at consolidated financial statement level. The gain was calculated by taking the difference between the fair value of the interest retained in the former subsidiary at the date control is lost less the carrying amount of net assets any non-controlling interests of the former subsidiary.
- On 8 November 2019, Allied Minds completed the disposal of its entire stake in its portfolio company, HawkEye 360, to Advance for cash consideration of \$65.6 million and as such, the company is no longer included within the minority holdings segment.

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

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

Information about Reportable Segments

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

	2019 \$'000				
	Early stage	Later stage	Minority Holdings	Other operations	Consolidated
Statement of Comprehensive Loss					
Revenue	—	1,226	1,466	—	2,692
Cost of revenue	—	(805)	(628)	—	(1,433)
Selling, general and administrative expenses	(2,475)	(3,347)	(11,501)	(16,993)	(34,316)
Research and development expenses	(2,963)	(4,068)	(9,115)	—	(16,146)
Other income	7,273	21	—	111,021	118,315
Finance income/(cost), net	6,687	6,653	3,546	(6,894)	9,992
Share of net loss of associates accounted for using the equity method	—	—	—	(28,850)	(28,850)
Income/(loss) for the period	8,522	(320)	(16,232)	58,284	50,254
Other comprehensive income	—	—	—	808	808
Total comprehensive income/(loss)	8,522	(320)	(16,232)	59,092	51,062
Total comprehensive income/ (loss) attributable to:					
Equity holders of the parent	8,906	(658)	(15,197)	58,284	51,335
Non-controlling interests	(384)	338	(1,035)	—	(1,081)
Total comprehensive income/(loss)	8,522	(320)	(16,232)	58,284	50,254
Statement of financial position					
Non-current assets	494	1,302	—	70,899	72,695
Current assets	2,173	9,209	—	86,472	97,854
Total assets	2,667	10,511	—	157,371	170,549
Non-current liabilities	(425)	(2,082)	—	(2,312)	(4,819)
Current liabilities	(3,257)	(20,213)	—	10,311	(13,159)
Total liabilities	(3,682)	(22,295)	—	7,999	(17,978)
Net assets/(liabilities)	(1,015)	(11,784)	—	165,370	152,571

	2018 Restated* \$'000				
	Early stage	Later stage	Minority Holdings	Other operations	Consolidated
Statement of Comprehensive Loss					
Revenue	250	4,792	519 (438) (10,907)	—	5,561
Cost of revenue	(5)	(2,384)	(10,907)	—	(2,827)
Selling, general and administrative expenses	(2,168)	(17,400)	(16,730)	(18,853)	(49,328)
Research and development expenses	(4,454)	(23,763)	(16,730)	—	(44,947)
Other income	(7,392)	—	—	55,070	47,678
Finance income/(cost), net	261	57,597	34,247	770	92,875
Share of net loss of associates accounted for using the equity method	—	—	—	(3,658)	(3,658)
Income/(loss) for the period	(13,508)	18,842	6,691	33,329	45,354
Other comprehensive income	—	—	—	561	561
Total comprehensive income/(loss)	(13,508)	18,842	6,691	33,890	45,915
Total comprehensive loss attributable to:					
Equity holders of the parent	(12,646)	9,067	7,605	33,329	37,355
Non-controlling interests	(862)	9,777	(916)	—	7,999
Total comprehensive income/(loss)	(13,508)	18,844	6,689	33,329	45,354
Statement of financial position					
Non-current assets	(50) 19,529	6,895	—	76,894	83,739
Current assets	—	33,537	—	53,968	107,034
Total assets	19,479	40,432	—	130,862	190,773
Non-current liabilities	—	(60)	—	(376)	(436)
Current liabilities	(1,696)	(64,156)	—	(3,705)	(69,557)
Total liabilities	(1,696)	(64,216)	—	(4,081)	(69,993)
Net assets/(liabilities)	17,783	(23,784)	—	126,781	120,780

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

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

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

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

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

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

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

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

Geographic Information

The Group revenues and net operating losses for the years ended 31 December 2019 and 2018 are considered to be entirely derived from its operations within the United States and accordingly no additional geographical disclosures are provided.

(5) Operating Expenses

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

For the year ended 31 December:	2019	2018
Selling, general and administrative	41	68
Research and development	71	124
Total	112	192

The aggregate payroll costs of these persons were as follows:

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

Total operating expenses were as follows:

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

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

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

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

(6) Share-Based Payments

UK Long Term Incentive Plan

Under the UK Long Term Incentive Plan ("LTIP"), awards of Ordinary Shares may be made to employees, officers and directors, and other individuals providing services to the Company and its subsidiaries. Awards may be granted in the form of share options, share appreciation rights, restricted or unrestricted share awards, performance share awards, restricted share units, phantom-share awards and other share-based awards. Vesting is subject to the achievement of certain performance conditions and continued services of the participant.

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

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

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

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

For the year ended 31 December:	2019			2018		
	rTSR	SVM	Time	rTSR	SVM	Time
Number of shares granted at maximum ('000)	-	-	343	3,481	-	444
Weighted average fair value (\$)	-	-	0.63	1.13	-	1.12
Fair value measurement basis	Monte Carlo	Market value of ordinary share	Market value of ordinary share	Monte Carlo	Market value of ordinary share	Market value of ordinary share

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

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

The accounting charge does not necessarily represent the intended value of share-based payments made to recipients, which are determined by the Remuneration Committee according to established criteria. The share-based payment credit for the fiscal year ended 31 December 2019 related to the UK LTIP was \$1.9 million (2018: \$5.4 million charge).

U.S. Stock Option/Stock Issuance Plan

The U.S. Stock Option/Stock Issuance Plan (the "U.S. Stock Plan") was originally adopted by Allied Minds, Inc. (now Allied Minds, LLC) in 2008. The U.S. Stock Plan provides for the grant of share option awards, restricted share awards, and other awards to acquire common stock of Allied Minds, Inc. (now Allied Minds, LLC). All stock options granted to employees under this plan are equity settled, for a ten-year term. Pursuant to the Company's IPO in 2014, Allied Minds plc adopted and assumed the rights and obligations of Allied Minds, Inc. (now Allied Minds, LLC) under this plan except that the obligation to issue Common Stock is replaced with an obligation to issue ordinary shares to satisfy awards granted under the U.S. Stock Plan. As of 19 June 2014, the maximum number of options reserved under the plan were issued and outstanding and as a result of the Company's IPO in 2014, all issued and outstanding options vested on 19 June 2014. The Company does not intend to make any further grants under the U.S. Stock Plan.

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

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

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

Allied Minds Phantom Plan

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

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

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2019 and 2018. Management records an expense relating to this plan when it is probable that a subsidiary will be sold and

the amount of the payout is reasonably estimable.

Share-based Payment Expense

The Group recorded share-based payment credit/charge related to stock options of approximately \$1,465,000 and \$7,413,000 for the years ended 31 December 2019 and 2018, respectively. There was no income tax benefit recognised for share-based payment arrangements for the years ended 31 December 2019 and 2018, respectively, due to operating losses.

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

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

(7) Finance Cost, Net

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

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

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

(8) Income Per Share

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

Income) attributable to ordinary shareholders

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

Weighted average number of ordinary shares

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

Income per share

	2019 \$		2018 Restated* \$	
	Basic	Diluted	Basic	Diluted
Income per share	0.21	0.21	0.16	0.16

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

(9) Property and Equipment

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

Cost	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
in \$'000						
Balance as of 31 December 2017	34,673	676	5,674	1,194	568	42,785
Additions, net of	1,685	184	1,813	464	3,762	7,908

transfers						
Disposals	(561)	-	-	(14)	-	(575)
Deconsolidation of subsidiaries	(33,334)	(151)	(4,405)	(733)	(2,691)	(41,314)
Balance as of 31 December 2018	2,463	709	3,082	911	1,639	8,804
Additions, net of transfers	(71)	122	26	185	3,341	3,603
Disposals	(1,233)	(455)	(272)	(166)	-	(2,126)
Deconsolidation of subsidiaries	(110)	(305)	(1,965)	(575)	(4,772)	(7,727)
Balance as of 31 December 2019	1,049	71	871	355	208	2,554

Accumulated Depreciation and Impairment loss

<i>in \$'000</i>	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
Balance as of 31 December 2017	(12,396)	(341)	(2,675)	(746)	-	(16,158)
Depreciation	(4,184)	(131)	(1,065)	(282)	-	(5,662)
Impairment loss	(81)	-	-	(3)	-	(84)
Disposals	561	-	-	14	-	575
Deconsolidation of subsidiaries	15,091	91	2,899	441	-	18,522
Balance as of 31 December 2018	(1,009)	(381)	(841)	(576)	-	(2,807)
Depreciation	(280)	(101)	(535)	(141)	-	(1,057)
Impairment loss	(305)	(101)	-	(15)	-	(421)
Disposals	1,233	455	272	166	-	2,126
Deconsolidation of subsidiaries	61	125	611	293	-	1,090
Balance as of 31 December 2019	(300)	(3)	(493)	(273)	-	(1,069)

Property and equipment, net

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

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

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

(10) Intangible Assets

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

Cost
in \$'000

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

Accumulated amortisation and Impairment loss
in \$'000

	Licenses	Purchased IPR&D	Software	Total
Balance as of 31 December 2017	(413)	-	(535)	(948)
Amortisation	(59)	-	(337)	(396)
Impairment loss	(461)	-	-	(461)
Disposals	529	-	-	529
Deconsolidation of subsidiaries	340	-	27	367
Balance as of 31 December 2018	(64)	-	(845)	(909)
Amortisation	(4)	-	(546)	(550)
Impairment loss	(58)	(192)	-	(250)
Disposals	111	192	66	369
Deconsolidation of subsidiaries	15	-	596	611
Balance as of 31 December 2019	-	-	(729)	(729)

Intangible assets, net
in \$'000

	Licenses	Purchased IPR&D	Software	Total
Balance as of 31 December 2018	97	277	847	1,221
Balance as of 31 December 2019	-	-	197	197

Amortisation expense is included in selling, general and administrative expenses in the consolidated statement of comprehensive loss. Amortisation expense, recorded using the straight-line method, was

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

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

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

(11) Investment in Subsidiaries and Associates

Group Subsidiaries and associates

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

The following outlines the formation of each subsidiary and evolution of Allied Minds' equity ownership interest over the two year period ended 31 December 2019:

	Inception		Ownership percentage of equity interest at 31 December ⁽²⁾	
	Date	Location ⁽⁴⁾	2019	2018
Active subsidiaries				
Holding companies				
Allied Minds, LLC ^{(1), (3)}	19/06/14	Boston, MA	100.00%	100.00%
Allied Minds Securities Corp. ⁽³⁾	21/12/15	Boston, MA	100.00%	100.00%
Allied Minds Federal Innovations, Inc. ⁽³⁾	09/03/12	Boston, MA	100.00%	100.00%
Early stage companies				
Spark Insights, Inc.	09/10/18	Boston, MA	70.59%	100.00%
Later stage companies				
BridgeComm, Inc.	09/02/15	Denver, CO	81.38%	81.38%
SciFluor Life Sciences, Inc.	14/12/10	Cambridge, MA	62.67%	70.03%
Closed subsidiaries				
Allied-Bristol Life Sciences, LLC ⁽⁶⁾	31/07/14	Boston, MA	—	80.00%
ABLS Capital, LLC ⁽⁶⁾	09/07/15	Boston, MA	—	30.25%
ABLS II, LLC ⁽⁶⁾	24/09/14	Boston, MA	—	35.95%
ABLS IV, LLC ⁽⁶⁾	26/10/17	Boston, MA	—	80.00%
LuxCath, LLC ⁽⁶⁾	17/06/08	Denver, CO	—	64.84%
Precision Biopsy, Inc ⁽⁶⁾	12/12/16	Boston, MA	—	88.09%
Signature Medical, Inc. ⁽⁶⁾	31/07/14	Boston, MA	—	80.00%
Number of active subsidiaries at 31 December:			6	13
Associates				
Spin Memory, Inc. ^{(2) (4)(5)}	03/12/07	Fremont, CA	42.69%	41.63%
Federated Wireless, Inc. ⁽²⁾⁽³⁾⁽⁵⁾	08/08/12	Arlington, VA	42.57%	52.23%
Federated Wireless Government Solutions, Inc. ⁽²⁾⁽³⁾⁽⁵⁾	04/05/16	Arlington, VA	—	52.23%
TableUp, Inc. ^{(4) (5)}	04/20/07	Boston, MA	35.52%	35.52%
Orbital Sidekick, Inc. ^{(4) (5)}	02/08/16	San Francisco, CA	33.23%	33.23%
Disposed Companies				
HawkEye 360, Inc. ^{(2) (4)}	16/09/15	Herndon, VA	—	48.33%
HawkEye 360 Federal, Inc. ^{(2) (4)}	22/09/15	Herndon, VA	—	48.33%
QuayChain, Inc. ⁽²⁾	18/09/18	San Pedro, CA	—	72.22%

Notes:

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

(2) Represents ownership percentage used in allocations to non-controlling interests except for BridgeComm, Federated Wireless, HawkEye 360, Precision Biopsy, SciFluor Life Sciences, Signature Medical and Spin Memory in which cases the percentage used to allocate the non-controlling interests was 99.12%, 93.60%, 0%, 80.59%, 86.86%, 100.00% and 56.31% (2018: 99.12%, 93.69%, 0%, 80.59%, 86.86%, 100.00% and 56.31%), where in these cases there are liability classified preferred shares in issue, which are excluded. Note that Federated Wireless was deconsolidated in the current year and the Non-controlling interest was allocated up to the time it was deconsolidated. On 8 November 2019, Allied Minds plc completed the disposal of its entire stake in its portfolio company HawkEye 360 and is no longer part of our consolidated group and no longer one of our companies. In September 2019, Allied Minds sold all its shares in QuayChain to Smart P3 Group, LLC. QuayChain is no longer part of our consolidated group and no longer one of our companies.

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

(4) All subsidiaries have a registered office address at CT Corporation System, Corporation Trust Center, and 1209 Orange Street, Wilmington, DE 19801, United States except for Allied Minds Securities Corp. with registered office address at CT Corporation System, 155 Federal Street, Suite 700, Boston, MA 02110, United States. HawkEye 360 Inc., HawkEye 360 Federal Inc., Spin Memory Inc. and TableUp Inc. have a registered office address at 1209 Orange Street, Wilmington, DE 19801. Orbital Sidekick Inc. has a registered office at Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808.

(5) The preferred shares that allied Minds has in these companies is accounted for under IFRS 9.

(6) During 2019, the Group ceased operations and dissolved each of Allied-Bristol Life Sciences, LLC, ABLS II, LLC, ABLS IV, LLC, ABLS Capital, LLC, and Signature Medical. Precision Biopsy and LuxCath were dissolved as of 31 December 2019.

2019

On 6 August 2019, HawkEye 360, Inc. secured the first closing of \$35.0 million from a total of \$70.0 million planned to be raised via a Series B preferred funding round. The Series B financing is being closed in multiple tranches. The \$35.0 million includes \$5.0 million subscribed by Allied Minds. In connection with the Initial Series B Closing, the HawkEye 360's Board of Directors authorized and declared that the Company pay a stock dividend to each holder of shares of Series A-2 Preferred Stock and Series A-3 Preferred Stock in order

to satisfy all dividends accrued but unpaid on such shares through the date of the Initial Series B Closing. As such, Allied Minds received \$3.7 million of dividend shares in form of Series A-2 Preferred Stock and Series A-3 Preferred Stock which respectively, increased its investment basis by that amount.

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

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

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

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

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

In April 2019, TableUp secured \$350 thousand of funding through the issuance of a convertible bridge note to Allied Minds. An additional \$50 thousand in principal was issued to the same note in June 2019. In the third quarter of 2019, TableUp secured an additional \$325 thousand of funding under the existing convertible bridge note issued to Allied Minds. In December 2019, TableUp raised an additional \$100 thousand to other existing shareholders through the issuance of convertible promissory notes and Allied Minds converted its existing note (principal and interest of \$749,156) into the same debt security.

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

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

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

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

There are no new subsidiaries formed since 31 December 2019.

2018

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

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

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

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

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

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

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

As of and for the year ended 31 December:

	2019 \$'000		
	Early stage	Later stage	Minority holdings
Statement of Comprehensive Loss			
Revenue	-	1,226	1,466
Loss for the year	8,522	(320)	(16,232)
Other comprehensive loss	-	-	-
Total comprehensive loss	8,522	(320)	(16,232)
Comprehensive loss attributed to NCI	(384)	338	(1,035)
Statement of Financial Position			
Non-current assets	494	1,302	-
Current assets	2,173	9,209	-
Total assets	2,667	10,511	-

Non-current liabilities	(425)	(2,082)	-
Current liabilities	(3,257)	(20,213)	-
Total liabilities	(3,682)	(22,295)	-
Net assets/(liabilities)	(1,015)	(11,784)	-
Carrying amount of NCI	(1,418)	1,533	-
Statement of Cash Flows			
Cash flows from operating activities	27,511	(3,199)	11,064
Cash flows from investing activities	16,244	(133)	(3,315)
Cash flows from financing activities	(61,347)	915	4,701
	(17,592)	(2,417)	12,450

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

Investment in Associates

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

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

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

As of 31 December 2019, Allied Minds' ownership percentage went from 41.63% to 42.69% and the investment in common stock in Spin Memory continues to be subject to the equity method accounting. In accordance with IAS 28, the Company's investment was adjusted by the share of profits and losses generated by Spin Memory subsequent to the date of deconsolidation. Allied Minds recognised \$19.5 million as its share of loss from Spin through the Consolidated Statements of Comprehensive Income/ (Loss) as follows:

	Location	Ownership percentage	
		31 December 2019	31 December 2018
Spin Memory, Inc.	Fremont, CA	42.69%	41.63%
		31 December 2019	31 December 2018
		\$'000	Restated* \$'000
Group's interest in net assets of investee, beginning of period		19,543	23,201
Share of loss from continuing operations		(19,543)	(3,658)
Carrying amount for equity accounted investees		-	19,543
Unrecognised share of losses in associate		(406.5)	-
Total		(406.5)	19,543

Federated Wireless: As of September 2019, Federated Wireless was deconsolidated from the Group's financial statements as a result of its latest Series C Preferred Stock financing round. Allied Minds' ownership percentage as of 31 December 2019 dropped from 52.23% to 42.57%. Consequently, since the Company no longer holds a majority of the voting rights in Federated Wireless and it does not hold a majority on its board of directors, Allied Minds does not exercise effective control over Federated Wireless. However, even after the transaction, Allied Minds is able to exercise significant influence over the entity by virtue of its large, albeit minority, stake in the company and its representation on the Federated Wireless's board of directors. As such, only the profits and losses generated by Federated Wireless through September 2019 were included in the Group's Consolidated Statements of Comprehensive Income/ (Loss). Upon the

date of deconsolidation, Allied Minds recognised an investment in Federated Wireless related to its common shares of \$16.2 million. The fair value of the investment in associate at the date of deconsolidation was based on the value implied from the third party funding round which lead to the loss of control. This is a market based valuation approach. At 31 December 2019, Allied Minds' investment was adjusted by the share of losses generated by Federated Wireless from 3 September through 31 December 2019 of \$9.3 million. As a result of the deconsolidation, Allied Minds recorded an unrealised gain of \$69.8 million in the Consolidated Statements of Comprehensive Income/ (Loss).

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

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

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

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

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

As of and for the year ended 31 December:

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

Investments at fair value

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

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

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

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

Other valuation approaches

In certain cases, the value of a portfolio company is determined using a market instead of income- based approach.

Where there has been a third party funding round in the year this has been used as the implied value of the portfolio company or comparable guideline public companies or comparable transactions, adjusted for indexation where this is deemed to be appropriate.

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

PWERM and OPM

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

The PWERM estimates the value of equity securities based on an analysis of various discrete future outcomes, such as an IPO, merger or sale, dissolution, or continued operation as a private enterprise until a later exit date. The equity value today is based on the probability-weighted present values of expected future

investment returns, considering each of the possible outcomes available to the enterprise, as well as the rights of each security class. The key judgement relates to probability weighting of the scenarios.

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

Those investments are presented in the below table:

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

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

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

On 6 August 2019, HawkEye 360, Inc. secured the first closing of \$35.0 million from a total of \$70.0 million planned to be raised via a Series B preferred funding round. The Series B financing is being closed in multiple tranches. The \$35.0 million includes \$5.0 million subscribed by Allied Minds. In connection with the Initial Series B Closing, Allied Minds received \$3.7 million of dividend shares in form of Series A-2 Preferred Stock and Series A-3 Preferred Stock which respectively, increased its investment basis by that amount.

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

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

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

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

Allocation Model Inputs

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

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

Sensitivity Analysis

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's financial assets. The sensitivities provided reflect reasonably possible changes to the key assumptions:

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

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

(12) Cash and Cash Equivalents

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

Restricted cash balance for 2018 includes \$2.5 million that is held in escrow and represents the remaining commitment by Allied Minds to subscribe to the Spin Memory Series B funding round to the extent further investors do not take it up. The amount was classified as current assets in the statement of financial position. The remaining \$0.1 million within restricted cash represents a collateral against a letter of credit with a bank issued for the benefit of a landlord in lieu of a security deposit to an office space lease for one of the Group's subsidiaries. The amount was classified as other financial assets, non-current in the statement of financial position.

(13) Trade and Other Receivables

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

(14) Equity

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

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

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

During 2019, there were no options exercised under the U.S. Stock Plan. During 2018, existing and former employees of the Group exercised options to purchase 877,373 shares of the Company under the U.S. Stock Plan, resulting in additional share premium of \$1,564,000. Additionally, 1,248,378 (2018: 1,224,831) shares were issued to existing and former employees of the Group during the year as result of vesting of RSUs under the LTIP.

As of 31 December 2019, 11,551,496 ordinary shares were reserved under the U.S. Stock Plan and 24,156,312 were reserved under the LTIP, see note 6 for further discussion of the share-based payment plans.

The table below explains the composition of share capital:

As of 31 December:	2019	2018
	\$'000	\$'000

Equity		
Share capital, \$0.01 par value, issued and fully paid	3,759	3,743
241,563,123 and 240,314,745, respectively		
Share premium	-	160,170
Merger reserve	-	263,367
Translation reserve	1,459	651
Accumulated deficit	147,238	(325,635)
Equity attributable to owners of the Company	152,456	102,296
Non-controlling interests	115	18,484
Total equity	152,571	120,780

Holders of Ordinary Shares are entitled to vote, on all matters submitted to shareholders for a vote. Each Ordinary Share is entitled to one vote. Each ordinary share is entitled to receive dividends when and if declared by the Company's board of directors. The Company has not declared any dividends in the past. After the balance sheet date dividends of £30.49 per qualifying ordinary share (2018: £nil) were proposed by the directors. The dividends have not been provided for.

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

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

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

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

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

- On 3 September 2019, Federated Wireless, Inc. successfully raised \$51.3 million in a Series C financing round. As a result of the round, Allied Minds' ownership percentage dropped from 52.23% to 42.57%. Allied Minds does not control Federated Wireless' Board as it only holds 3 out of 8 director seats. Therefore, in losing such control and majority voting rights in Federated Wireless, Federated Wireless will no longer be consolidated in the group accounts as of the date of the closing of the Series C financing round (3 September 2019). As of 31 December 2019 Federated Wireless is presented as investment in associates (for its share in common shares) & investment at fair value (for its share in preferred shares) within the company's financials. The impact of the deconsolidation of Federated Wireless resulted in a \$3.0 million impact to non-controlling interest total balance as of 31 December 2019.
- Allied Minds and Woodford Investment Management as manager (WIM) (now succeeded by Schroder Investment Management Limited as manager) contributed an aggregate of \$5.0 million of equity financing to Precision Biopsy, half of which was contributed by Allied Minds and half by WIM. After months of fundraising, the Company was unable to secure additional financing. As a result, Allied Minds determined to cease funding to and operations at Precision Biopsy. At 31 December 2019 Precision Biopsy was dissolved.
- In April 2019, QuayChain secured \$0.4 million of funding through the issuance of a convertible bridge note to Allied Minds. In September 2019, Allied Minds sold all its shares in QuayChain to Smart P3 Group, LLC. In connection with such transaction, the management agreement was terminated and the promissory note was cancelled. QuayChain is no longer part of our consolidated group and no longer one of our companies. As a result, QuayChain was deconsolidated from the company's financials. The impact of the deconsolidation of QuayChain resulted in a \$0.4 million impact to non-controlling interest total balance as of 31 December 2019.
- In May 2019, Allied Minds sold all of the assets of LuxCath in return for a \$100 thousand in the form of a promissory note and other contingent consideration. At 31 December 2019, LuxCath was dissolved.
- During 2019, the Group ceased operations and dissolved each of Allied-Bristol Life Sciences, LLC, ABLIS II, LLC, ABLIS IV, LLC, ABLIS Capital, LLC and Signature Medical. The impact of this was assessed in the Group financials as of 31 December 2019 and unrecoverable amounts were written off.
- On 7 September 2018, HawkEye 360 completed the second closing of its Series A-3 Preferred Stock financing round for a combined total proceeds with its first closing of \$14.9 million. On the date of the second closing the Company's ownership percentage was reduced to 48.33%, and the Company does not hold a majority of the board seats and as a result, the subsidiary was deconsolidated.
- On 9 November 2018, Spin Memory completed the first closing of its Series B Preferred Stock financing round for up to \$52.0 million. As of 31 December 2018, the Company's ownership percentage was reduced to 41.63% and the Company does not control a majority of the board seats and therefore, the subsidiary was deconsolidated.
- During 2018, the Company formed two new subsidiaries, QuayChain, Inc. (72.22%) and Spark Insights, Inc. (100.0%).
- During 2018, Allied Minds sold the trade and assets of Percipient Networks and subsequently ceased operations and dissolved the company. In addition, Allied Minds dissolved each of Whitewood Encryption, Seamless Devices, RF Biocidics, Inc., RF Biocidics (UK), and Foreland Technologies.
- Further, at the end of 2018, the Company discontinued funding for Allied-Bristol Life Sciences, LuxCath and Signature Medical and as such, the assets for the three companies were written down as of 31 December 2018.

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

	Early stage	Later stage	Consolidated
	\$'000	\$'000	\$'000
Non-controlling interest as of 31 December 2017 restated*	7,608	(56,516)	(48,908)
Share of comprehensive loss	(878)	8,877	7,999
Effect of change in Company's ownership interest	332	557	889
Equity-settled share based payments	(160)	2,176	2,016
Deconsolidation of subsidiaries	-	45,209	45,209
Dissolution of subsidiaries	11,279	-	11,279
Non-controlling interest as of 31 December 2018 restated*	18,181	303	18,484
Share of comprehensive loss	(384)	(697)	(1,081)
Effect of change in Company's ownership interest	(105)	(89)	(194)
Equity-settled share based payments	61	473	534
US Subsidiary distributions to shareholders	(12,050)	-	(12,050)

Deconsolidation of subsidiaries	7	1,543	1,550
Dissolution of subsidiaries	(7,128)	-	(7,128)
Non-controlling interest as of 31 December 2019	(1,418)	1,533	115

(16) Subsidiary Preferred Shares

Certain of the Group's subsidiaries have outstanding preferred shares which have been classified as a subsidiary preferred shares in current liabilities in accordance with IFRS 9 as the subsidiaries have a contractual obligation to deliver cash or other assets to the holders under certain future liquidity events, and/or a requirement to deliver an uncertain number of common shares upon conversion. The preferred shares do not contain mandatory dividend rights. The preferred shares are convertible into common stock of the subsidiary at the option of the holder and mandatorily convertible into common stock of the subsidiary upon a qualified public offering at or above certain value and gross proceeds specified in the agreements or upon the vote of the holders of a majority of the subsidiary preferred shares. Under certain scenarios the number of common stock shares receivable on conversion will change. The Group has elected not to bifurcate the variable conversion feature as a derivative liability, but account for the entire instrument at fair value through the income statement.

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

The following summarises the subsidiary preferred shares balance:

As of 31 December:	2019	Finance cost from IFRS 9 fair value accounting	Additions	Disposals	2018
	\$'000	\$'000	\$'000	\$'000	\$'000
BridgeComm	5,017	(470)	-	-	5,487
Federated Wireless	-	(2,708)	41,290	(85,216)	46,634
Precision Biopsy	-	(3,042)	2,500	-	542
SciFluor Life Sciences	-	(3,001)	2,000	-	1,001
Signature Medical ⁽¹⁾	-	(30)	-	(500)	530
Total subsidiary preferred shares	5,017	(9,251)	45,790	(85,716)	54,194

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

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

As of 31 December:	2019	2018
	\$'000	\$'000
BridgeComm	5,020	5,325
Federated Wireless	-	50,000
Precision Biopsy	-	22,000
SciFluor Life Sciences	-	25,200
Signature Medical	-	500
Total liquidation preference	5,020	103,025

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

2019

- On 3 September 2019, Federated Wireless successfully raised \$51.3 million in a Series C financing round. As a result of the round, Allied Minds' ownership percentage dropped from 52.23% to 42.57%. Allied Minds does not control Federated Wireless Board as it only holds 3 out of 8 director seats. Therefore, in losing such control and majority voting rights in Federated Wireless, Federated Wireless will no longer be consolidated in the group accounts as of the date of the closing of the Series C financing round (3 September 2019). As of 31 December 2019 Federated Wireless is presented as investment in associates (for its share in common shares) & investment at fair value (for its share in preferred shares) within the company's financials.
- Allied Minds and Woodford Investment Management as manager (WIM) (now succeeded by Schroder Investment Management Limited as manager) contributed an aggregate of \$5.0 million of equity financing to Precision Biopsy, half of which was contributed by Allied Minds and half by WIM. After months of fundraising, the Company was unable to secure additional financing. As a result, Allied Minds determined to cease funding to and operations at Precision Biopsy. At 31 December 2019 Precision Biopsy was dissolved.
- In February 2019, Allied Minds and Woodford Investment Management (WIM) (now succeeded by Schroder Investment Management Limited) jointly contributed an aggregate of \$4.0 million of equity financing to SciFluor, half of which was contributed by Allied Minds and half by WIM. During the year, Allied Minds determined to cease any new funding to SciFluor. As of year-end, SciFluor was raising bridge financing in the form of convertible promissory notes of up to a maximum of \$1.5 million and completed its first close of \$950K.
- During 2019, the Group ceased operations and dissolved Signature Medical.

2018

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

- On 7 September 2018, HawkEye 360 closed a Series A-3 Preferred Stock financing round for \$14.9 million. On the date of the closing, Allied Minds' ownership percentage was reduced from 54.07% to 48.33%, the Company no longer controls a majority of the outstanding voting stock and does not control a majority of the board seats and as a result, the subsidiary was deconsolidated.
- On 9 November 2018, Spin Memory completed the first closing of its Series B Preferred Stock financing round for up to \$52.0 million. As of 31 December 2018, as a result of such funding round, the Company's ownership percentage was reduced from 48.55% to 41.63%, the Company does not control a majority of the board seats and therefore, the subsidiary was deconsolidated.

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

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

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

Where there has been a third party funding round in the year this has been used as the implied value of the portfolio company or comparable guideline public companies or comparable transactions, adjusted for indexation where this is deemed to be appropriate.

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

PWERM and OPM

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

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

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

Allocation Model Inputs

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

As of 31 December:	2019	2018
Volatility	n/a*	27.6%-90.1%
Time to Liquidity (years)	1.64	0.50 - 2.50
Risk-Free Rate	n/a*	2.47% - 2.60%
Probability M&A	15%-85%	n/a*

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

Sensitivity Analysis

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's subsidiary preferred shares liability. Option Pricing Model and Probability Weighted Expected Return Method Inputs for Investments Held at Fair Value at 31 December 2018 and 2019 respectively:

PWERM Measurement Date		
As of 31 December:		2019
Input	Sensitivity range	\$'000
Enterprise Value	-2%	(38)
	2%	76
Discount rate	-5%	378
	5%	(304)
Time to Liquidity	-2.0 months	304
	+2.0 months	(228)
OPM Measurement Date		
As of 31 December:		2018
Input	Sensitivity range	\$'000
Enterprise Value	-2%	(569)
	+2%	329
Volatility	-10%	541
	+10%	(1,148)
Time to Liquidity	-6 months	237
	+6 months	(209)
Risk-Free Rate ⁽¹⁾	-0.04%/-0.44%	237

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

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

(17) Trade and Other Payables

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

(18) Loans

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

The terms and conditions of outstanding loans are as follows:

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

BridgeComm convertible note

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

SciFluor convertible note

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

(19) Leases

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

Right of use asset

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

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

Lease liability

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

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

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

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

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

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

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

Amounts recognised in profit or loss

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

(20) Financial Instruments and Related Disclosures

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

As of 31 December:		2019 \$'000			
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets designated as fair value through profit or loss					
Investments at fair value	-	-	-	61,895	61,895
Convertible note receivable ⁽¹⁾	750	-	750	-	750
Loans and receivables					
Cash and cash equivalents	90,571	90,571	-	-	90,571
Trade and other receivables	5,702	-	5,702	-	5,702
Security and other deposits	2,088	-	2,088	-	2,088
Total	99,111	90,571	8,540	61,895	161,006
Financial liabilities designated as fair value through profit or loss					
Convertible notes	1,965	-	1,965	-	1,965
Subsidiary preferred shares	5,017	-	-	5,017	5,017
Financial liabilities measured at amortised cost					
Trade and other payables	4,685	-	4,685	-	4,685
Total	11,667	-	6,650	5,017	11,667

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

As of 31 December:		2018 \$'000			
	Carrying	Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets designated as fair value through profit or loss					
Investments at fair value	-	-	-	56,544	56,544

Loans and receivables					
Cash and cash equivalents	100,366	-	100,366	-	100,366
Trade and other receivables	6,400	-	6,400	-	6,400
Security and other deposits	834	-	834	-	834
Total	107,600	-	107,600	56,544	164,144
Financial liabilities designated as fair value through profit or loss					
Subsidiary preferred shares	54,194	-	-	54,194	54,194
Financial liabilities measured at amortised cost					
Trade and other payables	13,468	-	13,468	-	13,468
Total	67,662	-	13,468	54,194	67,662

Total other financials assets were as follows:

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

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

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

The Group has determined that the carrying amounts for cash and cash equivalents to be included in Level 1 and trade and other receivables and payables, security and other deposits, and customer deposits are a reasonable approximation of their fair values and are included in Level 2. For assumptions used in the fair value measurement of the Group's convertible notes designated as Level 2, see footnote 18.

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

(21) Capital and Financial Risk Management

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

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

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

Credit Risk

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

The Group held following balances:

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

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

assessed by reference to credit ratings (if available) or to historical information about counterparty default rates.

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

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

As of 31 December:	2019 \$'000	2018 \$'000
Neither past due nor impaired	60	467
Past due 30-90 days	—	867
Past due over 90 days	—	—
Reserve for bad debt	—	—
	<u>60</u>	<u>1,334</u>

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

As of 31 December:	2019 \$'000	2018 \$'000
Customers with less than three years of trading history with the Group	60	1,334
	<u>60</u>	<u>1,334</u>

Liquidity Risk

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

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

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

As of 31 December 2019:	Contractual cash flows				
	Carrying amount	Total	Less than 1 year	2-5 years	More than 5 years
\$'000					
Trade and other payables	4,685	4,685	4,685	-	-
Subsidiary notes payable	1,965	1,965	1,965	-	-
Subsidiary preferred shares	5,017	5,017	5,017	-	-
Lease liability	2,854	2,854	2,854	-	-
	<u>14,521</u>	<u>14,521</u>	<u>14,521</u>	<u>-</u>	<u>-</u>

As of 31 December 2018:	Contractual cash flows				
	Carrying amount	Total	Less than 1 year	2-5 years	More than 5 years
\$'000					
Trade and other payables	13,030	13,030	13,030	-	-
Subsidiary notes payable	-	-	-	-	-
Subsidiary preferred shares	54,914	54,914	54,914	-	-
Other non-current liabilities	436	436	-	436	-
	<u>68,380</u>	<u>68,380</u>	<u>67,944</u>	<u>436</u>	<u>-</u>

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

Market Risk

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

Capital Risk Management

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

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

Brexit

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

It is expected that companies based in the UK and with significant UK and EU operational focus will be the most directly impacted by Brexit. All of the Group's portfolio companies are based in the US, and substantially all of the business and operations of the Group are conducted in the US. Brexit exposes the Group to increased foreign currency risk. However, since the functional currency of the Group's portfolio companies is US dollars and the cash deposits are maintained in US based banks, the Group's exposure to changes in foreign exchange rates as a result of Brexit is determined to be insignificant.

COVID-19

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

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

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

(22) Related Parties

Transactions with Key Management Personnel

Key Management Personnel Compensation

Key management personnel compensation received comprised the following:

For the year ended 31 December:	2019 \$'000	2018 \$'000
Short-term employee benefits	3,219	3,032
Share-based payments	493	3,713
Total	3,712	6,745

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

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

Bonuses to key management for the year of \$1,045,200 were outstanding at 31 December 2019 (2018: \$1,237,000) and were paid in January of 2020.

Key Management Personnel Transactions

Directors' remuneration for the year comprised the following:

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

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

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

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

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

(23) Taxation

Amounts recognised in profit or loss

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

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

Reconciliation of Effective Tax Rate

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

rate is as follows:

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

Factors that may affect future tax expense

The Group is primarily subject to taxation in the US and UK. Additionally, the Group is exposed to state taxation in various jurisdictions throughout the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit). A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly.

On 22 December 2017, the U.S. government enacted a comprehensive tax legislation, H.R.1, commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes broad and complex changes to the U.S. tax code.

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

Unrecognised Deferred Tax Assets

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

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

Deferred tax is measured at the rates that are expected to apply in the period when the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the statement of financial position date.

As of 31 December 2019 the Company had United States federal net operating losses carry forwards ("NOLs") of approximately \$288.4 million (2018: \$374.8 million) available to offset future taxable income, if any. These carryforwards start to expire in 2024 and are subject to review and possible adjustment by the Internal Revenue Service. The Company may be subject to limitations under Section 382 of the Internal Revenue Code as a result of changes in ownership. The Company's preliminary analysis on the impact from Section 382 limitations suggests that there is unlikely to be a material restriction on NOLs. A detailed exercise is ongoing. Upon the completion of the study, there may or may not be limitations on the Company's ability to utilise its current NOLs against future profits, although these are not expected to be material.

(24) Subsequent Events

The Company has evaluated subsequent events through 4 June 2020, which is the date the consolidated financial information is available to be issued.

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

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

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

(25) Prior year adjustments

Share of loss in associate adjustment

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

Gain on deconsolidation adjustments

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

of the share based payment reserve as required by IFRS. The adjustments had an impact on Group's Accumulated deficit balance reflective of the respective changes as detailed below.

Other adjustments

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

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

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

For the year ended 31 December

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

As of 31 December

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

Income statement:

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

Equity:

- The accumulated deficit at 31 December 2017 is now reported as \$367.4 million (previously \$354.4 million);

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

Balance sheet:

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

Company Information

Company Registration Number 08998697

Registered Office

Beaufort House
51 New North Road
Exeter EX4 4EP
United Kingdom

Website

www.alliedminds.com

Board of Directors

Harry Rein
(Non-Executive Chairman)

Joseph Pignato
(Chief Executive Officer)

Bruce Failing
(Senior Independent Director)

Mark Lerdal
(Independent Non-Executive Director)

Company Secretary

Nina Thayer

Broker

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

Registrar

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

Solicitors

DLA Piper UK LLP
160 Aldersgate Street
London EC1A 4HT
United Kingdom
TEL: +44 207 349 0296

Independent Auditor

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

Media Relations

Instinctif Partners
65 Gresham Street,
London EC2V 7NQ
United Kingdom
TEL: +44 20 7457 2020

LEI: 213800YB4G7YN21NLL72

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