

30 March 2021

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 2020.

- Net cash and cash equivalents at 31 December 2020: \$24.5 million (FY19: \$90.6 million), of which \$22.3 million is held within Allied Minds (FY19: \$84.1 million).
- \$27.9 million invested in portfolio companies, of which \$13.7 million was raised from third-party investment.
- Revenues of \$0.5 million (2019: \$2.7 million) mainly from non-recurring engineering (NRE) and service contracts, reflecting the early stage nature of our portfolio companies.
- On 14 February 2020, Allied Minds paid a special dividend of 12.62 pence per ordinary share totaling £30.49 million.
- Post-period end, additional restructuring efforts announced, including direct management of the portfolio by the Board and elimination of the Chief Executive Officer role.

Harry Rein, Chairman of Allied Minds, said:

"In 2020 we continued to execute our strategy of supporting our existing portfolio companies and seeking to monetise opportunities for portfolio company interests. We have instituted a new governance structure which is efficient, streamlined and cost-effective and is best suited to achieve value creation from our portfolio. During 2020 we saw the benefit of this strategy with the payment of a special dividend."

"A number of our portfolio companies made significant progress during the year. We believe in the future prospects of our portfolio companies, and are focused on achieving well-timed, risk-adjusted returns for our shareholders."

"The Board remain of the view that the group as a whole remains well positioned to maximise value and deliver additional returns to shareholders."

Selected Portfolio Company Highlights

- BridgeComm (consolidated subsidiary):
 - o Joint development agreement (JDA) with Boeing HorizonX (Boeing) to collaboratively develop applications of the One-to-Many (OTM) technology
 - o Additional \$2.0 million of convertible debt financing from Allied Minds on top of the \$1.0 million invested by Boeing at the end of 2019
 - o Secured additional \$1.5 million of convertible debt financing from Boeing upon successful achievement of development milestones under the JDA, post-period end
 - o Entered into partnership with Nokia to develop ultra-high-speed throughput solutions to facilitate faster deployment of 5G networks
- Federated Wireless (equity accounted investment):
 - o Announced new Connectivity-as-a-Service (CaaS) offering that lets U.S. enterprises buy and deploy private 4G and 5G networks with a single click through AWS(R) and Microsoft Azure(R) marketplaces
 - o Raised \$13.7 million of additional Series C funding from Allied Minds and existing investor, Pennant Investors, to accelerate expansion and adoption of its partnerships with AWS and Microsoft Azure to offer Connectivity-as-a-Service and expand into 6 GHz band for 5G services
 - o Potential market opportunity expanded upon additional 100 megahertz of contiguous mid-band spectrum in the 3.45-3.55 GHz band unlocked for commercial 5G deployment
- Orbital Sidekick (preference share investment held at fair value):
 - o Awarded a multi-year contract by the Department of the Air Force's commercial investment group (AFVentures) as part of its Strategic Financing (STRATFI) programme, under which the company received \$4.0 million of non-dilutive financing and has the opportunity to receive up to \$12.0 million of additional non-dilutive financing over the next three years to match private funds raised
 - o Entered into definitive agreement to secure \$16.0 million in a Series A Preferred financing round expected to close in Q2 2021 subject to approval by the Committee on Foreign Investments in the United States
- Spin Memory (equity accounted investment):
 - o Raised \$8.25 million of additional Series B funding from existing investors, including Abies Ventures, Applied Ventures, LLC (the venture capital arm of Applied Materials, Inc.), ARM Technology Investments Limited

("ARM") and Allied Minds, to support continued research in MRAM, including work with its existing development partners, Applied Materials and ARM

- o Facing significant liquidity issues due to its inability to secure new customers coupled with the unexpected loss of a government bid in late Q4 2020. Delays of the required testing of its development chip with ARM for nearly nine months due to the work-from-home orders in the State of California due to COVID-19 has had a direct effect
- TableUp (preference share investment held at fair value) acquired by TouchBistro, Inc. in stock-for stock transaction. The stock held in TouchBistro is held at fair value under IFRS9

In compliance with Listing Rule 9.6.3R, the following document 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 2020.

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 2021 Annual General Meeting will be held at 10:00 a.m. ET on 12 May 2021 at the Company's headquarters located at 374 Congress Street, Suite 308, Boston, Massachusetts 02210, USA.

For more information, please contact:

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Notes

(i) Nature of announcement

This Annual Results Release was approved by the directors on 29 March 2021. The financial information set out in this Annual Results Release does not constitute the Company's statutory accounts for the years ended 31 December 2020 or 2019 but is derived from those accounts. Statutory accounts for the year ended 31 December 2019 have been filed with the Registrar of Companies. Statutory accounts for 2020 will be delivered to the registrar of companies in due course. The auditor has reported on those accounts; its report was (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 2020 (2020 Annual Report).

(ii) Forward looking statements

This Annual Results Release and the 2020 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 Group considers any statements that are not historical facts as "forward-looking statements". 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 2020 Annual Report. These forward-looking statements are made in good faith based on assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. 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.

2020 Annual Report and Accounts

STRATEGIC REPORT

Chairman's Report

Allied Minds started 2020 with a new Board and a recalibrated strategy focused exclusively on funding and operating our existing investment portfolio of businesses and to operate a streamlined and highly cost-efficient organisation.

During 2020, the Group undertook a critical assessment of its portfolio of very early stage and pre-revenue companies. As a result of this strategic review, the Board instituted a new form of governance that is better suited to achieving value creation from its venture-like portfolio. Under the new corporate structure, announced in January 2021, the Group will be led by its Non-Executive Directors (NEDs) and the role of Chief Executive Officer will no longer be required.

Throughout 2020, alongside the thorough portfolio review, Allied Minds continued to drive the strategic objectives first announced in April 2019 of focusing exclusively on supporting the existing portfolio companies and maximising monetisation opportunities for portfolio company interests.

Early in 2020 we demonstrated the benefits of this approach to delivering shareholder value with the payment of a 12.62 pence per share dividend in February, which followed the sale of HawkEye 360 in the third quarter of 2019.

The Board aims to monetise the Group's ownership positions at the appropriate time, recognising the value and benefit in achieving well-timed risk-adjusted returns for the benefit of shareholders.

Allied Minds remains a significant shareholder in each of its portfolio companies, and all companies in the portfolio, regardless of prior funding, are at the knee of the commercialisation curve. While seeing significant opportunities, each company also needs to manage the significant risks which are typical and customary for emerging companies, including market development and penetration, leading to revenue growth.

At the end of the first quarter of 2020 the coronavirus pandemic and its impact both in the US and globally, meant we were equally focused on ensuring the wellbeing, safety, and security of our workforce across all our portfolio companies.

Swift and effective actions were taken to allow all of us to continue operating safely using remote working environments and virtual meeting platforms and I would like to pay tribute to all employees for their resilience and commitment throughout this highly challenging period.

Across the portfolio, several companies achieved milestone funding events and delivered strong progress in technology development, underpinned by blue-chip partnerships that were put in place or continued to thrive during the year.

BridgeComm signed a JDA with Boeing HorizonX (Boeing) to collaboratively develop applications of One-to-Many (OTM) technology, and secured several additional rounds of convertible debt financing. The company also entered into a partnership with Nokia to develop ultra-high-speed throughput solutions to facilitate faster deployment of 5G networks.

Federated Wireless (Federated) also delivered strong technological progress involving blue chip partnerships, launching a new Connectivity-as-a-Service (CaaS) offering that lets US enterprises buy and deploy private 4G and 5G networks with a single click through AWS(R) and Microsoft Azure(R) marketplaces. Federated also raised additional funding during the year whilst its market opportunity expanded with the unlocking of an additional 100 megahertz of contiguous mid-band spectrum in the 3.45-3.55 GHz band for commercial 5G deployment.

Orbital Sidekick (Orbital) was awarded a multi-year contract by the Department of the US Air Force's commercial investment group (AFVentures) as part of its Strategic Financing (STRATFI) programme and this brought further financing and financing opportunities. Orbital then secured conditional funding, which is expected to close in Q2 2021 subject to approval by the Committee on Foreign Investments in the United States (CFIUS).

The Board also made further moves to rationalise the portfolio with the acquisition of TableUp by TouchBistro, Inc. in a stock-for-stock transaction.

However, COVID-19 had a negative impact on several companies in the portfolio including Federated, Spin Memory (Spin), and Spark Insights (Spark). Federated was able to mitigate against this impact and is now back on track with its strategic plan and timing, including meeting projected revenue targets for 2021.

Meanwhile, Spin continues to face commercial and financing challenges that the Spin Board of Directors, with the support of the NEDs, are working to address in 2021. In the event financing is not obtained or projected revenue is not realised, Spin may need to seek alternative paths that may include filing for bankruptcy, selling its intellectual property assets, and/or other similar avenues to orderly wind down the company in the near term.

Furthermore, while Spark is continuing to achieve development milestones with respect to its intellectual property, the delay in securing financing has put the company in a difficult cash position. In the event financing is not realised within the coming weeks, Spark will need to immediately resort to alternative paths that include selling its assets, filing for bankruptcy, winding down and/or similar avenues.

In each case, the NEDs are working closely with the management teams at Spin and Spark, respectively, to tackle the challenges faced by these companies, including exploring all alternatives available to such companies, and to determine how to achieve the best outcome for its investors.

We remain in close communication with customers, suppliers and partners, working together to navigate this changing environment. In 2020, the Group was able to demonstrate the ability of its portfolio companies to raise funds and achieve key technical and commercial milestones, despite the global challenges of COVID-19.

Going forward, while the NEDs and Allied Minds will continue to support all our portfolio companies, and intend to continue providing guidance, advice, assistance with fundraising and strategic opportunities, it will be the qualified and strong management teams in place who will be running the respective businesses and responsible for advancing and progressing their respective companies forward, including leading fundraising activities and identifying and securing new investors. The NEDs believe that on balance, and taking into consideration the challenges facing some of the Group's portfolio companies that may hinder success, the Group as a whole remains well-positioned to maximise its value and deliver additional returns to our shareholders within a reasonable timeframe.

Allied Minds' cash position will be used to strategically support those portfolio companies that will enable it to further its objective of maximising value and returns for its shareholders.

Harry Rein, Chairman

29 March 2021

Company Overview

Overview

Allied Minds is an IP commercialisation company primarily focused on early stage company development within the technology sector.

We have historically 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.

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

The ability of the Group's portfolio companies to raise funds and continue achieving important technical and commercial milestones while building upon key partnership relationships across the portfolio signify the strength of the Group and demonstrates that it remains on track as it works to execute on maximising the value of its portfolio company interests and delivering well-timed, risk-adjusted returns for its shareholders.

COVID-19

As we navigate the uncertainties brought by the coronavirus pandemic, Allied Minds continues to closely monitor, assess, and respond to the impacts of COVID-19 in order to ensure the continued health, safety, and security of its workforce across its portfolio companies. The Group has taken several actions to enable Allied Minds and its portfolio companies to continue operating safely and effectively, including implementing remote working environments, using virtual meeting platforms, and reducing travel.

While COVID-19 has had varying degrees of commercial impact across the portfolio in the past year, the actions and mitigation put in place by the Group have enabled day-to-day operations to continue effectively across the portfolio. As highlighted in this report, while some of our companies have been impacted more negatively than others, overall, the achievements across our portfolio demonstrate that our companies are continuing to make progress against their respective commercial and strategic objectives even during this pandemic. We remain in close communication with all our customers, suppliers and partners to collaborate on how to best support each other's needs in this new environment. Furthermore, Allied Minds continues to engage with each of its portfolio companies to help manage and mitigate against potential impacts on each company's business, including assisting with employee support, cash management, and contingency planning.

While we remain cautious and vigilant about what the coming months may bring, we continue to be optimistic and expect to be able to navigate these uncertain times whilst delivering the results of our stated strategy in the coming years.

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

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

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

Strategy

Allied Minds' strategy is focused on supporting its existing portfolio companies and maximising monetisation opportunities for portfolio company interests. The Board aims to monetise the Group's ownership positions at the appropriate time, recognising the value and benefit in achieving well-timed risk-adjusted returns for the benefit of shareholders.

In general, we will hold our position in a portfolio company for 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 enquiries 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.

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

Outlook

Allied Minds' portfolio companies, led by experienced, motivated and resourceful management teams, have continued to make substantial technical and commercial progress. The milestones achieved demonstrate examples of solving difficult technical problems, developing innovative products and services across a range of large potential markets, establishing important partnerships to develop technology and go to market channels, and the creation of shareholder value.

The Board believes that the shareholder returns to date and completion of successful fundraisings throughout its portfolio, together with achieving portfolio company milestones, means that Allied Minds is well positioned to maximise returns for its shareholders.

Portfolio Company Valuation

Of the Company's seven active portfolio companies, three are currently majority owned and/or controlled, and therefore fully consolidated in the Company's consolidated financial statements prepared in accordance with international financial reporting standards conformity with the requirements of the Companies Act 2016.

Of the remaining four portfolio companies, the Company holds a significant minority stake in three of these companies and a small position in the fourth (TouchBistro, Inc.) as a result of the stock-for-stock sale of TableUp, Inc. In each case, where Allied Minds holds a significant minority stake, it 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. Due to the equity-like characteristics of the Company's common stockholdings in Spin Memory and Federated Wireless, these two investments are accounted for under IAS 28 and are classified by the Company as investments in associates. Accordingly, since Allied Minds has significant influence over these entities through the voting rights/potential voting rights held at Spin Memory and Federated Wireless, it gives access to the returns associated with an ownership interest in these 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 of 29 March 2021. 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 financing 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. (BridgeComm) (consolidated subsidiary)

BridgeComm is developing high-speed optical wireless communications to provide fast, secure, enterprise-grade broadband service for space, terrestrial and 5G connectivity. BridgeComm's newest technology is unique and IP protected which enables one-to-many communications via optical wireless offering efficient communication to satellites, planes and land-based networks enabling 5G equivalent performance. The technology promises higher throughput over longer distances with added security than what is available today. The technology also has the ability to solve the "last mile connectivity" challenge for 5G networks.

On 15 January 2020, Allied Minds announced the next stage in BridgeComm's relationship with Boeing HorizonX whereby the two companies were collaboratively pioneering the development of BridgeComm's new technology for terrestrial, airborne and space systems. Together, BridgeComm and Boeing are bidding on several US government contracts requiring optical communications as they look to commercialise the development work achieved to date. It is anticipated that this process will lead to first revenue from the newly developed technology in 2021.

On 28 September 2020, Allied Minds announced that BridgeComm partnered with Nokia to jointly develop high-speed optical communications to facilitate faster deployment of 5G networks. The focus of the work with Nokia is to utilise optical communications to solve the "well known" last mile connectivity problem prevalent in the fixed wireless industry.

BridgeComm will need to seek additional financing to further fund its next stage of development work. Allied Minds currently has fully diluted ownership (ownership percentage including currently issued shares and potential outstanding shares to be issued) of 62.92% in BridgeComm. The \$4.5 million convertible bridge invested by Boeing HorizonX and Allied Minds will convert into the next round of financing.

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: 81.15%
- Allied Minds' Fully-Diluted Ownership: 62.92%

Federated Wireless Inc. (Federated) (equity accounted investment)

Federated has developed technology and products to enable the revolutionary shared spectrum model in the United States to further enable wireless communications, adoption of the Internet-of-Things ("IoT") and edge computing. Federated also has the ability to deploy private wireless networks through its newly announced Connectivity-as-a-Service ("CaaS") offering.

CaaS is focused on enabling enterprise customers the ability to build their own private networks in a low risk and low capital expenditure manner. For the first time, enterprises will be able to control their own network, bypassing traditional Internet Service Providers, on the back of Federated's Spectrum Access System ("SAS"). These networks have the ability to be more powerful than traditional WiFi while also providing more security, opening up a new market for Federated.

On 18 February 2020, Federated announced that it entered into agreements with both AWS and Azure to function as channel partners to drive commercialisation of the CaaS offering through their online marketplaces.

On 8 October 2020, the U.S. Department of Defense announced that Federated had been awarded the project at the Marine Corps Logistics Base Albany, GA to develop a 5G Smart Warehousing solution focused on vehicular storage and maintenance. This award represents the first CaaS-related opportunity for Federated from its previously announced new channel partners. The list of Federated partners involved in this project include GE Research, KPMG LLP, Scientific Research Corporation as well equipment suppliers, AWS and Cisco, Inc.

Since the Federal Communications Commission ("FCC") announced the authorisation of the full commercial deployment of Federated's SAS on 27 January 2020, Federated is now able to support its customers as they deploy their new networks. A key feature of Federated's SAS offering is that it is the only FCC authorised company with a fully deployed Environmental Sensing Capability as required by the FCC. This has allowed Federated to operate unabated, providing a significant competitive advantage.

Federated's first customers to deploy are focused on the Wireless Internet Service industry as well as Verizon's build out of their network to add 3.5GHz CBRS. This has led to Federated realising its recurring revenue model for the first time since it was granted authorisation. Federated expects more customers under contract to begin to deploy soon who are looking to benefit by adding access to 3.5GHz CBRS. This will further accelerate Federated's valuable recurring revenue model into

2021. Federated expects its revenue to grow by significant multiples in 2021 compared with 2020 when it was first able to initiate its services.

Federated has sufficient cash to fund its growth into 2022. Allied Minds currently owns 36.61% of Federated and expects that if the company continues to achieve its planned key milestones, it will be in a position to attract any future equity financing in an upround.

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.

OcuTerra Therapeutics, Inc. (consolidated subsidiary)

OcuTerra (previously SciFluor Life Sciences, Inc.) is a drug development company focused on creating best-in-class compounds, initially targeting the field of ophthalmology. OcuTerra'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.

OcuTerra has sought to raise external equity financing since 2018 to fund Phase II trials for SF0166, on the back of safety and preliminary efficacy data from the Phase I/II trials. This process has not been successfully completed to date. As a result, OcuTerra 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 OcuTerra 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, OcuTerra engaged Maxim Group LLC. During Q4 2019 (and completing in Q1 2020), OcuTerra raised \$1.325 million of convertible debt financing from third parties. In addition, in Q3 2020 and post-period end in Q1 2021, OcuTerra raised an aggregate of \$200K of debt financing from third parties, half of which was raised from Maxim Group LLC, and continues its fundraising efforts for an external equity financing to fund Phase II trials. It is uncertain if OcuTerra will be successful in securing the required funds in 2021.

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%

Orbital Sidekick Inc. (Orbital) (preference share investment held at fair value)

Orbital has developed a proprietary analytics platform based upon its hyperspectral technology that allows it to take a proprietary "chemical fingerprint" from space. Initially, Orbital is addressing the very current and large concerns about the environment by focusing on potential energy pipeline failures. By employing its space-based technology, it is able to detect and identify natural gas, oil leaks and other failures much more rapidly than current monitoring techniques in a more cost effective way and the added benefit of helping to minimise environmental damage.

Orbital's first fully dedicated hyperspectral imagery satellite is scheduled to launch in 2021, which together with its existing on-board processing technology deployed on the International Space Station, will allow Orbital to realise revenue from its first pilot programme participants from the oil and gas pipeline industry that it has been able to convert to paying customers.

On 15 October 2020, Allied Minds announced that Orbital was awarded a multi-year contract by the Department of the Air Force's commercial investment group (AFVentures) as part of its Strategic Financing ("STRATFI") programme. Orbital received \$4.0 million of non-dilutive financing in Q4 2020 from the programme and has the opportunity to receive up to \$12.0 million of additional non-dilutive financing over the next three years to match private funds raised.

On 24 December 2020, Allied Minds announced that Orbital had conditionally secured \$16.0 million in a Series A Preferred financing round led by Temasek, an investment company headquartered in Singapore. The Series A financing closing is subject to approval by the Committee on Foreign Investments in the United States (CFIUS). In March 2021, CFIUS informed Orbital that it will enter an additional 45-day investigation period regarding the transaction, which is not atypical of like transactions. Accordingly, the financing is expected to close in Q2 2021.

The combined expected proceeds of \$32.0 million raised from both the Series A financing and the funds available from the STRATFI programme is significant and will allow Orbital to focus on scaling its business and growing its sales pipeline to rapidly bring its products to market and enable the launch of additional satellites to support its customers.

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 in respect of preference shares: 33.23%
- Allied Minds' Fully-Diluted Ownership: 29.67%

Spark Insights Inc. (Spark) (consolidated subsidiary)

Spark is an advanced analytics company developing data products for the rapidly growing insurance analytics market. Allied Minds formed Spark in late 2018.

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

In June 2020, Spark achieved a key technical milestone and successfully released version 1.0 of its post-catastrophe automated damage assessment product.

As a result of challenges posed by COVID-19, Spark has faced delays in fundraising and is now in a difficult cash position. If Spark fails to raise additional financing in the coming weeks, Spark will need to immediately consider and execute on alternative paths that include selling its assets, filing for bankruptcy, winding down and/or similar avenues.

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%

Spin Memory Inc. (Spin) (equity accounted investment)

Spin is a leader in providing magnetoresistive random-access memory ("MRAM") intellectual property. Through its collaboration with industry leaders, Spin Memory is looking to transform 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 represents the last remaining portfolio company from Allied Minds' original investment platform.

During 2020, Spin was able to "tape out" the demonstration chip co-developed with Arm pursuant to its joint development agreement, entered into in very late Q4 2018, representing the first time that Spin was able to demonstrate its Endurance Engine technology in silicon.

Unfortunately, the work-from-home orders in the State of California due to COVID-19 delayed the required testing of the chip for nearly nine months. The testing did commence in early Q4 2020 and the initial results are promising. However, this delay has affected Spin's ability to secure new customers. As a result, this, coupled with an unexpected loss of a government bid in late Q4 2020, Spin is now facing significant liquidity issues.

Spin's Board of Directors and management team have worked to adjust the company's operating plan to account for the delays described above and are currently working with its shareholders to develop a funding plan that will allow it to identify and secure commercial partners for its product, expertise and intellectual property in 2021. As previously disclosed, any financing contemplated by Spin is expected to be a significantly reduced valuation and dilutive to any non-participants in the round. While this is disappointing, a down-round financing is not uncommon in early venture capital companies and the Board is hopeful that any funding raised will give Spin an opportunity to maximise net value for shareholders either through an asset sale or acquisition or securing key partners and revenue-generating customers in the coming months. In the event financing is not obtained or projected revenue is not realised, Spin may need to seek alternative paths that may include filing for bankruptcy, selling its intellectual property assets, and/or other similar avenues to orderly wind down the company in the near term.

Holdings and valuation:

- Date of Last Funding Round: November 2018 (date of first closing, final closing in July 2020)
- Post-Money Valuation: \$180.25 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: 43.01%
- Allied Minds' Fully-Diluted Ownership: 33.98%

TouchBistro, Inc. (acquirer of TableUp, Inc.) (common shares in TouchBistro)

On 5 August 2020, TableUp was wholly acquired by TouchBistro, Inc. in a stock-for-stock transaction. As a result of such transaction, Allied Minds received common shares of TouchBistro valued at \$5.99 million.

The Group made its initial investment in TableUp in April 2018. TableUp is a provider of loyalty and marketing solutions for the restaurant industry and is highly regarded for its proprietary guest retention solution, which is used by more than 600 restaurants throughout the U.S and will enable TouchBistro to fully integrate customer loyalty and guest marketing into its all-in-one point-of-sale (POS) and restaurant management platform.

Key Performance Indicators

The Key Performance Indicators (KPIs) selected to measure the performance of the Company in 2020 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 | 2020 | 2019 | Performance |
|---|-------|-------|--------------|
| MBO Achievement; Percentage of Target; See Detail Below | 75.0% | 87.6% | Below target |

The MBOs set by the Board for 2020, along with the level of achievement against such MBOs, is set forth below:

| MBO | Threshold Weightings | Target Weightings | Maximum Weightings | Achieved Weightings |
|--|----------------------|-------------------|--------------------|---------------------|
| Increase Aggregate Portfolio Value (NAV) | 0.0% | 12.5% | 18.75% | 0% |
| Increase ALM Share Price | 0.0% | 12.5% | 18.75% | 0% |
| Manage HQ Cash and Expenses | 0.0% | 25% | 37.5% | 25% |
| Secure Funding and Strategic Partners at Portfolio Companies | 0.0% | 25% | 37.5% | 25% |
| Maintain Strong Operational Support | 0.0% | 25% | 37.5% | 25% |
| Total Percentage of Target | 0.0% | 100.0% | 150.0% | 75.0% |

Additional detail with respect to determination of such achievement is set forth in the Remuneration Report of the 2020 Annual Report.

The following Key Performance Indicators (KPIs) were selected to measure the performance of the Company in 2021. These objectives seek to link financial, operational, technical and other performance milestones established by the Board directly to remuneration and KPIs.

- Increase Company Non-Executive Director (NED) engagement at each portfolio company
- Appoint at least one NED on each portfolio company's board
- Provide strategic, operational and financing support and assistance to the portfolio companies through representation on the board of each portfolio company
- Critically evaluate and monitor portfolio company progress with objective of maximising shareholder return on investment (ROI)
- Maintain strong shareholder engagement, including annual capital markets day
- Manage HQ cash and expenses to maximise shareholder ROI

We note that as a result of the strategic changes implemented by the Board on 15 January 2021, the portfolio shall be managed by the Board, all of whom are Non-Executive Directors, on a go-forward basis. The Board places equal importance on each of the listed KPIs.

Financial Review

During 2020, \$27.9 million was invested into existing subsidiary businesses and associates. This included \$14.4 million from subsidiary and associate fundraisings invested by Allied Minds, with \$13.6 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 | 2020 \$ '000 | 2019 \$ '000 |
|--|-----------------|-----------------|
| Revenue | 480 | 2,692 |
| Cost of revenue | (210) | (1,433) |
| Selling, general and administrative expenses | (10,497) | (34,316) |
| Research and development expenses | (4,712) | (16,146) |
| Finance (cost)/ income, net | (1,786) | 9,992 |
| Other (expense)/ income | (38,779) | 89,465 |
| Other comprehensive (loss)/ income | (116) | 808 |
| Total comprehensive (loss)/ income | (55,620) | 51,062 |
| of which attributable to: | | |
| Equity holders of the parent | (53,141) | 52,143 |
| Non-controlling interests | (2,479) | (1,081) |

Revenue decreased by \$2.2 million, to \$0.5 million in 2020 (2019: \$2.7 million). This decrease is primarily attributable to the ownership of Federated Wireless being an entity which was previously consolidated. In the second half of 2019 control of this entity was lost, and going forward has been equity accounted for under IAS28 ("deconsolidated"). The decrease is partly offset by revenue from new contracts in 2020 at BridgeComm of \$0.1 million. Cost of revenue at \$0.2 million (2019: \$1.4 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 2019.

Selling, general and administrative (SG&A) expenses decreased by \$23.8 million, to \$10.5 million (2019: \$34.3 million). This reduction was mainly due to the deconsolidation of one of the company's subsidiaries in the second half of 2019, as well as cost reductions at headquarters implemented during 2019.

Research and development (R&D) expenses decreased by \$11.4 million, to \$4.7 million (2019: \$16.1 million). The decrease was primarily due to the deconsolidated and closed and dissolved subsidiaries in 2019. The remainder of the decrease reflects the net effect from R&D spend at the remaining subsidiaries.

Net finance cost increased by \$11.8 million in 2020 to \$1.8 million (2019: income of \$10.0 million). The increase reflects the impact from deconsolidation of one of the company's subsidiaries in the second half of 2019 partly offset by net finance cost of \$1.5 million from IFRS 9 fair value accounting of the subsidiary preferred shares liability balance (2019: finance income of \$9.3 million), convertible note payable balance of \$0.3 million (2019: \$nil) and interest income, net of interest expense, of \$23 thousand (2019: \$0.7 million). The change was primarily from adjustments at BridgeComm.

Other loss increased to \$38.8 million (2019: income of \$89.4 million) reflecting \$31.9 million loss on investments held at fair value as well as the company's share of loss of \$6.8 million from its associates.

As a result of these factors, total comprehensive loss increased by \$106.7 million to \$55.6 million (2019: income of \$51.1 million). Total comprehensive loss attributed to the equity holders of the Group was \$53.1 million (2019: income of \$52.1 million) and \$2.5 million loss (2019: \$1.1 million) was attributable to the owners of non-controlling interests.

Consolidated Statement of Financial Position

| As of 31 December | 2020 \$ '000 | 2019 \$ '000 |
|------------------------------|-----------------|-----------------|
| Non-current assets | 44,416 | 72,695 |
| Current assets | 32,584 | 97,854 |
| Total assets | 77,000 | 170,549 |
| Non-current liabilities | 2,246 | 3,795 |
| Current liabilities | 16,468 | 14,183 |
| Equity | 58,286 | 152,571 |
| Total liabilities and equity | 77,000 | 170,549 |

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

Non-current assets

Property and equipment increased by \$0.1 million to \$1.6 million (2019: \$1.5 million), primarily as a result of purchases of approximately \$1.0 million, mainly at BridgeComm, offset by depreciation expense of \$0.5 million and \$0.4 million in disposals.

Intangible assets decreased by \$0.2 million to \$nil million (2019: \$0.2 million) mainly as a result of amortisation expense of \$0.2 million.

Investments at fair value decreased to \$39.1 million (2019: \$61.9 million). As a result of the fair value accounting for investments held at fair value, Allied Minds recorded a loss of \$31.9 million in the Consolidated Statements of Comprehensive (Loss)/ Income. The decrease is offset by \$6.9 million in additional funding by Allied Minds in April 2020 when Federated Wireless completed the second closing of its \$13.7 million Series C Preferred Stock financing, as well as \$4.0 million in additional funding by Allied Minds in July 2020 when Spin Memory completed a new closing of its \$8.3 million Series B-1 Preferred Stock financing. In addition, on 5 August 2020, TableUp, one of Allied Minds' portfolio companies, was acquired by TouchBistro, Inc. ("TouchBistro"). The acquisition was structured as a stock-for-stock transaction in which TouchBistro acquired 100% of the shares of TableUp in exchange for the issuance of TouchBistro common shares to the shareholders of TableUp. A total of 2,542,662 common shares of TouchBistro was paid to Allied Minds valued at \$5.99 million at the time of the transaction. Allied Minds' share of common stock has been accounted as an investment at fair value. At 31 December 2020, the fair value of Allied Minds' investment in TouchBistro was subsequently measured at \$2.8 million.

Investments in associates decreased to \$nil million (2019: \$6.8 million). As a result of the deconsolidation of Federated Wireless in the second half of 2019 and equity method accounting for remaining associate investments, Allied Minds recorded a share of loss of \$6.8 million in the Consolidated Statements of Comprehensive (Loss)/ Income that reduced the investment in Federated to a zero balance.

Right-of-use assets decreased to \$0.6 million (2019: \$1.0 million) primarily related to depreciation of \$0.4 million.

Current assets

Cash and cash equivalents decreased by \$66.0 million to \$24.5 million (2019: \$90.5 million). The decrease is mainly attributed to \$17.8 million of net cash used in operations, \$10.7 million cash used in investing activities and \$37.5 million cash used in financing activities primarily reflecting \$39.7 million in cash dividend payment to shareholders as a result of the sale of Allied Minds' share in HawkEye in 2019.

Trade and other receivables increased by \$0.1 million due to an increase in trade receivables of \$0.3 million. This increase is offset in part by a decrease in prepaid expenses of \$0.2 million mainly from write off advanced payments for unfinished inventory units at BridgeComm.

Other financial assets have increased by \$0.7 million to \$2.3 million (2019: \$1.6 million) primarily due to IFRS 9 fair value accounting of TableUp's convertible note issued to Allied Minds in 2019, offset by the issuance of a SAFE note receivable of \$1.5 million by Allied Minds to Orbital Sidekick. The fair market value change of the notes was recorded as an offset to the \$28.7 million loss on investments held at fair value in the Consolidated Statements of Comprehensive (Loss)/ Income.

Current liabilities

Subsidiary preferred shares increased by \$1.5 million to \$6.5 million (2019: \$5.0 million) primarily driven by \$1.5 million in IFRS 9 fair value adjustment for the year.

Deferred revenue decreased by \$0.2 million to \$3.6 million (2019: \$3.4 million) primarily due to revenue recognised at BridgeComm and offset by new revenue contract entered at Spark Insights in 2020.

Loans increased by \$3.1 million (2019: \$ nil) primarily due to an increase in convertible promissory notes of \$2.5 million at BridgeComm.

Non-current liabilities

Lease liabilities decreased by \$1.0 million (2018: \$2.9 million) primarily due to lease payments.

Other non-current liabilities decreased by \$0.5 million (2019: \$1.9 million) primarily due to loan payments of convertible promissory notes at OcuTerra Therapeutics.

Equity

Net equity decreased by \$94.3 million to \$58.3 million (2019: \$152.6 million) reflecting the combination of comprehensive loss for the period of \$55.6 million, dividend payments to shareholders of \$39.7 million and loss on non-controlling interest of \$18,000 offset by \$8,000 in issuance of ordinary shares and a \$1.1 million charge due to equity-settled share based payments.

Consolidated Statement of Cash Flows

| For the years ended 31 December | 2020 \$ '000 | 2019 \$ '000 |
|--|-----------------|-----------------|
| Net cash outflow from operating activities | (17,057) | (44,851) |
| Net cash (outflow)/ inflow from investing activities | (11,341) | 21,505 |
| Net cash (outflow)/ inflow from financing activities | (37,684) | 13,683 |
| Net decrease in cash and cash equivalents | (66,082) | (9,663) |
| Cash and cash equivalents in the beginning of the year | 90,571 | 100,234 |
| Cash and cash equivalents at the end of the year | 24,489 | 90,571 |

The Group's net cash outflow from operating activities of \$17.1 million in 2020 (2019: \$44.8 million, restated) was primarily due to the losses for the year of \$55.5 million and the net effect from movement in working capital of \$4.1 million offset by other finance charges of \$1.6 million, the adjustment for non-cash items such as depreciation, amortisation, impairments and share-based expenses of \$2.1 million and \$38.8 million in losses due to fair value adjustments and equity method accounting.

The Group had a net cash outflow from investing activities of \$11.3 million in 2020 (2019: \$21.5 million). This outflow predominately related to purchases of property and equipment of \$0.5 million (2019: \$3.6 million) and an additional investment in Federated Wireless and Spin Memory of \$10.9 million made by Allied Minds in April and July 2020. The investing cash outflow was offset by \$0.1 million in receipt of payments from Allied Minds' finance sub-lease.

The Group's net cash outflow from financing activities of \$37.7 million in 2020 (2019: \$13.7 million) primarily reflects , in part, the cash dividend payment to shareholders of \$39.7 million as a result of the sale of Allied Minds' share in HawkEye in 2019 and \$1.1 million in lease payments. The decrease was offset by \$2.9 million proceeds from issuance of convertible notes and \$0.2 million receipt of PPP loans. Additionally, cash inflows from financing activities in the period included proceeds from issuance of share capital at Allied Minds.

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 2023, as required pursuant to the 2018 version of the UK Corporate Governance Code, in the Management and Governance section of the 2020 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 sufficient 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 (except TouchBistro which acquired TableUp in a stock-for-stock transaction), 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 significant influence in 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. As a result of the Group's strategy, the Group's overall success is dependent on a limited, finite portfolio of businesses. If one or more of such businesses were to fail, this would have a material adverse impact on the overall value of the Group's businesses and the Group's ability to return money to shareholders.

Impact: The failure of one or more remaining Group businesses would materially impact the overall value of the Group's portfolio and have a consequent effect on the returns available to shareholders.

Mitigation:

- The Board is committed to engaging and working closely with the remaining portfolio companies to provide guidance and advice as they navigate funding, operational, and other needs.
 - The Board continues to monitor performance, progress, and development of each portfolio company to critically assess the return prospects of the remaining portfolio and make adjustments as necessary.
9. Given its current cash and financial position, the Group expects to remain operational through December 2023. 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:

- The Board and Senior management continually seek 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 and/or portfolio company board representation, 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 ended on 31 December 2020. Effective as of 1 January 2021, new rules for how the UK and EU will live, work and trade together were put in place. The UK is no longer part of the EU's political bodies or institutions and is now free to set its own trade policy with other countries.

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. 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, including cancelled contracts, suppliers and customers going out of business, and delays in performance. 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 continued to implement 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 difficult 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. Furthermore, with the release and distribution of viable vaccinations for COVID-19 in January 2021, we hope that the health and safety of all will be better protected in the coming year.

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 2020 Annual Report and are incorporated into this Strategic Report by reference.

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

ON BEHALF OF THE BOARD

Harry Rein
Chairman

29 March 2021

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements, in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by Regulation (EC) No 1606/2002 as it applies in the European Union.

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 company and of their profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume the group will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that 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 performance, business model and strategy.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the consolidated and Parent Company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal 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

29 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/ (LOSS)

| For the year ended 31 December | Note | 2020 \$ '000 | 2019 \$ '000 |
|---|-------|-----------------|-----------------|
| Revenue | 3 | 480 | 2,692 |
| Operating expenses: | | | |
| Cost of revenue | 4,5 | (210) | (1,433) |
| Selling, general and administrative expenses | 4,5 | (10,497) | (34,316) |
| Research and development expenses | 4,5 | (4,712) | (16,146) |
| Operating loss | | (14,939) | (49,203) |
| Other income: | | | |
| Gain on disposal of assets | 11 | - | 165 |
| Gain on deconsolidation of subsidiary | 11 | - | 69,828 |
| (Loss)/ gain on investments held at fair value (net) | 11,20 | (31,934) | 41,194 |
| Gain on dissolution of subsidiaries | 4,15 | - | 7,128 |
| Other (expense)/ income | | (31,934) | 118,315 |
| Finance income | 7 | 291 | 1,008 |
| Finance cost | 7 | (314) | (267) |
| Finance (cost)/ income from IFRS9/ fair value accounting | 7 | (1,763) | 9,251 |
| Finance (loss)/ income, net | | (1,786) | 9,992 |
| Share of net loss of associates accounted for using the equity method | 11 | (6,845) | (28,850) |
| (Loss)/ income before taxation | | (55,504) | 50,254 |
| Taxation | 23 | - | - |
| (Loss)/ income for the period | | (55,504) | 50,254 |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | | (116) | 808 |
| Other comprehensive (loss)/ income, net of taxation | | (116) | 808 |
| Total comprehensive (loss)/ income for the period | | (55,620) | 51,062 |
| (Loss)/ income attributable to: | | | |
| Equity holders of the parent | | (53,025) | 51,335 |
| Non-controlling interests | 15 | (2,479) | (1,081) |
| | | (55,504) | 50,254 |

Total comprehensive (loss)/ income attributable to:

| | | | |
|---------------------------------|----|-----------------|---------------|
| Equity holders of the parent | | (53,141) | 52,143 |
| Non-controlling interests | 15 | (2,479) | (1,081) |
| | | <u>(55,620)</u> | <u>51,062</u> |
| (Loss)/ income per share | | \$ | \$ |
| Basic | 8 | (0.22) | 0.21 |
| Diluted | 8 | (0.22) | 0.21 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December

| | Note | 2020 | 2019 |
|---|-------|---------------|----------------|
| | | \$ '000 | \$ '000 |
| Non-current assets | | | |
| Property and equipment | 9 | 1,596 | 1,485 |
| Intangible assets | 10 | - | 197 |
| Investment at fair value | 11,20 | 41,588 | 61,895 |
| Investment in associate | 11 | - | 6,845 |
| Right-of-use assets | 19 | 651 | 1,016 |
| Other financial assets | 20 | 581 | 1,257 |
| Total non-current assets | | <u>44,416</u> | <u>72,695</u> |
| Current assets | | | |
| Cash and cash equivalents | 12 | 24,489 | 90,571 |
| Trade and other receivables | 13 | 5,816 | 5,702 |
| Other financial assets | 20 | 2,279 | 1,581 |
| Total current assets | | <u>32,585</u> | <u>97,854</u> |
| Total assets | | <u>77,000</u> | <u>170,549</u> |
| Equity | | | |
| Share capital | 14 | 3,767 | 3,759 |
| Translation reserve | 14 | 1,343 | 1,459 |
| Accumulated profit | 14 | 55,440 | 147,238 |
| Equity attributable to owners of the Company | | <u>60,550</u> | <u>152,456</u> |
| Non-controlling interests | 14,15 | (2,264) | 115 |
| Total equity | | <u>58,286</u> | <u>152,571</u> |
| Non-current liabilities | | | |
| Lease liabilities | 19 | 806 | 1,830 |
| Other non-current liabilities | 17,18 | 1,440 | 1,965 |
| Total non-current liabilities | | <u>2,246</u> | <u>3,795</u> |
| Current liabilities | | | |
| Trade and other payables | 17 | 2,101 | 4,685 |
| Deferred revenue | 3 | 3,697 | 3,457 |
| Loans | 18 | 3,149 | - |
| Preferred shares | 16 | 6,497 | 5,017 |
| Lease liabilities | 19 | 1,024 | 1,024 |
| Total current liabilities | | <u>16,468</u> | <u>14,183</u> |
| Total liabilities | | <u>18,714</u> | <u>17,978</u> |
| Total equity and liabilities | | <u>77,000</u> | <u>170,549</u> |

Allied Minds plc

Registered number: 08998697

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2021 and signed on its behalf by:

Harry Rein

Non-Executive Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

| | Note | Shares | Share capital Amount | Share premium | Merger reserve | Translation reserve | Accumulated Profit/(Deficit) | Total parent equity | Non-controlling interests | Total equity |
|--|------|-------------|----------------------|---------------|----------------|---------------------|------------------------------|---------------------|---------------------------|--------------|
| | | | \$' 000 | \$' 000 | \$' 000 | \$' 000 | \$' 000 | \$' 000 | \$' 000 | \$' 000 |
| Balance at 31 December 2018 | | 240,314,745 | 3,743 | 160,170 | 263,367 | 651 | (325,635) | 102,296 | 18,484 | 120,780 |
| Total comprehensive income for the year | | | | | | | | | | |
| Income from continuing operations | | - | - | - | - | - | 51,335 | 51,335 | (1,081) | 50,254 |
| Foreign currency translation | | - | - | - | - | 808 | - | 808 | - | 808 |

| | | | | | | | | | | |
|---|----|--------------------|--------------|-----------|-----------|--------------|-----------------|-----------------|----------------|-----------------|
| Total comprehensive income for the year | | | | | | 808 | 51,335 | 52,143 | (1,081) | 51,062 |
| Issuance of ordinary shares | 14 | 1,248,378 | 16 | - | - | - | - | 16 | - | 16 |
| Gain/(loss) arising from change in non-controlling interest | 15 | | | | | | | | | |
| Capital reduction | | - | - | (160,170) | (263,367) | - | 423,537 | - | - | - |
| Deconsolidation of subsidiaries | 15 | - | - | - | - | - | - | - | 1,550 | 1,550 |
| Dissolution of subsidiaries | 15 | - | - | - | - | - | - | - | (7,128) | (7,128) |
| US subsidiary distribution to shareholders | 6 | - | - | - | - | - | - | - | (12,050) | (12,050) |
| Equity-settled share based payments | 6 | - | - | - | - | - | (1,999) | (1,999) | 534 | (1,465) |
| Balance at 31 December 2019 | | <u>241,563,123</u> | <u>3,759</u> | <u>-</u> | <u>-</u> | <u>1,459</u> | <u>147,238</u> | <u>152,456</u> | <u>115</u> | <u>152,571</u> |
| Total comprehensive loss for the year | | | | | | | | | | |
| Loss from continuing operations | | - | - | - | - | - | (53,025) | 55,440 | (2,479) | (55,504) |
| Foreign currency translation | | - | - | - | - | (116) | - | (116) | - | (116) |
| Total comprehensive loss for the year | | | | | | <u>(116)</u> | <u>(53,025)</u> | <u>(53,141)</u> | <u>(2,479)</u> | <u>(55,620)</u> |
| Issuance of ordinary shares | 14 | 624,862 | 8 | - | - | - | - | 8 | - | 8 |
| Loss arising from change in non-controlling interest | 15 | - | - | - | - | - | - | - | (18) | (18) |
| Dividend payment | 14 | - | - | - | - | - | (39,707) | (39,707) | - | (39,707) |
| Equity-settled share based payments | 6 | - | - | - | - | - | 934 | 934 | 118 | 1,052 |
| Balance at 31 December 2020 | | <u>242,187,985</u> | <u>3,767</u> | <u>-</u> | <u>-</u> | <u>1,343</u> | <u>55,440</u> | <u>60,550</u> | <u>(2,264)</u> | <u>58,286</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

| For the year ended 31 December | | 2020 | 2019 |
|---|-------------|-----------------|-----------------|
| | Note | \$ '000 | \$ '000 |
| Cash flows from operating activities: | | | |
| Income/(loss) for the year | | (55,504) | 50,254 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation | 9,19 | 819 | 2,273 |
| Amortisation | 10 | 197 | 551 |
| Impairment losses on property and equipment | 9 | - | 421 |
| Impairment losses on intangible assets | 10 | - | 250 |
| Share-based compensation expense | 5,6 | 1,052 | (1,465) |
| Gain on disposal of assets | 4 | - | (165) |
| Loss/ (gain) on investments held at fair value | 11,20 | 31,934 | (41,194) |
| Gain on deconsolidation of subsidiary | 11 | - | (69,828) |
| Gain on dissolution of subsidiaries | 4 | - | (7,128) |
| Share of net loss of associate | 11 | 6,845 | 28,850 |
| Changes in working capital: | | | |
| Decrease in trade and other receivables | 13 | (114) | (429) |
| (Increase)/decrease in other assets | | (874) | (2,412) |
| Increase in trade and other payables | 17 | (876) | (1,042) |
| Decrease in other non-current liabilities | 17 | (1,643) | (2,929) |
| Increase in deferred revenue | 3 | 240 | 1,136 |
| (Decrease)/increase in other liabilities | | (780) | 6,182 |
| Unrealised loss/(gain) on foreign currency transactions | | (116) | 808 |
| Other finance expense/(income) | 7 | 1,763 | (8,984) |
| Net cash used in operating activities | | <u>(17,057)</u> | <u>(44,851)</u> |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment, net of disposals | 9 | (564) | (3,604) |
| Purchases of intangible assets, net of disposals | 10 | - | (71) |
| Purchase of investments at fair value | 11 | (10,855) | (7,500) |
| Proceeds on disposal of assets | 11 | - | 65 |
| Receipt of payment for finance sub-lease | 19 | 78 | 61 |
| Proceeds on disposal of other investments | 11 | - | 65,605 |
| Cash derecognised upon loss of control over subsidiary | 11 | - | (33,051) |
| Net cash (used in)/ provided by investing activities | | <u>(11,341)</u> | <u>21,505</u> |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of convertible notes | 18 | 2,981 | 1,965 |
| Receipt of PPP loan | 18 | 184 | - |
| Payment of lease liability | 19 | (1,150) | (1,540) |
| Dividend payment | 14 | (39,707) | - |
| US Subsidiary distributions to shareholders | | - | (12,050) |
| Proceeds from issuance of share capital | 6,14 | 8 | 16 |
| Proceeds from issuance of preferred shares in subsidiaries | 16 | - | 25,292 |
| Net cash (used in)/ provided by financing activities | | <u>(37,684)</u> | <u>13,683</u> |
| Net decrease in cash and cash equivalents, and restricted cash | | <u>(66,082)</u> | <u>(9,663)</u> |
| Cash and cash equivalents, beginning of the period | | <u>90,571</u> | <u>100,234</u> |
| Cash and cash equivalents, end of the period | | <u>24,489</u> | <u>90,571</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(1) Accounting Policies

Basis of Preparation

The financial information set out in this document does not constitute the Group's statutory accounts for the years ended 31 December 2019 or 2020. Statutory accounts for the years ended 31 December 2019 and 31 December 2020, which were approved by the directors on 29 March 2021, have been reported on by the Group's Independent Auditors. The Independent Auditor's Reports on the Annual Report and Financial Statements for each of 2019 and 2020 were unqualified, did draw attention to a matter by way of emphasis, being going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2019 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2020 will be delivered to the Registrar of Companies in due course and will be posted to shareholders shortly, and thereafter will be available from the Group's registered office at Beaufort House, 51 New North Road, Exeter, Devon, England, United Kingdom, EX4 4EP, and from the Group's website <http://www.alliedminds.com/investor/>.

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations in conformity with the requirements of the Companies Act 2006. The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 31 December 2019, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2019. There are deemed to be no new standards, amendments and interpretations to existing standards, which have been adopted by the Group, that have had a material impact on the financial statements.

The Group's financial information has been presented in US Dollars (USD).

Basis of Measurement

The consolidated financial statements 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 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 ongoing 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 including 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. Further to the above the group has considered its position under IFRS10 in respect of whether it is an investment entity for the purposes of this standard. Management have reviewed the operations of the group in line with the standard, and whilst there are characteristics which indicate the group could be considered an investment company, the underlying measurement of success for the consolidated portfolio investments is progress in relation to key strategic milestones in bringing their products to market and not the fair value of the business. Based on this management have judged the business to not be an investment entity and consolidate its subsidiaries under IFRS10.
- 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 and 20 - 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.
- Note 19 - discount rate used in lease treatment: in determining the appropriate discount rate to calculate the present value of lease payments. These judgements include an assessment whether the Group will use the rate implicit in the lease, or if that rate was not readily determinable, to use the Group's incremental borrowing rate. This is because both rates, as they have been defined in IFRS 16, take into account the credit standing of the lessee, the length of the

lease, the nature and quality of the collateral provided and the economic environment in which the transaction occurs.

Changes in Accounting Policies

There are no new standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2020, which have given rise to material changes in the Group's accounting policies.

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 seven 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 \$39.7 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 Group has \$24.4 million of available funds in the form of cash and cash equivalents as at 31 December 2020, the Directors have a reasonable expectation that the Group 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. Furthermore, the directors have considered the timeline of when it plans to dispose of, divest or reinvest in its portfolio companies and there is no intention to cease trading or liquidate the business for the period under the going concern review.

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 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 2020 and 2019 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.

Changes 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.

Changes 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 IFRS 9.

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 classifies 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. These financial assets do not have exposure to credit risk and are not considered credit-impaired. As a result, there are no adjustments considered for movement in credit risk as this is not applicable within the specific valuation frameworks utilised for the fair values of the Group's preferred stock assets. 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 designates the subsidiary preferred shares liability at FVTPL under IFRS 9. Hence, any gains and losses on the preferred shares liability are recognised in profit or loss, unless they relate to changes in the entity's own credit risk for financial liability designated as at fair value through profit or loss. The effect of changes in the entity's own credit risk in the fair value of the financial liabilities are presented in other comprehensive income. For the underlying financial instruments no adjustments are considered for movement in credit risk as this is not applicable within the specific valuation frameworks utilized for the fair values of the Group's preferred share liability.

Trade and other payables and loans are designated 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

Under 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 |

| | |
|----------|---|
| Software | commercial viability has been achieved 2 years |
|----------|---|

Leases

IFRS 16 is a single, on-balance sheet lease accounting model for lessees and 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 recognises a corresponding right-of-use asset related to this right.

Upon adoption, the Group 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 accounts 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.

Under IFRS 16, a sublease leads to the de-recognition of the right of use asset and the recognition of an investment receivable in respect of this sublease. The lease liability remains in respect of the head lease as a lease liability on the balance sheet.

The Group recognised lease liabilities of \$1.8 million and \$0.6 million in lease assets at 31 December 2020. Those rights and obligations are primarily related to operating leases for office and laboratory space.

No new leases were entered into in 2020. Further information regarding the right of use asset and lease liability can be found in Note 19.

On 28 May 2020, the IASB issued final amendments to IFRS 16 related to Covid-19 rent concessions for lessees. The amendments modify the requirements of IFRS 16 to permit lessees to not apply modification accounting to certain leases where the contractual terms have been affected due to Covid-19 (e.g. rent holidays or other rent concessions). The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. The Group did not adopt this standard as no such concessions were applicable.

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 market or 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 recognises 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 is 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 is 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 fair value movements on preferred share liabilities, 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

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:

| 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> |

(2) New Standards and Interpretations not yet effective

There are a number of new standards, amendments to standard, and interpretations which have been issued by the IASB that are effective in future periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (amendments to IAS16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based in whether an entity has a right at the end of the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument. The amendments were originally effective for annual reporting period beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

Allied Minds Plc is currently assessing the impact of these new accounting standard and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instrument is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as non-current liability.

The Group does not expect any other standard issued by the IASB, but not yet effective, to have a material impact on the group.

(3) Revenue

Revenue recorded in the statement of comprehensive income/ (loss) consists of the following:

| For the year ended 31 December: | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Product revenue | - | 61 |
| Service revenue | 480 | 2,631 |
| Total revenue in consolidated statement of (loss)/ income | 480 | 2,692 |

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: | 2020 | 2019 |
| | \$'000 | \$'000 |
| Transferred at a point in time | — | — |
| Transferred over time | 480 | 2,692 |
| Total revenue in consolidated statement of (loss)/ income | 480 | 2,692 |

Product revenue includes license revenue of \$nil and \$61,000 during 2020 and 2019, respectively.

Contract Balances

Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received. 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: | 2020 | 2019 |
| | \$'000 | \$'000 |
| Deferred revenue, current | (3,697) | (3,457) |

(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 2019, as a result of its investment activities in 2018, Allied Minds captured its minority and deconsolidated portfolio companies within the minority holdings segment. The Group did not have any companies that were deconsolidated during the year ending 31 December 2020. This operating segment included 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;
- Orbital Sidekick, Inc., a company in which Allied Minds holds a significant minority stake.
- TouchBistro, Inc. a company in which Allied Minds holds a minority stake.
- Federated Wireless, Inc., one of the company's subsidiaries that was deconsolidated during the second half of 2019 as a result of financing events at the company

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 2020 and 2019, respectively:

| | 2020 | | | |
|---|----------------|-----------------|-------------------|------------------|
| | \$'000 | | | |
| | Early stage | Later stage | Minority Holdings | Other operations |
| | | | | Consolidated |
| Statement of Comprehensive Loss | | | | |
| Revenue | — | 480 | — | — |
| Cost of revenue | — | (210) | — | — |
| Selling, general and administrative expenses | (526) | (2,788) | — | (7,183) |
| Research and development expenses | (1,420) | (3,292) | — | — |
| Other expense | — | — | — | (31,934) |
| Finance cost, net | (20) | (5,241) | — | 3,475 |
| Share of net loss of associates accounted for using the equity method | — | — | — | (6,845) |
| Loss for the period | (1,966) | (11,051) | — | (42,487) |
| Other comprehensive loss | — | — | — | (116) |
| Total comprehensive income loss | (1,966) | (11,051) | — | (42,603) |

Total comprehensive loss attributable to:

| | | | | | |
|--|----------------|-----------------|----------|-----------------|-----------------|
| Equity holders of the parent | 58 | (10,596) | — | (42,487) | (53,025) |
| Non-controlling interests | (2,024) | (455) | — | — | (2,479) |
| Total comprehensive loss | (1,966) | (11,051) | — | (42,487) | (55,504) |
| Statement of financial position | | | | | |
| Non-current assets | 320 | 1,288 | — | 42,808 | 44,416 |
| Current assets | 502 | 7,105 | — | 24,977 | 32,584 |
| Total assets | 822 | 8,393 | — | 67,785 | 77,000 |
| Non-current liabilities | (105) | (1,380) | — | (761) | (2,246) |
| Current liabilities | (3,756) | (27,707) | — | 14,995 | (16,468) |
| Total liabilities | (3,861) | (29,087) | — | 14,234 | (18,714) |
| Net assets/(liabilities) | (3,039) | (20,694) | — | 82,019 | 58,286 |

| 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 | (265) | (1,992) | — | (1,538) | (3,795) |
| Current liabilities | (3,417) | (20,303) | — | 9,537 | (14,183) |
| Total liabilities | (3,682) | (22,295) | — | 7,999 | (17,978) |
| Net assets/(liabilities) | (1,015) | (11,784) | — | 165,370 | 152,571 |

Early stage companies comprise those that receive an array of business support resources and services from Allied Minds in order to successfully develop early stage technologies. Those currently include Spark Insights. In addition, all closed or dissolved subsidiaries were presented in the Early Stage segment up to the time at which they were all dissolved.

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 OcuTerra Therapeutics.

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. In December 2020, Allied Minds has decided to dissolve Allied Minds Federal Innovations, a holding company. The results of Allied Minds Federal Innovations to the date it was closed were also included in the Other operations segment.

Summarised information related to the Company's operating revenues by reporting segment for the years ended 31 December 2020 and 2019 is as follows:

| | 2020 | | | 2019 | | |
|----------------------|-----------------|------------------|------------|-----------------|------------------|--------------|
| | Service revenue | Software revenue | Total | Service revenue | Software revenue | Total |
| Early Stage | — | — | — | — | — | — |
| Later Stage | — | 480 | 480 | 1,225 | — | 1,225 |
| Minority | — | — | — | 1,406 | 61 | 1,467 |
| Total revenue | — | 480 | 480 | 2,631 | 61 | 2,692 |

In 2020, 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 \$10,100, \$460,880, \$0, and \$179,637, respectively (2019: \$115,000, \$664,000, \$597,000, and \$233,000, respectively).

The proportion of net assets shown above that is attributable to non-controlling interest is disclosed further in notes 11 and 15.

Geographic Information

The Group revenues and net operating losses for the years ended 31 December 2020 and 2019 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: | 2020 | 2019 |
|-------------------------------------|-----------|------------|
| Selling, general and administrative | 28 | 41 |
| Research and development | 46 | 71 |
| Total | 74 | 112 |

The aggregate payroll costs of these persons were as follows:

| For the year ended 31 December: | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|----------------|----------------|
| Selling, general and administrative | 5,873 | 17,960 |
| Research and development | 2,619 | 8,043 |
| Total | 8,492 | 26,003 |

Total operating expenses were as follows:

| For the year ended 31 December: | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
| Salaries and wages | 5,903 | 23,727 |
| Payroll taxes | 158 | 1,290 |
| Healthcare benefit | 1,338 | 1,942 |
| Other payroll cost | 41 | 509 |
| Share-based payments | 1,052 | (1,465) |
| Total | 8,492 | 26,003 |
| Cost of revenue | 210 | 1,433 |
| Other SG&A expenses | 4,624 | 16,356 |
| Other R&D expenses | 2,093 | 8,103 |
| Total operating expenses | 15,419 | 51,895 |

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Auditor's remuneration | | |
| Audit of these financial statements | 419 | 544 |
| Audit of the financial statements of subsidiaries | - | - |
| Audit-related assurance services | 96 | 122 |
| | 515 | 666 |

The Group recorded an impairment charge on property and equipment of \$nil million (2019: \$0.5 million) and on intangible assets of \$nil million (2019: \$0.1 million).

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; however, at the current share price, the performance criteria of these awards will not be met and therefore, no shares are expected to be issued under such awards.

The Company issued shares in respect of historic awards under the LTIP during 2020 and 2019 in respect of a total of 387,000 and 343,383 Ordinary Shares, respectively. A summary of stock option activity under the UK LTIP for the year ended 31 December 2020 and 2019, respectively, is shown below:

| For the year ended 31 December: | 2020 | | | 2019 | | |
|---------------------------------|------|-----|------|------|-----|------|
| | rTSR | SVM | Time | rTSR | SVM | Time |

| | | | | | | |
|----------------------------------|-------------|--------------------------------|--------------------------------|-------------|--------------------------------|--------------------------------|
| Number of shares granted | | | | | | |
| at maximum ('000) | - | - | 387 | - | - | 343 |
| Weighted average fair value (\$) | - | - | 0.36 | - | - | 0.63 |
| 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 vest only upon the occurrence of a non-market performance condition (i.e. the SVM grants) and service condition or upon passage of time were valued at the fair value of the shares on the date of the grants the vesting conditions are taken into account. The number of instruments included in the measurement of the transaction amount is subsequently adjusted so that, ultimately, the amount of recognised share-based expense is based on the number of instruments that eventually vest. None of the outstanding awards under the LTIP as of 31 December 2020 are subject to SVM vesting.

The accounting charge does not necessarily represent the intended value of share-based payments made to recipients, which are determined by the Remuneration Committee according to established criteria. The share-based payment charge for the fiscal year ended 31 December 2020 related to the UK LTIP was \$0.9 million (2019: \$1.9 million).

U.S. Stock Option/Stock Issuance Plan

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

No new stock option grants were awarded in 2020 and 2019 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 2020 | | 31 December 2019 | |
|-------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding as of 1 January | 230,000 | \$ 2.49 | 1,300,000 | \$ 2.15 |
| Exercised during the period | - | - | - | \$ 0.00 |
| Forfeited during the period | (230,000) | \$ 2.49 | (1,070,000) | \$ 1.80 |
| Outstanding as of period end | - | - | 230,000 | \$ 2.49 |
| Exercisable at period end | - | - | 230,000 | \$ 2.49 |
| Intrinsic value of exercisable | \$ nil | | \$ nil | |

As of 31 December 2020 no options were exercised (2019: nil) resulting in \$nil (2019: \$ nil) additional share premium for the period.

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.

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2020 and 2019. 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 or will be paid out in accordance with the plan. Given the current valuation of the investments and the thresholds required for payments to be made, management have judged that is unlikely there will be any future payouts in respect of this plan based on the position as at 31 December 2020.

Share-based Payment Expense

The Group recorded share-based payment charge/ credit related to stock options of approximately \$1,052,000 and \$1,465,000 for the years ended 31 December 2020 and 2019, respectively. There was no income tax benefit recognised for share-based payment arrangements for the years ended 31 December 2020 and 2019, respectively, due to operating losses.

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

| For the year ended 31 December: | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|----------------|----------------|
| Selling, general and administrative | 991 | (1,597) |
| Research and development | 61 | 132 |
| Total | 1,052 | (1,465) |

(7) Finance Cost, Net

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

| For the year ended 31 December: | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Interest income on: | | |
| - Bank deposits | 292 | 1,007 |
| Foreign exchange gain | (1) | 1 |
| Finance income | 291 | 1,008 |
| Interest expense on: | | |
| - Financial liabilities at amortised cost | (313) | (267) |
| Foreign exchange loss | (1) | - |
| Finance cost contractual | (314) | (267) |
| (Loss)/ income on fair value measurement of subsidiary preferred shares | (1,763) | 9,251 |
| Finance (cost)/ income | (2,077) | 8,984 |
| Total finance (cost)/ income, net | (1,786) | 9,992 |

See note 16 for further disclosure related to subsidiary preferred shares.

(8) (Loss)/ income Per Share

The calculation of basic and diluted income per share as of 31 December 2020 was based on the loss attributable to ordinary shareholders of \$53.0 million (2019: income of \$51.3 million) and a weighted average number of ordinary shares outstanding of 241,901,871 (2019: 240,981,168), calculated as follows:

(Loss)/ Income attributable to ordinary shareholders

| | 2020 \$'000 | | 2019 \$'000 | |
|---|----------------|----------|----------------|---------|
| | Basic | Diluted | Basic | Diluted |
| (Loss)/ income for the year attributed to the owners of the Company | (53,025) | (53,025) | 51,335 | 51,335 |
| (Loss)/ income for the year attributed to the ordinary shareholders | (53,025) | (53,025) | 51,335 | 51,335 |

Weighted average number of ordinary shares

| | 2020 | | 2019 | |
|-------------------------------------|-------------|-------------|-------------|-------------|
| | Basic | Diluted | Basic | Diluted |
| Issued ordinary shares on 1 January | 241,563,123 | 241,563,123 | 240,314,745 | 240,314,745 |
| Effect of RSUs issued | 338,748 | 338,748 | 666,423 | 666,423 |
| Effect of dilutive shares | — | — | — | — |
| Weighted average ordinary shares | 241,901,871 | 241,901,871 | 240,981,168 | 240,981,168 |

(Loss)/ Income per share

| | 2020 \$ | | 2019 \$ | |
|--------------------------|------------|---------|------------|---------|
| | Basic | Diluted | Basic | Diluted |
| (Loss)/ income per share | (0.22) | (0.22) | 0.21 | 0.21 |

(9) Property and Equipment

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

| Cost | Machinery and Equipment | Furniture and Fixtures | Leasehold Improvements | Computers and Electronics | Under Construction | Total |
|---|-------------------------|------------------------|------------------------|---------------------------|--------------------|--------------|
| <i>in \$'000</i> | | | | | | |
| Balance as of 31 December 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 |
| Additions | 64 | - | - | 353 | 147 | 564 |
| Transfers | (454) | - | - | - | 454 | 0 |
| Balance as of 31 December 2020 | 659 | 71 | 871 | 708 | 809 | 3,118 |
| Accumulated Depreciation and Impairment loss | Machinery | Furniture | Leasehold | Computers | Under | Total |

| <i>in \$'000</i> | and Equipment | and Fixtures | Improvements | and Electronics | Construction | |
|---------------------------------|--------------------------|-------------------------|---------------------|----------------------------|---------------------|----------------|
| 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) |
| Depreciation | (175) | (14) | (143) | (121) | — | (453) |
| Impairment loss | — | — | — | — | — | — |
| Disposals | — | — | — | — | — | — |
| Balance as of 31 December 2020 | <u>(475)</u> | <u>(17)</u> | <u>(636)</u> | <u>(394)</u> | <u>—</u> | <u>(1,522)</u> |

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 2019 | 749 | 68 | 378 | 82 | 208 | 1,485 |
| Balance as of 31 December 2020 | 184 | 54 | 235 | 314 | 809 | 1,596 |

Impairment of property and equipment of \$nil and \$421,000 for the years ended 31 December 2020 and 2019, 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 2018 | 163 | 277 | 1,690 | 2,130 |
| Additions - Acquired separately | 29 | 192 | 4 | 225 |
| Disposals | (142) | (384) | (66) | (592) |
| Deconsolidation of subsidiaries | <u>(50)</u> | <u>(85)</u> | <u>(702)</u> | <u>(837)</u> |
| Balance as of 31 December 2019 | - | - | 926 | 926 |
| Additions - Acquired separately | - | - | - | - |
| Disposals | - | - | - | - |
| Balance as of 31 December 2020 | <u>-</u> | <u>-</u> | <u>926</u> | <u>926</u> |

**Accumulated amortisation
and Impairment loss**
in \$'000

| | Licenses | Purchased IPR&D | Software | Total |
|---------------------------------|-----------------|--------------------------------|-----------------|--------------|
| 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 | <u>15</u> | <u>-</u> | <u>596</u> | <u>611</u> |
| Balance as of 31 December 2019 | - | - | (729) | (729) |
| Amortisation | - | - | (197) | (197) |
| Impairment loss | - | - | - | - |
| Disposals | - | - | - | - |
| Balance as of 31 December 2020 | <u>-</u> | <u>-</u> | <u>(926)</u> | <u>(926)</u> |

Intangible assets, net
in \$'000

| | Licenses | Purchased IPR&D | Software | Total |
|--------------------------------|-----------------|--------------------------------|-----------------|--------------|
| Balance as of 31 December 2019 | - | - | 197 | 197 |
| Balance as of 31 December 2020 | - | - | - | - |

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 \$197,000 and \$551,000 for the years ended 31 December 2020 and 2019, respectively.

Impairment of intangible assets of \$nil and \$250,000 for the years ended 31 December 2020 and 2019, 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) Investments

Group Subsidiaries, associates and investments

As of 31 December 2020, Allied Minds has seven portfolio companies, including subsidiaries, associates and investments. As at the 31 December 2020 the investments in each of the companies and the accounting treatment is summarized below:

| Portfolio company | Financial instruments held | Accounting treatment of financial instruments |
|-------------------------------|---|---|
| Allied Minds LLC | Ordinary shares | Consolidated by the group in line with IFRS 10 and following management assessment of significant control. |
| Allied Minds Securities Corp. | Ordinary shares | Consolidated by the group in line with IFRS 10 and following management assessment of significant control. |
| BridgeComm, Inc. | Ordinary share capital and preferred shares | Consolidated by the group in line with IFRS 10 and following management assessment of significant control. Preferred shares are eliminated on consolidation between group companies, preferred shares held by third parties are fair valued through profit and loss under IFRS 9. |
| Spark Insights, Inc. | Ordinary share capital and preferred shares | Consolidated by the group in line with IFRS 10 and following management assessment of significant control. Preferred shares are eliminated on consolidation between group companies. |
| OcuTerra Therapeutics, Inc. | Ordinary share capital and preferred shares | Consolidated by the group in line with IFRS 10 and following management assessment of significant control. Preferred shares are eliminated on consolidation between group companies. |
| Federated Wireless, Inc. | Ordinary share capital and preferred shares | The ordinary share capital ownership means that the group has significant influence but not control over the entity. Therefore, the investment in ordinary shares is accounted for by the equity method of accounting under IAS 28. Preferred share holdings are accounted for at fair value through profit and loss as investments held by the group. |
| Spin Memory, Inc. | Ordinary share capital and preferred shares | The ordinary share capital ownership means that the group has significant influence but not control over the entity. Therefore, the investment in ordinary shares is accounted for by the equity method of accounting under IAS 28. Preferred share holdings are accounted for at fair value through profit and loss as investments held by the group. |
| Orbital sidekick, Inc. | Preferred shares | No ordinary shares are owned by Allied Minds and the directors have judged that the group does not have significant influence over the entity through is preferred share holding. Preferred share holdings are accounted for at fair value through profit and loss as investments held by the group. |
| TouchBistro, Inc. | Ordinary shares | The group has a minority stake in the investment and does not have significant influence over the company. Therefore, the investment in ordinary shares is accounted for at fair value through the profit and loss under IFRS 9. |

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

**Inception
Date**

**Issued and
Outstanding**

| | | Location ⁽⁴⁾ | Ownership percentage at 31 December ^{(1) (2)} | |
|--|----------|-------------------------|---|---------|
| | | | 2020 | 2019 |
| Active subsidiaries | | | | |
| Holding companies | | | | |
| Allied Minds, LLC | 19/06/14 | Boston, MA | 100.00% | 100.00% |
| Allied Minds Securities Corp. | 21/12/15 | Boston, MA | 100.00% | 100.00% |
| Early stage companies | | | | |
| Spark Insights, Inc. | 09/10/18 | Boston, MA | 70.59% | 70.59% |
| Later stage companies | | | | |
| BridgeComm, Inc. | 09/02/15 | Denver, CO | 81.15% | 81.38% |
| OcuTerra Therapeutics, Inc. (SciFluor Life Sciences) | 14/12/10 | Cambridge, MA | 62.67% | 62.67% |
| Closed subsidiaries | | | | |
| Allied Minds Federal Innovations, Inc. | 09/03/12 | Boston, MA | — | 100.00% |
| Number of active subsidiaries at 31 December: | | | 5 | 6 |
| Associates | | | | |
| Spin Memory, Inc. ⁽³⁾ | 03/12/07 | Fremont, CA | 43.01% | 42.69% |
| Federated Wireless, Inc. ⁽³⁾ | 08/08/12 | Arlington, VA | 43.11% | 42.57% |
| Federated Wireless Government Solutions, Inc. ⁽³⁾ | 04/05/16 | Arlington, VA | 43.11% | 42.57% |
| Other investments | | | | |
| TouchBistro, Inc (TableUp, Inc.) ⁽³⁾ | 04/20/07 | Boston, MA | 1.52% | 35.52% |
| Orbital Sidekick, Inc. ⁽³⁾ | 02/08/16 | San Francisco, CA | 33.23% | 33.23% |

Notes:

(1) Represents ownership percentage held by Allied Minds Plc based on the equity interest owned in ordinary shares plus potential equity interest owned in convertible preference shares. The current percentage ownership of each company ordinary share capital is as follows: Allied Minds LLC 100%, Allied Minds Securities Corp. 100%, Spark Insights 0.07%, BridgeComm, Inc. 98.47%, OcuTerra Therapeutics, Inc. 75.26%, Spin Memory 56.31%, Federated Wireless 93.60%, TouchBistro 1.52%, Orbital Sidekick 0%.

(2) Allied Minds LLC, Spark Insights, Inc., BridgeComm, Inc., OcuTerra Therapeutics, Inc., Federated Wireless, Inc. and Federated Wireless Government Solutions, Inc. have a registered office address at CT Corporation System, Corporation Trust Center, and 1209 Orange Street, Wilmington, DE 19801, United States. Allied Minds Securities Corp. has a registered office address at CT Corporation System, 155 Federal Street, Suite 700, Boston, MA 02110, United States. 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.

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

On 24 December 2020, Orbital Sidekick, Inc., has conditionally secured \$16.0 million in a Series A Preferred financing round led by Temasek, an investment company headquartered in Singapore. Round participants also include other new investors and existing investors Allied Minds, committing \$2.5 million (including conversion of its SAFE), and 11.2 Capital. The financing round is scheduled to close in the first quarter of 2021.

On 16 July 2020, Allied Minds and 11.2 Capital collectively invested \$2.0 million in the form of SAFEs (simple agreements for equity), which will convert into shares of preferred stock in the company's next equity financing round expected in Q2 of 2021 as noted above. The receivables are included in current assets in the group accounts and are held at fair value through profit and loss at 31 December 2020. Orbital Sidekick was awarded a multi-year contract by the Department of the Air Force's commercial investment group (AFVentures) as part of its Strategic Financing (STRATFI) programme, under which the company received \$4.0 million of non-dilutive financing in Q4 2020, with the opportunity to receive up to \$12.0 million of additional non-dilutive financing over next three years to match private funds raised.

On 5 August 2020, TableUp, one of Allied Minds' portfolio companies, has been acquired by TouchBistro, Inc. ("TouchBistro"). The acquisition was structured as a stock-for-stock transaction in which TouchBistro acquired 100% of the shares of TableUp in exchange for the issuance of TouchBistro common shares to the shareholders of TableUp. A total of 2,542,662 common shares of TouchBistro was paid to Allied Minds valued at \$5.99 million at the time of the transaction.

On 26 August 2020, as a result of achieving certain development milestones under the JDA with Boeing, BridgeComm secured the remaining \$1.5 million of convertible debt from Boeing.

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 17 July 2020, Spin Memory, the leading MRAM developer, secured \$8.25 million in additional Series B funding on the same terms as the last closing in April 2019. Allied Minds committed \$4.0 million to the round. The Group invested alongside existing investors, Arm, Applied Ventures and Abies Ventures, who collectively committed the remaining \$4.25 million. Following this investment, Allied Minds' ownership of Spin's issued share capital is 43.01%.

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. Following this investment, Allied Minds' ownership of Federated's issued share capital is 43.11% compared to 52.17% at 31 December 2019. This transaction increases the company's investment at fair value in Federated Wireless from \$22.4 million, as reported at 31 December 2019, to \$29.2 million at 30 June 2020.

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

On 29 December 2020, the Group ceased operations and dissolved Allied Minds Federal Innovations, Inc.

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:

| | 2020 \$'000 | | |
|--|----------------|-----------------|-------------------|
| | Early stage | Later stage | Minority holdings |
| Statement of Comprehensive Loss | | | |
| Revenue | - | 480 | - |
| Loss for the year | (1,966) | (11,051) | - |
| Other comprehensive loss | - | - | - |
| Total comprehensive loss | (1,966) | (11,051) | - |
| Comprehensive loss attributed to NCI | (2,024) | (455) | - |
| Statement of Financial Position | | | |
| Non-current assets | 320 | 1,288 | - |

| | | | |
|--------------------------------------|----------------|-----------------|---|
| Current assets | 502 | 7,105 | - |
| Total assets | 822 | 8,393 | |
| Non-current liabilities | (105) | (1,380) | |
| Current liabilities | (3,756) | (27,707) | - |
| Total liabilities | (3,861) | (29,087) | - |
| Net liabilities | (3,039) | (20,694) | - |
| Carrying amount of NCI | | | |
| Statement of Cash Flows | | | |
| Cash flows from operating activities | (1,953) | (6,621) | - |
| Cash flows from investing activities | (20) | (538) | - |
| Cash flows from financing activities | 184 | 4,707 | - |
| | (1,789) | (2,452) | - |

| | 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 | (265) | (1,992) | - |
| Current liabilities | (3,417) | (20,303) | - |
| 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 |

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 | 43.01% (2019: 42.69 %) | 43.11% (2019: 42.57 %) |

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 as the voting rights associated with this stock meant that Allied Minds would no longer control the business but would maintain significant influence over the operations. 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. In 2019, Allied Minds recognised \$19.5 million as its share of loss from Spin through the Consolidated Statements of Comprehensive Income/(Loss) that reduced Allied Minds' investment in Spin Memory down to zero.

As of 31 December 2020, Allied Minds' ownership percentage went from 42.69% to 43.01% as a result of the entity's latest financing round in July 2020. In accordance with IAS 28, once the share of losses of an associate equals or exceeds its "interest in the associate", the investor discontinues recognising its share of further losses. Once Allied Minds' interest in Spin Memory was reduced to zero no further adjustments were made to the investment balance at 31 December 2020. If Spin Memory subsequently reports profits, Allied Minds will resume recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

| | | Ownership percentage | |
|---|-------------|----------------------------|----------------------------|
| | Location | 31 December 2020 | 31 December 2019 |
| Spin Memory, Inc. | Fremont, CA | 43.01% | 42.69% |
| | | 31 December 2020 \$'000 | 31 December 2019 \$'000 |
| Group's interest in net assets of investee, beginning of period | | - | 19,543 |
| Share of loss from continuing operations | | - | (19,543) |
| Carrying amount for equity accounted investees | | - | - |
| Unrecognised share of losses in associate | | (37,393) | (406.5) |
| Total outstanding | | (37,393) | (406.5) |

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 as the voting rights associated with this stock meant that Allied Minds would no longer control the business but would maintain significant influence over the operations. Allied

Minds' ownership percentage as of 31 December 2019 dropped from 52.23% to 42.57%. Upon the date of deconsolidation, Allied Minds recognised an investment in Federated Wireless related to its common shares of \$16.2 million. 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. In 2019, Allied Minds recognised \$9.3 million as its share of loss from Federated Wireless through the Consolidated Statements of Comprehensive Income/ (Loss).

As of 31 December 2020, Allied Minds' ownership percentage went from 42.57% to 43.11% and the investment in Federated Wireless 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 Federated Wireless subsequent to the date of deconsolidation. As a result, Allied Minds recorded a share of loss of \$6.8 million in the Consolidated Statements of Comprehensive Income/ (Loss) that reduced the investment in Federated to a zero balance as follows:

| Location | Ownership percentage | |
|---|----------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| Federated Wireless, Inc. | Arlington, VA | |
| | 43.11% | 42.57% |
| | 31 December 2020 | 31 December 2019 |
| | \$'000 | \$'000 |
| Group's interest in net assets of investee, beginning of period | 6,845 | — |
| Addition in the year | — | 16,151 |
| Share of loss from continuing operations | (6,845) | (9,306) |
| Carrying amount for equity accounted investees | — | 6,845 |
| Unrecognised share of losses in associate | (19,432) | — |
| Total outstanding | <u>(19,432)</u> | <u>—</u> |

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 | |
|-------------------------------|-----------------------|-----------------|------------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | 1,181 | 2,080 | 2,882 | 2,322 |
| Loss for the period | (65,684) | (35,429) | (28,073) | (28,816) |
| Total non-current assets | 12,918 | 14,694 | 17,948 | 19,874 |
| Total current assets | 1,850 | 5,315 | 30,597 | 44,319 |
| Total assets | <u>14,768</u> | <u>20,009</u> | <u>48,545</u> | <u>64,193</u> |
| Total non-current liabilities | (1,871) | (209) | (5,804) | (4,315) |
| Total current liabilities | (19,151) | (96,206) | (133,917) | (125,039) |
| Net assets | <u>(6,254)</u> | <u>(76,406)</u> | <u>(91,176)</u> | <u>(65,161)</u> |

Investments at fair value

The Group's investments at fair value represent securities of portfolio companies where Allied Minds holds preferred shares or a minority stake in those companies. This includes preferred shares held in Federated Wireless, Spin Memory and Orbital Sidekick and a minority holding in TouchBistro as at 31 December 20. 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 of these investments 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 2020 | Disposals | Finance (income)/cost from IFRS 9 fair value accounting | Additions | 31 December 2019 |
|--|---------------------|----------------|--|---------------|---------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Federated Wireless, Inc. | 28,532 | — | (677) | 6,855 | 22,354 |
| Spin Memory, Inc. | 4,821 | — | (29,151) | 4,000 | 29,972 |
| Orbital Sidekick, Inc. | 5,464 | — | 1,438 | — | 4,026 |
| TableUp, Inc. | — | (5,016) | (508) | — | 5,524 |
| TouchBistro, Inc. | | | | | |
| (TableUp, Inc.)- Common Stock | 2,771 | — | (3,213) | 5,984 | — |
| Total investments at fair value | 41,588 | (5,016) | (32,111) | 16,839 | 61,876 |

The company's investment at fair value in Federated Wireless has changed from \$22.4 million, as reported at 31 December 2019, to \$28.5 million at 31 December 2020. The increase in fair value primarily relates to the additional investment made by Allied Minds in Federate Wireless during the period.

The company's investment at fair value in Spin Memory has changed from \$29.9 million, as reported at 31 December 2019, to \$4.8 million at 31 December 2020. The change was primarily due to COVID-19 related delays in the required testing of its development chip with a strategic partner that affected Spin's ability to secure new customers. As a result, this, coupled with an unexpected loss of a government bid in late Q4 2020, Spin is now facing significant liquidity issues.

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 by virtue of its large, albeit minority, stake in the company and its representation on the entity's board of directors. Allied Minds only held shares of preferred stock in Orbital Sidekick. The preferred shares held by Allied Minds are not equity-like and therefore these fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value where all movements to the value of Allied Minds' share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Income/(Loss). On 24 December 2020, Orbital Sidekick, Inc., has conditionally secured \$16.0 million in a Series A Preferred financing round. Following this investment, Allied Minds' ownership of Orbital Sidekick's issued share capital is 26.52% compared to 33.23% at 31 December 2020. As of 31 December 2020, Allied Minds recognised an investment held at fair value related to its Preferred Shares in Orbital Sidekick of \$5.5 million (31 December 2019: \$4.0 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. On 5 August 2020, TableUp was acquired by TouchBistro, Inc. ("TouchBistro"). The acquisition was structured as a stock-for-stock transaction in which TouchBistro acquired 100% of the shares of TableUp in exchange for the issuance of TouchBistro common shares to the shareholders of TableUp. As such, Allied Minds's investment in preferred stock, along with the convertible note, was fully converted into common shares in TouchBistro. A total of 2,542,662 common shares of TouchBistro was paid to Allied Minds valued at \$5.99 million at the time of the transaction. As a result of the acquisition, Allied Minds' ownership percentage was 1.52% at 31 December 2020. Allied Minds does not have significant influence over the investee as it does not hold 20% or more of the voting power of the investee as well as it does not have any board representation. As such, the investment does not meet the definition of an associate under IAS 28 Equity Accounting ("IAS 28") and therefore, the common shares are classified as an investment at fair value, under IFRS 9 *Financial Instruments* ("IFRS 9"). At 31 December 2020, the fair value of Allied Minds' investment in TouchBistro was subsequently measured at \$2.8 million.

Allocation Model Inputs

Allied Minds holds shares of preferred stock in Spin Memory, Federated Wireless and Orbital sidekick and has significant influence over financial and operating policies of the investee by virtue of its stake in the companies and representation on the entity's board of directors. Allied Minds hold a minority interest in the ordinary share capital of TouchBistro, where significant influence is not held. The preferred shares and investment note above 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 of these assets 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: | 2020 | 2019 |
|---------------------------|---------------|-----------------------|
| Volatility | 38.8%-73.5% | 26.7%-62.1% |
| Time to Liquidity (years) | 1.50 - 3.27 | 0.5 - 3.27 |
| Risk-Free Rate | 0.10% - 0.2% | 1.58% - 1.6% |
| IPO/M&A/Sale Probability | 0%/ 100%/ n/a | 40%-60%/ 40%-60%/ n/a |

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: | | 2020 | 2019 |
|-------------------------------|-------------------|--------------------------------------|---------|
| | | \$'000 | \$'000 |
| Input | Sensitivity range | Financial assets increase/(decrease) | |
| Enterprise Value | -2% | (451) | (819) |
| | +2% | 613 | 846 |
| Volatility | -10% | 602 | 1,136 |
| | +10% | (290) | (1,133) |
| Time to Liquidity | -6 months | 445 | 886 |
| | +6 months | (198) | (915) |
| Risk-Free Rate ⁽¹⁾ | -0.02%/0.01% | 445 | 886 |
| | 0.02% /0.02% | (198) | (915) |
| M&A vs. IPO Probability | 100%/ 40% | — | (865) |
| | 0%/ 60% | — | 842 |

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

(12) Cash and Cash Equivalents

| As of 31 December: | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Bank balances | 24,489 | 90,571 |
| Total cash and cash equivalents | 24,489 | 90,571 |

(13) Trade and Other Receivables

| As of 31 December: | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Trade receivables | 394 | 60 |
| Prepayments and other current assets | 5,422 | 5,642 |
| Total trade and other receivables | 5,816 | 5,702 |

(14) Equity

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 \$39.7 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 2020 and 2019, there were no options exercised under the U.S. Stock Plan. Additionally, 624,862 (2019: 1,248,378) 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 2020, 11,551,496 ordinary shares were reserved under the U.S. Stock Plan and 24,781,174 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: | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Equity | | |
| Share capital, \$0.01 par value, issued and fully paid | 3,767 | 3,759 |
| 242,187,985 and 241,563,123, respectively | | |
| Translation reserve | 1,343 | 1,459 |
| Accumulated profit | 55,440 | 147,238 |
| Equity attributable to owners of the Company | 60,550 | 152,456 |
| Non-controlling interests | (2,264) | 115 |
| Total equity | 58,286 | 152,571 |

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. In February 2020, Allied Minds made a special cash dividend payment to shareholders of \$39.7 million as a result of the sale of Allied Minds' share in HawkEye in the second half of 2019.

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

(15) Changes in Non-Controlling Interest ("NCI")

For the two years ended 31 December 2020, the Group recognised the following changes in common stock ownership in subsidiaries resulting in changes to non-controlling interest:

- On 10 January 2020, OcuTerra Therapeutics 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. In August 2020, as a result of achieving certain development milestones under the JDA with Boeing, BridgeComm secured the remaining \$1.5 million of convertible debt from Boeing.

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

| | Early stage \$'000 | Later stage \$'000 | Consolidated \$'000 |
|--|-----------------------|-----------------------|------------------------|
| Non-controlling interest as of 31 December 2018 | 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 |
| Share of comprehensive loss | (2,024) | (455) | (2,479) |
| Effect of change in Company's ownership interest | - | (18) | (18) |
| Equity-settled share based payments | 1 | 117 | 118 |
| Non-controlling interest as of 31 December 2020 | (3,441) | 1,177 | (2,264) |

(16) 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: | 2020 \$'000 | Fair value gain or loss under IFRS 9 \$'000 | Additions \$'000 | Disposals \$'000 | 2019 \$'000 |
|--|----------------|---|---------------------|---------------------|----------------|
| BridgeComm | 6,497 | 1,480 | - | - | 5,017 |
| Total subsidiary preferred shares | 6,497 | 1,480 | - | - | 5,017 |

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: | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|----------------|----------------|
| BridgeComm | 6,500 | 5,020 |
| Total liquidation preference | 6,500 | 5,020 |

For the two years ended 31 December 2020, the Group recognised the following changes in subsidiary preferred shares:

- 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. In August 2020, as a result of achieving certain development milestones under the JDA with Boeing, BridgeComm secured the remaining \$1.5 million of convertible debt from Boeing.

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: | 2020 | 2019 |
|---------------------------|-------|---------|
| Volatility | 53.6% | n/a* |
| Time to Liquidity (years) | 2.00 | 1.64 |
| Risk-Free Rate | 0.10% | n/a* |
| Probability M&A | 100% | 15%-85% |

*In 2019, 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 2020 and 2019 respectively:

| OPM Measurement Date | | |
|-------------------------------|-------------------|-------|
| As of 31 December: | | |
| 2020 | | |
| \$'000 | | |
| Input | Sensitivity range | |
| Enterprise Value | -2% | (112) |
| | +2% | 114 |
| Volatility | -10% | 266 |
| | +10% | (264) |
| Time to Liquidity | -6 months | 117 |
| | +6 months | (112) |
| Risk-Free Rate ⁽¹⁾ | -0.02/ -n/a | 117 |
| | 0.02/ n/a | (112) |

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

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

The subsidiary preferred shares are measured at fair value through profit/loss (FVTPL) according to IFRS 9 at initial recognition and upon subsequent measurement. Hence, any gains and losses on the preferred shares liability are recognised in profit or loss, unless they relate to changes in the entity's own credit risk for financial liability designated as at fair value through profit or loss. The effect of changes in the entity's own credit risk in the fair value of the financial liabilities are presented in other comprehensive income. There were no adjustments considered for movement in credit risk as this is not applicable within the specific valuation frameworks utilized for the fair values of the Group's preferred share liability. The subsidiary preferred shares values and movement in credit risk, if applicable, are being constantly monitored as new information becomes available. For the year ended 31 December 2020, 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: | 2020 | 2019 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Trade payables | 319 | 1,195 |
| Accrued expenses | 1,457 | 3,100 |
| Other current liabilities | 325 | 390 |
| Trade and other payables, current | 2,101 | 4,685 |

(18) Loans

| As of 31 December: | 2020 | 2019 |
|-----------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Current liabilities - Loans: | | |
| Unsecured loans | 2,965 | - |
| PPP loans | 184 | - |
| Non- Current liabilities - Loans: | | |
| Unsecured loans | 1,440 | 1,965 |
| Total loans | 4,589 | 1,965 |

The terms and conditions of outstanding loans are as follows:

| As of 31 December: | Currency | Nominal interest rate | Year of maturity | \$'000 | | \$'000 | |
|---|----------|-----------------------|------------------|--------------|-----------------|--------------|-----------------|
| | | | | Face value | Carrying amount | Face value | Carrying amount |
| Unsecured loan ⁽¹⁾ | USD | 5.0% | 2019-21 | 2,500 | 2,862 | 1,000 | 1,000 |
| Unsecured loan ⁽²⁾ | USD | 12.0% | 2020-21 | 100 | 103 | | |
| Unsecured loan ⁽³⁾ | USD | 8.0% | 2019-22 | 1,325 | 1,440 | 950 | 965 |
| Total interest bearing liabilities | | | | 3,825 | 4,589 | 1,950 | 1,965 |

BridgeComm convertible note ⁽¹⁾

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. In August 2020, as a result of achieving certain development milestones under the JDA with Boeing, BridgeComm secured the remaining \$1.5 million of convertible debt from Boeing. The \$2.5 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 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. At 31 December 2020, the entire instrument was adjusted by a fair market change of \$0.3 million.

OcuTerra Therapeutics promissory note ⁽²⁾

On 23 September 2020, OcuTerra Therapeutics secured \$0.1 million of funding through the issuance of a promissory note to multiple investors at annual interest rate of 12.0% payable within one year from the date of issuance. The note was issued at an interest rate that will accrue on the unpaid Principal Amount at the rate of twelve (12%) per annum computed on the basis of a 365-day year.

OcuTerra Therapeutics convertible note ⁽³⁾

On 5 November 2019, OcuTerra Therapeutics secured \$0.95 million of funding through the issuance of a convertible bridge note to multiple investors at annual interest rate of 8.0%. On 10 January 2020, OcuTerra Therapeutics raised an additional \$0.4 million in the second closing of its convertible note financing. 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

| | 2020 | 2019 |
|---------------------------------------|------------|--------------|
| | \$'000s | \$'000s |
| Balance at 1 January | 1,016 | 4,205 |
| Additions | - | 6,897 |
| Derecognition of right-of-use assets* | - | (1,693) |
| Depreciation | (365) | (1,216) |
| Deconsolidation | - | (7,177) |
| Balance at 31 December | 651 | 1,016 |

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

Lease liability

| | 2020 | 2019 |
|-------------------------------|--------------|--------------|
| | \$'000s | \$'000s |
| Balance at 1 January | 2,854 | 4,490 |
| Additions | - | 6,898 |
| Cash paid | (1,150) | (1,540) |
| Interest expense | 126 | 209 |
| Deconsolidation | - | (7,203) |
| Balance at 31 December | 1,830 | 2,854 |

The following details the short term and long-term portion of the lease liability as at 31 December 2020:

| | Total lease liability |
|---|-----------------------|
| | \$'000s |
| Lease liability released in < 1 year | 1,024 |
| Lease liability released in over 1 year | 806 |
| Total Lease Liability | 1,830 |

During 2019, the Group 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 2020 |
|--------------------|------------------|
| Less than 1 year | 740 |

| | |
|-------------------------------------|-------|
| Between 1 and 5 years | 438 |
| More than 5 years | - |
| Total undiscounted lease receivable | 1,178 |
| Unearned finance income | 47 |
| Net investment in the lease | 1,131 |

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 2020**

2020 - Leases under IFRS 16

| | |
|--|-----|
| Interest on lease liabilities | 126 |
| Income from sub-leasing right-of-use assets presented in 'interest income' | 78 |

(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: | 2020 \$'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 | 41,588 | - | - | 41,588 | 41,588 |
| Convertible note receivable | 1,500 | - | 1,500 | - | 1,500 |
| Loans and receivables | | | | | |
| Cash and cash equivalents | 24,489 | | | | |
| Trade and other receivables | 5,816 | | | | |
| Security and other deposits | 1,360 | | | | |
| Total | 74,753 | - | 1,500 | 41,588 | 43,088 |
| Financial liabilities designated as fair value through profit or loss | | | | | |
| Convertible notes | 4,590 | - | 4,590 | - | 4,590 |
| Subsidiary preferred shares | 6,497 | - | - | 6,497 | 6,497 |
| Financial liabilities measured at amortised cost | | | | | |
| Trade and other payables | 2,101 | | | | |
| Lease liability | 1,830 | | | | |
| Total | 15,018 | - | 4,590 | 6,497 | 11,087 |

| 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 | 61,895 |
| Convertible note receivable ⁽¹⁾ | 750 | - | 750 | - | 750 |
| Loans and receivables | | | | | |
| Cash and cash equivalents | 90,571 | | | | |
| Trade and other receivables | 5,702 | | | | |
| Security and other deposits | 2,088 | | | | |
| Total | 161,006 | - | 750 | 61,895 | 62,645 |
| 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 | | | | |
| Lease liability | 2,854 | | | | |

| | | | | | |
|-------|--------|---|-------|-------|-------|
| Total | 14,521 | - | 1,965 | 5,017 | 6,982 |
|-------|--------|---|-------|-------|-------|

(1) On 5 August 2020, TableUp has been acquired by TouchBistro, Inc. ("TouchBistro"). As a result of the acquisition, the entire instrument was converted into common shares during the year to 31 December 2020.

Total other financial assets were as follows:

| For the year ended 31 December: | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
| Deposits | 81 | 122 |
| Other long term assets | 500 | 1,135 |
| Total | 581 | 1,257 |
| Convertible note receivable | 1500 | 750 |
| Other current assets | 779 | 831 |
| Total | 2,279 | 1,581 |
| | 2,860 | 2,838 |

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. For assumptions used in the fair value measurement of the Group's convertible notes designated as Level 2, see note 18.

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

Cash and cash equivalents, trade receivables, and trade payables are carried at cost, which approximates fair value because of their short-term nature.

(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: | 2020 \$'000 | 2019 \$'000 |
|--------------------------------|----------------|----------------|
| Cash and cash equivalents | 24,489 | 90,571 |
| Investments held at fair value | 41,588 | 61,895 |
| Trade and other receivables | 5,816 | 5,702 |
| | 71,893 | 158,168 |

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 Group's investments in preferred stock are accounted for at fair value through profit or loss (FVTPL) in accordance with IFRS 9. This measurement is appropriate as these financial assets are not held with the objective to collect contractual cash flows which are solely payments of principal and interest (SPPI) on the principal amount outstanding. The entity is primarily focused on fair value information and uses that information to assess the asset's performance and to make decisions. The subsidiary preferred shares values and movement in credit risk are being constantly monitored as new information becomes available.

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

| As of 31 December: | 2020 \$'000 | 2019 \$'000 |
|-------------------------------|----------------|----------------|
| Neither past due nor impaired | 135 | 60 |
| Past due 30-90 days | 259 | — |
| Past due over 90 days | — | — |
| Reserve for bad debt | — | — |
| | 394 | 60 |

The Group has a concentration of credit risk in respect of its financial asset held at fair value through the profit or loss which relate to preferred share liabilities of \$38.8 million. Of this balance \$28.5 million relates specifically to the preferred shares held in Federate Wireless. These investments are reviewed in detail in note 11. 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: | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Customers with less than three years of trading history with the Group | 394 | 60 |
| | <u>394</u> | <u>60</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 2020: | | Contractual cash flows | | | |
|-----------------------------|-----------------|------------------------|------------------|--------------|-------------------|
| \$'000 | Carrying amount | Total | Less than 1 year | 2-5 years | More than 5 years |
| Trade and other payables | 2,101 | 2,101 | 2,101 | - | - |
| Subsidiary notes payable | 4,590 | 4,302 | 3,150 | 1,440 | - |
| Subsidiary preferred shares | 6,497 | 6,497 | 6,497 | - | - |
| Lease liability | 1,830 | 1,830 | 1,830 | - | - |
| | <u>15,018</u> | <u>14,730</u> | <u>13,578</u> | <u>1,440</u> | <u>-</u> |

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

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.

(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: | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
|---------------------------------|----------------|----------------|

| | | |
|------------------------------|--------------|------------|
| Short-term employee benefits | 1,022 | 608 |
| Share-based payments | 105 | - |
| Total | 1,127 | 608 |

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 \$375,000 were outstanding at 31 December 2020 (2019: \$522,600) and were paid in January of 2021.

Key Management Personnel Transactions

Directors' remuneration for the year comprised the following:

| | | |
|---------------------------------|---------------|---------------|
| For the year ended 31 December: | 2020 | 2019 |
| | \$'000 | \$'000 |
| Executive Directors' fees | 1,127 | 3,086 |
| Non-executive Directors' fees | 359 | 254 |
| Total | 1,486 | 3,340 |

Executive management and Directors of the Company control 0.6% of the voting shares of the Company as of 31 December 2020 (2019: 0.8 %).

In October 2020, Bruce Failing (Chair of Remuneration Committee) purchased 80,000 shares of the company.

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 2020 and 2019 due to accumulated losses.

| | | |
|---------------------------------------|-----------------|---------------|
| For the year ended 31 December: | 2020 | 2019 |
| | \$'000 | \$'000 |
| Net income/(loss) | (53,025) | 50,254 |
| Income taxes | - | - |
| Net income/(loss) before taxes | (53,025) | 50,254 |

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:

| | | |
|--|-------------|-------------|
| | 2020 | 2019 |
| | % | % |
| US federal statutory rate | 21.0 | 21.0 |
| Effect of state tax rate in US | 5.3 | 5.1 |
| Research credits | 0.7 | (2.5) |
| Share-based payment remeasurement | (0.4) | (1.2) |
| Permanent differences from consolidation | 1.2 | (38.3) |
| Other permanent differences | (0.7) | 0.1 |
| Current year income/(losses) for which no deferred tax asset/(liability) is recognised | (27.1) | 15.8 |
| | - | - |

Factors that may affect future tax expense

The Group is primarily subject to taxation in the US and UK. Additionally, the Group is exposed to state taxation in various jurisdictions throughout the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit). 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.

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: | 2020 | 2019 |
| | \$'000 | \$'000 |
| Tax loss carry forward | 79,285 | 78,472 |
| Research credits | 7,022 | 6,739 |
| Temporary differences | 15,494 | 5,931 |
| Deferred tax assets | 101,801 | 91,142 |
| Other temporary differences | - | - |
| Deferred tax liabilities | - | - |
| Deferred tax assets, net, not recognised | 101,801 | 91,142 |

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 2020 the Company had United States federal net operating losses carry forwards ("NOLs") of approximately \$292.7 million (2019: \$288.4 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 29 March 2021, which is the date the consolidated financial information is available to be issued.

On 11 January 2021, OcuTerra Therapeutics, Inc. issued \$100K in the form of a promissory note to Maxim Partners LLC.

(25) Cautionary Statement

This document contains certain forward-looking statements relating to Allied Minds plc (the "Group"). The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Company to differ materially from those contained in any forward-looking statement. These statements are made by the Directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

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(Non-Executive Chairman)

Bruce Failing
(Senior Independent Director)

Mark Lerdal
(Independent Non-Executive Director)

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