ALLIED MINDS™

Half-Yearly Report 2015

TRANSFORMING U.S. INVENTION INTO INNOVATION

ALLIED MINDS™

Contents

ALLIED MINDS plc Half-Yearly Report 2015[1]

"Since becoming a public company one year ago, Allied Minds has made solid strategic progress and has delivered on multiple commitments to shareholders. We have created six new subsidiaries, formed a historic joint venture with Bristol-Myers Squibb, attracted $75.2m in third party investment for subsidiary acceleration, and made significant advancements in a number of our key subsidiaries through strategic collaborations, licenses and co-developments. We have had a strong first half of 2015 and have delivered on the most important elements of our plan for the first year post-IPO. Most importantly, Allied Minds is well positioned for the remainder of this year and beyond."

– Chris Silva, *Chief Executive Officer*

- Named Peter Dolan, the former Chairman and CEO of Bristol-Myers Squibb, as Chairman of the Board of Directors and welcomed Kevin Sharer, the former Chairman and CEO of Amgen, to the Board; Messrs. Dolan and Sharer bring a wealth of experience and expertise to help oversee and guide our growing portfolio of life-science and high-technology companies. In addition, we appointed Richard Davis, an Allied Minds' Director since 2011, and a Partner and Chief Operating Officer at Pegasus Capital Advisors, to serve as our Senior Independent Director.

- Launched two new projects: (i) entered into a license agreement with Harvard University through Allied-Bristol Life Sciences, to develop novel therapies for fibrotic and autoimmune diseases, and (ii) created the new subsidiary company BridgeSat, to develop an optical connectivity system for Low Earth Orbit satellites.

- Continued strong commercial progress across the subsidiary portfolio, led by:
  - Spin Transfer Technologies entering into a co-development contract with a major semiconductor original equipment manufacturer (OEM);
  - Federated Wireless receiving the necessary regulatory authority to go to market with its proprietary Spectrum Access System, by virtue of the Federal Communications Commission's (FCC) unanimous decision to approve the formal Rule & Order governing the dynamic sharing of federal spectrum in the 3.5 GHz band; and
  - SciFluor Life Sciences successfully completing a $30.0 million equity financing, and adding Dr. William Koster, the former President and CEO of Neurogen Corp. and 30-year veteran of Bristol-Myers Squibb, as its Chairman of the Board.

- Launched the Allied Minds Fellows Program, an initiative that will enable an elite group of graduate students and post-doctoral researchers from top-tier U.S. research institutions to assist the Company with technology scouting, diligence, market discovery and investment analysis in support of the Company's corporate and subsidiary company activities.

[1] Allied 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

- Spin Transfer Technologies executed the first phase of a new, unique partnership with a major electronics company. This joint development agreement, the first phase of an anticipated two phase structure, establishes early stage development cooperation, and anticipates expanded, longer term co-development, manufacturing support, and supply chain commitments. Technology development also remains on track for producing demonstrator chips (DM1) in Q4 2015 that will generate commercially relevant data for evaluation by potential partners and customers.

- SciFluor successfully raised $30.0 million in a Series A preferred stock financing. Further, Dr. William Koster joined as the Chairman of the Board. Dr. Koster previously served as President and Chief Executive Officer of Neurogen Corp., a NASDAQ-listed biotechnology company engaged in neuroscience R&D. He also spent 30 years with Bristol-Myers Squibb Co. in various roles that included Senior Vice President overseeing worldwide drug discovery research and early clinical development.

- Allied-Bristol Life Sciences entered into a license agreement with Harvard University with respect to research and intellectual property developed by Professor Malcolm Whitman, and commenced a project to create novel therapeutics for the treatment of fibrotic and autoimmune diseases.

- Federated Wireless announced its support of the Federal Communications Commission's (FCC) unanimous decision to approve the formal Rule & Order governing the dynamic sharing of federal spectrum in the 3.5 GHz band, thereby ensuring the necessary regulatory authority for Federated Wireless to go to market with its proprietary Spectrum Access System.

- Allied Minds established BridgeSat, in collaboration with The Aerospace Corporation, Draper Laboratory, Massachusetts Institute of Technology Assistant Professor Dr. Kerri L. Cahoy and the graduate student team in the Space, Telecommunications, Astronomy, and Radiation (STAR) Laboratory, to develop an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit satellites compared to traditional radio frequency solutions.

Highlights *(continued)*

- SiEnergy Systems was awarded a grant for $300,000 through the Massachusetts Clean Energy Center's AmplifyMass Program. The grant is designed to supplement funding provided to recipients of the Advanced Research Projects Agency-Energy (ARPA-E) program, which SiEnergy won last year. The company is being recognised for its efforts to develop a hybrid electrochemical system that performs as both a fuel cell and battery.

- Optio Labs purchased the assets of Maryland-based security company Oculis Labs, and its CEO, Dr. Bill Anderson, joined Optio Labs as Chief Product Officer. Oculis Labs develops products that protect data displayed on a computer and mobile device screens from visual eavesdroppers.

- Biotectix announced that its Amplicoat™ electro-conductive polymer coating had been licensed by Acutus Medical for use on the their real-time 3D Cardiac Chamber Imaging and Dipole Density Mapping system.

- Recorded Group revenue during the first half 2015 of $1.5 million, down from $2.9 million during the same period last year; the decrease primarily reflects slower than expected sales progress at RF Biocidics.

- Maintained strong balance sheet, with net cash and investments at 30 June 2015 of $237 million (FY14: $262m), enabling Allied Minds to further invest in forming, developing and commercialising potentially disruptive technologies.

Post-period-end Highlights

- Allied-Bristol Life Sciences entered into a license agreement with Yale University with respect to research and intellectual property developed in the laboratory of Dr. David Spiegel. The proprietary platform, and associated lead molecules known as Antibody-Recruiting Molecules (ARMs), provide a novel approach for the treatment of cancer.

- Tinnitus Treatment Solutions (TTS), executed a new, unique partnership with Your Hearing Network. This partnership will dramatically expand the reach of TTS by roughly 1,000 hearing healthcare sites.

- Percipient's STRONGARM product was selected by R&D Magazine as a finalist for a 2015 R&D 100 Award in the Software/Services category. An R&D 100 Award recognises the 100 most technologically significant products introduced in the past year.

Highlights *(continued)*

- Optio Labs announced the release of PrivateEye Enterprise 5.0, a major upgrade to its data security and compliance software product that protects computer screens against data leakage and insider threats.
- Whitewood Encryption Systems introduced the Entropy Engine™, a cost-effective, quantum-powered random number generator, which is designed for any application that incorporates cryptography or relies on high-quality random data.

HY15 Financial Highlights

- Net cash and investments* at 30 June 2015: $237 million (FY14: $262m).
- Revenue: $1.5 million (HY14: $2.9m).
- Net loss: $39.1 million (HY14: $27.2m), of which $30.4 million attributable to Allied Minds (HY14: $21.9m).

* includes excess cash in form of fixed income securities.

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 over 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.

The Board is encouraged by the performance of Allied Minds' business in the first half of 2015. As detailed in this Half-Yearly Report, a number of Allied Minds' businesses have continued to make strong progress in their research and product development programmes, and many of Allied Minds' existing businesses continue to exhibit positive momentum.

The Directors continue to be very encouraged by 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 2015, the Group invested $28.1 million of capital into the Company's businesses and raised an additional $25.2 million from third party investors into the subsidiary businesses. Allied Minds currently controls all of its subsidiary businesses and continues to invest in and support its businesses. Below is 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	Year Formed	Ownership Interest	Overview
Life Sciences			
Allied Bristol Life Sciences, LLC	2014	80.00%	Created with Bristol-Myers Squibb 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.
ABLS I, LLC	2014	80.00%	Developing therapeutics for treating prostate cancer based upon a proprietary platform and associated lead molecules known as Antibody-Recruiting Molecules (ARMs).

Interim Management Report *(continued)*

Subsidiary	Year Formed	Ownership Interest	Overview
ABLS II, LLC	2014	80.00%	Developing therapeutics for treating chronic fibrotic and potentially autoimmune diseases based on an active ingredient in the root of the blue evergreen hydrangea (Dichroa febrifuga).
Biotectix, LLC	2007	64.35%	Aiming to enable the next generation of implantable electrostimulation and sensing products through the development of proprietary, high-performance, conducting polymer coatings.
Cephalogics, LLC	2006	95.00%	Developing a non-invasive, bedside neuroimaging system, which seeks to improve monitoring of patients with neurological injury.
CryoXtract Instruments, LLC	2008	93.24%	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	2012	98.00%	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	2008	80.35%	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., d/b/a Novare Pharmaceuticals	2008	90.38%	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, Inc.	2010	69.94%	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.	2009	84.62%	Developed an FDA-cleared consumer medical device for tinnitus therapy offering customised acoustic technology, including the direct-to-patient model of Tinnitus Treatment Solutions.

Interim Management Report *(continued)*

Subsidiary	Year Formed	Ownership Interest	Overview
High Technology			
Allied Minds Federal Innovations, Inc.	2012	100.00%	Through a series of public-private partnerships (PPPs) with the US federal government, aims to develop and commercialise the next generation of transformative technologies from US federal research institutions.
BridgeSat, Inc.	2015	100.00%	Developing an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit satellites compared to traditional radio frequency solutions.
Federated Wireless, Inc.	2012	90.58%	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.	2013	100.00%	A cyber security platform company which aims to discover, incubate and commercialise emerging technologies.
Optio Labs, Inc.	2012	81.23%	Developer of mobile security technologies for the evolving cyber operating environment.
Percipient Networks, LLC	2014	100.00%	Developing next-generation security technologies for enterprise network defence.
RF Biocidics, Inc.	2008	67.14%	Developer of equipment that seeks to disinfect food from insects and pathogens through a process that does not use chemicals.
Seamless Devices, Inc.	2014	79.70%	Developer of semiconductor devices using a novel approach to analog signal processing, building upon patented switched-mode signal processing technology and algorithms.
SiEnergy Systems, LLC	2007	100.00%	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.	2007	48.40%	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.
Whitewood Encryption Systems, Inc.	2014	100.00%	Develop the next-generation systems of data encryption that leverage advanced quantum cryptography technologies with the objective of meeting intensifying market demand for secure, computationally efficient, and low-latency encryption.

Interim Management Report *(continued)*

Partner Network of Allied Minds

We have continued to expand our network of U.S. academic and national lab partners. Dividing the U.S. into eight zones, we have systematically engaged with the most prominent research institutions in each of these geographic areas, sourcing over 4,000 university and federal lab opportunities from over 70 institutional partners in 2015 to-date, and building one of the largest investor opportunity funnels in the country.

A few highlights of our relationship expansion during the period include:

- Allied Minds Federal Innovations (AMFI) has developed a comprehensive umbrella Cooperative Research and Development Agreement (CRADA) with the Los Alamos National Laboratory (LANL) that gives us the same rights as the engagement structure we have with The MITRE Corporation.
- BridgeSat optioned two patent filings from MIT as well as signing a cooperative agreement with Draper Labs.
- AMFI developed a new relationship with NASA Goddard, specifically for joint testing and IP creation for BridgeSat.
- To support our joint enterprise with Bristol-Myers Squibb, Allied Minds forged new relationships with premiere institutions exclusively focused on life sciences research, including Scripps, Gladstone, Wistar, Mount Sinai, and Dana-Farber.
- We have undertaken comprehensive reviews of several university partner portfolios, including Purdue University, University of Michigan, University of California (all campuses), and Emory University.

In the past few years, there has been a marked increase in interest and commitment of universities to promote spin-out activity, leading to a proliferation of new institutes, centres, and programs to educate and mentor faculty, students, and the broader university ecosystem on topics relating to innovation, entrepreneurship and research translation. In response to this trend, we have extended the reach of our engagement, forging partnerships with these new programs. For example, members of the Allied Minds investment team serve on the boards of Boston University's Ignition Awards program, Tufts University's Entrepreneurial Leadership program, UC Davis Venture Catalyst's Science Translation and Innovative Research program, New York University's Technology Acceleration & Commercialization Awards program and Therapeutics Alliance programs, as well as the Coulter Translational Partners' programs at Columbia University and Emory University/ Georgia Institute of Technology.

Interim Management Report *(continued)*

Additionally, as university research teams, particularly students, become more actively and directly involved in commercialisation activities, we have launched the Allied Minds Fellows Program, an initiative that will provide scholars in the science, technology, engineering and mathematics (STEM) disciplines with a unique perspective on the business side of science and early-stage technology commercialisation. The Allied Minds Fellows are an elite group of PhD and post-doctoral trainees who hail from top-ranking science, engineering, and medical schools across the United States. They serve as embedded technology scouts and support diligence of opportunities sourced from their academic and professional networks.

To support the momentum of both our university and national lab engagement activities, we closed a key hire in the second quarter, Teresa Fazio, PhD. Dr. Fazio brings both deep university technology transfer experience and knowledge of the federal innovation infrastructure. She was a Technology Licensing Officer at Columbia University's tech transfer office, served as a Communications Officer in the United States Marine Corps, and is a member of the Truman National Security Project Defense Council. Dr. Fazio earned her BS in Physics from MIT and a PhD from Columbia University in Applied Physics and Applied Mathematics with a concentration in materials science. Her doctoral research focused on building nanoscale devices to monitor single-molecule biological interactions.

Current Period Notable Developments

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

Spin Transfer Technologies, Inc.

Spin Transfer Technologies is developing magneto-resistive RAM computer memory, with the aspiration of becoming a leading universal memory technology in the $60+ billion per annum worldwide computer memory market.

Spin Transfer Technologies executed the first phase of a new partnership with a major electronics company. This joint development agreement establishes early stage development cooperation, and sets the stage for longer term co-development, manufacturing support, and supply chain commitments.

Under the first phase agreement, the partnership provides for exchange of semiconductor wafers and advanced wafer processing to facilitate technology development by both partners. The collaboration may be expanded to add product development, manufacturing capacity and logistics, licensing, and other inter-company support.

Using funds from last year's Series A preferred stock financing, Spin Transfer Technologies embarked on an expansion of clean room facilities and procurement of

Interim Management Report *(continued)*

processing and analytical equipment that would improve the quality of fabrication steps and reduce turnaround time. Construction work on the clean room is largely complete and major new equipment has been installed, with remaining pieces at various stages of being built by the vendor, tested, and delivered.

Development of the technology has progressed well, toward the goal of completing a diagnostic memory demonstrator (DM1). Data from this commercially relevant memory chip will be the basis for detailed discussions with and evaluation by potential partners and customers. The DM1 circuit design has been completed. Fabrication and testing are in process.

SciFluor Life Sciences, Inc.

SciFluor engages in drug discovery and development using fluorine and is building a portfolio of proprietary fluorinated compounds serving billion dollar markets. Fluorine modification of the underlying chemical structure of a drug has been demonstrated to improve potency, selectivity, rates of absorption and metabolic stability in many cases, and approximately 25% of drugs currently marketed or in the pipeline contain fluorine. SciFluor's principal products comprise two lead compounds:

- SF0166, a patented small molecule integrin antagonist wholly owned by SciFluor and intended to treat eye conditions including age-related macular degeneration, diabetic macular edema and retinal vein occlusion, representing an estimated 50 million patients worldwide. SF0166 is a topical drug intended to replace drugs requiring injection into the eye.
- SF0034, a KCNQ2/3 modulator and a fluorinated derivative of ezogabine, is also patented and is wholly owned by SciFluor. SF0034 could eliminate key safety issues associated with ezogabine and serve markets totaling $5.0 billion in aggregate including: epilepsy/seizures; tinnitus; amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease); and channelopathies (genetic orphan rare diseases).

In April 2015, SciFluor successfully raised $30.0 million in a Series A preferred stock financing. For the remainder of 2015, the company expects to advance the pre-clinical research so that SF0166 and SF0034 will be ready to enter Phase I clinical trials. It is envisaged that the Phase I trials will cover up to four indications for these two drugs. Additionally the company will execute pre-clinical tests on its existing pipeline compounds in respiratory disease, pain therapy, fibrosis, cardiovascular disease, and neurology.

SciFluor named William Koster, PhD, a seasoned executive in drug discovery research and early clinical development, as Chairman of the Board. Koster previously served

Interim Management Report *(continued)*

as President and Chief Executive Officer of Neurogen Corp., a NASDAQ-listed biotechnology company engaged in neuroscience research and development. He also spent 30 years with Bristol-Myers Squibb Co. in various roles that included Senior Vice President overseeing worldwide drug discovery research and early clinical development through Phase 2a.

Federated Wireless, Inc.

Federated Wireless, which is developing scalable wireless infrastructure solutions to extend the access of carrier networks, announced its support for the new Report and Order by the U.S. Federal Communications Commission (FCC) regarding Spectrum Access System (SAS) for the 3550-3700 MHz band (3.5 GHz band). Following this decision, Federated Wireless announced plans for a pilot program with several U.S. government agencies that aims to standardise and certify the dynamic sharing of 3.5GHz spectrum.

Allied-Bristol Life Sciences, LLC

Allied-Bristol Life Sciences (ABLS) is a partnership between Allied Minds and Bristol-Myers Squibb Company (BMY) created to identify and foster research and pre-clinical development of biopharmaceutical innovations from leading university research institutions across the U.S. In June 2015, ABLS entered into a license agreement with Harvard University with respect to research and intellectual property developed in Professor Malcolm Whitman's lab, and commenced a project to create novel therapeutics for the treatment of fibrotic and autoimmune diseases.

Optio Labs, Inc.

Optio Labs creates technology products that make mobile devices more secure. Optio Labs purchased Maryland-based security company Oculis Labs, and its CEO, Dr. Bill Anderson, joined the company as Chief Product Officer. Oculis is developer of the award-winning products PrivateEye and Chameleon. The acquisition, which includes the security software products, intellectual property and patents, as well as the integration of the development team, will allow Optio Labs to provide comprehensive data security solutions for corporations, government institutions and wireless carriers.

BridgeSat, Inc.

BridgeSat is developing an optical connectivity system that aims to increase the speed, security and efficiency of data transmissions from Low Earth Orbit (LEO) satellites at a reduced cost compared with traditional radio frequency solutions. BridgeSat co-invented this innovation with The Aerospace Corporation as part of a commercialisation collaboration for the federally funded research and development centre's extensive portfolio of small satellite technologies. BridgeSat has partnered with Draper Laboratory,

Interim Management Report *(continued)*

and is also collaborating with Massachusetts Institute of Technology Assistant Professor of Aeronautics and Astronautics, Dr. Kerri L. Cahoy and the graduate student team in the Space, Telecommunications, Astronomy, and Radiation (STAR) Laboratory, to further expand development of its downlink system and provide an alternative downlink mechanism that is faster, more secure, and available at a lower cost to traditional radio-frequency transmissions.

RF Biocidics

RF Biocidics (RFB) manufactures equipment and processes that use specialised radio frequency (RF) technology to safely eliminate harmful contaminants from foods. The resulting process is an effective, chemical-free and environmentally friendly alternative to conventional steam heat or chemical pasteurisation methods. Through June 2015, RFB recorded sales of $0.5 million, as compared with $2.2 million during the same period one year earlier. These results were driven primarily by (i) delays in obtaining regulatory approvals for a new generation, higher capacity machine and (ii) delays in product modifications to enable the processing of certain freshly harvested raw materials.

Subsequent to the period end, in July 2015, RF Biocidics' state-of-the-art food safety equipment received long-awaited validation by the Almond Board of California Technical Expert Review Panel (TERP). The TERP decision confirms third-party test results that demonstrates the capabilities of RFB's chemical-free process in use at Madera-based Ready Roast Nut Company, effectively eliminating pathogens such as Salmonella from almonds, making them safer to eat.

The Company believes that the U.S. food industry must meet the requirements of the U.S. Food Safety Modernization Act of 2010 (Food Safety Act), which focuses on the prevention of contamination rather than responding to outbreaks. The Company believes the increase in regulatory pressure is likely to result in a consumer preference for foods that are chemical-free and not processed by ionising radiation. RF technology provides a chemical-free food treatment methodology that proposes to be an economical alternative to existing technologies. The Company continues to believe that RFB's technology will prove to be an attractive means for disinfestation and disinfection of food commodities.

Allied Minds Devices, LLC

In April 2015, Allied Minds terminated and dissolved its subsidiary Allied Minds Devices, LLC (AMD). The company was initially formed to develop commercially viable medical device products. Allied Minds determined that the two technologies in the development stage did not meet key milestones which were designed to measure technological and commercial progress. At the time of dissolution, Allied Minds had invested $1.3 million in AMD, and had an Ownership Adjusted Value (OAV) in the investment of $nil.

Interim Management Report *(continued)*

Broadcast Routing Fountains, LLC

In April 2015, Allied Minds terminated and dissolved its subsidiary Broadcast Routing Fountains, LLC (BRF). The company was initially formed to develop an internet infrastructure technology that would supplement the border gateway protocol with a view to improving the way networks communicate. Allied Minds determined that the technology did not meet key milestones which were designed to measure technological and commercial progress. At the time of dissolution, Allied Minds had invested $0.6 million in BRF, and had an Ownership Adjusted Value (OAV) in the investment of $nil.

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 2015, ABLS entered into a license agreement with Yale University with respect to research and intellectual property developed in the laboratory of Dr. David Spiegel. The proprietary platform, and associated lead molecules known as Antibody-Recruiting Molecules (ARMs), provide a novel approach for the treatment of cancer.

Tinnitus Treatment Solutions, Inc.

Tinnitus Treatment Solutions (TTS), sister company of SoundCure, executed a new partnership between Your Hearing Network (YHN). This cross-marketing agreement will dramatically expand the reach of TTS by roughly 1000 hearing health care sites. YHN is an affiliate of Oticon, one of the largest hearing aid companies in the world.

The partnership will have two key aspects to it that leverage both companies expertise. In the first part, TTS will offer Oticon tinnitus hearing aids to TTS patients. In the second part, Your Hearing Network will offer its patients access to TTS' tele-audiologists for the provision of all tinnitus care, counselling, education and habituation follow-up through tele-homecare for that patient. This allows Oticon through YHN to focus on the amplification aspects and the sale of the hearing aid, and puts all the tinnitus care aspects onto the TTS tinnitus expert. This is expected to enable excellent tinnitus care for the patient, and increased patient flow for both parties.

Outlook

While the risks inherent in early-stage businesses are challenges, 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 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 2015 $'000	30 June 2014 $'000
Revenue	1,475	2,910
Cost of revenue	(746)	(1,940)
Selling, general and administrative expenses	(20,684)	(18,446)
Research and development expenses	(19,663)	(9,697)
Finance income/(cost), net	530	(11)
Loss for the year	(39,088)	(27,184)
Other comprehensive loss, net of tax	(12)	(4)
Total comprehensive loss	(39,100)	(27,188)

Revenue was lower by $1.4 million, at $1.5 million for the six months ended 30 June 2015 (HY14: $2.9m), when compared to the same period in the prior year. This decrease is primarily attributable to the lower product revenue at RF Biocidics, offset by the grant revenue at SiEnergy from the ARPA-E award. Revenues at CryoXtract and SoundCure remained relatively consistent when compared to the same period in the prior year. Cost of revenue was lower by $1.2 million, at $0.7 million for the six months ended 30 June 2015 (HY14: $1.9m) as a result of the lower sales in the period, when compared to the same period in the prior year.

Selling, general and administrative (SG&A) expenses increased by $2.3 million, to $20.7 million for the six months ended 30 June 2015 (HY14: $18.4m), of which $10.1 million relates to personnel expenses (HY14: $10.6m), $3.4 million to professional services (HY14: $2.6m) and $7.2 million to other SG&A costs (HY14: $5.2m). The increase is attributed to the overall growth of the Group compared to the six months preceding the IPO in 2014, namely by increase in headcount, selling and advertising initiatives, and associated travel costs.

Research and development (R&D) expenses increased by $10.0 million, to $19.7 million for the six months ended 30 June 2015 (HY14: $9.7m). The increase is attributed to the overall growth of the Group's research and development activities, attributed to the ramp up of the operations at Seamless Devices and Whitewood Encryption Systems incorporated in the second half of 2014, and the acceleration of development activities at Federated Wireless, Cephalogics, Precision Biopsy, and Spin Transfer Technologies. This increase was reflected by higher R&D headcount, related employee costs and increased external R&D professional services costs.

Interim Management Report *(continued)*

As a result of the above discussed factors, total comprehensive loss for the year increased by $11.9 million to $39.1 million for the six months ended 30 June 2015 (HY14: $27.2m).

Condensed Consolidated Statement of Financial Position

As of the period ended:	30 June 2015 $'000	31 December 2014 $'000
Non-current assets	99,944	44,039
Current assets	181,243	248,991
Total assets	281,187	293,030
Non-current liabilities	778	717
Current liabilities	9,978	12,499
Equity	270,431	279,814
Total liabilities and equity	281,187	293,030

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

- Non-current assets increased by $55.9 million, to $99.9 million at 30 June 2015 (FY14: $44.0m), mainly due to the increase of $46.9 million in the balance of excess cash invested in fixed income securities in the form of government agencies and corporate bonds. Property and equipment increased by $8.1 million to $24.4 million as of 30 June 2015 (FY14: $16.3m), mainly reflecting capital purchases for the period of approximately $9.5 million, of which $8.2 million at Spin Transfer Technologies, net of depreciation of $1.4 million. Intangible assets, net as of 30 June 2015, remained relatively consistent at $3.9 million compared to $3.4 million as of 31 December 2014, increasing mainly due to the asset purchase of Oculis Labs by Optio Labs.
- Current assets decreased by $67.8 million, to $181.2 million as of 30 June 2015 (FY14: $249.0m), mainly due to the decrease in cash and cash equivalents of $108.6 million, offset by the increase of $37.3 million in investment of excess cash in the form of fixed income securities with maturities greater than one year. Cash and cash equivalents decreased by $108.6 million to $115.5 million at 30 June 2015 from $224.1 million at 31 December 2014 due to investment of excess cash of $84.1 million in fixed income securities, acquisition of property and equipment and intangibles of $10.3 million and operating cash outflows of $39.3 million, offset by $25.2 million proceeds from the financing round at SciFluor in April 2015 and $0.1 million repayment of loan at CryoXtract. Trade and other receivables increased by $4.0 million, reflecting the timing of collections of receivables and amortisation of prepayments.

Interim Management Report *(continued)*

- Non-current liabilities remained relatively consistent at $0.8 million as of 30 June 2015, compared to $0.7 million at 31 December 2014.
- Current liabilities decreased by $2.5 million, to $10.0 million at 30 June 2015 (FY14: $12.5m) mainly reflecting the decrease of $2.1 million in bonus accrual at 31 December 2014 that are paid out in January of the current period.
- Net equity decreased by $9.4 million, to $270.4 million at 30 June 2015 (FY14: $279.8m) reflecting the net loss for the period of $39.1 million, offset by the new funds into non-controlling interest of $25.2 million from the financing round at SciFluor, $3.2 million charge to other reserve from equity-settled share based payments, and $1.3 million exercise price of stock options exercised in the period.

Condensed Consolidated Statement of Cash Flows

For the six months ended:	30 June 2015 $'000	30 June 2014 $'000
Net cash outflow from operating activities	(39,312)	(19,081)
Net cash outflow from investing activities	(94,401)	(1,200)
Net cash inflow from financing activities	25,115	144,215
Net (decrease)/increase in cash and cash equivalents	(108,598)	123,934
Cash and cash equivalents at beginning of period	224,075	104,551
Cash and cash equivalents at end of the period	115,477	228,485

The Group's net cash outflow from operating activities of $39.3 million in the six months ended 30 June 2015 (HY14: $19.1m) was primarily due to the net operating losses for the year of $39.6 million (HY14: $27.2m), plus increase in working capital and other finance costs of $4.6 million (HY14: decrease of $1.1m), offset by adjustment for non-cash accounting entries such as depreciation, amortisation, and share-based expenses of $4.9 million (HY14: $7.0m)

The Group had a net cash outflow from investing activities of $94.4 million in the six months ended 30 June 2015 (HY14: $1.2m) predominately reflecting the purchase of fixed income securities as discussed above with some of the excess cash raised in the IPO. Purchases of property and equipment were higher in the first half of 2015 compared to the same period last year due to capital purchases at Spin Transfer Technologies to support the operations in the newly built 'clean room' facility.

Interim Management Report *(continued)*

The Group's net cash inflow from financing activities of $25.1 million in the six months ended 30 June 2015 (HY14: $144.2m) largely reflects the net proceeds of $25.2 million from the financing round at SciFluor received in April as compared to significantly larger net inflows from financing as a result of the IPO in June 2014.

Total cash and deposits, including the investments in fixed income security, in total reflecting the available funds to the Group for future investments decreased to $237.0 million at 30 June 2015 from $261.5 million at 31 December 2014.

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 number of subsidiary businesses at the end of the most recent fiscal year and current half year ended 30 June 2015:

	30 June 2015	31 December 2014
Number of subsidiary businesses at beginning of period	23	17
New subsidiary businesses formed	1	6
Subsidiary businesses closed	2	0
Number of subsidiary businesses at end of period	22	23

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 number of subsidiary businesses in each of the lifecycle categories at the end of the most recent fiscal year and current half year ended 30 June 2015:

	30 June 2015	31 December 2014
Early stage	19	20
Commercial stage	3	3
Total	22	23

Interim Management Report *(continued)*

Approximately $313.5 million of capital has been allocated to the Group's subsidiary businesses, of which $188.4 million was raised and deployed by Allied Minds, $116.9 million is contributed by third party investors directly into the subsidiary companies and $8.2 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 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 $488.0 million as at 31 December 2014 (which reflects the increase in valuation as a result of the $30.0 million Series A preferred stock financing completed by SciFluor Life Sciences in April 2015). The Directors believe that there has been no significant change in the Group Subsidiary Ownership Adjusted Value since 31 December 2014, and through 30 June 2015.

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 businesses are set out in detail in the Risk Management section of the Strategic Report included in the 2014 Annual Report and Accounts. Those risks can be summarised as follows:

- The science and technology being developed or commercialised by the Group's businesses may fail and/or the Group's business may not be able to develop their intellectual property into commercially viable products or technologies. There is also a risk that certain of the subsidiary businesses may fail or not succeed as anticipated, resulting in an impairment of the Group's value.
- The Group expects to continue to incur substantial expenditure in further research and development activities of its businesses. There is no guarantee that the Group will become profitable and, even if it does so, it may be unable to sustain profitability.

Interim Management Report *(continued)*

- If any of the Group's relationships with US universities and federal government institutions were to break down or be terminated or expire then the Group would lose any rights that it has to act as a private sector partner in the commercialisation of intellectual property being generated by such universities, other research intensive institutions or US federal research institutions.
- A majority of the Group's intellectual property relates to technologies originated in the course of research conducted in, and initially funded by, US universities or other federally-funded research institutions. Although the Group has been granted exclusive licences to use this intellectual property there are certain limitations inherent in these licences, for example as required by the Bayh-Dole Act of 1980.
- The Group currently has in place cooperative research and development agreements with certain US Department of Defence laboratories and federal funded government institutions. Certain regulatory measures apply to these agreements which restrict the export of information and material that may be used for military or intelligence applications by a foreign person.
- The Group operates in complex and specialised business domains and requires highly qualified and experienced management to implement its strategy successfully. All of the operations of the Group and its subsidiary businesses are located in the United States which is a highly competitive employment market. There is a risk that the Group may lose key personnel, or fail to attract or retain new personnel. Furthermore, given the relatively small size of the senior management at the corporate level, the Group is reliant on a small number of key individuals.
- A large proportion of the overall value of the Group's businesses may be concentrated in a small proportion of the Group's businesses. If one or more of the intellectual property rights relevant to a valuable business was terminated this would have a material adverse impact on the overall value of the Group's businesses.
- Clinical studies and other tests to assess the commercial viability of the product are typically expensive, complex and time-consuming, and have uncertain outcomes. If the Company fails to complete or experiences delays in completing tests for any of its product candidates, it may not be able to obtain regulatory approval or commercialise its product candidates on a timely basis, or at all.

A copy of the 2014 Annual Report and Accounts is available on the Company's website at **www.alliedminds.com** under "Investors – Reports & Presentations".

Condensed Consolidated Statement of Comprehensive Loss

For the six months ended:	Note	30 June 2015 (unaudited) $'000	30 June 2014 (unaudited) $'000
Revenue		1,475	2,910
Operating expenses:			
Cost of revenue		(746)	(1,940)
Selling, general and administrative expenses		(20,684)	(18,446)
Research and development expenses		(19,663)	(9,697)
Operating loss		(39,618)	(27,173)
Finance income/(cost), net		530	(11)
Loss before tax		(39,088)	(27,184)
Taxation		–	–
Loss for the period	2	(39,088)	(27,184)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(12)	(4)
Other comprehensive loss, net of taxation		(12)	(4)
Total comprehensive loss		(39,100)	(27,188)
Loss attributable to:			
Equity holders of the parent		(30,443)	(21,901)
Non-controlling interests	6	(8,645)	(5,283)
		(39,088)	(27,184)
Total comprehensive loss attributable to:			
Equity holders of the parent		(30,455)	(21,905)
Non-controlling interests		(8,645)	(5,283)
		(39,100)	(27,188)
Loss per share		$	$
Basic	3	(0.14)	(0.14)
Diluted	3	(0.14)	(0.14)

See the accompanying Notes to Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Financial Position

As of the period ended:	Note	30 June 2015 (unaudited) $'000	31 December 2014 (audited) $'000
Non-current assets			
Property and equipment		24,405	16,330
Intangible assets		3,923	3,409
Investment in equity accounted investees		1,560	1,560
Other investments		69,072	22,176
Other financial assets		583	418
Other non-current assets		401	146
Total non-current assets		99,944	44,039
Current assets			
Cash and cash equivalents		115,477	224,075
Other investments		52,465	15,231
Inventories		2,492	2,919
Trade and other receivables		10,286	6,305
Other financial assets		523	461
Total current assets		181,243	248,991
Total assets		281,187	293,030
Equity			
Share capital		3,423	3,411
Share premium		154,762	153,442
Merger reserve		185,544	185,544
Other reserve		31,956	28,753
Translation reserve		(73)	(61)
Accumulated deficit		(139,309)	(123,186)
Equity attributable to owners of the Company	5	236,303	247,903
Non-controlling interests	6	34,128	31,911
Total equity		270,431	279,814
Non-current liabilities			
Loans		227	338
Deferred revenue		384	197
Other non-current liabilities		167	182
Total non-current liabilities		778	717
Current liabilities			
Trade and other payables		8,912	11,339
Deferred revenue		845	947
Loans		221	213
Total current liabilities		9,978	12,499
Total liabilities		10,756	13,216
Total equity and liabilities		281,187	293,030

See the accompanying Notes to Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended:	Note	30 June 2015 (unaudited) $'000	30 June 2014 (unaudited) $'000
Cash flows from operating activities:			
Net operating loss		(39,618)	(27,173)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation		1,386	1,129
Amortisation		296	279
Share-based compensation expense	4	3,203	5,546
Changes in working capital:			
Decrease/(increase) in inventory		427	(1,438)
(Increase)/decrease in trade and other receivables		(3,167)	1,058
(Decrease)/increase in trade and other payables		(2,427)	2,817
Increase/(decrease) in other non-current liabilities		285	(41)
Decrease in deferred revenue		(216)	(1,247)
Interest received		553	113
Interest paid		(22)	(124)
Other finance cost		(12)	–
Net cash used in operating activities		(39,312)	(19,081)
Cash flows from investing activities:			
Purchases of property and equipment, net of disposals		(9,461)	457
Purchases of intangible assets, net of disposals		(810)	(135)
Purchases of investment in equity accounted investees		–	(1,522)
Purchases of other investments		(84,130)	–
Net cash used in investing activities		(94,401)	(1,200)
Cash flows from financing activities:			
Proceeds from exercise of stock options		37	10,550
Repayment of notes payable		(104)	(525)
Proceeds from issuance of share capital		–	131,849
Proceeds from issuance of share capital in subsidiaries	6	25,182	2,341
Net cash provided by financing activities		25,115	144,215
Net (decrease)/increase in cash and cash equivalents		(108,598)	123,934
Cash and cash equivalents at beginning of period		224,075	104,551
Cash and cash equivalents at end of period		115,477	228,485

See the accompanying Notes to Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Statement of Changes in Equity

	Note	Share Capital									
		Shares	Amount $'000	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
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		44,373,211	754	131,095	–	–	–	–	131,849	–	131,849
New funds into non-controlling interest		–	–	–	–	–	–	–	–	2,341	2,341
Gain/(loss) arising from change in non-controlling interest		–	–	–	–	–	–	983	983	(983)	–
Exercise of stock options		7,662,424	130	10,420	–	–	–	–	10,550	–	10,550
Equity-settled share based payments		–	–	–	–	5,546	–	–	5,546	–	5,546
Balance at 30 June 2014 (unaudited)		209,499,425	3,329	141,515	185,544	25,360	94	(111,566)	244,276	(1,319)	242,957
Balance at 31 December 2013 (audited)		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		–	–	–	–	–	–	(45,478)	(45,478)	(12,228)	(57,706)
Foreign currency translation		–	–	–	–	–	(159)	–	(159)	–	(159)
Total comprehensive loss for the period							(159)	(45,478)	(45,637)	(12,228)	(57,865)
Issuance of ordinary shares		48,164,365	818	142,243	–	–	–	–	143,061	–	143,061
New funds into non-controlling interest		–	–	–	–	–	–	–	–	54,473	54,473
Gain/(loss) arising from change in non-controlling interest		–	–	–	–	–	–	12,940	12,940	(12,940)	–
Exercise of stock options		8,817,424	148	11,199	–	–	–	–	11,347	–	11,347
Equity-settled share based payments		–	–	–	–	8,939	–	–	8,939	–	8,939
Balance at 31 December 2014 (audited)		214,445,579	3,411	153,442	185,544	28,753	(61)	(123,186)	247,903	31,911	279,814
Total comprehensive loss for the period											
Loss from continuing operations		–	–	–	–	–	–	(30,443)	(30,443)	(8,645)	(39,088)
Foreign currency translation		–	–	–	–	–	(12)	–	(12)	–	(12)
Total comprehensive loss for the period							(12)	(30,443)	(30,455)	(8,645)	(39,100)
New funds into non-controlling interest	6	–	–	–	–	–	–	–	–	25,182	25,182
Gain/(loss) arising from change in non-controlling interest	6	–	–	–	–	–	–	14,320	14,320	(14,320)	–
Exercise of stock options	4,5	758,150	12	1,320	–	–	–	–	1,332	–	1,332
Equity-settled share based payments	4	–	–	–	–	3,203	–	–	3,203	–	3,203
Balance at 30 June 2015 (unaudited)		215,203,729	3,423	154,762	185,544	31,956	(73)	(139,309)	236,303	34,128	270,431

See the accompanying Notes to Condensed Consolidated Interim 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 London Stock Exchange ("LSE"). Allied Minds plc is engaged in the development of various technologies for commercial applications. As of 30 June 2015, Allied Minds had 24 active subsidiaries to which the Company provided funding, comprising 22 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 two subsidiaries in the first half of 2015 to which funding had previously been provided, and no subsidiaries in the year ended 31 December 2014.

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 2014.

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.

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.

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

1. **General information** *(continued)*

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 2014.

The Company has prepared trading and cash flow forecasts for the Group covering the period to 31 December 2016. 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 2015 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 2014 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 27 August 2015 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 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 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.

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

2. Operating segments *(continued)*

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:

For the six months ended:	30 June 2015 (unaudited)					
	Early stage		Commercial		Other operations	Consolidated
	STT $'000	Other $'000	RFB $'000	Other $'000	$'000	$'000
Statement of Comprehensive Loss						
Revenue	–	600	464	411	–	1,475
Cost of revenue	–	(2)	(583)	(161)	–	(746)
Selling, general and administrative expenses	(3,172)	(5,518)	(2,276)	(2,329)	(7,389)	(20,684)
Research and development expenses	(4,973)	(13,963)	(141)	(586)	–	(19,663)
Finance income/(cost), net	13	–	–	(22)	539	530
Loss for the year	(8,132)	(18,883)	(2,536)	(2,687)	(6,850)	(39,088)
Other comprehensive income	–	–	(27)	–	15	(12)
Total comprehensive loss	(8,132)	(18,883)	(2,563)	(2,687)	(6,835)	(39,100)
Total comprehensive loss attributable to:						
Equity holders of the parent	(3,874)	(16,011)	(1,431)	(2,304)	(6,835)	(30,455)
Non–controlling interests	(4,258)	(2,872)	(1,132)	(383)	–	(8,645)
Total comprehensive loss	(8,132)	(18,883)	(2,563)	(2,687)	(6,835)	(39,100)

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

2. Operating segments *(continued)*

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 Loss						
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:						
Equity holders of the parent	(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)

As of the period ended: 30 June 2015 (unaudited)

	Early stage		Commercial		Other operations	Consolidated
	STT $'000	Other $'000	RFB $'000	Other $'000	$'000	$'000
Statement of Financial Position						
Total assets	74,403	50,919	10,210	2,660	142,995	281,187
Total liabilities	(2,141)	(4,448)	(1,087)	(991)	(2,089)	(10,756)
Net assets	72,262	46,471	9,123	1,669	140,906	270,431

As of the period ended: 31 December 2014 (audited)

	Early stage		Commercial		Other operations	Consolidated
	STT $'000	Other $'000	RFB $'000	Other $'000	$'000	$'000
Statement of Financial Position						
Total assets	83,104	19,903	11,435	2,922	175,666	293,030
Total liabilities	(3,453)	(3,036)	(2,888)	(1,030)	(2,809)	(13,216)
Net assets	79,651	16,867	8,547	1,892	172,857	279,814

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

2. Operating segments *(continued)*

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 2014 Annual Report and Accounts.

The Group Subsidiary Ownership Adjusted Value ("GSOAV") was $488.0 million as at 31 December 2014. The Directors believe there has been no significant change in the Group Subsidiary Ownership Adjusted Value since 31 December 2014 and through 30 June 2015.

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.

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

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 $30.4 million (HY14: $21.9m), by the weighted average number of ordinary shares outstanding of 214,495,830 (HY14: 159,192,293) during the six-month period ended 30 June 2015:

Loss attributable to ordinary shareholders:

For the six months ended:	30 June 2015 (unaudited)		30 June 2014 (unaudited)	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Loss for the year attributed to the owners of the Company	(30,443)	(30,443)	(21,901)	(21,901)
Loss for the year attributed to the ordinary shareholders	(30,443)	(30,443)	(21,901)	(21,901)

Weighted average number of ordinary shares:

For the six months ended:	30 June 2015 (unaudited)		30 June 2014 (unaudited)	
	Basic $'000	Diluted $'000	Basic $'000	Diluted $'000
Issued ordinary shares on 1 January	214,445,579	214,445,579	157,463,790	157,463,790
Effect of share capital issued	–	–	1,265,389	1,265,389
Effect of share options exercised	50,251	50,251	463,114	463,114
Weighted average ordinary shares	214,495,830	214,495,830	159,192,293	159,192,293

Loss per share:

For the six months ended:	30 June 2015 (unaudited)		30 June 2014 (unaudited)	
	Basic $	Diluted $	Basic $	Diluted $
Loss per share	(0.14)	(0.14)	(0.14)	(0.14)

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.

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

4. Share-based payments

The share-based payments expense for the period was $3.2 million (HY14: $5.5m) comprising 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. 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 were 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 over a three year period; and
- 40 per cent of each award will be subject to performance conditions based on a basket of shareholder value metrics ("SVM"), 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).

Subsequently, annual awards are made under the LTIP that vest 100 per cent after the three year measurements period for both the TSR and SVM performance conditions.

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 2015 and 2014, respectively, is shown below:

For the six months ended:	30 June 2015 (unaudited)		30 June 2014 (unaudited)	
	TSR	SVM	TSR	SVM
Number of shares granted at maximum ('000)	170	280	2,771	1,848
Weighted average fair value (£)	7.01	5.99	1.14	1.90
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 SVM grants in the six months ended 30 June 2015 included 24,508 restricted units issued to the non-executive Directors of the Company that vest in three years conditional on their continued participation on the Board of Allied Minds.

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 or related to the UK LTIP was $1.4 million (HY14: $nil).

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.

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

4. Share-based payments *(continued)*

A summary of stock option activity in the U.S. Stock Plan for the six months ended 30 June 2015 and 2014, respectively, is presented in the following table:

For the six months ended:	30 June 2015 (unaudited)		30 June 2014 (unaudited)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding as of 1 January	10,396,496	$2.09	17,505,368	$1.61
Granted during the period	–	–	1,708,652	$2.49
Exercised during the period	(758,150)	$1.75	(7,662,424)	$1.38
Forfeited during the period	–	–	–	–
Outstanding as of period end	9,638,346	$2.12	11,551,496	$1.90
Exercisable at period end	9,638,346	$2.12	11,551,496	$1.90
Intrinsic value of exercisable	$61.8 million		$6.2 million	

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 2015 and 2014, respectively:

For the six months ended:	30 June 2015 (unaudited)	30 June 2014 (unaudited)
Expected option life (in years)	–	5.51
Expected stock price volatility	–	37.40%
Risk-free interest rate	–	1.85%
Expected dividend yield	–	–
Grant date option fair value	–	$0.93
Share price at grant date	–	$2.49
Exercise price	–	$2.49

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.

For the six months ended 30 June 2015, employees exercised options to purchase and sold 758,150 shares of the Company stock, resulting in $1.3 million additional share premium for the period.

Restricted share awards for 118,800 ordinary shares are outstanding, 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 the Company's admission to the Main Market of the LSE ("Admission") provided that the non-executive Director in question is still providing services to the Group on the relevant vesting date.

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

5. Share capital, share premium and reserves

As noted in note 4(b), various option holders in the U.S. Stock Plan exercised their options, resulting in additional share premium of $1.3 million most of which was received by the Company in July 2015. Movements below explain the movements in share capital:

As of the period ended:	30 June 2015 (unaudited) $'000	31 December 2014 (audited) $'000
Equity		
Share capital, £0.01 par value, issued and fully paid 215,203,729 and 214,445,579, respectively	3,423	3,411
Share premium	154,762	153,442
Merger reserve	185,544	185,544
Other reserve	31,956	28,753
Translation reserve	(73)	(61)
Accumulated deficit	(139,309)	(123,186)
Equity attributable to owners of the Company	236,303	247,903
Non-controlling interests	34,128	31,911
Total equity	270,431	279,814

6. Non-controlling interests

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

	Early stage		Commercial		Consolidated
	STT $'000	Other $'000	RFB $'000	Other $'000	$'000
Non-controlling interest as of 31 December 2014 (audited)	41,101	(2,752)	(4,064)	(2,374)	31,911
New funds into non-controlling interest	–	25,182	–	–	25,182
Share of comprehensive loss	(4,258)	(2,872)	(1,132)	(383)	(8,645)
Effect of change in Company's ownership interest	446	(14,810)	42	2	(14,320)
Non-controlling interest as of 30 June 2015 (unaudited)	37,289	4,748	(5,154)	(2,755)	34,128

In April 2015, SciFluor Life Sciences, LLC completed a $30.0 million financing round for 3,136,588 Series A preferred shares, of which $25.2 million came from existing investors of the Group and the remainder was provided by Allied Minds.

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

7. Related party transactions

a) Key management personnel compensation

For the six months ended:	30 June 2015 (unaudited) $'000	30 June 2014 (unaudited) $'000
Short-term employee benefits	2,394	1,198
Share-based payments	1,708	1,154
Total	4,102	2,352

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 2015 (unaudited) $'000	30 June 2014 (unaudited) $'000
Non-executive Directors' fees	147	64
Non-executive Directors' share-based payments	225	295
Total	372	359

Executive management and Directors of the Company control 12.6% (FY14: 12.7%) of the voting shares of the Company as of 30 June 2015.

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

c) Other related party transactions

Condensed Consolidated Statement of Comprehensive Loss

For the six months ended:	30 June 2015 (unaudited) $'000	30 June 2014 (unaudited) $'000
Purchase of goods		
Equity-accounted investee	1,200	692

Condensed Consolidated Statement of Financial Position

As of the period ended:	30 June 2015 (unaudited) $'000	31 December 2014 (audited) $'000
Purchase of goods outstanding balance		
Equity-accounted investee	171	33

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

8. Acquisition of trade and assets

In April 2015, Optio Labs, Inc. acquired substantially all of the assets of Oculis Labs, Inc., the developer and owner of the PrivateEye and Chameleon device screen security software for a total consideration of \$500,000, of which \$380,000 was due at closing (net of \$27,500 advanced by Optio Labs) and \$120,000 due one year from the date of closing (net of \$55,000 advanced by Optio Labs) plus a royalty consideration equal to 10% of net sales of the PrivateEye and Chameleon products for a period of three years following the date of closing, provided, the deferred cash payment and the royalty consideration are subject to offset against indemnification claims by Optio Labs against Oculis Labs. Management performed a valuation analysis of the trade and assets acquired and concluded that they principally relate to acquired equipment, software and other intangibles.

9. Subsequent events

The Company has evaluated subsequent events through 27 August 2015, which is the date the Condensed Consolidated Interim Financial Statements are available to be issued.

Allied-Bristol Life Sciences, LLC

In August 2015, ABLS entered into a license agreement with Yale University with respect to research and intellectual property developed in the laboratory of Dr. David Spiegel. The proprietary platform, and associated lead molecules known as Antibody-Recruiting Molecules (ARMs), provide a novel approach for the treatment of cancer.

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 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 (4.2.7R and 4.2.8R).

The Directors of Allied Minds plc and their functions are listed on page 38.

By order of the Board

Peter Dolan	Christopher Silva
Non-Executive Chairman	*Chief Executive Officer*

27 August 2015

Directors, Secretary and Advisers to Allied Minds

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Chris Silva
(Chief Executive Officer)

Mark Pritchard
(President)

Rick Davis
(Senior Independent Director)

Jeffrey Rohr
(Independent Non-Executive Director)

Kevin Sharer
(Independent Non-Executive Director)

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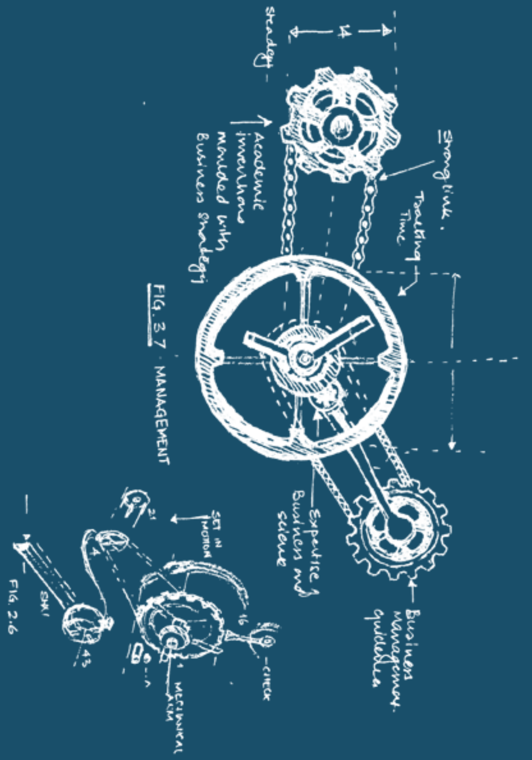

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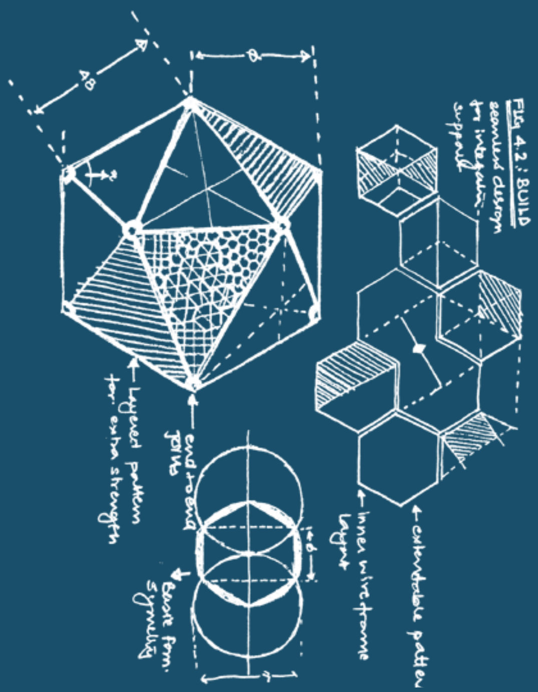

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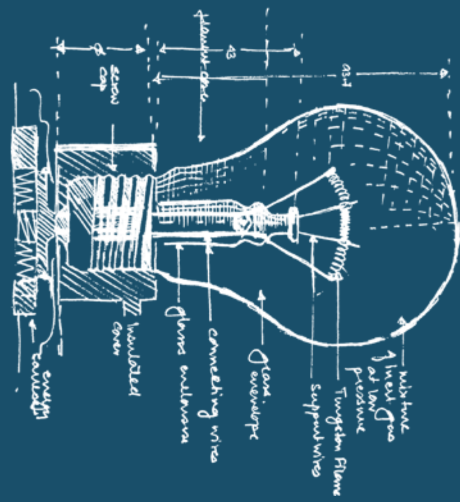

FUND

TRANSFORMING U.S. INVENTION INTO INNOVATION