

17 August 2017

Allied Minds plc¹
Half-Yearly Report for the six months ended 30 June 2017

Boston, MA (17 August 2017) - Allied Minds plc, the IP commercialisation company focused on the technology and life sciences sectors, today announces its interim results for the six months ended 30 June 2017.

¹ Allied Minds plc is referred to as "Allied Minds" or "the Company". "The Group" refers to Allied Minds plc and its consolidated subsidiaries.

HIGHLIGHTS
(including post period-end)

Investment highlights

- The Group invested \$22.4 million into its portfolio companies in the six months ended 30 June 2017
- On 7 February 2017 HawkEye 360 completed the second closing of its \$13.75 million Series A preferred funding round, adding further investors to a syndicate including Razor's Edge Ventures and a defence market leader
- On 5 May 2017 BridgeSat closed a \$6 million Series A preferred funding round, including participation from Space Angels, a prominent angel investor network of experts focused on Space 2.0
- Post period-end, on 26 July 2017, Signature Medical completed a \$2.5 million Series A preferred funding round, including participation from Riot Ventures and Bose Corporation

Subsidiary operational highlights

- Post period-end, on 11 July 2017, Spin Transfer Technologies announced the appointment of Tom Sparkman as CEO, signalling a transition to focus on the commercial exploitation of its product differentiators. Tom is a veteran of the semiconductor industry who has held CEO and senior executive roles at Spansion, Integrated Device Technologies, and Maxim Integrated Products
- Post period-end, on 12 July 2017, BridgeSat announced the appointment of Barry Matsumori, formerly a senior executive at Qualcomm, SpaceX and Virgin Galactic, as full-time CEO. In April 2017, BridgeSat secured agreement with The Swedish Space Corporation to install its optical ground stations in at least three ground sites and announced a partnership with York Space Systems (York) to include its optical downlink technology on York satellites delivering the Harbinger Mission for the U.S. Army
- Post period-end, on 26 July 2017, Signature Medical completed a \$2.5 million Series A preferred funding round, including participation from Riot Ventures and Bose Corporation
- Federated Wireless concluded or is in live trials with a total of 40 partners across the spectrum sharing ecosystem, and continued to make progress towards full FCC certification
- HawkEye 360 progressed in its preparations for the Pathfinder launch scheduled for Q1 2018 and entered into revenue contracts with commercial and government entities to provide demonstrations of capabilities anticipated to be available with the Pathfinder cluster
- Precision Biopsy completed enrolment for its ClariCore™ Cohort A trial and has delivered its algorithm for system level FDA validation and verification

Financial highlights

- Net cash and investments* at 30 June 2017: \$177.0 million (FY16: \$226.1m), of which \$113.3 million held at parent level (FY16: \$136.7m)
- Revenue: \$2.0 million (HY16: \$1.3m)
- Loss for the period: \$58.2 million (HY16: \$52.2m), of which \$44.6 million attributable to Allied Minds (HY16: \$41.2m)
- The Directors estimate that as of 30 June 2017 the Group Subsidiary Ownership Adjusted Value was \$415.8 million (\$416.2m as last reported)
- On 5 April 2017 Allied Minds announced a restructuring, ceasing operations at 7 subsidiaries: Biotectix; Cephalogics; CryoXtract; ProGDerm (dba Novare Pharmaceuticals); Optio Labs; RF Biocidics; and Soundcure / Tinnitus Treatment Solutions. The plan has been substantially completed with two of the companies (Biotectix and RF Biocidics) in final stages of the process. The related net restructuring cost for the period was \$8.4 million, which included \$4.7 million of non-cash charges for impairment of assets and inventory write-offs. The restructuring allowed the Group to reallocate capital and management resources unlocked from this process to other companies and opportunities in the portfolio and pipeline where there is greatest potential for value creation.

* includes excess cash in form of fixed income securities.

Other current period notable developments at Allied Minds plc

- On 13 March 2017 the Company appointed Jill Smith, formerly a Non-Executive Director, as interim CEO. Jill's appointment as President and CEO was confirmed on 30 May 2017
- On 29 June 2017 Allied Minds announced the appointment of Simon Davidson as Executive Vice President, Technology Investments. More details on Simon's appointment are included in the "CEO update on strategy and the investment model" section below

Jill Smith, President and CEO of Allied Minds, commented "We have set out clear goals for the Group with the aim of sharpening capital allocation discipline, including: transitioning to thematic investing; securing earlier and broader syndication of investment partnerships for our portfolio companies where we see scope to validate and accelerate the path to commercialisation; and strengthening the governance and leadership of our portfolio companies. Actions undertaken since April across our investment, syndication and operating activities have been consistent with these objectives. We have also set out clear goals (MBOs) for our top six companies and ABLS, based on material and commercially relevant milestones, designed to bring about tangible progress towards commercialisation. In the short period of time since April, these subsidiaries have progressed well against their respective MBOs, with further achievements expected for the balance of the year. I look forward to building on these initial steps with the team as we continue to focus on our objective to drive shareholder value by realising liquidity events that deliver attractive returns for our investors and stakeholders, and accelerating the growth of our underlying business platform."

Outlook

With the measures being undertaken to enhance focus and capital allocation discipline, the Directors are confident of the Group's ability to accelerate the pace of new investments, and to drive material progress against commercialisation goals for its subsidiaries, with a view to unlocking successful liquidity events and realising shareholder value.

Capital markets day

Allied Minds will host a capital markets day later this year (date to be confirmed).

A call for investors and analysts will be held at 9.30am BST on 17 August 2017.

To join via conference call please dial:

UK Dial-In Number: 0800 358 9473

US Dial-In Number: +1 855 85 70686

PIN: 64257192#

The presentation that will be used during this call can be found under Reports & Presentations in the Investors section of our website: www.alliedminds.com.

For more information, please contact:

Allied Minds plc

Joseph Pignato, Chief Financial Officer +1 617 419 1800
Neil Pizey, Head of Corporate Development IR@alliedminds.com

FTI

Ben Atwell/Brett Pollard +44 20 3727 1000

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

This 2017 half-yearly report release may contain statements that are or may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies. The forward-looking statements are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from current expectations, including, but not limited to, those risks and uncertainties described in the principal risks and uncertainties of the 2017 half-yearly report. These forward-looking statements are based on assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future. Each forward-looking statement speaks only as at the date of this half-yearly report 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.

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014.

INTERIM MANAGEMENT REPORT

Overview

Based in Boston, Allied Minds plc is an IP commercialisation company focused on technology and life sciences. With extensive access to U.S. federal government laboratories and universities, as well as partnerships with leading U.S. corporations, Allied Minds forms, funds, and operates a portfolio of companies with the objective of delivering successful liquidity events that will generate attractive long-term returns for its investors and stakeholders. Allied Minds supports its businesses with capital, resources, and expertise.

A key strength of the Group lies in its access to cutting edge scientific research and technology via its network of relationships with leading research institutions and other key players in the IP commercialisation ecosystem, including government agencies, corporate R&D departments, co-investors and expert consultants. Through this powerful network the Group accumulates valuable insights allowing it to develop a differentiated viewpoint on the potential for new technologies to meet existing or emerging needs. The Group develops theses that leverage core technical and market expertise and networks, for instance in Space 2.0, sensors and spectrum. It recruits experienced teams to develop raw technology into targeted, innovative products and services, and supports its portfolio companies with capital and resources, including management, shared services, business development, governance, networking and transaction expertise.

The Group currently comprises of 12 active portfolio companies in the technology and life sciences sectors based upon underlying innovative technologies ranging from satellite based, wireless communications and memory chips to medical devices and molecular compounds. In addition, the Group has 2 platform companies: Allied Minds Federal Innovations (the parent company for our investments based on technology sourced from federally funded laboratories, and the party to our agreement with the MITRE Corporation); and Foreland Technologies (a holding company for our subsidiaries focused on cyber security). A full list of the Group's portfolio companies can be found in the "Portfolio review" section below.

CEO update on strategy and the investment model

Allied Minds operates an IP commercialisation platform in the U.S., benefiting from extensive access to the world's largest market for R&D. Our reach into a network of U.S. Federal laboratories, universities and corporate R&D departments with combined annual research budgets exceeding \$100 billion, allows us to evaluate a vast range of innovative technologies.

We believe that our competitive advantages span the full investment life cycle.

- We operate an origination platform which gives us diverse access to defining innovations sourced from U.S. Federal laboratories, universities, and corporations. We believe that our partnerships with U.S. Federal laboratories deliver innovations that are often more advanced in

nature, or tried and tested in a government application, with a faster and lower risk path to commercialisation. Our university relationships and corporate partnerships are in turn valuable sources of life sciences and technological innovations. Furthermore, operating across these three elements creates an advantageous network effect whereby many of our individual relationships become mutually reinforcing

- We consolidate and own majority stakes in our businesses until a relatively advanced stage in their development. We are active, hands-on operators, providing industry expertise and delivering high value added shared services, including corporate finance, legal and HR support, while recruiting high calibre CEOs with clear accountability for execution on business plans. Our model enables us to build companies from innovative technologies more cost effectively and relieve Principal Investigators (PIs) and management from many of the costs and distractions typically associated with early stage businesses
- As a source of permanent capital, we can support scientists and entrepreneurs through the full cycle of early stage product development, as warranted. We have flexibility and capacity to invest in later stage rounds where we see value to our shareholders in doing so
- We focus on technologies with the potential to disrupt large and growing markets. Allied to our strategy to maintain a majority stake until a relatively advanced stage, this means that when our portfolio companies are successful we have the potential to generate strong returns

The key to realising the value of our portfolio companies and accelerating the growth of our business platform is a disciplined and focused capital allocation model. Although there is more work to do, we are pleased to share that we have taken meaningful steps forward and are already seeing benefits from this approach.

This starts with the development of core theses for more targeted investment strategies. Leveraging core technical and market expertise and networks in our portfolio companies, boards and investment teams, we can accelerate the pace of new, more targeted investments and benefit from knowledge sharing to build successful businesses. To this, end we are focused on building stronger relationships with select institutions, as well as corporate and financial partners. The recent appointment of Simon Davidson as Executive Vice President, Technology Investments, will assist greatly in this regard. Simon has a 20-year career in technology investment, including the last 10 years at In-Q-Tel, where he invested in and advised start-up businesses developing innovative technologies aligned to the needs of the U.S. intelligence community. He has built a powerful network across Government agencies, entrepreneurs and VC firms focused on core theses around space and air communications, autonomous drones, low power sensors, physical security and detection, and wireless infrastructure. Simon's network and expertise will be invaluable as we transition to more thematic investing and extract more leverage from our origination platform to increase the cadence of new investments over time.

Secondly, we are committed to broadening our investment syndicate by bringing in strategic and independent financial investors wherever possible in Series A, B rounds and beyond where we see benefits in terms of validating the business model and de-risking the path to commercialisation. The Series A rounds for HawkEye 360 and BridgeSat completed in the first half of this year brought in valuable strategic co-investors, and going forward we expect most funding rounds beyond the initial investment to follow suit.

Third, we are implementing improvements to the management, operating support and governance of our subsidiaries. These include appointing stronger, more experienced management teams and operating boards, with clearer accountability and line of sight to the requirements to drive commercialisation and monetisation. The recent appointments of experienced CEOs at Spin Transfer Technologies and BridgeSat materially strengthen both these businesses. All companies have implemented changes to their boards and/or advisory boards, most notably at HawkEye 360, which includes leaders and executives that bring invaluable experience, access and commitment. The focus on material and commercially relevant MBOs (Management By Objectives) is creating greater clarity and urgency, providing the basis for a more transparent management process. All businesses have made progress against their MBOs and we expect further progress in the rest of 2017.

In all high performance early stage undertakings there are successful companies and others that do not realise the potential envisaged. A disciplined capital allocation approach demands that on an on-going basis, we objectively assess when and where to maintain or accelerate the growth of our businesses and determine when to cease, and when to pivot in response to changing circumstances. The restructuring earlier this year reflects this discipline, freeing up financial and human resources to focus on driving performance in our current portfolio and reallocating funds to continue building the foundations to accelerate the pace of new investments.

We are well capitalised to deliver on our plans, with a healthy cash runway and multiple potential options to deliver monetisation events over the medium term, in particular across the top six companies. In the "Portfolio review" section below we describe the progress of our portfolio companies over the first half of the year, and the milestones for the top six companies and ABL for 2017.

Portfolio review

During the first half of 2017, the Group invested \$22.4 million into the Company's new and existing subsidiary businesses. An additional \$1.6 million was raised from third party investors, in two subsidiary fundraisings. Allied Minds currently has majority ownership in, or operating control of, all of its subsidiary businesses.

Top six companies

Technology

BridgeSat, Inc.

BridgeSat, Inc. (BridgeSat) is working to deliver an advanced optical communications network with an initial focus on Low Earth Orbit (LEO) satellites. This network is designed to meet accelerating demand for high-bandwidth, frequent, cost effective data downlink capabilities driven by the need to transfer ever increasing amounts of data, currently inadequately serviced by RF spectrum based communications solutions. To speed the migration to optical communications, BridgeSat is developing a turnkey software based solution that seamlessly connects operators to their satellites and high-altitude unmanned vehicles via the BridgeSat ground network.

Market size/dynamics:

- BridgeSat estimates that the immediate global optical downlink market is \$1.5 billion annually, a sub-set of the estimated \$10.3 billion satellite network market
- The quantity of data downlinked globally from LEO small satellites is projected to grow over 250% per year over the next five years to exceed 500 Petabytes per year by 2021

2017 MBOs:

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

2017 highlights to date:

- Raised \$6 million of additional capital via a Series A preferred round concluded in April, including participation from Space Angels: a prominent investment network focused on Space 2.0
- Agreement with York Space Systems (York) to include BridgeSat's optical downlink technology

- on York satellites delivering the Harbinger Mission for the U.S. Army
- Further progress across the three facets of its solution: space terminal, ground station, and management network
- Secured agreement with The Swedish Space Corporation (SSC) to install BridgeSat's equipment in at least 3 of SSC's ground sites (approximately one third of the total sites BridgeSat requires to operate its ground network)
- Post period-end appointed Barry Matsumori as full time CEO. Barry previously held senior business development roles at SpaceX and Virgin Galactic

Federated Wireless, Inc.

Federated Wireless, Inc. (Federated Wireless) extends the access of carrier networks by enabling the sharing of wireless spectrum amongst multiple tiers of users through an innovative cloud-based wireless infrastructure solution. The Federated Wireless platform or Spectrum Controller, consisting of a cloud based Spectrum Allocation System (SAS) and Environmental Sensing Capability (ESC), unlocks commercial access to spectrum in the 3.5 GHz band, called the Citizen's Band Radio Service (CBRS) that is owned by the U.S. military and is surplus to its requirements at a given point in time. Federated Wireless' innovative ESC technology was developed in conjunction with the Department of Defense. The ESC infrastructure is currently being rolled out and will comprise a network of several hundred sensors deployed along the U.S. coastlines able to detect surplus spectrum operated by the U.S. Navy. Once detected, spare spectrum can be allocated out via the SAS for use by individuals and enterprises located near the U.S. coastlines (the majority of the U.S. population). The allocation and management of spectrum employing a shared-economy model is potentially highly disruptive to the wireless service business as a whole, enabling new cable entrants, new low cost and secure private 4G/5G IoT networks, and high speed, low cost wireless broadband access.

Market size/dynamics:

- First tranche of spectrum being made available for sharing (3.5G or CBRS) comprises 150MHz: similar in quantum to the spectrum owned in freehold by each of the large U.S. mobile network operators (MNOs)
- Potential for additional bands of spectrum to be offered up for sharing in the U.S., with other countries also examining whether to implement the spectrum sharing model

2017 MBOs:

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

2017 highlights to date:

- Introduced a new product category to the market: the Spectrum Controller, encompassing the SAS, the ESC, and the integrated lifecycle management system that differentiates Federated Wireless from others in the market
- Announced partnerships with Ericsson and Nokia, two key ecosystem OEMs who supply the 3.5 GHz radios as part of an end-to-end CBRS solution
- Announced partnership with LEMKO to deliver Private LTE services, one of the most promising use cases for this new band where investment in spectrum licenses will not be required for high-quality LTE
- Participation in over 40 trials to date, with the trial pipeline still growing
- Important indicators of market momentum and commercial readiness: Federated Wireless Spectrum Controller delivered 3.5 GHz spectrum to six live demos at the CBRS Alliance meeting; CBRS Alliance now has over 60 members, including the top 4 U.S. Mobile Operators and several Cable Operators

Hawkeye 360, Inc.

HawkEye 360, Inc. (HawkEye 360) plans to operate a constellation of commercially developed small Low Earth Orbit (LEO) satellite clusters to conduct radio frequency (RF) survey and mapping and, using proprietary algorithms, to create geospatial information products for commercial and government customers. Potential applications include emergency response support (search and rescue), transportation and logistics tracking, spectrum interference and coverage mapping, support for global health and humanitarian initiatives such as identification of illegal fishing and human trafficking, and support of national and global security activities.

Market size/dynamics:

- There are multiple potential markets for HawkEye 360's products. Maritime Domain Awareness (the company's first product) is targeted at the satellite-based maritime surveillance solutions market which is estimated to have an annual value of \$1.75 billion between civil and commercial applications (excluding military), growing to an estimated \$2.2 billion by 2024

2017 MBOs:

- Prepare for Q1 2018 Pathfinder launch
- Initiate contract for development of next commercial satellite clusters

2017 highlights to date:

- Completed the second closing of its \$13.75 million Series A fund-raise, led by Razor's Edge Ventures (an early stage VC firm)
- Pathfinder launch scheduled for Q1 2018 by SpaceX
- Entered into revenue contracts with commercial and government entities to provide demonstrations of capabilities anticipated to be available with the Pathfinder cluster
- Progressed work on design of the commercial satellites and payloads to follow the Pathfinder, and on the data management system
- Announced a collaboration with Kratos Defense & Security Solutions
- Completed further airborne testing of its Emergency Position Indicator Radio Beacon (EPIRB) detection capabilities (to support emergency search and rescue activities)
- Secured important hires including a Chief Revenue Officer Beau Jarvis (formerly Planet Labs) and Chief Legal Officer Alison Alfors (formerly DigitalGlobe)
- Appointed Art Money as Independent Director, post period-end further strengthened the Advisory Board with 7 additional appointments
- Secured an up to \$5 million term loan facility from Silicon Valley Bank

Spin Transfer Technologies, Inc.

Spin Transfer Technologies, Inc. (STT) intends to deliver next-generation magnetoresistive random-access memory (MRAM) memory chips that enable a new class of memory with fast write speeds, low power, non-volatility and high endurance. Mobile applications continue to demand higher density memories and lower power consumption and MRAM can satisfy both requirements, placing STT as well positioned to replace traditional embedded static random-access memory (SRAM) and larger stand-alone dynamic random access memory (DRAM). SRAM is an older, fast, high power and comparatively large memory used in most display and computing applications. MRAM's advantage is that it can be both smaller and lower power. STT is also targeting its MRAM technology as a replacement for DRAM, the main memory in most electronics, because of the power savings MRAM can offer. Target applications for STT's MRAM technology include storage products, mobile devices, microcontrollers, and a multitude of low-energy semiconductor products for the internet-of-things market. STT will commercialise its technology through two paths - by licensing its technology to major foundries and IDMs so that they may include MRAM blocks on their customers' chips, and by developing and selling stand-alone memory devices.

Market size/dynamics:

- The total addressable market for MRAM is estimated to be approximately \$60 billion per annum worldwide, with STT targeting segments of this with a combined value of approximately \$20 billion

2017 MBOs:

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

2017 progress to date:

- Test chip sampled to customers
- R&D Fab running with fast cycle time and 28nm feature sizes
- Small, stable pillar sizes successfully demonstrated
- Post period-end appointed Tom Sparkman as CEO. Tom brings nearly 35 years of commercial experience across circuit manufacturers, semiconductors and wireless technologies

Life Sciences

Precision Biopsy, Inc.

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

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

Market size/dynamics:

- \$7 billion spent annually on prostate cancer in the U.S.
- Of which \$1 billion spent on mostly unnecessary pathology

2017 MBOs:

- Complete Cohort A; initiate Cohort B
- Make progress toward ClariCore CE Mark and FDA approval

2017 progress to date:

- Completed enrolment for its ClariCore Cohort A trial, with a total of 203 patients across 8 centres. The objective of the Cohort A study was to collect data to assist with the development of the real-time tissue classification algorithm underpinning the ClariCore product
- The Cohort A database is now complete with algorithm screening completed and the algorithm delivered for system level validation and verification
- Protocol for the planned Cohort B trial has been discussed with the FDA and the hand pieces and consoles for use in the trials are under manufacture and scheduled to be delivered on time. Cohort B clinical trial is the pivotal trial to achieve FDA approval for commercialisation in the US
- Development of Precision Biopsy's 3D mapping system, which is intended to provide 3D mapping of the prostate allowing for precise location of cancerous tissue and potentially unlocking focal therapies that could replace whole prostate therapies, remains on track

SciFluor Life Sciences, Inc.

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

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

Market size/dynamics:

- The market for retinal diseases is in the multi-billions, with current injectable drugs Lucentis (AMD) and Eylea (RVO and DME) generating revenue of \$3.3 billion and \$5.2 billion respectively in 2016
- The market for anti-epilepsy drugs exceeds \$5 billion

2017 MBOs:

- SF0166: complete Phase I/II trials in DME (Wet AMD 2018)
- SF0034: file Phase I IND and complete SAD study enrolment

2017 progress to date:

- SF0166: Enrolment of both DME and Wet AMD trials is completed. Complete analyses of the results are expected later this year for DME, and later this year or early 2018 for Wet AMD
- SF0034: Initiated testing in healthy volunteers. It is noteworthy that Retigabine, a non-fluorinated analog of SF0034 owned by another company, was withdrawn from the market in June 2017 following the impact of safety concerns first publicised in 2013
- SciFluor continues to develop a pipeline of additional fluorinated compounds

Other companies including corporate partnerships

Technology

Whitewood Encryption Systems, Inc.

Whitewood Encryption Systems, Inc. (Whitewood) was formed based on quantum random number generation and quantum key management technologies created at Los Alamos National Laboratory. Whitewood is developing solutions for one of the most fundamental challenges associated with all modern cryptosystems - entropy management - or true random number generation required for security in quantum computing. Whitewood's products exploit quantum mechanics to meet demand for high-quality entropy used for random data and key generation at scale. Whitewood addresses operational vulnerabilities in any application that employs encryption, certificates and keys in clouds, devices and browsers. The company has recently introduced its first commercial Entropy-as-a-Service offering, netRandom Enterprise, to protect critical enterprise applications across data centres and networked devices.

Percipient Networks, LLC

Percipient Networks, LLC (Percipient) was created with technology licensed from the MITRE Corporation for protecting U.S. Government agencies from cyber attacks. Strongarm is a pure Software-as-a-Service offering, that helps businesses safeguard their assets, including sensitive customer information and valuable intellectual property, against malware threats without the need for enterprise-sized IT staff or security budgets. Strongarm targets the rapidly growing (12.8% CAGR) \$100 billion Small-Medium Business network security market where the ease of set-up and low management overhead are essential.

Seamless Devices, Inc.

Seamless Devices, Inc. (Seamless) was created to commercialise Switched Mode Signal Processing (SMSP) technology licensed from Columbia University. Seamless uses SMSP to implement an advanced form of analogue to digital conversion (ADC). ADC is used in semiconductor devices to translate a real world sensor measurement into a digital representation that can be processed by computers. As process nodes in circuit designs continue to shrink, Seamless' SMSP technology gains advantages over conventional ADC methods by preserving a higher degree of signal fidelity (accuracy). The technology has the potential to serve a wide range of applications including consumer electronics, telecommunications hardware, instrumentation, network hardware, healthcare devices, transportation and military systems. Seamless is currently licensing its innovative product to customers developing custom ASICs (Application Specific Integrated Circuits) for advanced sensor systems.

Life Sciences

Signature Medical, Inc.

Signature Medical, Inc. (Signature) is developing wearable devices using artificial intelligence and cloud-based audio technology to more effectively monitor and evaluate patients remotely who have suffered heart failure and other indications. Its lead Acousticare™ device, which is currently under development, could allow for better intervention and reduced hospital readmissions, improving outcomes for patients and reducing costs to the healthcare system. Heart failure ranks among the most prevalent and costly chronic diseases, consuming 1-2% of all healthcare expenditures in developed countries, and is the number one cause of hospitalisation among U.S. adults over the age of 65. Heart failure readmission rates are estimated to be approximately 25% within 30 days of hospital discharge. Signature raised a \$2.5 million Series A preferred funding round, completed post period-end on 26 July 2017, including participation from Boston based Riot Ventures and Bose Corporation.

LuxCath, LLC

Based on technology originally sourced from George Washington University, LuxCath, LLC (LuxCath) is developing a proprietary ablation catheter technology to enable live, optical interrogation of heart tissue during cardiac ablation, allowing a cardiologist to assess on a real-time basis the impact of ablation therapy on targeted heart tissue. Current procedures are typically executed on a "blind" basis with the cardiologists unable to visually assess whether there is tissue contact before commencing ablation and unable to determine whether ablation has successfully killed target tissue, or left gaps between lesions which could lead to recurrence. LuxCath's technology can be applicable to all cardiac ablation procedures and is focused on Atrial Fibrillation (AF) ablation as its initial target market. It aims to improve clinical outcomes while reducing procedure times, fluoroscopy exposure, costs, and clinical recurrences. AF is the most common cardiac arrhythmia in the U.S., affecting more than two million people and projected to affect 15.9 million in the year 2050, half of whom will be over 80 years old. AF has been implicated as a significant cause of strokes, thromboembolic events, and heart failure, costing the U.S. healthcare system billions of dollars annually.

Corporate Partnerships

Allied-Bristol Life Sciences, LLC

Allied-Bristol Life Sciences, LLC (ABLS) is a drug discovery and development company created in August 2014 through a partnership between Allied Minds and Bristol-Myers Squibb (BMS). The company's mission is to create novel drug candidates against serious diseases with large market potential. These include fibrosis, cardiovascular, immunosciences, immuno-oncology and oncology.

ABLS, through ABLS Capital, continues to maintain material capital commitments, mostly from external investors, to fund up to ten ABLS subsidiaries through the optimisation phase where pre-clinical development work is completed. The committed capital of up to \$80 million is to be invested in concert with BMS' commitment of up to \$20 million. ABLS-owned subsidiaries that successfully complete their initial feasibility programme are eligible to benefit from new investments made by ABLS Capital and BMS, to fund further pre-clinical drug development at such subsidiary through the optimisation phase. Successful completion of such lead optimisation programme at each ABLS subsidiary is the crucial next step prior to triggering BMS' right to acquire such subsidiary. Allied Minds and BMS remain

committed to the ABLs model, which provides a mechanism to smooth the binary risk profile of drug development, and is assigning additional resource to the programme with the objective of increasing the cadence of new investments.

2017 MBOs:

- Advance ABLs entities through pre-clinical programmes
- Create two new subsidiaries

2017 progress to date:

- ABLs II: Focused on the treatment of fibrotic diseases as an inhibitor of Prolyl sRNA Synthetase, continues in lead optimisation phase, with \$15 million of funding secured from ABLs Capital and BMS
- ABLs III: Feasibility work to date focused on novel inhibitors of nuclear beta catenin, a key player in the Wnt signalling pathway and a major driver of various cancers, has proved inconclusive and ABLs and BMS are currently reviewing alternative options that may result in a change to the original drug development plan, or termination of ABLs III
- ABLs I: ABLs and BMS together resolved that ABLs I, which was pursuing feasibility studies on antibody recruiting molecules, had not met pre-set objectives and accordingly the program has been terminated
- ABLs has deals under negotiation and further opportunities in pipeline

General Electric

In September 2016, Allied Minds and GE Ventures announced signature of an agreement underlying a strategic alliance to jointly identify and invest in new and existing technologies developed from both innovation pipelines. Allied Minds has an exclusive right of first refusal to license certain technologies, chosen by GE, for the spin-out and commercialisation of that technology.

Through the open exchange of commercialisation candidates between Allied Minds and GE Ventures' technology licensing group, multiple promising candidates for eventual spin-out have been and continue to be reviewed. While there has not yet been agreement on a first formal spin-out, we continue to believe the relationship with GE Ventures will provide an opportunity for Allied Minds to form new entities based on the cutting-edge technologies developed by one of the world's leaders in technology innovation.

Summary of 2017 MBOs

Subsidiary	Expected 2017 event
ABLS	<ul style="list-style-type: none"> · Advance ABLs entities through pre-clinical programmes · Create two new subsidiaries
BridgeSat	<ul style="list-style-type: none"> · Complete Series A fund-raise · Acquire launch customers · Demonstrate operation of first BridgeSat ground station
Federated Wireless	<ul style="list-style-type: none"> · Complete Series B fund-raise · Receive formal SAS and ESC FCC certification · Launch spectrum access commercial product
HawkEye 360	<ul style="list-style-type: none"> · Prepare for Q1 2018 Pathfinder launch · Initiate contract for development of next commercial satellite clusters
Precision Biopsy	<ul style="list-style-type: none"> · Complete Cohort A; initiate Cohort B · Make progress toward ClariCore™ CE Mark and FDA approval
SciFluor	<ul style="list-style-type: none"> · SF0166: complete Phase I/II trials in DME (wet-AMD 2018) · SF0034: file Phase I IND and complete SAD study enrolment
STT	<ul style="list-style-type: none"> · Advance technology to demonstrate differentiators · Secure strategic development / investing partner · Complete Series B fund-raise

Portfolio companies of Allied Minds

Subsidiary	Year Formed	Ownership Interest ⁽¹⁾⁽²⁾	Overview
Life Sciences			
<i>Included in the top six companies</i>			
Precision Biopsy, Inc.	2008	64.59%	Developing Claricore™, a device utilising tissue spectroscopy to distinguish healthy and suspect tissue in real time, focused initially on prostate cancer. Also developing focal therapy system using Claricore™ for abnormal tissue targeting in the prostate
SciFluor Life Sciences, Inc.	2010	69.89%	Developing a best-in-class portfolio of compounds based on the strategic use of fluorine initially focused on retinal, CNS, fibrotic and pain related diseases
<i>Other companies</i>			
LuxCath, LLC	2012	98.00%	Developing a catheter-based real-time tissue and lesion visualisation technology for use during cardiac ablation procedures, focused initially on atrial fibrillation ablation
Signature Medical, Inc.	2017	88.09%	Developing wearable acoustic signature

technology initially to monitor heart failure patients to avoid re-hospitalisations, improve outcomes and reduce costs

Technology

Included in the top six companies

BridgeSat, Inc.	2015	98.15%	Developing an advanced optical communications network providing high-bandwidth, frequent, cost effective data downlink capabilities with an initial focus on Low Earth Orbit (LEO) satellites
Federated Wireless, Inc.	2012	72.83%	Developing an innovative cloud-based wireless infrastructure solution that enables the sharing of wireless spectrum amongst multiple tiers of users, including enterprise customers, network operators, and service providers
HawkEye 360, Inc.	2015	53.06%	Plans to operate a constellation of commercially developed small Low Earth Orbit (LEO) satellite clusters to conduct radio frequency (RF) survey and mapping and, using proprietary algorithms, to create geospatial information products for commercial and government customers
Spin Transfer Technologies, Inc.	2007	48.40%	Developing next-generation MRAM memory chips that enable a new class of memory with improved speed, and lower cost and power

Other companies

Percipient Networks, LLC	2014	100.00%	Developing threat-intelligence driven cloud-based cyber security technologies for small-medium businesses (SMB)
Seamless Devices, Inc.	2014	79.12%	Developing semiconductor devices using a novel approach to analog-to-digital signal processing based on switched-mode signal processing technology and algorithms
Whitewood Encryption Systems, Inc.	2014	100.00%	Developing entropy management (true random number generation) systems required for security in quantum computing

Platform companies

Allied Minds Federal Innovations, Inc. ⁽³⁾	2012	100.00%	Aims to develop and commercialise the next generation of transformative technologies from U.S. federal research institutions
Foreland Technologies, Inc. ⁽³⁾	2013	100.00%	A cyber security platform company which aims to discover, incubate and commercialise emerging technologies

Corporate Partnerships

Allied-Bristol Life Sciences, LLC	2014	80.00%	Created with Bristol-Myers Squibb (BMS) to identify and conduct preclinical development of therapeutic candidates which are intended to be sold to BMS prior to clinical development
ABLS Capital, LLC ⁽³⁾	2016	30.25%	Formed to fund up to 80% of the lead optimisation phase with the remaining up to 20% funded by BMS, of up to ten new drug candidates that pass initial feasibility studies initially funded by ABLS
ABLS II, LLC ⁽³⁾	2014	35.95%	Novel small molecule therapeutics for the treatment of fibrotic and autoimmune diseases, developed in the Harvard University laboratory of Professor Malcolm Whitman
ABLS III, LLC, d/b/a iBeCa Therapeutics ⁽³⁾	2016	80.00%	Proprietary compounds developed by Dr. Ramanuj Dasgupta at the NYU School of Medicine that target the Wnt signalling pathway and nuclear beta catenin, which plays a key role in the development and progression of a number of cancers affecting large numbers of patients

Notes:

(1) Ownership interests are as at 15 August 2017 (being the latest practicable date prior to the publication of this document) and are based upon percentage interest of issued and outstanding common shares and preferred shares (on an as-converted into voting common share basis); provided that for ABLS II and ABLS Capital the disclosed percentage represents the Company's direct or indirect economic interest

(2) In April 2017 Allied Minds announced a restructuring plan, ceasing operations at seven subsidiaries: Biotectix; Cephalogics; CryoXtract; ProGDerm (dba Novare Pharmaceuticals); Optio Labs; RF Biocidics; and SoundCure/Tinnitus Treatment Solutions. Allied Minds determined that the path to commercialisation for these subsidiaries was unlikely to yield appropriate financial returns and that capital

and management resource should be redirected to the most promising areas of the portfolio and to scaling our pipeline and partnerships. Group Subsidiary Ownership Adjusted Value (GSOAV) ascribed to these businesses was written down to zero.

(3) The subsidiary does not represent a separate active portfolio company.

Portfolio overview and valuation

Approximately \$317.1 million of capital has been allocated to the Group's active subsidiary businesses, of which \$143.5 million was raised and deployed by Allied Minds, \$167.3 million has been contributed by third party investors directly into the subsidiary companies and \$6.3 million has been raised by subsidiaries in the form of loans from banks and federal grants.

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

At the close of each annual financial period, the Directors approve the total value of all subsidiary businesses in the Group, which is used to derive the 'Group Subsidiary Ownership Adjusted Value'. The Group Subsidiary Ownership Adjusted Value was estimated at \$415.8 million as at 30 June 2017, of which \$371.6 million (or 89.4%) is attributed to the top six companies (\$358.1 million or 86.0% as last reported).

There can be no guarantee that the aforementioned valuation of the Group will be considered to be correct in light of the future performance of the various Group businesses, or that the Group would be able to realise proceeds in the amount of such valuations, or at all, in the event of a sale of any of its subsidiaries.

Risk management

The principal risks and uncertainties surrounding the Group businesses are set out in detail on pages 31 through 36 in the Risk Management section of the Strategic Report included in the 2016 Annual Report and Accounts. There have not been any significant changes in the nature of the risks set forth therein that will affect the next six months of the financial year, therefore, such risks are applicable to the remaining six months of the financial year. A copy of the 2016 Annual Report and Accounts is available on the Company's website at www.alliedminds.com under "Investors - Reports & Presentations".

Financial review

Condensed Consolidated Statement of Comprehensive Loss

For the six months ended:	30 June 2017 \$'000	30 June 2016 \$'000
Revenue	1,977	1,286
Cost of revenue	(3,703)	(1,255)
Selling, general and administrative expenses	(31,205)	(25,831)
Research and development expenses	(25,296)	(25,542)
Finance cost, net	23	(872)
Loss for the year	(58,204)	(52,214)
Other comprehensive income/(loss), net of tax	(103)	(169)
Total comprehensive loss	(58,307)	(52,383)

Revenue was higher by \$0.7 million, at \$2.0 million for the six months ended 30 June 2017 (HY16: \$1.3m), when compared to the same period in the prior year. This increase is primarily attributable to revenue from new contracts in 2017 at HawkEye 360 of \$0.7 million and higher non-recurring engineering contract revenue at Federated Wireless of \$0.3 million. These increases were offset in part by lower revenue from the companies included in the restructuring plan for which funding was discontinued in the first half of 2017. Cost of revenue at \$3.7 million for the six months ended 30 June 2017 (HY16: \$1.3m) was higher as a percentage of revenue, when compared to the same period in the prior year, mainly from inventory write-offs at RF Biocidics, CryoXtract, and SoundCure as a result of the restructuring.

Selling, general and administrative (SG&A) expenses increased by \$5.4 million, to \$31.2 million for the six months ended 30 June 2017 (HY16: \$25.8m). Personnel related expenses increased by \$2.6 million mainly due to the provision for severance payouts to the former executives. The reserve for the restructuring provision increased by \$2.1 million at 30 June 2017, from nil at 31 December 2016. Non-cash charges for depreciation and amortisation increased by \$2.2 million. These increases were offset in part by decreases in sales and marketing, travel, and other non-operating expenses in the first six months of the year.

Research and development (R&D) expenses decreased by \$0.2 million, to \$25.3 million for the six months ended 30 June 2017 (HY16: \$25.5m). The decrease is mainly attributed to the lower activities and discontinued funding for the subsidiaries included in the restructuring plan in the amount of \$3.1 million. This decrease is offset in part by higher development activities at BridgeSat (+\$1.1m), HawkEye 360 (+\$0.5m), Precision Biopsy (+\$1.1m), and SciFluor (+\$1.1m).

As a result of the above discussed factors, total comprehensive loss for the year increased by \$5.9 million to \$58.3 million for the six months ended 30 June 2017 (HY16: \$52.4m).

Condensed Consolidated Statement of Financial Position

As of the period ended:	30 June 2017 \$'000	31 December 2016 \$'000
Non-current assets	30,418	38,232
Current assets	186,532	232,007
Total assets	216,950	270,239
Non-current liabilities	2,974	720
Current liabilities	154,433	155,402
Equity	59,543	114,117
Total liabilities and equity	216,950	270,239

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

- Non-current assets decreased by \$7.8 million, to \$30.4 million at 30 June 2017 (FY16: \$38.2m),

mainly due to the decrease in the balance of property and equipment, intangible assets and other investments. Property and equipment decreased by \$3.0 million to \$28.9 million as of 30 June 2017 (FY16: \$31.9m), mainly reflecting depreciation of \$2.9 million. Intangible assets, net as of 30 June 2017, decreased by \$1.8 million to \$1.0 million (FY16: \$2.8m) reflecting mainly \$1.6 million of impairments to the companies included in the restructuring plan. Other investments, non-current decreased by \$2.7 million to nil (FY16: \$2.7m) as those investments matured and were reclassified to current assets.

Current assets decreased by \$45.5 million, to \$186.5 million as of 30 June 2017 (FY16: \$232.0m), mainly due to a decrease in cash and cash equivalents and short-term investments of \$39.8 million and \$6.7 million, respectively.

- o Cash and cash equivalents decreased by \$39.8 million to \$169.4 million at 30 June 2017 from \$209.2 million at 31 December 2016 due to operating cash outflows of \$53.0 million and acquisition of property and equipment and intangibles of \$0.5 million. This decrease was offset by maturity into cash of \$9.3 million of the investments in fixed income securities, \$2.0 million borrowings on the line of credit at Spin Transfer Technologies, \$1.6 million proceeds from the financing rounds at HawkEye 360 and BridgeSat, and \$0.9 million from issuance of share capital in Allied Minds from exercises of stock options in the first half of 2017.
- o Trade and other receivables increased by \$3.4 million mainly due to an increase in prepaid expenses as a result of advanced payments made by HE360 for the design and construction of the Pathfinder and similar payments made by BridgeSat towards the construction of their first ground station.
- o Inventories decreased by \$2.5 million mainly from write offs in the restructured companies.
- o Other investments, current decreased by \$6.6 million to \$7.6 million (FY16: \$14.2m) as those investments matured into cash equivalents.

Non-current liabilities increased by \$2.3 million, to \$3.0 million as of 30 June 2017 (FY16: \$0.7m) reflecting increases of \$1.6 million as a result of the borrowing by Spin Transfer Technologies and \$0.7 million in other reserves.

Current liabilities decreased by \$1.0 million, to \$154.4 million at 30 June 2017 (FY16: \$155.4m) mainly reflecting the decrease in trade and other payables by \$2.9 million. The decrease was offset in part by the increase of \$1.7 million in subsidiary preferred shares liability primarily as a result of the financing rounds at HawkEye 360 and BridgeSat. The current portion of loans increased by \$0.2 million.

Net equity decreased by \$54.6 million, to \$59.5 million at 30 June 2017 (FY16: \$114.1m) reflecting the net comprehensive loss for the period of \$58.3 million, offset by proceeds from the exercise of options in Allied Minds of \$0.9 million and a \$2.8 million charge due to equity-settled share based payments.

Condensed Consolidated Statement of Cash Flows

For the six months ended:

	30 June 2017 \$'000	30 June 2016 \$'000
Net cash outflow from operating activities	(52,993)	(48,601)
Net cash inflow from investing activities	8,773	22,622
Net cash inflow from financing activities	4,440	18,836
Net decrease in cash and cash equivalents	(39,780)	(7,143)
Cash and cash equivalents at beginning of period	209,151	105,555
Cash and cash equivalents at end of the period	169,371	98,412

The Group's net cash outflow from operating activities of \$53.0 million in the six months ended 30 June 2017 (HY16: \$48.6m) was primarily due to the net operating losses for the period of \$58.3 million (HY16: \$51.3m) and an increase in working capital and other finance costs of \$2.9 million (HY16: \$3.2m). The operating cash outflow was offset by adjustments for non-cash accounting entries such as depreciation, amortisation, and share-based expenses of \$8.2 million (HY16: \$6.0m).

The Group had a net cash inflow from investing activities of \$8.8 million in the six months ended 30 June 2017 (HY16: \$22.6m outflow). This inflow predominately reflected the maturity of fixed income securities totalling \$9.3 million, as compared to \$25.0 million during the same period last year. Purchases of property and equipment totalled \$0.5 million (HY16: \$2.1m), which were higher in the first half of 2016 as a result of the move of our corporate offices in May of 2016 and higher capital equipment purchases made by Spin Transfer Technologies during the same period last year.

The Group's net cash inflow from financing activities of \$4.4 million in the six months ended 30 June 2017 (HY16: \$18.8m) reflects in part the net proceeds of \$1.6 million from the financing rounds at HawkEye 360 and BridgeSat in the first half of 2017. Net proceeds from financing rounds in same period last year totalled \$18.7 million as a result of the subsidiary financing events at Federated Wireless, ABL Capital and HawkEye 360. Additionally, cash inflows from financing activities in the period included \$2.0 million from borrowing on the new line of credit at Spin Transfer Technologies, offset by the final repayment of the CryoXtract note of \$0.1 million. To these inflows also contributed \$0.9 million proceeds from exercises of stock options and issuance of share capital at Allied Minds.

Total cash and deposits, including the investments in fixed income securities, in total reflecting the available funds to the Group for future investments decreased to \$177.0 million at 30 June 2017 from \$226.1 million at 31 December 2016. Cash and deposits held at the parent level were \$113.3 million at 30 June 2017 down from \$136.7 million at 31 December 2016.

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

Condensed Consolidated Statement of Comprehensive Loss

For the six months ended:

	Note	30 June 2017 \$'000	30 June 2016 \$'000
Revenue		1,977	1,286
Operating expenses:			

Cost of revenue		(3,703)	(1,255)
Selling, general and administrative expenses		(31,205)	(25,831)
Research and development expenses		(25,296)	(25,542)
Operating loss		<u>(58,227)</u>	<u>(51,342)</u>
Finance income		213	1,460
Finance cost		(13)	(520)
Finance cost from IAS 39 fair value accounting		(177)	(1,812)
Finance income/(cost), net		<u>23</u>	<u>(872)</u>
Loss before tax		<u>(58,204)</u>	<u>(52,214)</u>
Taxation		–	–
Loss for the period	2	<u>(58,204)</u>	<u>(52,214)</u>
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(103)	(169)
Other comprehensive loss, net of taxation		<u>(103)</u>	<u>(169)</u>
Total comprehensive loss		<u>(58,307)</u>	<u>(52,383)</u>
Loss attributable to:			
Equity holders of the parent		(44,645)	(41,154)
Non-controlling interests	6	<u>(13,559)</u>	<u>(11,060)</u>
		<u>(58,204)</u>	<u>(52,214)</u>
Total comprehensive loss attributable to:			
Equity holders of the parent		(44,748)	(41,323)
Non-controlling interests		<u>(13,559)</u>	<u>(11,060)</u>
		<u>(58,307)</u>	<u>(52,383)</u>
Loss per share			
		\$	\$
Basic	3	<u>(0.19)</u>	<u>(0.19)</u>
Diluted	3	<u>(0.19)</u>	<u>(0.19)</u>

Condensed Consolidated Statement of Financial Position

As of the period ended:	Note	30 June 2017 \$'000	31 December 2016 \$'000
Non-current assets			
Property and equipment	4	28,910	31,882
Intangible assets	4	979	2,762
Other investments		–	2,668
Other financial assets		529	904
Other non-current assets		–	16
Total non-current assets		<u>30,418</u>	<u>38,232</u>
Current assets			
Cash and cash equivalents		169,371	209,151
Other investments		7,590	14,244
Inventories	4	21	2,551
Trade and other receivables		9,293	5,900
Other financial assets		257	161
Total current assets		<u>186,532</u>	<u>232,007</u>
Total assets		<u>216,950</u>	<u>270,239</u>
Equity			
Share capital		3,705	3,657
Share premium		157,998	157,067
Merger reserve		263,367	263,435
Translation reserve		89	192
Accumulated deficit		(332,303)	(289,437)
Equity attributable to owners of the Company	5	<u>92,856</u>	<u>134,914</u>
Non-controlling interests	6	<u>(33,313)</u>	<u>(20,797)</u>
Total equity		<u>59,543</u>	<u>114,117</u>
Non-current liabilities			
Loans		1,570	–
Other non-current liabilities		1,404	720
Total non-current liabilities		<u>2,974</u>	<u>720</u>
Current liabilities			
Trade and other payables		10,760	13,941
Deferred revenue		658	458
Loans		375	115
Subsidiary preferred shares	7	142,640	140,888
Total current liabilities		<u>154,433</u>	<u>155,402</u>
Total liabilities		<u>157,407</u>	<u>156,122</u>
Total equity and liabilities		<u>216,950</u>	<u>270,239</u>

Condensed Consolidated Statement of Changes in Equity

	Note	Share Capital				Translation reserve \$'000	Accumulated deficit \$'000	Total parent equity \$'000	Non-controlling interests \$'000	Total equity \$'000
		Shares	Amount \$'000	Share premium \$'000	Merger reserve \$'000					
Balance at 31 December 2015		215,637,363	3,429	155,867	185,544	(16)	(182,660)	162,164	(20,790)	141,374
Total comprehensive loss for the period										
Loss from continuing operations		—	—	—	—	—	(41,154)	(41,154)	(11,060)	(52,214)
Foreign currency translation		—	—	—	—	(169)	—	(169)	—	(169)
Total comprehensive loss for the period						(169)	(41,154)	(41,323)	(11,060)	(52,383)
New funds into non-controlling interest	6	—	—	—	—	—	—	—	1,725	1,725
Gain/(loss) arising from change in non-controlling interest	6	—	—	—	—	—	218	218	(218)	—
Exercise of stock options	4,5	100,000	2	247	—	—	—	249	—	249
Equity-settled share based payments	4	—	—	—	—	—	2,568	2,568	287	2,855
Balance at 30 June 2016		<u>215,737,363</u>	<u>3,431</u>	<u>156,114</u>	<u>185,544</u>	<u>(185)</u>	<u>(221,028)</u>	<u>123,876</u>	<u>(30,056)</u>	<u>93,820</u>
Balance at 31 December 2015		215,637,363	3,429	155,867	185,544	(16)	(192,819)	152,005	(10,631)	141,374
Total comprehensive loss for the period										
Loss from continuing operations		—	—	—	—	—	(96,333)	(96,333)	(32,609)	(128,942)
Foreign currency translation		—	—	—	—	208	—	208	—	208
Total comprehensive loss for the period						208	(96,333)	(96,125)	(32,609)	(128,734)
Issuance of ordinary shares	6	17,457,015	219	—	77,891	—	—	78,110	—	78,110
New funds into non-controlling interest	6	—	—	—	—	—	—	—	13,773	13,773
Gain/(loss) arising from change in non-controlling interest	6	—	—	—	—	—	(6,229)	(6,229)	6,229	—
Exercise of stock options	5,8	650,000	9	1,200	—	—	—	1,209	—	1,209
Equity-settled share based payments	8	—	—	—	—	—	5,944	5,944	2,441	8,385
Balance at 31 December 2016		<u>233,744,378</u>	<u>3,657</u>	<u>157,067</u>	<u>263,435</u>	<u>192</u>	<u>(289,437)</u>	<u>134,914</u>	<u>(20,797)</u>	<u>114,117</u>
Total comprehensive loss for the period										
Loss from continuing operations		—	—	—	—	—	(44,645)	(44,645)	(13,559)	(58,204)
Foreign currency translation		—	—	—	—	(103)	—	(103)	—	(103)
Total comprehensive loss for the period						(103)	(44,645)	(44,748)	(13,559)	(58,307)
Issuance of ordinary shares	6	3,292,645	42	—	(68)	—	—	(26)	—	(26)
Gain/(loss) arising from change in non-controlling interest	6	—	—	—	—	—	(84)	(84)	84	—
Exercise of stock options	5,8	501,866	6	931	—	—	—	937	—	937
Equity-settled share based payments	8	—	—	—	—	—	1,863	1,863	959	2,822
Balance at 30 June 2017		<u>237,538,889</u>	<u>3,705</u>	<u>157,998</u>	<u>263,367</u>	<u>89</u>	<u>(332,303)</u>	<u>92,856</u>	<u>(33,313)</u>	<u>59,543</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended:	Note	30 June 2017 \$'000	30 June 2016 \$'000
Cash flows from operating activities:			
Net operating loss		(58,227)	(51,342)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation		2,877	2,662
Amortisation		229	459
Impairment losses on property and equipment	4	625	—
Impairment losses on intangible assets	4	1,570	—
Share-based compensation expense	8	2,822	2,855
Changes in working capital:			
Decrease/(increase) in inventory		2,530	(1,436)
(Increase)/decrease in trade and other receivables		(3,393)	963
Decrease in other assets		295	—
Decrease in trade and other payables		(3,300)	(3,472)
Increase/(decrease) in other non-current liabilities		684	(121)
Increase in deferred revenue		200	60
Interest received		201	1,453
Interest paid		(3)	(516)
Other finance cost		(103)	(166)
Net cash used in operating activities		<u>(52,993)</u>	<u>(48,601)</u>
Cash flows from investing activities:			
Purchases of property and equipment, net of disposals		(531)	(2,144)
Purchases of intangible assets, net of disposals		(17)	(228)
Redemptions of other investments		9,321	24,994
Net cash provided by investing activities		<u>8,773</u>	<u>22,622</u>
Cash flows from financing activities:			
Proceeds from exercise of stock options		937	—
Borrowings of notes payable		2,000	—
Repayment of notes payable		(114)	(109)
Proceeds from issuance of share capital	5	42	249
Proceeds from issuance of share capital in subsidiaries	6	—	1,725
Proceeds from issuance of preferred shares in subsidiaries	7	1,575	16,971
Net cash provided by financing activities		<u>4,440</u>	<u>18,836</u>
Net decrease in cash and cash equivalents		(39,780)	(7,143)

Cash and cash equivalents at beginning of period	209,151	105,555
Cash and cash equivalents at end of period	169,371	98,412

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

a) Reporting entity

Allied Minds Group comprises of Allied Minds plc and its subsidiaries ("Allied Minds", the "Group" or the "Company"). The Company is publicly listed on the Main Market of the London Stock Exchange ("LSE"). Allied Minds plc is engaged in the development of various technologies for commercial applications. As of 30 June 2017, Allied Minds Group comprised of 21 active legal subsidiaries to which the Company provided funding, which included 12 active portfolio companies and 2 platform companies. The subsidiaries have entered into agreements with universities, scientists, and U.S. federal research institutions to develop and commercialise products. In exchange for licenses, time, and expertise already provided, certain universities and/or scientists received an equity ownership in the subsidiaries. The cash contributed by Allied Minds is used to fund additional research and to create a management structure and operations. In April 2017, management undertook a re-evaluation of the portfolio and strategic investment direction of the Group and the Board of Directors approved a restructuring plan that resulted in the discontinuance of funding for 7 of the group portfolio companies. Those companies included Biotectix, Cephalogics, CryoXtract, Novare Pharmaceuticals, Optio Labs, RF Biocidics, and SoundCure/Tinnitus Treatment Solutions. Additionally, Allied Minds dissolved ABL5 1 and Vatic Materials in the first half of 2017 to which funding had previously been provided.

b) Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial information included in the annual report and accounts as at and for the year ended 31 December 2016.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date when such control ceases. The financial information of the subsidiaries is prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Investments in associates are carried at cost less impairment unless it is demonstrated that the group exercises significant influence over the entity and then it is equity accounted.

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.

The financial information presented in these half-yearly results has been prepared under the historical cost convention. The reporting currency adopted by Allied Minds is U.S. dollar (\$) as this is the functional currency of the entities in the Group. In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information included in the Group annual report and accounts as at and for the year ended 31 December 2016.

The Company has prepared trading and cash flow forecasts for the Group covering the period to 31 December 2019. After making enquiries and considering the impact of risks and opportunities on expected cash flows, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing these half-yearly results.

The financial information contained in this half-yearly report does not constitute full statutory accounts as defined in section 434 of the Companies Act 2006. The condensed consolidated financial statements are neither audited nor reviewed and the results for the six months ended 30 June 2017 are not necessarily indicative of results for future operating periods.

Certain financial information has been extracted from the annual report and accounts as at and for the period ended 31 December 2016 and has been included for comparative purposes in this half-yearly report.

These interim financial statements are unaudited and were approved by the Board of Directors and authorised for issue on 17 August 2017 and are available on the Company's website at www.alliedminds.com under "Investors - Reports and Presentations".

c) Accounting policies

The accounting policies applied by the Group in these half-yearly results are the same as those which formed the basis of the 2016 Annual Report and Accounts. No new standards that have become effective in the period have had a material effect on the Group's financial statements.

2. Operating segments

a) Information about reportable segments

For management purposes, the Group's principal operations are currently organised in two reportable segments:

- i. Early stage companies - subsidiary businesses that are in the early stage of their lifecycle characterised by incubation, research and development activities; and
- ii. Commercial stage companies - subsidiary businesses that have substantially completed their research and development activities and that have developed one or more products that are actively marketed.

Due to their size and nature, Spin Transfer Technologies, Inc. (or "STT", an early stage company) and RF Biocidics, Inc. (or "RFB", a commercial stage company) are not aggregated and presented as two additional separate reportable segments. The Group's principal operations are therefore presented as four reportable segments being early stage company - STT, early stage companies - other, commercial stage company - RFB, and commercial stage companies - other. Other operations include the management function of the head office at the parent level of Allied Minds.

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

The following provides detailed information of the Group's reportable segments:

	30 June 2017					
	Early stage		Commercial ⁽¹⁾		Other	Consolidated
	STT	Other	RFB	Other	operations	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Statement of Comprehensive Loss						
Revenue	—	1,145	605	227	—	1,977
Cost of revenue	—	(472)	(2,661)	(570)	—	(3,703)
Selling, general and administrative expenses	(4,362)	(10,225)	(2,892)	(2,549)	(11,177)	(31,205)
Research and development expenses	(7,140)	(17,806)	(80)	(270)	—	(25,296)
Finance income/(cost), net	100	(261)	(1)	17	168	23
Loss for the year	(11,402)	(27,619)	(5,029)	(3,145)	(11,009)	(58,204)
Other comprehensive income	—	—	13	—	(116)	(103)
Total comprehensive loss	(11,402)	(27,619)	(5,016)	(3,145)	(11,125)	(58,307)
Total comprehensive loss attributable to:						
Equity holders of the parent	(6,360)	(21,973)	(2,929)	(2,361)	(11,125)	(44,748)
Non-controlling interests	(5,042)	(5,646)	(2,087)	(784)	—	(13,559)
Total comprehensive loss	(11,402)	(27,619)	(5,016)	(3,145)	(11,125)	(58,307)

	30 June 2016					
	Early stage		Commercial ⁽¹⁾		Other	Consolidated
	STT	Other	RFB	Other	operations	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Statement of Comprehensive Loss						
Revenue	—	303	169	814	—	1,286
Cost of revenue	—	(101)	(540)	(614)	—	(1,255)
Selling, general and administrative expenses	(3,863)	(8,473)	(2,957)	(2,718)	(7,820)	(25,831)
Research and development expenses	(6,917)	(17,854)	(112)	(659)	—	(25,542)
Finance income/(cost), net	(797)	(935)	—	(15)	875	(872)
Loss for the year	(11,577)	(27,060)	(3,440)	(3,192)	(6,945)	(52,214)
Other comprehensive income	—	—	(47)	—	(122)	(169)
Total comprehensive loss	(11,577)	(27,060)	(3,487)	(3,192)	(7,067)	(52,383)
Total comprehensive loss attributable to:						
Equity holders of the parent	(6,302)	(23,363)	(1,990)	(2,601)	(7,067)	(41,323)
Non-controlling interests	(5,275)	(3,697)	(1,497)	(591)	—	(11,060)
Total comprehensive loss	(11,577)	(27,060)	(3,487)	(3,192)	(7,067)	(52,383)

	30 June 2017					
	Early stage		Commercial ⁽¹⁾		Other	Consolidated
	STT	Other	RFB	Other	operations	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Statement of Financial Position						
Total assets	32,233	68,446	1,014	481	114,775	216,950
Total liabilities	(64,575)	(86,514)	(1,566)	(423)	(4,329)	(157,407)
Net assets	<u>(32,342)</u>	<u>(18,068)</u>	<u>(552)</u>	<u>58</u>	<u>110,446</u>	<u>59,543</u>

	31 December 2016					
	Early stage		Commercial ⁽¹⁾		Other	Consolidated
	STT	Other	RFB	Other	operations	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Statement of Financial Position						
Total assets	43,094	81,599	5,546	1,854	138,146	270,239
Total liabilities	(64,484)	(86,366)	(1,093)	(603)	(3,576)	(156,122)
Net assets	<u>(21,390)</u>	<u>(4,767)</u>	<u>4,453</u>	<u>1,251</u>	<u>134,570</u>	<u>114,117</u>

Note:

(1) Comprised entirely of discontinued companies included in the group restructuring plan announced in April 2017.

b) Portfolio valuation

At the close of each annual financial period, the Directors approve the total value of all subsidiary businesses in the Group, which is used to derive the 'Group Subsidiary Ownership Adjusted Value'. This Group Subsidiary Ownership Adjusted Value is a sum-of-the-parts ("SOTP") valuation of all the subsidiaries that make up the Group.

The Group Subsidiary Ownership Adjusted Value ("GSOAV") was estimated at \$415.8 million as at 30 June 2017, compared to \$416.2 million as last reported, of which \$371.6 million (or 89.4%) is attributed to the top six companies (\$358.1 million or 86.0% as last reported).

Ownership adjusted value represents Allied Minds' interest in the equity value of each subsidiary. Allied Minds commits post-seed funding to its subsidiaries in the form of loans. A DCF valuation is used for several of Allied Minds' subsidiaries. The DCF valuations are updated when the underlying assumptions for the valuations warrant a change. Generally, valuations are not increased unless warranted by or in anticipation of a financing transaction. Valuations are decreased in situations where the subsidiary is falling short of expected progress. Otherwise, the DCF valuations are kept constant. When available, financing transactions are used as the basis

for the subsidiary valuation. In limited instances other techniques such as based on asset values are utilised. Further details about the Group valuation methodology are disclosed in 2016 Annual Report and Accounts.

Set out below are the two principal methodologies applied to value each Group company to derive the Group Subsidiary Ownership Adjusted Value as of 30 June 2017:

Funding transaction ⁽¹⁾	Discounted cash flow ⁽²⁾
Allied Bristol Life Sciences, LLC	LuxCath, LLC
ABLS II, LLC	Percipient Networks, LLC
BridgeSat, Inc.	Seamless Devices, Inc.
Federated Wireless, Inc.	Whitewood Encryption Systems, Inc.
HawkEye 360, Inc.	
Precision Biopsy, Inc.	
SciFluor Life Sciences, Inc.	
Signature Medical, Inc.	
Spin Transfer Technologies, Inc.	
As per cent of GSOAV: 92.4% (FY16: 87.1%)	As per cent of GSOAV: 5.9% (FY16: 8.0%)

Notes:

(1) Funding transactions used as basis for the subsidiary valuations were consumed in the twelve months preceding this half-yearly report, except for Allied Bristol Life Sciences (2014), Spin Transfer Technologies (2014), and SciFluor (2015)

(2) Where DCF is used as basis for the subsidiary valuation the values were kept constant from prior year

In addition to the two principal valuation methodologies, the Directors have valued using alternative valuation methodologies Allied Minds Federal Innovations, Inc. ("AMFI") representing 1.7% of the Group Subsidiary Ownership Adjusted Value (FY16: 4.9%). AMFI was valued using an asset-based methodology that reflects the intellectual property to which it has access as at 30 June 2017 and 31 December 2016.

There can be no guarantee that the aforementioned valuation of the Group will be considered to be correct in light of the future performance of the various Group businesses, or that the Group would be able to realise proceeds in the amount of such valuations, or at all, in the event of a sale by it of any of its subsidiaries. Whilst the Board considers the methodologies and assumptions adopted in the valuation are supportable, reasonable and robust, because of the inherent uncertainty of valuations, 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.

In addition to the Group Subsidiary Ownership Adjusted Value, the Directors believe that Allied Minds' established partner network and significant pipeline of future opportunities to form and develop new subsidiary companies will enable it to create and realise further value for Shareholders. The Directors believe that Allied Minds has created significant brand value and name recognition providing access to new deal opportunities and potential partners for its subsidiaries, together with a suite of operational standards, processes and know-how that enable the Group to apply its business model and create shareholder value in a capital efficient manner.

3. Earnings per share

The calculation of basic and diluted earnings per share has been calculated by dividing the loss for the period attributable to ordinary shareholders of \$44.6 million (HY16: \$41.2m), by the weighted average number of ordinary shares outstanding of 234,425,464 (HY16: 215,646,704) during the six-month period ended 30 June 2017:

Loss attributable to ordinary shareholders:

For the six months ended:	30 June 2017		30 June 2016	
	Basic	Diluted	Basic	Diluted
	\$'000	\$'000	\$'000	\$'000
Loss for the year attributed to the owners of the Company	(44,645)	(44,645)	(41,154)	(41,154)
Loss for the year attributed to the ordinary shareholders	(44,645)	(44,645)	(41,154)	(41,154)

Weighted average number of ordinary shares:

For the six months ended:	30 June 2017		30 June 2016	
	Basic	Diluted	Basic	Diluted
	Issued ordinary shares on 1 January	233,744,378	233,744,378	215,637,363
Effect of share options exercised	277,271	277,271	–	–
Effect of share options exercised	403,815	403,815	9,341	9,341
Weighted average ordinary shares	234,425,464	234,425,464	215,646,704	215,646,704

Loss per share:

For the six months ended:	30 June 2017		30 June 2016	
	Basic	Diluted	Basic	Diluted
	\$	\$	\$	\$
Loss per share	(0.19)	(0.19)	(0.19)	(0.19)

The Group has only one class of potentially dilutive ordinary shares. These are contingently issuable shares arising under the UK Long Term Incentive Plan ("LTIP"). Based upon information available at the end of the reporting period, no portion of the awards under the LTIP has vested. Consequently, there are no potentially dilutive shares outstanding at the period end.

4. Group restructuring plan

In April 2017, concurrent with the departure of the former CEO, management undertook a re-evaluation of the portfolio and strategic investment direction of the Group. The Board of Directors approved a restructuring plan that resulted in the discontinuation of funding for several of the group subsidiary businesses. Those companies included Biotectix, Cephalogics, CryoXtract, Novare

Pharmaceuticals, Optio Labs, RF Biocidics, and SoundCure/Tinnitus Treatment Solutions. This decision allowed the Group to reallocate capital and management resources previously earmarked for these subsidiaries in the previously approved 2017 budgets to the portfolio and pipeline of the Group's most promising companies consistent with the goal to accelerate commercialisation of existing companies and invest in new opportunities where there is greater potential for value creation.

As a result of the restructuring, the Company recognised a net restructuring charge for the period \$8.4 million, of which \$4.7 million related to non-cash charges for impairment of assets and inventory write-offs.

The Company wrote off certain tangible and intangible assets at the companies included in the plan. The Group recorded an impairment charge on property and equipment of \$0.6 million (HY16: nil) and on intangible assets of \$1.6 million (HY16: nil) for the six months ended 30 June 2017. This charge accounts in part for the decrease in the balance of property and equipment to \$28.9 million (FY16: \$31.9m) and intangible assets to \$1.0 million (FY: \$2.8m) at 30 June 2017.

Inventory write-offs as a result of the restructuring plan accounted for \$2.5 million of the cost of sales for the period. These charges attributed in part to the increase in cost of sales to \$3.7 million (HY16: \$1.3m) and to the decrease in inventory balance to \$21 thousand (FY16: \$2.6m).

5. Share capital, share premium and reserves

As noted in note 8(b), various option holders in the U.S. Stock Plan exercised their options, resulting in additional share premium of \$0.9 million (HY16: \$0.2m). Movements below explain the movements in share capital:

As of the period ended:	30 June 2017 \$'000	31 December 2016 \$'000
Equity		
Share capital, £0.01 par value, issued and fully paid	3,705	3,657
237,538,889 and 233,744,378, respectively		
Share premium	157,998	157,067
Merger reserve	263,367	263,435
Translation reserve	89	192
Accumulated deficit	(332,303)	(289,437)
Equity attributable to owners of the Company	92,856	134,914
Non-controlling interests	(33,313)	(20,797)
Total equity	59,543	114,117

6. Non-controlling interests

The following summarises the changes in the non-controlling ownership interest in subsidiaries by reportable segment, calculated on the basis of percentage ownership of non-controlling interest in voting stock on an as converted basis, excluding liability classified preferred shares:

	Early stage		Commercial		Consolidated \$'000
	STT \$'000	Other \$'000	RFB \$'000	Other \$'000	
Non-controlling interest as of 31 December 2016	(15,074)	10,061	(9,114)	(6,670)	(20,797)
Share of comprehensive loss	(5,042)	(5,646)	(2,087)	(784)	(13,559)
Effect of change in Company's ownership interest	–	88	(4)	–	84
Equity-settled share based payments	441	517	–	1	959
Non-controlling interest as of 30 June 2017	(19,675)	5,020	(11,205)	(7,453)	(33,313)

7. Subsidiary preferred shares

Certain of the Group's subsidiaries have outstanding preferred shares which have been classified as a subsidiary preferred shares in current liabilities in accordance with IAS 39 as the subsidiaries have a contractual obligation to deliver cash or other assets to the holders under certain future liquidity event and/or a requirement to deliver an uncertain number of common shares upon conversion.

The following summarises the subsidiary preferred shares balance:

As of the period ended:	30 June 2017 \$'000	Finance cost from IAS 39 fair value accounting \$'000	Additions \$'000	31 December 2016 \$'000
Spin Transfer Technologies	61,299	(84)	–	61,383
SciFluor Life Sciences	32,565	184	–	32,381
Precision Biopsy	22,768	250	–	22,518
Federated Wireless	17,064	(278)	–	17,342
HawkEye 360	8,619	105	1,250	7,264
BridgeSat	325	–	325	–
Total subsidiary preferred shares	142,640	177	1,575	140,888

In January 2017, HawkEye 360 completed the second tranche of its financing round and successfully raised additional \$1.3 million in Series A-2 preferred stock from existing shareholders of the Group.

In May 2017, BridgeSat successfully completed a financing round and raised \$6.0 million in Series A preferred stock, of which Allied Minds participated with \$5.7 million for 4,422,193 shares of the preferred stock and the remainder was provided by a new strategic shareholder.

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 the period ended:	30 June 2017 \$'000	31 December 2016 \$'000
Spin Transfer Technologies	50,000	50,000
SciFluor Life Science	25,200	25,200
Precision Biopsy	22,000	22,000
Federated Wireless	17,000	17,000
HawkEye 360	8,500	7,250
BridgeSat	325	–
Subsidiary preferred shares	<u>123,025</u>	<u>121,450</u>

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:

Option Pricing Model Inputs

As of the period ended:	30 June 2017	31 December 2016
Volatility	28.8% - 68.3%	33.0% - 75.5%
Time to Liquidity (years)	1.60 - 5.54	2.06 - 3.76
Risk-Free Rate	1.29% - 1.82%	1.22% - 1.70%
DLOM	20.0% - 27.5%	20.0% - 27.5%

The change in fair value of the subsidiary preferred shares is recorded in Finance cost from IAS 39 fair value accounting in the consolidated statement of comprehensive loss.

8. Share-based payments

The share-based payments expense for the period was \$2.8 million (HY16: \$2.9m) comprising of charges related to the LTIP and the other subsidiary plans. The primary changes affecting the half year period were related to the following:

a) UK Long Term Incentive Plan

On 19 June 2014, Allied Minds plc established the UK Long Term Incentive Plan (LTIP). Under the LTIP, awards over ordinary shares may be made to employees, officers and Directors of, 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, with the intent that awards will normally vest only after a minimum period of three years from the date of grant. Awards were made under the LTIP upon the Company's admission to the LSE at the IPO. Vesting is subject to the achievement of performance conditions and continued services of the participant. In respect of these initial awards made to employees at the IPO, vesting is dependent upon performance metrics as follows:

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

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

Subsequently, in the first half of 2015, annual awards were made to employees under the LTIP that vest 100 per cent after the three year measurements period subject to both the TSR and SVM performance conditions. In the first half of 2016, annual awards were made to employees of the Group under the LTIP that vest 100 per cent after the three year measurements period subject to the TSR performance conditions only.

In the first half of 2017, annual awards were made to employees of the Group under the LTIP that vest 100 per cent after the three year measurements period subject to the TSR performance conditions and awards that vest 100 per cent after the three year measurements subject to time-based vesting only. The Company also issued retention grants to key personnel that vest annually in three equal tranches subject to time-based vesting only. The new hire grant to Jill Smith upon joining as the CEO of the Company in March 2017 vests 100 per cent after the three year measurements period subject to SVM performance conditions.

A summary of stock option activity under the UK LTIP for the six months ended 30 June 2017 and 2016, respectively, is shown below:

For the six months ended:	30 June 2017		30 June 2016	
	TSR	SVM	TSR	SVM
Number of shares granted at maximum ('000)	2,456	4,259	1,443	56
Weighted average fair value per share (£)	0.87 - 0.89	1.44	2.19	3.37
Fair value measurement basis	Monte Carlo	Market Value	Monte Carlo	Market Value

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

The accounting charge does not necessarily represent the intended value of share-based payments made to recipients, which are determined by the Remuneration Committee according to established criteria. The share-based payment charge for the period related to the UK LTIP was \$1.9 million (HY16: \$1.6m).

During the six months period ended 30 June 2017, 3,292,645 units vested under the LTIP and the equivalent number of common stock shares were issued to current and former employees and directors of the Group in exchange for a settlement price of £0.01 per

share.

b) U.S. Stock Option/Stock Issuance Plan

The U.S. Stock Option/Stock Issuance Plan ("U.S. Stock Plan") was originally adopted by Allied Minds, Inc. 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. 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.

A summary of stock option activity in the U.S. Stock Plan for the six months ended 30 June 2017 and 2016, respectively, is presented in the following table:

For the six months ended:	30 June 2017		30 June 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as of 1 January	8,554,712	\$2.12	9,204,712	\$2.10
Granted during the period	–	–	–	–
Exercised during the period	(501,866)	\$1.85	(100,000)	\$2.49
Forfeited during the period	–	–	–	–
Outstanding as of period end	<u>8,052,846</u>	<u>\$2.14</u>	<u>9,104,712</u>	<u>\$2.10</u>
Exercisable at period end	8,052,846	\$2.14	9,104,712	\$2.10
Intrinsic value of exercisable	\$1.9 million		\$25.6 million	

As of 19 June 2014, the maximum number of options reserved under the plan were issued and outstanding and fully vested. The Company does not intend to make any further grants under the U.S. Stock Plan. Accordingly, there were no new grants under the U.S. Stock Plan for the six months ended 30 June 2017 and 2016.

For the six months ended 30 June 2017, former employees exercised options to purchase 501,866 shares (HY16: 100,000) of the Company stock, resulting in \$0.9 million (HY16: \$0.2m) additional share premium for the period.

9. Related party transactions

a) Key management personnel compensation

For the six months ended:	30 June 2017 \$'000	30 June 2016 \$'000
Short-term employee benefits	1,602	915
Share-based payments	7,383	2,073
Total	<u>8,985</u>	<u>2,988</u>

Compensation of the Group's key management personnel includes salaries, health care and other non-cash benefits. Share-based payments are subject to vesting terms over future periods.

b) Key management personnel transactions

For the six months ended:	30 June 2017 \$'000	30 June 2016 \$'000
Non-executive Directors' fees	224	245
Non-executive Directors' share-based payments	275	275
Total	<u>499</u>	<u>520</u>

Executive management and Directors of the Company control 0.3% (FY16: 2.1%) of the voting shares of the Company as of 30 June 2017.

10. Subsequent events

The Company has evaluated subsequent events through 17 August 2017, which is the date the Condensed Consolidated Interim Financial Statements are available to be issued.

Signature Medical

In July 2017, Signature Medical secured an investment of \$2.5 million, in exchange for 13,241,526 preferred shares of the company, of which Allied Minds provided \$2.0 million and the balance was provided by Riot Ventures and Bose Corporation. The funds will provide the required resources to accelerate the development and commercialisation of the AcoustiCare system.

As a result of the transaction, the ownership interest of Allied Minds in Signature Medical changed to 88.09%. The Company continues to exercise effective control over Signature Medical and as such will continue to be fully consolidated in the group's financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm to the best of their knowledge that:

- a) the Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the FCA's Disclosure Guidance and Transparency Rules (4.2.4R); and
- b) the Interim Management Report includes a fair review of the information required by the FCA's Disclosure Guidance and Transparency Rules (4.2.7R and 4.2.8R).

The Directors of Allied Minds plc and their functions are listed below.

By order of the Board

Peter Dolan,
Non-Executive Chairman

Jill Smith,
President & Chief Executive Officer

17 August 2017

COMPANY INFORMATION

Company Registration Number
08998697

Registered Office
40 Dukes Place
London EC3A 7NH

Website
www.alliedminds.com

Board of Directors
Peter Dolan (*Non-Executive Chairman*)
Jill Smith (*President & Chief Executive Officer*)
Rick Davis (*Senior Independent Director*)
Jeffrey Rohr (*Independent Non-Executive Director*)
Kevin Sharer (*Independent Non-Executive Director*)

Company Secretary
Michael Turner

This information is provided by RNS
The company news service from the London Stock Exchange

END

IR GGUUPRUPMGRQ