



ALLIED MINDS™

Half-Yearly Report 2014

TRANSFORMING U.S. INVENTION INTO INNOVATION

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ALLIED MINDS plc Half-Yearly Report 2014¹

-  Successful initial public offering (“IPO”), and admission to the premium listing segment of the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange (“LSE”), with gross proceeds of \$156 million (which includes over-allotment option closed post-period-end) to fuel growth of our 20 existing businesses and further company expansion, increasing from 18 to 20 businesses following the IPO
-  Continued strong progress in funding, research and development across a number of subsidiaries
-  Added five new partners to our extensive network of 33 U.S. universities and 32 U.S. Federal government laboratories to expand our potential new deal pipeline
-  Hired additional key senior leadership, including the first General Counsel of the Group, the former outside counsel who led the U.S. legal preparation of our IPO, and a new CEO at our ProGDerm subsidiary, a seasoned executive with more than 30 years’ experience in healthcare and biologics
-  Post-period-end, Allied Minds created two new businesses: (i) Allied-Bristol Life Sciences, LLC, in collaboration with Bristol-Myers Squibb and (ii) Whitewood Encryption Systems, Inc.; and achieved a significant technical milestone in our subsidiary Spin Transfer Technologies

“The successful completion of the IPO marks the beginning of an exciting new phase of growth and opportunity for Allied Minds and our diversified portfolio of 20 businesses. We are pleased with the positive response that we received from investors to the IPO, and look forward to enhancing and accelerating our efforts to commercialise the innovative science and technologies from our extensive network of partners at U.S. universities and government research institutions.”

– Chris Silva, CEO

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

Disclaimer: This Half-yearly Report may contain forward-looking statements. These statements reflect the Board’s current view, are subject to a number of material known and unknown risks and uncertainties, and could change in the future. Factors that could cause or contribute to such changes include, but are not limited to, general economic climate and trading conditions, as well as specific factors relating to the financial or commercial prospects or performance of the Group’s individual subsidiary companies, and the ability to identify promising new technologies invented by university or Federal laboratory partners.

Highlights

Period Highlights

- ✎ SiEnergy Systems (micro Solid Oxide Fuel Cell) is one of a small, select group of companies that was chosen in June 2014 to receive an award from the highly competitive \$33.0 million Reliable Electricity Based on Electrochemical Systems (“REBELS”) program from the U.S. government’s Advanced Research Projects Agency-Energy (“ARPA-E”). The award is for an aggregate of \$2.65 million over three years to further innovate and develop its unique hybrid electrochemical system that performs as both fuel cell and battery. ARPA-E is an agency within the U.S. Department of Energy that invests in disruptive energy technologies (www.arpa-e.energy.gov).
- ✎ Percipient Networks (cybersecurity) was formed as a new Allied Minds’ subsidiary in January 2014. Percipient’s cornerstone technology is called STRONGARM, developed by The MITRE Corporation, an Allied Minds partner operating six federally funded research and development centres with over \$1 billion in annual budget. STRONGARM delivers an automated and intelligent approach to cybersecurity incident response.
- ✎ Optio Labs (mobile security) successfully raised \$10 million in March 2014 from Allied Minds and two institutional investors.
- ✎ Allied Minds invested a further \$5.0 million in Federated Wireless (spectrum sharing) in May 2014.
- ✎ In March 2014, RF Biocidics acquired a minority interest of 28.5 per cent. in Stalam SpA (“Stalam”) in Italy, a manufacturer of radio frequency equipment, for \$1.5 million.

Post-period-end Highlights

- ✍ In August 2014, Allied Minds and Bristol-Myers Squibb Company (“BMY”) formed Allied-Bristol Life Sciences, LLC (“Allied-Bristol LLC”) to identify and foster research and pre-clinical development of biopharmaceutical innovations. Allied Minds and BMY have jointly funded (with \$10.0 million of initial capital, including \$8.0 million from Allied Minds) Allied-Bristol LLC, which will work through its university network to identify and acquire the rights to discoveries it believes have promising therapeutic and commercial potential, and will support the research and development needed to take these early-stage opportunities from initial feasibility to pre-clinical candidacy. Allied-Bristol LLC expects to incubate up to 10 companies with the initial funding.
- ✍ In August 2014, Whitewood Encryption Systems, Inc. commenced operations to produce next-generation systems of data encryption that leverage advanced quantum cryptography technologies uniquely capable of meeting intensifying market demand for secure, computationally efficient, and low-latency encryption. The subsidiary will be funded by Allied Minds’ cyber security platform company, Foreland Technologies, with an initial \$0.6 million seed round.
- ✍ In July 2014, Spin Transfer Technologies, Inc., a leading developer of breakthrough orthogonal spin transfer magneto-resistive random access memory technology (OST-MRAM™), completed its first phase of integration of magnetic and CMOS wafer technology. This is an important milestone to demonstrate the technology’s capability to integrate with existing fabrication processes standard in the industry.

HY14 Financial Highlights

- ✍ Net cash and cash equivalents at 30 June 2014: \$228.5m (FY13:\$104.6m)
- ✍ Revenue: \$2.9m (HY13: \$0.7m)
- ✍ Net loss: \$27.2m (HY13: \$17.6m), of which \$21.9m attributable to Allied Minds (HY13: \$13.6m)

Interim Management Report

Summary

Allied Minds is an innovative U.S.-focused science and technology development and commercialisation company. Allied Minds' strategy is to build a significant and diversified group of businesses and achieve strong growth over the medium to long term through the maturation of its products through the commercialisation cycle. Allied Minds' business model centralises the support functions at Group level, thereby enabling its businesses to focus efforts primarily on research and development activity whilst achieving operational and financial efficiency.

On 25 June 2014, Allied Minds plc was admitted to the premium listing segment of the Official List of the UK Listing Authority and began trading on the LSE's Main Market for listed securities under the ticker "ALM". The Directors believe that the IPO will: provide diversification of funding sources to support the Group's long-term growth; enhance the Group's public profile and status with existing and potential partners; create a significantly more liquid market in the Ordinary Shares; assist in the incentivisation and retention of key management and employees; and provide investors with an opportunity to gain exposure to early stage U.S. university and U.S. Federal government intellectual property commercialisation.

The Board is encouraged by the performance of Allied Minds' business since the beginning of 2014.

Many of Allied Minds' existing businesses continue to exhibit positive momentum. Allied Minds has received numerous expressions of interest in products, as well as interest from third parties seeking to partner with, or invest in, certain of the Group's subsidiaries. In March 2014, Optio Labs welcomed third-party investors as part of a \$10.0 million post-seed financing round. RF Biocidics has recorded approximately \$2.1 million in revenues in aggregate, and received additional orders totalling \$4.1 million, whilst also executing partnership agreements targeting specific markets in South America and the Middle East. Customer evaluations are on-going at a number of the Group's subsidiaries, including Percipient Networks and Biotectix.

A number of Allied Minds' businesses have continued to make strong progress in their research and product development programmes. Spin Transfer Technologies, Inc. ("STT") has recently accelerated integration of its proprietary OST- MRAM technology with CMOS, a critical requirement for any end product. In addition, Cephalogics, a developer of bedside neuroimaging systems, has achieved a significant technical milestone with its algorithm development in terms of managing signal to noise.

Interim Management Report *(continued)*

Subsequent to the half-year period end, the Company completed some significant milestones in the development of its portfolio, including a collaboration with Bristol-Myers Squibb to discover and develop biopharmaceutical innovations that aims to incubate approximately 10 subsidiaries over the next several years, as well as the launch of a new subsidiary – Whitewood Encryption Systems, Inc.

Enquiries from laboratory research institutions to license their technologies to Allied Minds remain high, as demonstrated by the recent addition of two new federal laboratories that joined Allied Minds' partner network, Los Alamos National Laboratory and Oak Ridge National Laboratory. The Company receives regular requests from institutions to join the Allied Minds network to promote their technologies for licensing.

The Directors continue to be very encouraged by these and other advancements across the Group, in particular the increasingly positive engagement with potential industrial and financial partners to fund and/or develop existing or new technologies.

Portfolio Review

Overview

During the first half of 2014, the Group deployed \$22.9 million of capital into the Company's businesses. Allied Minds currently has majority ownership in all of its subsidiary investments and continues to invest in and support its most promising companies. Below we provide an overview of existing subsidiary companies, the current partner network, highlights for new company formation, key financings completed and other updates as appropriate.

Subsidiary Businesses of Allied Minds

Subsidiary	Location	Ownership Interest	Year Formed	Overview
Life Sciences				
Allied Minds Devices, LLC	Boston, MA	100.00%	2011	Sets out to develop transformative technologies into potentially commercially viable medical device products
Biotectix, LLC	Ann Arbor, MI	64.35%	2007	Aiming to enable the next generation of implantable electrostimulation and sensing products through the development of proprietary, high-performance, conducting polymer coatings
Cephalogics, LLC	Cambridge, MA	95.00%	2006	Developing a non-invasive, bedside neuroimaging system, which seeks to improve monitoring of patients with neurological injury

Interim Management Report *(continued)*

Subsidiary	Location	Ownership Interest	Year Formed	Overview
Life Sciences <i>(continued)</i>				
CryoXtract Instruments, LLC	Woburn, MA	93.24%	2008	A suite of automated product solutions that seeks to allow the global scientific community to access valuable frozen biosamples without exposing them to damaging freeze/thaw cycles
LuxCath, LLC	Boston, MA	98.00%	2012	A catheter-based real-time tissue and lesion visualisation technology for potential use during cardiac ablation procedures initially focused on atrial fibrillation ablation
Precision Biopsy, LLC	Aurora, CO	80.35%	2008	A medical device platform utilising tissue spectroscopy, which seeks to distinguish tissue characteristics in real-time and seeks to guide clinicians toward areas of disease for optimum therapy initially focused on prostate cancer
ProGDerm, Inc.	Boston, MA	90.38%	2008	A biologic that aims to represent a natural approach to generate subcutaneous fat to enhance the appearance of skin using the body's own processes
SciFluor Life Sciences, LLC	Cambridge, MA	79.00%	2010	Developing a portfolio of proprietary compounds by harnessing the transformational power of fluorine with a view to optimising drug discovery and accelerating the clinical development of innovative new therapeutics
SoundCure, Inc.	San Jose, CA	84.62%	2009	Developed an FDA-cleared consumer medical device for tinnitus therapy offering customised acoustic technology
Physical Sciences				
Allied Minds Federal Innovations, Inc.	Boston, MA	100.00%	2012	Through a series of public-private partnerships (PPPs) with the U.S. federal government, aims to develop and commercialise the next generation of transformative technologies from U.S. federal research institutions
Broadcast Routing Fountains, LLC	Boston, MA	100.00%	2012	A novel internet architecture that seeks to efficiently and securely leverage broadcast channels for disseminating routing information

Interim Management Report *(continued)*

Subsidiary	Location	Ownership Interest	Year Formed	Overview
Physical Sciences <i>(continued)</i>				
Federated Wireless, Inc.	Boston, MA	90.88%	2012	Focused on enabling technologies for the next-generation of wireless communications by seeking to improve supply, demand, and delivery of spectrum for future cellular communications
Foreland Technologies, Inc.	Boston, MA	100.00%	2013	A cyber security platform company which aims to discover, incubate and commercialise emerging technologies
Optio Labs, Inc.	Boston, MA	81.62%	2012	Developer of mobile security technologies for the evolving cyber operating environment
Percipient Networks, LLC	Boston, MA	100.00%	2014	Developing next-generation security technologies for enterprise network defence
RF Biocidics, Inc.	Vacaville, CA	67.14%	2008	Developer of equipment that seeks to disinfect food from insects and pathogens through a process that does not use chemicals
SiEnergy Systems, LLC	Cambridge, MA	100.00%	2007	Developing thin film low temperature solid oxide fuel cells that seek to bring efficient, and affordable clean energy systems for broad application
Spin Transfer Technologies, Inc.	Fremont, CA	56.13%	2007	MRAM computer memory that is being developed with the aspiration of becoming a leading universal memory technology in the \$60 billion per annum worldwide computer memory market

Subsidiary	Location	Ownership Interest	Year Formed	Overview
Post-Period-End				
Allied-Bristol Life Sciences, LLC	Boston, MA	80.00%	2014	Created with Bristol-Myers Squibb Company to identify and foster research and pre-clinical development of biopharmaceutical innovations, and convert discoveries from university research institutions into therapeutic candidates for clinical development
Whitewood Encryption Systems, Inc.	Boston, MA	100.00%	2014	Develop the next-generation systems of data encryption that leverage advanced quantum cryptography technologies uniquely capable of meeting intensifying market demand for secure, computationally efficient, and low-latency encryption

Interim Management Report *(continued)*

Partner Network of Allied Minds

UNIVERSITY PARTNERS (East)

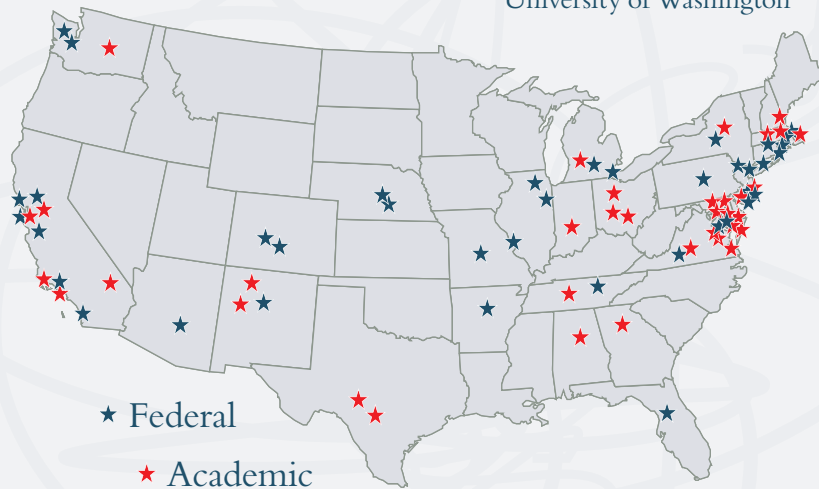
Boston University
Brown
Columbia
Cornell
U. of Florida
George Washington U
Harvard U.
NYU
Penn State
Tufts
UMass Lowell
Virginia Tech
Worcester Polytechnic Institute
Yale

UNIVERSITY PARTNERS (Central)

U. of Arkansas for Medical Science
U. of Michigan
U. of Missouri
U. of Nebraska Lincoln
U. of Nebraska Medical Center
Vanderbilt
Washington U. St. Louis
Wayne State

UNIVERSITY PARTNERS (West)

Arizona State
Colorado State
UC Berkeley
UC Davis
UC Irvine
UCLA
UC San Diego
UC San Francisco
University of New Mexico
University of Colorado
University of Washington



DEPT OF DEFENSE

Aerospace Corporation
AFRL Armament Lab
AFRL Avionics Lab
AFRL Electronics Lab
AFRL Flight Dynamics Lab
AFRL Information Directorate
AFRL Material Lab
AFRL Propulsion Lab
AMRDEC
ARDEC
Army Research Lab
CERDEC
ECBC
GTRI
Natick Soldier Labs
Naval Air Weapons Station
– China Lake
Naval Air Weapons Station
– Point Mugu
Naval Surface Warfare Center
– Crane
RDECOM
TARDEC

DEPT OF ENERGY

Lawrence Berkeley
National Lab
Lawrence Livermore
National Lab
Sandia National Lab
Oak Ridge National
Laboratory
Pacific Northwest
National Laboratory
Los Alamos
National Laboratory

KEY FEDERAL R&D ORGANISATIONS

MITRE - National Security
Engineering Center
MITRE - Center for Advanced
Aviation System Development
MITRE - Center for Enterprise
Modernization
MITRE - Homeland Security Systems
Eng. & Dev.
MITRE - Judiciary Engineering and
Modernization Center
MITRE - CMS Alliance to
Modernize Healthcare

Interim Management Report *(continued)*

Current Period Notable Developments

The following is a list of notable developments during the period:

SiEnergy Systems, LLC

SiEnergy Systems is developing and commercialising low temperature thin film solid oxide fuel cell (“SOFC”) technology from Harvard University, targeting the mobile and small power generation markets in order to reduce fuel cell cost and allow fast start-up and load following capability. In June 2014, the company was selected for \$2.65 million in funding from Advanced Research Projects Agency-Energy (“ARPA-E”). SiEnergy’s technology is one of only 13 projects funded by ARPA-E through the \$33.0 million Reliable Electricity Based on Electrochemical Systems (“REBELS”) program.

The funds will be deployed to extend the company’s technology to create the capability to switch between operating as a fuel cell to operating as a battery, depending on the dynamics of the electrical load. In fuel cell mode, the system will create electricity directly from hydrocarbon fuels and store a small amount of excess electrical energy. In battery mode, the system will draw on the stored energy to provide fast response to changes in power demand. Additionally, the technology will operate at relatively low target temperatures of 300-500°C, which makes the system much more durable than existing high-temperature fuel cells. SiEnergy is partnering with Harvard University on this project.

Percipient Networks, LLC

Percipient Networks was formed in January 2014 following incubation at Allied Minds cyber security platform company Foreland Technologies, to develop cyber security technology in the emerging field of Specialized Threat Analysis and Protection (“STAP”). Traditional IT security tools, including anti-virus, intrusion prevention systems, email/web gateways and firewalls, have often failed to protect enterprises from targeted attacks in today’s rapidly evolving cyber environment. Rather, new security advancements are necessary to augment existing passive defensive systems to increase network resiliency, anticipate network vulnerabilities, adversary intentions, and provide the network defender with more advanced capabilities, concurrently decreasing the cost to defenders while increasing the burden to attackers.

Percipient’s first product family is STRONGARM, an innovative technology co-developed with the U.S. Air Force that originated from The MITRE Corporation, an Allied Minds partner operating six federally funded research and development centres with over \$1 billion in annual budget. STRONGARM provides an automated and intelligent approach to incident response for precise malware identification and remediation on proprietary networks, greatly decreasing the time that malware is resident on a defender’s network and correspondingly minimising the damage inflicted by advanced threat malware.

Interim Management Report *(continued)*

Optio Labs, Inc.

Optio Labs creates, develops and sells transformational security and productivity software products for the mobile enterprise and the embedded systems environment. In March 2014, the company raised a \$10 million post-seed round of investment from Allied Minds and two institutional investors. The company plans to use the funds to expand engineering capacity, increase sales and marketing efforts, and accelerate the development of additional solutions for commercial and embedded systems markets. The company's products address key gaps in the security of the Android operating system ("OS").

Federated Wireless, Inc.

Federated Wireless, which is developing technologies to maximise the utilisation of wireless spectrum resources, raised \$5.0 million in May 2014 in a post-seed

funding round provided by Allied Minds. Federated Wireless is building a proprietary Spectrum Access System ("SAS") that leverages advanced cognitive radio techniques to provide secure, dynamic and highly efficient sharing of spectrum resources. The company's innovations aim to address a growing deficiency in available spectrum resources, made scarce by an explosion in use of wireless communications. The company has been an active participant in the on-going rulemaking process managed by the U.S. Federal Communications Commission and has partnered with Google and Virginia Tech for a technical demonstration of the company's interference management capabilities that will enable the potential elimination of government Long Term Evolution ("LTE") exclusion zones that result from concentrations of military radar systems along the U.S. coastlines.

Post-period-end Notable Developments

The following is a list of important developments which have occurred since the period-end:

Allied-Bristol Life Sciences, LLC

In August 2014, Allied Minds and Bristol-Myers Squibb Company ("BMY") formed Allied-Bristol Life Sciences, LLC ("Allied-Bristol LLC"), a new jointly owned enterprise created to identify and foster research and pre-clinical development of biopharmaceutical innovations from leading university research institutions across the U.S. Under the terms of the agreement, Allied Minds and BMY have jointly formed

and funded (with \$10.0 million of initial capital, including \$8.0 million from Allied Minds) Allied-Bristol LLC, which will work with university researchers to identify discoveries it believes have promising therapeutic and commercial potential, and will support the research and development needed to take these early-stage opportunities from initial feasibility to pre-clinical candidacy.

Interim Management Report *(continued)*

Allied-Bristol LLC will form and fund new companies to conduct feasibility studies (up to 10 new companies with the initial capital) and where appropriate, full-phase discovery programs (with additional capital from Allied-Bristol LLC or third party designees). Once a program succeeds in identifying a pre-clinical candidate based upon pre-agreed technical milestones, BMY will have the option to acquire the company from Allied-Bristol LLC under pre-agreed terms, which include an up-front payment and contingent milestones payments based upon multiples of employed capital, and additional royalties for commercialised products.

In addition to funding, BMY is contributing executive leadership, drug discovery research expertise and resources to support discovery projects. Allied Minds is activating its extensive network of 33 university partners to create a strong pipeline of potential candidates for consideration. Also, Allied Minds will employ its unique incubation model and shared services support of the enterprise and its spinout companies to develop new discoveries quickly and in a capital efficient manner.

Whitewood Encryption Systems, Inc.

Whitewood Encryption commenced operations in August 2014 following incubation at Foreland Technologies, Allied Minds' cyber security platform company, to produce next generation systems of data encryption that leverage advanced quantum cryptography technologies originating from Los Alamos National Lab ("LANL"). In current network infrastructures, the increasing mass quantity and speed requirements of data being transferred is considered to be presently at odds with the market demand for more ubiquitous encryption to protect consumers and business from malicious, costly attacks and data leakages. While businesses have expressed a greater need for encryption of data both at rest and in transit, the performance of current encryption technologies may not scale linearly to address this need; rather, as encryption algorithms become more complex given improving adversarial capabilities, the encryption keys necessary to support the encryptor become increasingly longer and more prolific. As a result, scaling current software and hardware encryption systems may have a significant impact on network latency and computational intensity, making the widespread adoption of improved data encryption costly and discouraging.

Interim Management Report *(continued)*

Funded by Foreland Technologies with an initial \$0.6 million seed round, Whitewood Encryption Systems aims to produce novel, market-leading fast and secure methods of encryption to address evolving market needs based on recent innovations in quantum key management and quantum random number generation from LANL where the technologies have been developed and incubated over the past several years with U.S. government R&D funding. The initial envisioned product is a quantum hardware security module to encrypt data at rest and in motion within data centers, a network architecture well-suited for quantum key management. The product will take advantage of the secured quantum transmission, unprecedented generation of truly random, high throughput keys, and unique hub-and-spoke architecture to provide enhanced security, lower latency, and improved scalability over other systems of data encryption.

Outlook

While the risks inherent in early-stage businesses are challenges facing the Group and its subsidiary businesses, the Board remains confident that there are significant opportunities to form, fund, manage and build companies to undertake research and product development and commercialise scientific research and innovations emerging from U.S. universities

Spin Transfer Technologies, Inc.

In July 2014, Spin Transfer Technologies, a leading developer of breakthrough orthogonal spin transfer magneto-resistive random access memory technology (OST-MRAM™), completed its first phase of integration of magnetic and CMOS wafer technology. This is an important step to demonstrate the technology's capability to integrate with existing fabrication processes standard in the industry. OST-MRAM's unique combination of fast write speed, low power, and virtually unlimited endurance is expected to enable it to address a wide range of applications in the standalone and embedded memory markets which collectively had a combined estimated value of greater than \$60 billion per annum worldwide in 2013.

and U.S. federal research institutions and laboratories. The favourable long-term macro environment, coupled with the Group's available capital, access to diversified intellectual property assets, and portfolio of maturing subsidiary companies, gives the directors confidence that the Group remains well placed to achieve its objectives.

Interim Management Report *(continued)*

Financial Review

Condensed Consolidated Statement of Comprehensive Loss

For the six months ended:	30 June 2014 (unaudited) \$'000	30 June 2013 (unaudited) \$'000
Revenue	2,910	692
Operating expenses:		
Cost of revenue	(1,940)	(384)
Selling, general and administrative expenses	(18,446)	(10,761)
Research and development expenses	(9,697)	(7,087)
Operating loss	(27,173)	(17,540)
Finance income/(cost), net	(11)	(104)
Loss before tax	(27,184)	(17,644)
Income taxes	–	–
Loss for the period	(27,184)	(17,644)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(4)	(16)
Other comprehensive loss, net of tax	(4)	(16)
Total comprehensive loss	(27,188)	(17,660)

Revenue increased by \$2.2 million, to \$2.9 million for the six months ended 30 June 2014 (HY13: \$0.7m). This increase is mainly attributable to the product revenue at RF Biocidics, as well as the increasing sales at CryoXtract of its CXT750 and CXT350 systems when compared to the same period last year. The remaining increase was due to non-recurring revenue in the early stage companies segment in the amount of approximately \$0.3 million in the first half of 2014 (HY13: \$0.2m). Selling, general and administrative (“SG&A”) expenses increased by \$7.7 million, to \$18.4 million for the six months ended 30 June 2014 (HY13: \$10.8m), of which \$10.6 million relates to personnel expenses (HY13: \$6.0m), \$2.6 million to professional services (HY13: \$0.6m) and \$5.2 million to other costs (HY13: \$4.1m). The increase is attributed to share-based payments increase of \$3.8 million, the overall growth of the group and the cost associated with the IPO of Allied Minds in June 2014, which is not otherwise offset against the net proceeds from the offering.

Research and development (“R&D”) expenses increased by \$2.6 million, to \$9.7 million for the six months ended 30 June 2014 (HY13: \$7.1m). The increase is attributed to the overall growth of the Group’s research and development activities, reflecting the creation of six new subsidiaries in the later part of 2012 and increasing their full scale of R&D activities in 2013. Two new subsidiaries were created in H1 2013 and one during the six months ended 30 June 2014.

As a result of the above discussed factors, total comprehensive loss for the year increased by \$9.5 million to \$27.2 million for the six months ended 30 June 2014 (HY13: \$17.7m).

Interim Management Report *(continued)*

Condensed Consolidated Statement of Financial Position

As of the period ended:	30 June 2014 (unaudited) \$'000	31 December 2013 (unaudited) \$'000
Assets		
Property and equipment	16,411	18,001
Intangible assets	4,360	4,504
Investment in associate	1,521	–
Other financial assets	445	484
Other non-current assets	38	38
Non-current assets	22,775	23,027
Cash and cash equivalents	228,485	104,551
Inventories	2,483	1,045
Trade and other receivables	964	2,385
Prepayments and other current assets	831	485
Other financial assets	369	312
Current assets	233,132	108,778
Total assets	255,907	131,805
Equity		
Share capital	3,329	2,445
Share premium	141,515	–
Merger reserve	185,544	185,544
Other reserve	25,360	19,814
Translation reserve	94	98
Accumulated deficit	(111,566)	(90,648)
Equity attributable to owners of the Company	244,276	117,253
Non-controlling interests	(1,319)	2,606
Total equity	242,957	119,859
Liabilities		
Loans	2,215	2,744
Deferred revenue	138	188
Other non-current liabilities	236	278
Non-current liabilities	2,589	3,210
Trade payables	7,855	5,038
Deferred revenue	1,446	2,642
Loans	1,060	1,056
Current liabilities	10,361	8,736
Total liabilities	12,950	11,946
Total equity and liabilities	255,907	131,805

Interim Management Report *(continued)*

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

- ✎ Property and equipment decreased to \$16.4 million as of 30 June 2014 (FY13: \$18.0m), mainly reflecting depreciation expense of \$1.1M for the period and the sale of the two machines at RFB for approximately \$1.7M in the beginning of the year, offset by capital purchases for the period of approximately \$1.2M, of which \$0.6M at STT;
- ✎ Intangible assets, net as of 30 June 2014 decreased by \$0.1 million to \$4.4 million from \$4.5 million as of 31 December 2013 mainly as a result of amortisation expense of \$0.3 million offset by new additions of approximately \$0.2 million mainly in software purchases and approximately \$74 thousand in capitalised development costs at one of the subsidiaries;
- ✎ Investment in associate increased to \$1.5 million from zero as a result of the investment at one of the subsidiaries. In March 2014, RF Biocidics acquired a minority interest of 28.5 per cent. in Stalam SpA ("Stalam") in Italy, a manufacturer of radio frequency equipment for \$1.5 million;
- ✎ Trade and other receivables decreased by \$1.4 million to \$1.0 million at 30 June 2014 from \$2.4 million at 31 December 2013 as a result of collecting receivables from sales that were invoiced close to 31 December 2013 at RF Biocidics and CryoXtract;
- ✎ Cash and cash equivalents increased by \$123.9 million to \$228.5 million at 30 June 2014 from \$104.6M at 31 December 2013. The increase is mainly attributed to the net proceeds from the IPO collected through 30 June 2014 of approximately \$131.8 million and \$10.5 million from the exercise of options in Allied Minds as part of the transaction, plus approximately \$2.3M from the third-party round in Optio Labs in March 2014, offset by \$20.6M net cash used in operating activities for the six-months period;
- ✎ The loans balance, current and non-current, decreased to \$3.3 million as of 30 June 2014 (FY13: \$3.8m) reflecting the repayment of the loans at CryoXtract and STT;
- ✎ With the increase of its sales and pipeline, in 2013 RF Biocidics had collected deposits from a number of customers as installment payments against purchases of its products. This accounts for the majority of the deferred revenue balance (current and non-current) of \$1.6 million as of 30 June 2014, which decreased from \$2.8 million as of 31 December 2013; and
- ✎ As noted above, Allied Minds completed an IPO and listed on the Main Market of the LSE in June 2014, which is the main factor for the increase in the share premium to \$142 million as of 30 June 2014 (FY13: nil). Additionally, other reserve increased by approximately \$5.6 million to \$25.4 million (FY13: \$19.8m) as a result of the share-based expense charge for the period. Due to the merger of Allied Minds, Inc. (now Allied Minds LLC) into Allied Minds plc as part of the IPO process in June 2014 all issued and outstanding options under the U.S. Stock Plan vested on 19 June 2014 and 7,662,424 options were exercised, resulting in the accelerated share-based payment charge of additional \$2.4 million for the period.

Interim Management Report *(continued)*

Condensed Consolidated Statement of Cash Flows

For the six months ended:	30 June 2014 (unaudited) \$'000	30 June 2013 (unaudited) \$'000
Cash flows from operating activities:		
Net operating loss	(27,173)	(17,540)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,129	398
Amortisation	279	290
Share-based compensation expense	5,546	1,435
Changes in operating assets and liabilities:		
Inventory	(1,438)	(723)
Trade and other receivables	1,421	(134)
Other assets	(363)	(1,682)
Trade and other payables	2,817	(1,569)
Other non-current liabilities	(42)	28
Deferred revenue	(1,246)	1,001
Interest received	113	57
Interest paid	(124)	(135)
Other finance cost	–	(26)
Net cash used in operating activities	(19,081)	(18,600)
Cash flows from investing activities:		
Sales/(purchases) of property and equipment, net	457	(5,114)
Purchases of intangible assets	(135)	(43)
Purchases of investments	(1,522)	–
Net cash used in investing activities	(1,200)	(5,157)
Cash flows from financing activities:		
Proceeds from exercise of stock options	10,550	45
(Repayment)/issuance of notes payable	(525)	3,118
Proceeds from issuance of share capital	131,849	99,154
Proceeds from issuance of share capital in subsidiaries	2,341	14,500
Net cash provided by financing activities	144,215	116,817
Net increase in cash and cash equivalents	123,934	93,060
Cash and cash equivalents at beginning of period	104,551	33,749
Cash and cash equivalents at end of the period	228,485	126,809

Interim Management Report *(continued)*

The Group's net cash outflow from operating activities of \$19.1 million in the six months ended 30 June 2014 (HY13: \$18.6m) was primarily due to the net operating losses for the year of \$27.2 million plus the effect from movement in working capital and other net finance cost of \$0.4 million, offset by adjustment for non-cash accounting entries such as depreciation, amortisation, and share-based expenses of \$7.0 million.

The Group had a net cash outflow from investing activities of \$1.2 million in the six months ended 30 June 2014 (HY13: \$5.2m). Purchases of property and equipment was higher in 2013 compared to the current half year due to the build out of a 'clean room' for the research and development activities at Spin Transfer Technologies, as well as capital purchases of equipment at some of the other subsidiaries. The net cash flow from investing activities for the period included the purchase of an investment in associate by RF Biocidics of \$1.5 million in March 2014.

The Group's net cash inflow from financing activities of \$144.2 million in the six months ended 30 June 2014 (HY13: \$116.8m) largely reflects the net proceeds of \$131.8 million received in June from Allied Minds' equity offering on the LSE and proceeds from the exercise of stock options under the U.S. Stock Plan of \$10.6 million. This increase was offset by lower proceeds from issuance of share capital in subsidiaries of \$2.3 million from the round in Optio labs in March 2014, compared to the second tranche of \$14.5 million from STT's financing round received in early 2013, and repayments of loans at CryoXtract and STT of \$0.5 million compared to net borrowings against the loans of \$3.1 million in the first half of 2013.

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 supporting 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 foreign currency.

Portfolio Overview and Valuation

One of Allied Minds' key performance metrics ("KPIs") is the number of subsidiary businesses within the Group at any point in time. The table below sets out the movement in the number of subsidiary businesses over the three most recent years and current half year ended 30 June 2014:

	30 June 2014	31 December 2013	31 December 2012	31 December 2011
Number of subsidiary businesses at beginning of period	17	19	13	15
New subsidiary businesses formed	1	1	6	1
Subsidiary businesses closed	0	3	0	3
Number of subsidiary businesses at end of period	18	17	19	13

Interim Management Report *(continued)*

The Directors have identified the Group's progress in 'graduating' subsidiaries to the next development level as another KPI for the overall business. The table below sets out the movement in the number of subsidiary businesses in each of the lifecycle categories over the three most recent years and current half year ended 30 June 2014:

	30 June 2014	31 December 2013	31 December 2012	31 December 2011
Early stage subsidiary businesses	15	14	18	13
Commercial subsidiary businesses	3	3	1	0
Total	18	17	19	13

Approximately \$188.2 million of capital has been allocated to the Group's subsidiary businesses, of which \$143.8 million was capital raised and deployed by Allied Minds, \$39.6 million is capital contributed by third party investors directly into the subsidiary companies and \$4.8 million has been raised by subsidiaries in the form of loans from banks.

All of the Company's subsidiary companies are currently majority owned 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 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 \$367.3 million (£215.4 million) as at 31 December 2013. The Directors believe that there has been no significant change in the Group Subsidiary Ownership Adjusted Value since 31 December 2013, and through 30 June 2014.

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.

Principal Risks and Uncertainties

The principal risks and uncertainties surrounding the Group business are set out in detail in Part II – Risk Factors of the prospectus prepared in connection with the offer of ordinary shares of the Company on the Main Market of the LSE (the "Prospectus").

Those risks can be summarised as follows:

-  **Inherent risk** – the Group's businesses are at an early-stage and carry inherent risk;

Interim Management Report *(continued)*

- ✎ **Market conditions** – the general global economic climate, trading conditions, and market's demand for investment in early-stage companies, changes in legislation and policy; exposed to foreign currency fluctuations;
- ✎ **Competition** – there are risks associated with competition and developments in the sectors the Company invests. Additionally, the Group may face increased competition, including from organisations with access to greater capital than the Group;
- ✎ **Investment opportunities** – risks associated with ability to identify the most promising new technologies invented by its university or federal laboratory partners on commercially acceptable terms;
- ✎ **Partner relations** – the Group may not be successful in forming additional and/or maintaining existing relationships with research institutions;
- ✎ **Intellectual property** – risks associated with ability to access, acquire, maintain and protect the Group's intellectual property;
- ✎ **Claims** – the Company may become subject to product liability, infringement of IP, or other contractual, employment or disclosure related claims;
- ✎ **Funding & realisation** – the Group may require additional financing in the long term. Moreover, the Company's ability to realise value from equity holdings may be impacted by the level of the Company's ownership interest in its subsidiary companies;
- ✎ **Limited history** – the Group generates limited revenue and has no record of generating gains or revenues through the sale of its businesses or the licensing or sub-licensing of its intellectual property rights. The Group has not been profitable in the past and may never become profitable in future; and
- ✎ **Key personnel** – the Company and the individual Group businesses depend on key personnel and the loss of such personnel could have a material adverse effect on the Group.

A copy of the Prospectus is available on the Company's website at www.alliedminds.com under "Investors-IPO Documents".

Condensed Consolidated Statement of Comprehensive Loss

For the six months ended:	Note	30 June 2014 (unaudited) \$'000	30 June 2013 (unaudited) \$'000
Revenue		2,910	692
Operating expenses:			
Cost of revenue		(1,940)	(384)
Selling, general and administrative expenses		(18,446)	(10,761)
Research and development expenses		(9,697)	(7,087)
Operating loss		(27,173)	(17,540)
Finance income/(cost), net		(11)	(104)
Loss before tax		(27,184)	(17,644)
Income taxes		-	-
Loss for the period	2	(27,184)	(17,644)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(4)	(16)
Other comprehensive loss, net of tax		(4)	(16)
Total comprehensive loss		(27,188)	(17,660)
Loss attributable to:			
Owners of the Company		(21,901)	(13,578)
Non-controlling interests	7	(5,283)	(4,066)
		(27,184)	(17,644)
Total comprehensive loss attributable to:			
Owners of the Company		(21,905)	(13,594)
Non-controlling interests		(5,283)	(4,066)
		(27,188)	(17,660)
Loss per share		\$	\$
Basic	3	(0.14)	(0.11)
Diluted	3	(0.14)	(0.11)

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As of the period ended:	Note	30 June 2014 (unaudited) \$'000	31 December 2013 (unaudited) \$'000
Assets			
Property and equipment		16,411	18,001
Intangible assets		4,360	4,504
Investment in associate	5	1,521	–
Other financial assets		445	484
Other non-current assets		38	38
Non-current assets		22,775	23,027
Cash and cash equivalents		228,485	104,551
Inventories		2,483	1,045
Trade and other receivables		964	2,385
Prepayments and other current assets		831	485
Other financial assets		369	312
Current assets		233,132	108,778
Total assets		255,907	131,805
Equity			
Share capital		3,329	2,445
Share premium		141,515	–
Merger reserve		185,544	185,544
Other reserve		25,360	19,814
Translation reserve		94	98
Accumulated deficit		(111,566)	(90,648)
Equity attributable to owners of the Company	6	244,276	117,253
Non-controlling interests	7	(1,319)	2,606
Total equity		242,957	119,859
Liabilities			
Loans		2,215	2,744
Deferred revenue		138	188
Other non-current liabilities		236	278
Non-current liabilities		2,589	3,210
Trade payables		7,855	5,038
Deferred revenue		1,446	2,642
Loans		1,060	1,056
Current liabilities		10,361	8,736
Total liabilities		12,950	11,946
Total equity and liabilities		255,907	131,805

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended:	Note	30 June 2014 (unaudited) \$'000	30 June 2013 (unaudited) \$'000
Cash flows from operating activities:			
Net operating loss		(27,173)	(17,540)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation		1,129	398
Amortisation		279	290
Share-based compensation expense	4	5,546	1,435
Changes in operating assets and liabilities:			
Inventory		(1,438)	(723)
Trade and other receivables		1,421	(134)
Other assets		(363)	(1,682)
Trade and other payables		2,817	(1,569)
Other non-current liabilities		(42)	28
Deferred revenue		(1,246)	1,001
Interest received		113	57
Interest paid		(124)	(135)
Other finance cost		–	(26)
Net cash used in operating activities		(19,081)	(18,600)
Cash flows from investing activities:			
Sales/(purchases) of property and equipment, net		457	(5,114)
Purchases of intangible assets		(135)	(43)
Purchases of investments		(1,522)	–
Net cash used in investing activities		(1,200)	(5,157)
Cash flows from financing activities:			
Proceeds from exercise of stock options		10,550	45
(Repayment)/issuance of notes payable		(525)	3,118
Proceeds from issuance of share capital	6	131,849	99,154
Proceeds from issuance of share capita in subsidiaries		2,341	14,500
Net cash provided by financing activities		144,215	116,817
Net increase in cash and cash equivalents		123,934	93,060
Cash and cash equivalents at beginning of period		104,551	33,749
Cash and cash equivalents at end of period		228,485	126,809

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

	Note	Share Capital		Share Premium \$'000	Merger reserve \$'000	Other reserve \$'000	Translation reserve \$'000	Accumulated deficit \$'000	Total parent equity \$'000	Non- controlling interests \$'000	Total equity \$'000
		Shares	Amount \$'000								
Balance at 31 December 2012		122,923,416	1,922	-	86,957	14,839	63	(55,142)	48,639	9,675	58,314
Total comprehensive loss for the period											
Loss from continuing operations		-	-	-	-	-	-	(13,578)	(13,578)	(4,066)	(17,644)
Foreign currency translation		-	-	-	-	-	(16)	-	(16)	-	(16)
Total comprehensive loss for the period							(16)	(13,578)	(13,594)	(4,066)	(17,660)
Issuance of ordinary shares		34,468,742	522	-	98,612	-	-	-	99,134	-	99,134
New funds into non-controlling interest		-	-	-	-	-	-	-	-	52	52
Gain/(loss) arising from change in non-controlling interest		-	-	-	-	-	-	(702)	(702)	702	-
Exercise of stock options		66,000	1	-	64	-	-	-	65	-	65
Equity-settled share based payments		-	-	-	-	1,435	-	-	1,435	-	1,435
Balance at 30 June 2013		157,458,158	2,445	-	185,633	16,274	47	(69,422)	134,977	6,363	141,340
Balance at 31 December 2012		122,923,416	1,922	-	86,957	14,839	63	(55,142)	48,639	9,675	58,314
Total comprehensive loss for the period											
Loss from continuing operations		-	-	-	-	-	-	(34,501)	(34,501)	(8,206)	(42,707)
Foreign currency translation		-	-	-	-	-	35	-	35	-	35
Total comprehensive loss for the period							35	(34,501)	(34,466)	(8,206)	(42,672)
Issuance of ordinary shares		34,468,742	522	-	98,612	-	-	-	99,134	-	99,134
New funds into non-controlling interest		-	-	-	-	-	-	-	-	52	52
Gain/(loss) arising from change in non-controlling interest		-	-	-	-	-	-	(2,212)	(2,212)	2,212	-
Deconsolidation of subsidiaries		-	-	-	(80)	-	-	1,207	1,127	(1,127)	-
Exercise of stock options		71,632	1	-	55	-	-	-	56	-	56
Equity-settled share based payments		-	-	-	-	4,975	-	-	4,975	-	4,975
Balance at 31 December 2013		157,463,790	2,445	-	185,544	19,814	98	(90,648)	117,253	2,606	119,859
Total comprehensive loss for the period											
Loss from continuing operations		-	-	-	-	-	-	(21,901)	(21,901)	(5,283)	(27,184)
Foreign currency translation		-	-	-	-	-	(4)	-	(4)	-	(4)
Total comprehensive loss for the period							(4)	(21,901)	(21,905)	(5,283)	(27,188)
Issuance of ordinary shares	6	44,373,211	754	131,095	-	-	-	-	131,849	-	131,849
New funds into non-controlling interest	6,7	-	-	-	-	-	-	-	-	2,341	2,341
Gain/(loss) arising from change in non-controlling interest	6,7	-	-	-	-	-	-	983	983	(983)	-
Exercise of stock options	6	7,662,424	130	10,420	-	-	-	-	10,550	-	10,550
Equity-settled share based payments	4	-	-	-	-	5,546	-	-	5,546	-	5,546
Balance at 30 June 2014		209,499,425	3,329	141,515	185,544	25,360	94	(111,566)	244,276	(1,319)	242,957

See accompanying notes to condensed consolidated financial statements.

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 LSE. Allied Minds plc is engaged in the development of various technologies for commercial applications. As of 30 June 2014, Allied Minds had 19 active subsidiaries to which Allied Minds provided funding, comprising 18 operating businesses. 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, the 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. Allied Minds dissolved no subsidiaries in the first half of 2014 and three subsidiaries in FY2013 to which funding had previously been provided.

Allied Minds plc was incorporated in the United Kingdom on 15 April 2014. On 19 June 2014 Allied Minds plc completed the reorganisation of the corporate structure of the group of companies controlled by its predecessor Allied Minds, Inc. (now Allied Minds, LLC) pursuant to which Allied Minds plc became the holding company of the Group. Each issued and outstanding share of common stock of Allied Minds, Inc. was converted into the right to receive twenty-two (22) ordinary shares of one pence each of Allied Minds plc. On 25 June 2014 the Company’s entire issued ordinary share capital of 209,499,425 ordinary shares of one pence each were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the LSE’s Main Market for listed securities.

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 prospectus which was prepared in connection with the offer of ordinary shares of the Company on the Main Market of the LSE (the “Prospectus”) as at and for the year ended 31 December 2013.

The merger of Allied Minds plc and Allied Minds, Inc. (now Allied Minds, LLC) was performed so that existing shareholders of Allied Minds, Inc. obtained ownership in Allied Minds plc in order to facilitate listing on the LSE. Ownership before and after the merger remained the same. As a result, this has been accounted as a common control transaction. Share capital movements are shown as occurred prior to the merger but in denominations consistent with post-merger share capital. In addition the merger reserve records amounts previously recorded as share premium net of differences arising between share capital on the restructured basis and the former basis.

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

1. General information *(continued)*

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 for.

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.

This 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 Prospectus as at and for the year ended 31 December 2013.

The Company has prepared trading and cash flow forecasts for the Group covering the period to 31 December 2015. 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 the 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 2014 are not necessarily indicative of results for future operating periods.

Although Allied Minds plc has not yet had to prepare statutory accounts (its first accounting reference date will be 31 December 2014), it has prepared consolidated financial information for the year ended 31 December 2013 for the purposes of preparing its Prospectus. This information has been extracted and included for comparative purposes in this Half-Yearly report.

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

1. General information *(continued)*

These interim financial statements were approved by the Board of Directors and authorised for issue on 27 August 2014 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 applied by the Group in its consolidated financial information included in the Group Prospectus for the year ended 31 December 2013 and which will form the basis of the 2014 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 operating segments, which are 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 disaggregated and presented as separate reportable segments. The Group's principal operations are therefore presented as four reportable operating segments being early stage company – STT, early stage companies – other, commercial stage company – RFB, and commercial stage companies – other. Other operations relate to head office operations of the Group.

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.

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

2. Operating Segments *(continued)*

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

For the six months ended:

30 June 2014
(unaudited)

	Early stage		Commercial		Other operations	Consolidated
	STT \$'000	Other \$'000	RFB \$'000	Other \$'000	\$'000	\$'000
Statement of Comprehensive Income						
Revenue	–	250	2,194	466	–	2,910
Cost of revenue	–	–	(1,753)	(187)	–	(1,940)
Selling, general and administrative expenses	(2,457)	(2,587)	(2,769)	(1,854)	(8,779)	(18,446)
Research and development expenses	(3,372)	(5,703)	(87)	(535)	–	(9,697)
Finance income/(cost), net	(94)	–	–	(27)	110	(11)
Loss for the year	(5,923)	(8,040)	(2,415)	(2,137)	(8,669)	(27,184)
Other comprehensive income	–	–	(12)	–	8	(4)
Total comprehensive loss	(5,923)	(8,040)	(2,427)	(2,137)	(8,661)	(27,188)
Total comprehensive loss attributable to:						
Owners of the Company	(3,217)	(6,799)	(1,408)	(1,820)	(8,661)	(21,905)
Non-controlling interests	(2,706)	(1,241)	(1,019)	(317)	–	(5,283)
Total comprehensive loss	(5,923)	(8,040)	(2,427)	(2,137)	(8,661)	(27,188)

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

2. Operating Segments *(continued)*

For the six months ended:

30 June 2013
(unaudited)

	Early stage		Commercial		Other operations	Consolidated
	STT	Other	RFB	Other	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000		
Statement of Comprehensive Income						
Revenue	–	181	129	382	–	692
Cost of revenue	–	–	(140)	(244)	–	(384)
Selling, general and administrative expenses	(1,518)	(2,181)	(1,648)	(2,285)	(3,129)	(10,761)
Research and development expenses	(1,798)	(4,553)	(2)	(734)	–	(7,087)
Finance income/(cost), net	(102)	–	(26)	(25)	49	(104)
Loss for the year	(3,418)	(6,553)	(1,687)	(2,906)	(3,080)	(17,644)
Other comprehensive income	–	–	(31)	–	15	(16)
Total comprehensive loss	(3,418)	(6,553)	(1,718)	(2,906)	(3,065)	(17,660)
Total comprehensive loss attributable to:						
Owners of the Company	(1,813)	(5,194)	(1,045)	(2,477)	(3,065)	(13,594)
Non-controlling interests	(1,605)	(1,359)	(673)	(429)	–	(4,066)
Total comprehensive loss	(3,418)	(6,553)	(1,718)	(2,906)	(3,065)	(17,660)

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

2. Operating Segments *(continued)*

As of the period ended:

30 June 2014
(unaudited)

	Early stage		Commercial		Other operations	Consolidated
	STT	Other	RFB	Other		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Statement of financial position						
Total Assets	20,530	7,198	8,935	2,404	216,840	255,907
Total Liabilities	(3,414)	(1,657)	(1,530)	(932)	(5,417)	(12,950)
Net Assets	17,116	5,541	7,405	1,472	211,423	242,957

As of the period ended:

31 December 2013
(unaudited)

	Early stage		Commercial		Other operations	Consolidated
	STT	Other	RFB	Other		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Statement of financial position						
Total Assets	27,073	7,662	8,465	2,658	85,947	131,805
Total Liabilities	(4,578)	(1,736)	(2,857)	(1,379)	(1,396)	(11,946)
Net Assets	22,495	5,926	5,608	1,279	84,551	119,859

b) Portfolio valuation

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

Ownership adjusted value represents Allied Minds' interest in the equity value of each subsidiary: = (Business Enterprise Value – Long Term Debt + Cash) x Allied Minds percentage ownership plus the value of debt provided by Allied Minds plc to each subsidiary business. Allied Minds commits post-seed funding to its subsidiaries in the form of loans. Further details about the Group valuation methodology are disclosed in the consolidated financial information included in the Allied Minds' Prospectus.

The Group Subsidiary Ownership Adjusted Value ("GSOAV") was \$367.3 million as at 31 December 2013. The Directors believe there has been no significant change in the Group Subsidiary Ownership Adjusted Value since 31 December 2013 through 30 June 2014.

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

2. Operating Segments *(continued)*

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 \$21.9 million (HY13: \$13.6m), by the weighted average number of ordinary shares outstanding of 159,192,293 (HY13: 128,536,538) during the six-month period ended 30 June 2014:

Loss attributable to ordinary shareholders:

For the six months ended:	30 June 2014 (unaudited)		30 June 2013 (unaudited)	
	Basic \$'000	Diluted \$'000	Basic \$'000	Diluted \$'000
Loss for the year attributed to the owners of the Company	(21,901)	(21,901)	(13,578)	(13,578)
Loss for the year attributed to the ordinary shareholders	(21,901)	(21,901)	(13,578)	(13,578)

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

3. Earnings per share *(continued)*

Weighted average number of ordinary shares:

For the six months ended:	30 June 2014 (unaudited)		30 June 2013 (unaudited)	
	Basic \$'000	Diluted \$'000	Basic \$'000	Diluted \$'000
Issued ordinary shares on 1 January	157,463,790	157,463,790	122,923,416	122,923,416
Effect of share capital issued	1,265,389	1,265,389	5,579,034	5,579,034
Effect of share options exercised	463,114	463,114	34,088	34,088
Weighted average ordinary shares	159,192,293	159,192,293	128,536,538	128,536,538

Loss per share:

For the six months ended:	30 June 2014 (unaudited)		30 June 2013 (unaudited)	
	Basic \$	Diluted \$	Basic \$	Diluted \$
Loss per share	(0.14)	(0.14)	(0.11)	(0.11)

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

4. Share-based payments

The share-based payments expense for the period was \$5.5 million (HY13: \$1.4m) comprising charges related to the U.S. Stock Plan and the other subsidiary plans, as disclosed in the Prospectus. The primary changes affecting the half year period were related to the following:

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

The 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. Pursuant to the reorganisation discussed above, Allied Minds plc adopted and assumed the rights and obligations of Allied Minds, Inc. 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.

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

4. Share-based payments *(continued)*

The fair value of the stock option grants awarded under the U.S. Stock Plan was estimated as of the date of grant using a Black-Scholes-Merton option valuation model that uses the following weighted average assumptions for the six months ended 30 June 2014 and 2013, respectively:

For the six months ended:	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Expected option life (in years)	5.51	6.00
Expected stock price volatility	37.40%	55.13%
Risk-free interest rate	1.85%	1.01%
Expected dividend yield	–	–
Grant date option fair value	\$0.93	\$1.34
Share price at grant date	\$2.49	\$2.60
Exercise price	\$2.49	\$2.60

A summary of stock option activity in the U.S. Stock Plan for the six months ended 30 June 2014 and 2013, respectively, is presented in the following table, taking into account the reorganisation described above:

	For the six months ended: 30 June 2014 (unaudited)		For the year ended: 31 December 2013 (unaudited)		For the six months ended: 30 June 2013 (unaudited)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as of 1 January	17,505,268	\$1.61	15,607,768	\$1.41	15,607,768	\$1.41
Granted during the period	1,708,652	\$2.49	3,415,500	\$2.60	665,500	\$2.60
Exercised during the period	(7,662,424)	\$1.38	(71,632)	\$0.77	(66,000)	\$0.68
Forfeited during the period	–	\$0.00	(1,446,368)	\$1.80	(286,000)	\$1.32
Outstanding as of period end	11,551,496	\$1.90	17,505,268	\$1.61	15,921,268	\$1.41
Exercisable as of period end	11,551,496	\$1.96	13,502,368	\$1.48	14,485,768	\$1.46
Intrinsic value of exercisable	\$6.2M		\$13.5M		\$14.6M	

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

4. Share-based payments *(continued)*

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

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

b) 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. Awards have been made under the LTIP upon the Company's admission to the LSE in respect of a total of 4,618,842 Ordinary Shares. It is intended that awards will normally vest only after a minimum period of three years from the date of grant. Vesting will normally be subject to the achievement of performance conditions and continued services of the participant. In respect of the initial awards which have been made conditionally on Admission, vesting is dependent upon performance metrics as follows:

- ✦ 60 per cent. of each award will be subject to performance conditions based on the Company's total shareholder return ("TSR") performance in respect of the period from Admission until 31 December 2016; and
- ✦ 40 per cent. of each award will be subject to performance conditions based on a basket of shareholder value metrics ("SVM"), including but not limited to: (i) the increase in quality of pipeline intellectual property reviewed; (ii) the increase in quality of the partnership pipeline; and (iii) subsidiary level performance (assessed by reference to such matters as external funding raised, corporate collaborations, product co-development and proof of principal commercial pilots and revenues). Performance will be assessed on these measures on a scorecard basis over a three year period.

In respect of the initial awards, at the end of the three year period, performance against the relevant measures will be 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 in years 4 and 5 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).

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

4. Share-based payments *(continued)*

A summary of stock option activity under the UK LTIP for the six months ended 30 June 2014 and 2013, respectively, is shown below:

For the six months ended:	30 June 2014		30 June 2013	
	TSR	SVM	TSR	SVM
Number of shares granted at maximum (million)	2,771	1,848	–	–
Weighted average fair value (£ pence)	114	190	–	–
Fair value measurement basis	Monte Carlo	Market Value	n/a	n/a

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

The share grants that vests only upon the occurrence of a performance condition (i.e. the SMV grants) and service condition were valued at the fair value of the shares on the date of the grants.

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. There was no share-based payment charge for the period or FY13 related to the UK LTIP.

5. Investment in associate

In March 2014, RF Biocidics acquired a minority interest of 28.5 per cent. in Stalam SpA ("Stalam") in Italy, a manufacturer of radio frequency equipment for \$1.5 million. The investment in Stalam is accounted for per the equity method under IAS 28 and was initially recognised at cost in the condensed consolidated financial statements. The carrying amount of the investment at 30 June 2014 was approximately \$1.5 million and the Company's share of the profit or loss of such associates for the period from acquisition to half-year period end 30 June 2014 was approximately \$11 thousand.

6. Share capital, share premium and reserves

On 25 June 2014 the Company's entire issued ordinary share capital of 209,499,425 ordinary shares of one pence each were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the LSE's Main Market for listed securities. The IPO was for 61,695,208 shares at 190 pence per ordinary share, of which 44,254,411 were new ordinary shares issued by the Company and 17,440,797 were sold by selling shareholders.

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

6. Share capital, share premium and reserves *(continued)*

This resulted in approximately \$131.8 million of net proceeds from the IPO (net of issue cost of \$11.0 million) reflected in the share premium balance as of 30 June 2014. The IPO also included an over-allotment option equivalent to 15% of the total number of new ordinary shares, or 6,638,161. The over-allotment period expired on 19 July 2014 and the stabilisation manager exercised in part their over-allotment option. As a result, the Company issued 3,791,154 Shares at the offer price of 190 pence per share achieving further gross proceeds for the Company of £7.2 million, or approximately UD\$12.3 million. The total number of shares and voting rights in the Company after issuing the over-allotment shares is 213,290,579.

As noted in note 4(a), various option holders in the U.S. Stock Plan exercised their options, resulting in additional share premium of \$10 million.

Movements below explain the movements in share capital taking into account the reorganisation. Each movement in share capital reflects the number of shares and nominal value of the shares as if the reorganisation had been in place at that date and the shares were those of Allied Minds plc.

As of the period ended:	30 June 2014 (unaudited) \$'000	31 December 2013 (unaudited) \$'000
Equity		
Share capital, £0.01 par value, issued and fully paid 209,499,425 and 157,463,790, respectively	3,329	2,445
Share premium	141,515	–
Merger reserve	185,544	185,544
Other reserve	25,360	19,814
Translation reserve	94	98
Accumulated deficit	(111,566)	(90,648)
Equity attributable to owners of the Company	244,276	117,253
Non-controlling interests	(1,319)	2,606
Total equity	242,957	119,859

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

7. Acquisition of NCI

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

	Early Stage		Commercial		Consolidated \$'000
	STT \$'000	Other \$'000	RFB \$'000	Other \$'000	
Non-controlling interest as of 31 December 2013 (unaudited)	9,860	(3,258)	(2,270)	(1,726)	2,606
New funds into non-controlling interest	–	2,341	–	–	2,341
Share of comprehensive loss	(2,706)	(1,241)	(1,019)	(317)	(5,283)
Effect of change in Company's ownership interest	229	(1,351)	132	7	(983)
Non-controlling interest as of 30 June 2014 (unaudited)	7,383	(3,509)	(3,157)	(2,036)	(1,319)

8. Related party transactions

a) Key management personnel compensation

For the six months ended:

	30 June 2014 (unaudited) \$'000	30 June 2013 (unaudited) \$'000
Short-term employee benefits	1,198	672
Share-based payments	1,154	–
Total	2,352	672

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 2014 (unaudited) \$'000	30 June 2013 (unaudited) \$'000
Non-executive Directors' fees	64	25
Total	64	25

Executive management and Directors of the Company control 13.0% (FY13: 18.1%) of the voting shares of the Company as of 30 June 2014.

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

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

8. Related party transactions *(continued)*

c) Other related party transactions

Consolidated Statement of Comprehensive Loss

For the six months ended:	30 June 2014 (unaudited) \$'000	30 June 2013 (unaudited) \$'000
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Purchase of goods

Associate	692	–
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Consolidated Statement of Financial Position

As of the period ended:	30 June 2014 (unaudited) \$'000	30 June 2013 (unaudited) \$'000
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Other financial assets, non-current

Investment in associate	1,522	–
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Purchase of goods, outstanding balance

Associate	–	–
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9. Subsequent events

a) Allied-Bristol Life Sciences, LLC

In August 2014, Allied Minds and Bristol-Myers Squibb Company (“BMV”) formed Allied-Bristol Life Sciences, LLC (“Allied-Bristol LLC”) to identify and foster research and pre-clinical development of biopharmaceutical innovations. Allied Minds and BMV have jointly funded (with \$10.0 million of initial capital, including \$8.0 million from Allied Minds) Allied-Bristol LLC, which will work with university researchers to identify discoveries it believes have promising therapeutic and commercial potential, and will support the research and development needed to take these early-stage opportunities from initial feasibility to pre-clinical candidacy. Allied-Bristol LLC will form and fund new companies to conduct feasibility studies (up to 10 new companies with the initial capital) and where appropriate, full-phase discovery programs (with additional capital from Allied-Bristol LLC or third party designees).

b) Whitewood Encryption Systems, Inc.

Whitewood Encryption Systems, Inc. commenced operations in August 2014 to produce next generation systems of data encryption that leverage advanced quantum cryptography technologies uniquely capable of meeting intensifying market demand for secure, computationally efficient, and low-latency encryption, based on recent innovations in quantum key management and quantum random number generation from Los Alamos National Lab where the technologies have been developed and incubated. The subsidiary will be funded under Allied Minds’ cyber security platform company, Foreland Technologies, with an initial \$600,000 seed round.

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

9. Subsequent events *(continued)*

c) **SiEnergy Systems ARPA-E award**

In June 2014, SiEnergy Systems was one of thirteen projects selected by the U.S. Department of Energy's Advanced Research Projects Agency-Energy ("ARPA-E") for a \$2.65 million funding award through the highly competitive REBELS program. The award negotiations are expected to be completed by the end of September 2014.

d) **Partial exercise of over-allotment option**

As discussed above in note 6, as a result of the partial exercise of the stabilisation manager's over-allotment option, the Company issued 3,791,154 Shares at the offer price of 190 pence per share achieving further gross proceeds for the company of £7.2 million, or approximately UD\$12.3 million.

Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that:

- a) the condensed set of financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and
- b) the Interim Management Report includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

The Directors of Allied Minds plc and their functions are listed on the inside back cover.

By order of the Board

Mark Pritchard
Executive Chairman

Christopher Silva
Chief Executive Officer

27 August 2014

Directors, Secretary and Advisers to Allied Minds

Company Registration Number
08998697

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(Executive Chairman)

Chris Silva
(Chief Executive Officer)

Peter Dolan
(Senior Independent Non-Executive Director)

Jeffrey Rohr
(Independent Non-Executive Director)

Rick Davis
(Independent Non-Executive Director)

Company Secretary
Michael Turner

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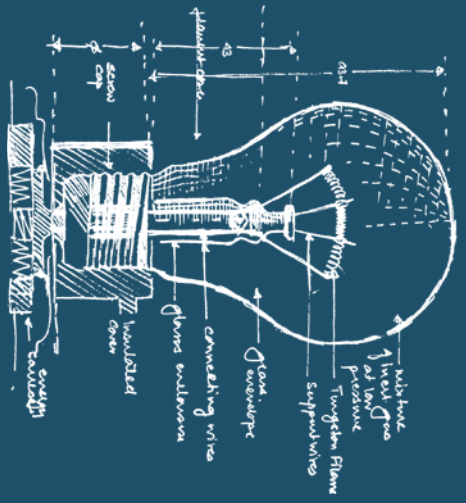
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FORM



FUND

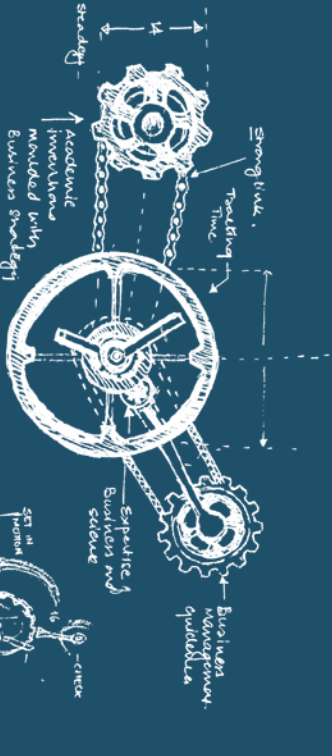
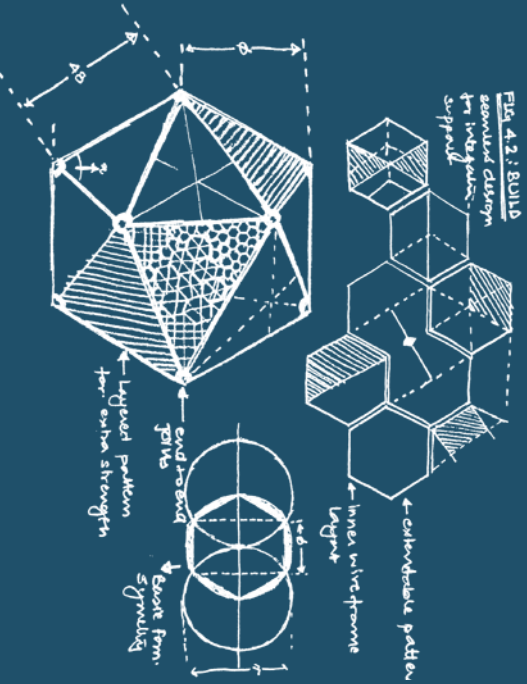
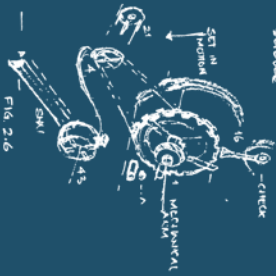


FIG. 3.7 MANAGEMENT



MANAGE

BUILD