

15 June 2022

**Allied Minds plc**  
**("Allied Minds", the "Group", or the "Company")**

**Annual Results and Notice of AGM**

Allied Minds plc (LSE: ALM), the IP commercialisation company focused on early-stage company development within the technology sector, announces its annual results for the year ended 31 December 2021.

**Investment and Financial Highlights**

- \$68.5 million invested in portfolio companies, of which \$61.8 million was raised from third-party investment.
- Cash and cash equivalents at 31 December 2021: \$9.7 million (FY20: \$24.5 million), of which \$9.0 million is held within Allied Minds (FY20: \$22.3 million).
- Revenues of \$1.5 million (2020: \$0.5 million) mainly from non-recurring engineering (NRE) and service contracts within Bridgecomm, reflecting the early stage nature of our portfolio companies.
- Share buyback programme launched in June 2021 to buy back up to \$3.0 million of the Group's shares to redistribute excess capital for the benefit of shareholders.
  - o A total of 2,537,712 shares, to date, have been purchased at a cost of \$0.7 million.

**Selected Portfolio Company Highlights**

- BridgeComm (consolidated subsidiary):
  - o Commenced sales of its Optical Inter-Satellite Link terminals - used in programs for space and ground applications with commercial and US Government customers.
  - o Launched Managed Optical Communication Array (MOCA) technology which allows for multi-domain capabilities to share large volumes of data significantly faster with increased security.
  - o Developed a proprietary, patent awarded set of technologies around point to multipoint optical communications using MOCA technology.
  - o Advanced one-to-many optical wireless communications (OWC) using MOCA technology to support Low Earth Orbit (LEO) constellations.
  - o Post year end, Allied Minds and AE Industrial HorizonX Venture Fund I, LP (HorizonX), jointly contributed an aggregate of \$0.8 million of convertible bridge financing to BridgeComm, each contributing \$0.4 million. The bridge financing will be applied to support the business to the completion of a new financing round.
- Federated Wireless (equity accounted investment):
  - o Awarded multi-million-dollar contract from the US Department of Defense as part of its 5G Smart Warehouse Initiative.
  - o In November 2021, Allied Minds invested \$4,283,000 in Federated as bridge financing, which is held at fair value of \$4,500,000 at 31 December 2021.
  - o Post year end, Federated Wireless announced two Series D fundraises for a total of \$72 million, giving Federated Wireless a post money valuation of \$302 million.
  - o Allied Minds' bridge financing fully converted following the post year end completion of the Series D funding rounds. As a result, Allied Minds' fully diluted ownership of the issued share capital of Federated Wireless stands at 23.96%.

- o Key appointments made to the company's leadership team in 2021, including Chief Commercial Officer and Chief Financial Officer.
- o Achieved 3.8x revenue growth in 2021 and expects continued momentum through 2022 and beyond.
- OcuTerra (ordinary and preference share holding):
  - o Closed \$35 million Series B funding from new investors and as part of the raise the company was deconsolidated from the group financial statements.
  - o Proceeds will be used to fund a Phase II clinical trial of its OTT166 asset in diabetic retinopathy, as well as for other working capital needs.
  - o The company is preparing for the start of the Phase 2 trial, and is building out its managerial and clinical team.
  - o Now funded for the immediate future.
- Orbital Sidekick (investment held at fair value):
  - o Closed \$16 million Series A funding led by Temasek - included new investors Energy Innovation Capital and Syndicate 708 and existing investors Allied Minds and 11.2 Capital.
  - o Launched most powerful satellite yet, Aurora, to collect and analyse hyperspectral data, with a broad focus on sustainability.
  - o Expanded the team from 12 to 39, which is expected to reach 65 employees by the end of 2022.
  - o Expanding satellite operations within existing partnerships with Phillips 66 and iPIPE to provide better leak prevention and monitoring for the energy sector - full commercialisation anticipated during 2023.
  - o Signed a contract with one of the largest pipeline operators in North America - Energy Transfer - to deliver recurring monitoring services from our satellites through 2023.
  - o Orbital has sufficient cash to fund the business until August 2022 and is in advanced talks with potential investment firms and strategic partner groups to secure the required funding.
- Touch Bistro (investment held at fair value)
  - o On 28 March 2022, Allied Minds announced that it had completed the disposal of its residual shareholding in Touch Bistro for \$5.5m CAD (\$4.4m USD) in line with its strategy of monetising its investment portfolio. Of the sale proceeds, \$4.97m CAD has been received and \$0.53m CAD is to be held in escrow, with an initial release date in Q3 2022, subject to any then outstanding claims.

## Corporate Developments

Post-period end, Allied Minds announced in March 2022 that it will undertake a formal review of the Company's strategic options (the "Strategic Review") including, but are not limited to, a sale of the Company itself, which the Board intends to conduct under the framework of a "Formal Sale Process" in accordance with Rules 2.4 and 2.6 of the Takeover Code, alternatively, to seek to distribute certain assets and any cash reserves directly back to shareholders through a re-structure.

The Company also announced the resignation of Non-Executive Directors, Mark Lerdal and the forthcoming resignation of Harry Rein. Harry Rein and Bruce Failing, the Senior Independent Director, and the Company's largest shareholders are working to ensure an orderly transition to any new Independent Directors.

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

- Annual Report and Accounts for the year ended 31 December 2021

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

The 2022 Annual General Meeting will be held at 2.00 pm EDT on 27 July 2022 at the Company's headquarters located at 374 Congress Street, Suite 308, Boston, Massachusetts 02210, USA.

For further information, please contact:

**Allied Minds plc**

Bruce Failing

c/o Instinctif Partners

**Instinctif Partners (Communications)**

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**About Allied Minds**

Allied Minds plc is an IP commercialisation company focused on early stage company development within the technology sector. With origination relationships that span US federal laboratories, universities, and leading US corporations, Allied Minds historically created, and now operates and funds, a portfolio of companies to generate long-term value for its investors and stakeholders. Based in Boston, Allied Minds supports its businesses with capital, management, expertise and shared services. For more information, please visit [www.alliedminds.com](http://www.alliedminds.com).

*Forward looking statements*

This Annual Results Release and the 2021 Annual Report contain statements that are or may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies. The Group considers any statements that are not historical facts as "forward-looking statements". The forward-looking statements are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from current expectations, including, but not limited to, those risks and uncertainties described in the risk management section of the 2021 Annual Report. These forward-looking statements are made in good faith based on assumptions regarding the present and future business strategies of the Company and the environment in which it will operate in the future and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Each forward-looking statement speaks only as at the date of this Annual Results Release. Except as required by law, regulatory requirement, the Listing Rules and the Disclosure Guidance and Transparency Rules, neither the Company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

**2021 Annual Report and Accounts**

**STRATEGIC REPORT**

**Chairman's Report**

This is my last Chairman's letter to you having taken the decision to stand down from the Board upon signing off these accounts.

Following this decision and conscious of the recent board changes, there is a need to appoint additional directors to the board of the Company. The Directors are working closely with the Company's largest shareholders to identify and recruit new directors to the board of the Company.

Allied Minds has an unusual Board structure, having been comprised solely of Non-Executive Directors, with each portfolio company having its own Board of Directors. The Non-Executive Directors of Allied Minds serve on the Boards or have observer status on each active portfolio company. This has enabled us to work in a cost-efficient manner while utilising the skills of the Allied Minds directors.

Over my time as Chairman I, and my Board colleagues, have reviewed the portfolio of investments we inherited and took the appropriate tough decisions to ensure we maximise those investments with the most perceived value and move them towards monetisation.

As at the start of 2021, all the portfolio companies Allied Minds was invested in were essentially pre or at the early stages of generating revenue, and a number of them faced substantial challenges. These challenges resulted in us exiting or closing our investments in several companies, leaving us with six companies which, in my and the Board's view, have significant potential and merit support.

This restructuring of the portfolio has been challenging. In several cases hopes and expectations of the value of our investments were out of line with reality and this has had a consequential impact on the share price. However, this rebasing of the value of the investments, and providing clarity to all shareholders, needed to take

place, and we now have six investments which have potential. Of these our investment in Federated Wireless is the most valuable, as demonstrated by the recent Series D upround at a post-money valuation of \$302 million.

As part of the Board's review of its strategic options, and its frustrations with the undervaluation of the Company on the stock market, and the costs of being a listed entity, the Board announced in March 2022 that we were undertaking a formal strategic review and sale process. This review may lead to an offer for the Company, or a distribution of assets and cash to shareholders.

It has been my pleasure to serve as your Chairman, and I wish my successor every success.

**Harry Rein**

**Chairman**

14 June 2022

## **Company Overview**

### **Overview**

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

We have historically invested in companies at an early stage, including seed investments to build companies based on a technical breakthrough or invention. As such, our investments have significant upside potential, but also carry significant risk inherent in the early-stage model.

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

The Group remains focused to execute its plan to maximise the value of its portfolio company interests and deliver well-timed, risk-adjusted returns for its shareholders.

### **Model**

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

We seek to play an active role in developing the strategic direction of our portfolio companies and driving ongoing planning and assessment. Our Non-Executive Directors serve on the boards of directors of our portfolio companies, working with them to develop and implement strategic, operating and funding plans. We evaluate on an on-going basis the progress and potential of each of the portfolio company's businesses and make strategic and funding decisions based on the regular review of operational and financial performance and the achievement of key milestones. Together with our management, the respective portfolio company boards of directors define the critical milestones, or inflection points, for each portfolio company and measure tangible progress towards commercialisation and the key factors for a successful monetisation event.

Where appropriate, we seek to include partners who validate the market opportunity and can provide support and/or commercial commitments to accelerate, expand and/or de-risk the path to commercialisation. Co-investors in later rounds include financial, strategic and commercial partners.

### **Strategy**

Allied Minds is focused on supporting its existing portfolio companies and maximising monetisation opportunities for portfolio company interests. For some time, the Board has been reviewing the range of strategic options available to it in order to return value to shareholders. The Board resolved, in March 2022, to undertake a formal review of the Company's strategic options (the "Strategic Review") including, but not limited to, a sale of the Company itself, which the Board intends to conduct under the framework of a "Formal Sale Process" in accordance with Rules 2.4 and 2.6 of the Takeover Code, alternatively, to seek to distribute certain assets and any cash reserves directly back to shareholders through a re-structure. The Strategic Review is solely aimed at creating and/or realising shareholder value.

Subject to conclusion of the Strategic Review, the Board will continue to aim to monetise the Group's ownership positions at the appropriate time, recognising the value and benefit in achieving well-timed risk-adjusted returns for the benefit of shareholders. Upon the event of successful monetisation events from the sale of portfolio companies or portfolio company interests, Allied Minds anticipates distributing the net proceeds to its shareholders, after due consideration of potential follow-on investment opportunities within the existing portfolio and working capital requirements.

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

The Board aims to ensure that the Group is being managed in as cost efficient manner as possible, regularly reviewing the on going costs associated with being a listed company. The Board notes that the costs of maintaining a premium listing on the London Stock Exchange are prohibitive for a company of Allied Minds' current size and maintaining a public listing is expensive with more than 50 per cent of the Company's annual budget devoted to meeting the requirements of being a listed company.

### **Outlook**

There was substantial technical and commercial progress from within some portfolio companies during 2021 and post period, including successful funding rounds, development milestones, contract wins and industry partnerships. The milestones achieved demonstrate examples of solving difficult technical problems, developing innovative products and services across a range of large potential markets, establishing important partnerships to develop technology and go to market channels, and the creation of shareholder value.

The Board of Allied Minds continually assesses its portfolio of investments and with a member of the Board sitting on or leading the boards of all our material investments, the Board can ensure it is optimally placed to take timely

decisions based on up to date information. This will not be impacted by the departure of Harry Rein as Chairman and a process is currently underway to ensure the appropriate number of non-executive directors serve on the board.

This approach has ensured that decisive actions are taken, even if these are sometimes difficult such as the decision to liquidate Spin Memory, and sell Spark Insights.

Although the remaining portfolio companies are mostly at a relatively early stage in their lifecycle, the Board is positive about their prospects upon exit if the portfolio companies continue to meet their planned technical and commercial goals.

### **Portfolio Company Valuation**

Of the Company's six active portfolio companies, one is currently majority owned and controlled, and therefore fully consolidated in the Company's consolidated financial statements prepared in accordance with UK adopted International Accounting Standards.

Of the remaining five portfolio companies, the Company holds a significant minority stake in three of these companies and small positions in both TouchBistro, Inc. (as a result of the stock-for-stock sale of TableUp, Inc.) and Concirrus (as a result of the stock-for-stock sale of Spark Insights, Inc.). In each case, where Allied Minds holds a significant minority stake, it is able to exercise significant influence over the portfolio company by virtue of its large, albeit minority, ownership stake in the portfolio company and its representation on the board of directors. The investment in preferred stock in these portfolio companies is accounted for under IFRS 9 and is classified by the Company as an investment at fair value in the Company's consolidated financial statements. Due to the equity-like characteristics of the Company's common stockholdings in Federated Wireless, this investment is accounted for under IAS 28 and is classified by the Company as investments in associates. Accordingly, since Allied Minds has significant influence over this entity through the voting rights/potential voting rights held, it gives access to the returns associated with an ownership interest in this associate. For Ordinary stock holdings, where the group does not have significant influence, these investments are held at fair value in the Company's consolidated financial statements.

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

This information is set forth in the Portfolio Review and Developments section below. The ownership interests are as of 03 May 2022. The fully-diluted percentages take into account outstanding stock options granted to employees, directors and advisors, current stock options available for grant pursuant to the company's stock option plan, and outstanding warrants to purchase common and preferred stock.

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

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

### **Portfolio Review and Developments**

#### **1) BridgeComm Inc. (BridgeComm) (consolidated subsidiary)**

BridgeComm is developing high-speed optical wireless communications to provide fast, secure, enterprise-grade broadband service for space, terrestrial and 5G connectivity. Interest in the optical communications market is growing with commercial space opportunities and government programs looking for the unique characteristics of high speed and security.

BridgeComm has developed a proprietary, patent awarded set of technologies around point to multipoint optical communications using Managed Optical Communication Array (MOCA) technology. This means BridgeComm can truly complement legacy Radio Frequency (RF) technology. BridgeComm has demonstrated this capability to customers and is now developing terminals for specific applications. Key partners include Space Micro for production of point to multipoint terminals based on MOCA technology and Boeing that has supported BridgeComm and partnered on key applications.

The conflict in the Ukraine has highlighted the value of BridgeComm's point to multi point technology. BridgeComm's one-to-many high-speed optical communications technology allows for dispersed communications which are difficult to detect and/or intercept. Current battlefield communications tend to use a single point of distribution with the risk of a single point of failure. BridgeComm's one-to-many communications enables a mesh network, eliminating this point of failure. The goal is to install 1000's of satellites with BridgeComm's non mechanical software driven optical communications system. This would allow dispersed battlefield control from space. In addition it is hoped that BridgeComm's technology will provide the optical intersatellite communications capability of choice for all proliferated low earth orbit constellations.

BridgeComm will require up to \$5mm additional capital to deliver an existing contract with The Space Development Agency, the objective of which is to prove MOCA technology over longer distances.

BridgeComm is currently in partnering discussions with Aeroequity Industrial partners to provide additional funding and US government sourcing expertise. In addition, for BridgeComm to succeed as a US government vendor, it will need to be a US based company. Because AEI brings technical and government knowledge, it is planned that Allied Minds will be a large minority shareholder post transaction which is expected to be a down round to the last valuation.

Holdings and valuation:

- Date of Last Funding Round: September 2018

- Post-Money Valuation: \$38.0 million
- Co-Investors: Boeing HorizonX Ventures (venture arm of Boeing Company)
- Allied Minds' Issued and Outstanding Ownership: 81.15%
- Allied Minds' Fully-Diluted Ownership: 62.92%

## **2) Federated Wireless Inc. (Federated) (equity accounted investment)**

Founded in 2012, Federated is the market leader in Citizen Band Radio Service (CBRS) shared spectrum. Shared spectrum, also known as CBRS, is an innovative technology that delivers the best attributes of traditional wireless and Wi-Fi, with lower fixed cost, higher quality, and greater efficiency and scale.

As the first to market with a Spectrum Access System ("SAS"), Federated Wireless is the nationwide leader in enabling, commercializing, and driving adoption of shared spectrum. With more than 350 customers and over 90,000 connected devices across the United States and territories, the company serves a customer base spanning defense, government, manufacturing, telecommunications, utilities, real estate, and education, with a wide range of use cases ranging from network densification and mobile offload to private wireless and industrial IoT. Noteworthy customers include Charter, Comcast, Verizon, the US Department of Defense and Carnegie Mellon University.

The company has driven several significant advancements in 2021. These include the launch of the secondary CBRS spectrum market via its Spectrum Exchange; significant deployments of a dedicated CBRS network for IoT research at Fort Carson, CO, and another for modernization of the Marine Corps Logistics Command warehouse operations in Albany, GA; along with deployment of the first CBRS networks in Puerto Rico and the U.S Virgin Islands, delivering service to the region's Wireless Internet Service Providers (WISPs) and Mobile Network Operators (MNOs). The last year has seen its customer and partner base expand rapidly into new verticals and the number of active CBRS devices grow significantly. As of the publication of this report, the company has more than 350 customers, with more than 90,000 devices deployed, which together indicate strong momentum for the entire market segment.

### **Accelerating private 5G wireless for enterprise**

Federated Wireless is powering innovation in how networks are delivered and reshaping wireless connectivity for cloud-enabled technologies. The company is focused on accelerating enterprise adoption of private wireless networking and delivering new capabilities for network edge innovation. Its goal is to simplify and automate how wireless networks are purchased, deployed, provisioned, and managed, making it easier for organizations to customize their network to business requirements, and speed time to market with advancements in IoT, VR/AR, and other digital technologies.

Critical to the Federated Wireless strategy is expanding its edge solutions, which it will achieve through collaboration with hyperscale providers that have been growing and strengthening over the past two years, including AWS, Intel, HPE-Aruba, JMA, Cisco, and others. The company's top priorities include:

- Investing in cloud-native tools to empower edge innovation, including automation, application analytics, and zero touch provisioning (ZTP);
- Mobilizing the ecosystem with a heightened focus on relationship management, business development, and sales enablement;
- Expanding product capabilities for sharing in 6 Ghz and promoting its adoption domestically and internationally; and,
- Ramping up commercial capacity with increased investment in Sales, Marketing, and Customer Success.

### **Investing in growth**

In addition to significant investments in product development, Federated Wireless made key appointments to the company's leadership team in 2021, including:

- Industry veteran Chris Swan joined as Chief Commercial Officer to focus on delivering the very significant growth opportunity for the business with leadership over sales, marketing, and customer care.
- Strategic operations and finance executive Loren Buck joins as Chief Financial Officer.

Financially, Federated Wireless saw 3.8x revenue growth in 2021 and expects continued momentum through 2022 and beyond.

Subsequent to year end, Federated Wireless raised \$72 million through a two stage Series D funding to fuel growth in 5G private wireless and other strategic focuses. An affiliate of Cerberus Capital Management, L.P. led the round, with affiliates of Fortress Investment Group, Giantleap Capital, and LightShed Ventures added as new investors with existing investors Allied Minds and GIC, Singapore's sovereign wealth fund, also participating.

Holdings and valuation:

- Date of Last Funding Round: May 2022
- Post-Money Valuation: \$302 million
- Co-Investors: Cerberus Capital Management LLP and GIC (Singapore's sovereign wealth fund)
- Allied Minds' Fully-Diluted Ownership: 23.96%

### **3) OcuTerra Therapeutics, Inc. (ordinary and preference share holding)**

OcuTerra is a clinical stage ophthalmology company developing innovative small molecule drugs for non-invasive use in treating ophthalmologic diseases that are currently treated in the early stages with a "watch and wait" protocol. The company has announced a Series B financing of \$35m that will be used to fund a Phase 2 trial starting in Q3 2022 of its non-invasive eyedrops (OTT166) for use in early active management of Diabetic Retinopathy. It will be studied in the trial for the treatment of moderate to severe non-proliferative and mild proliferative Diabetic Retinopathy. Diabetic Retinopathy is a disease that results in loss of vision for diabetic patients.

Phase 1b clinical trials of OTT166 eye drops in patients with diabetic retinopathy and wet AMD have demonstrated safety, tolerability and clear clinical evidence of biological activity. OTT166 is a novel small molecule selective integrin inhibitor that has been engineered to have the required physicochemical characteristics to be able to reach the retina, where the damage occurs, from eye drop application. The current standard of care involves injections into the eye and/or laser treatment. The OcuTerra drops are intended to be used earlier in the treatment of Retinopathy, potentially delaying or eliminating the need for intravitreal injections. If the Phase 2 trial is successful, the next step would be a Phase 3 trial involving more patients and if successful in meeting the clinical end points application to the FDA for approval.

The company believes that it is well positioned to transform the treatment of Diabetic Retinopathy. Currently the company is preparing for the start of the Phase 2 trial, and is building out its managerial and clinical team.

Allied Minds is a minority shareholder in OcuTerra and as such there is no current intention to invest any further capital in the company.

Holdings and valuation:

- Date of Last Funding Round: November 2021
- Valuation: \$51.3 million
- Co-Investors: Various third parties
- Allied Minds' Issued and Outstanding Ownership: 17.06%
- Allied Minds' Fully-Diluted Ownership: 12.33%

### **4) Orbital Sidekick Inc. (Orbital) (investment held at fair value)**

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

Orbital SideKick has grown significantly over the past 12 months, expanding the team from 12 to 39. The Company is expected to reach 65 employees by the end of 2022. Orbital has invested heavily in product development, engineering, and analytics, and is now growing the Sales & Marketing Team ahead of the launch and commissioning of 6 satellite GHOSSt constellation beginning in Q3 of 2022. The Company's technology demonstration mission - Aurora - successfully validated its hyperspectral sensor technology performance in a space environment and served as a dress rehearsal for the GHOSSt constellation. The company has recently signed a contract with one of the largest pipeline operators in North America - Energy Transfer - to deliver recurring monitoring services from its satellites through 2023. The Company recently signed a significant work program contract with In-Q-Tel, and expects to expand its footprint within the defense & intelligence community in 2022 and beyond. The Company is also developing products for the mining and agriculture industries, along with fire fuel and carbon mapping capabilities.

Orbital has sufficient cash to fund the business until August 2022. Orbital is in advanced talks with potential investment firms and strategic partner groups to secure the required funding. The additional funding will allow the company to add its product to an additional six satellite launches.

Holdings and valuation:

- Date of Last Funding Round: April 2021
- Post-Money Valuation: \$46 million
- Co-Investors: Temasek, Energy Innovation Capital and 11.2 Capital
- Allied Minds' Issued and Outstanding Ownership in respect of preference shares: 26.52%
- Allied Minds' Fully-Diluted Ownership: 24.11%

### **5) Concirrus (acquirer of Spark Insights Inc.) (common shares in Concirrus)**

On 1 November 2021, Allied Minds announced the disposal of portfolio company Spark Insights, Inc. to Concirrus, a private UK-based insurance technology company. The disposal is valued at \$700,000 USD and was paid in Concirrus stock.

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

On 28th March 2022, Allied Minds announces that it had completed the disposal of its residual shareholding in Touch Bistro for \$5.5m CAD (\$4.4m USD) in line with its strategy of monetising its investment portfolio. Of the sale proceeds, \$4.97m CAD has been received and \$0.53m CAD is to be held in escrow, with an initial release date in Q3 2022, subject to any then outstanding claims.

## Key Performance Indicators

In 2020, the Company measured its performance through the percentage level of achievement of management by objectives (MBOs). These objectives sought to link financial, operational, technical and other performance milestones established by the Board directly to remuneration and KPIs. In 2021, however, MBOs were removed following changes in the Company's management structure and the absence of Executive Directors.

The following Key Performance Indicators (KPIs) were selected to measure the performance of the Company in 2021. These objectives seek to link financial, operational, technical and other performance milestones established by the Board directly to remuneration and KPIs, as further set out in the director compensation schemes previously disclosed to the market.

1. Increase Company Non-Executive Director (NED) engagement at each portfolio company. We have continued to hold NED roles on the board of each of the significant portfolio investments.
2. Provide strategic, operational and financing support and assistance to the portfolio companies through representation on the board of each portfolio company. We have continued to provide this support to each of the portfolio companies throughout the period.
3. Critically evaluate and monitor portfolio company progress with objective of maximising shareholder return on investment (ROI). We have critically evaluated the performance and this has resulted in the investment portfolio changes in the period.
4. Manage HQ cash and expenses to maximise shareholder ROI, HQ expenses in the current year were \$5.69m (2020: \$7.11m).

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

## Financial Review

During 2021, \$68.5 million was invested into existing portfolio companies. This included \$6.8 million invested by Allied Minds, with \$61.7 million coming from third-party investment, to further accelerate the development of the Group's existing companies.

### Consolidated Statement of Comprehensive Loss

For the years ended 31 December	2021 \$ '000	2020 \$ '000
Revenue	1,544	480
Cost of revenue	(443)	(210)
Selling, general and administrative expenses	(10,569)	(10,497)
Research and development expenses	(2,650)	(4,712)
Finance cost, net	(2,788)	(1,786)
Other expense	(1,338)	(38,779)
Other comprehensive loss	(41)	(116)
Total comprehensive loss	(16,285)	(55,620)
of which attributable to:		
Equity holders of the parent	(15,575)	(53,141)
Non-controlling interests	(710)	(2,479)

Revenue increased by \$1.0 million, to \$1.5 million in 2021 (2020: \$0.5 million). This increase is primarily attributable to revenue from existing and new contracts in 2021 at BridgeComm. Cost of revenue at \$0.4 million (2020: \$0.2 million) was lower as a percentage of revenue, when compared to the prior year, mainly due to the nature of the revenue being delivered.

Selling, general and administrative (SG&A) expenses increased by \$0.1 million, to \$10.6 million (2020: \$10.5 million). This increase was mainly due to additional professional fees incurred in regards to the latest financing at OcuTerra Therapeutics in the first half of 2021.

Research and development (R&D) expenses decreased by \$2.1 million, to \$2.6 million (2020: \$4.7 million). The decrease was primarily due to the deconsolidation of two subsidiaries in 2021. The remainder of the decrease reflects the net effect from R&D spend at the remaining subsidiaries.

Net finance cost increased by \$1.0 million in 2021 to \$2.8 million (2020: \$1.8 million). The increase in the net cost reflects the impact from the deconsolidation of OcuTerra in the first half of 2021 of \$7.7 million and \$0.1 million increase of a convertible note payable due to the fair value adjustment. This increase was offset by the \$5.2 million decrease of the subsidiary preferred shares liability balance at BridgeComm as a result of IFRS 13 fair value accounting. Lastly, interest expense, net of interest income, was \$0.2 million in 2021 (2020: \$23 thousand).

Other expenses decreased to \$1.3 million (2020: \$38.8 million) reflecting \$14.2 million of gain on deconsolidation of OcuTerra and Spark Insights, \$0.4 million of gain from Paycheck Protection Program (PPP) loan forgiveness and \$0.3 million of compensation from third parties for disposal of fixed assets, offset by \$13.9 million loss on investments held at fair value as well as the company's share of loss of \$2.3 million from its associates.

As a result of these factors, total comprehensive loss decreased by \$39.3 million to \$16.3 million (2020: \$55.6 million). Total comprehensive loss attributed to the equity holders of the Group was \$15.6 million (2020: loss of \$53.1 million) and \$0.7 million loss (2020: \$2.5 million) was attributable to the owners of non-controlling interests.



## Consolidated Statement of Financial Position

As of 31 December	2021 \$ '000	2020 \$ '000
Non-current assets	35,229	44,416
Current assets	20,672	32,584
Total assets	55,901	77,000
Non-current liabilities	213	2,246
Current liabilities	11,033	16,468
Equity	44,655	58,286
Total liabilities and equity	55,901	77,000

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

### *Non-current assets*

Property and equipment decreased by \$0.8 million to \$0.8 million (2020: \$1.6 million), reflecting depreciation expense of \$0.5 million, impairment loss of \$0.5 million offset by \$0.2 million in gain on disposal of fixed assets.

Investments at fair value decreased to \$33.9 million (FY20: 41.6 million). The change reflects the recognition of a \$5.7 million investment as a result of the deconsolidation of OcuTerra and \$0.7 million investment as a result of the disposal of Spark Insights. The increase was offset, in part, by a loss of \$14.1 million of the fair value accounting for other investments held at fair value.

Right-of-use assets decreased to \$0.4 million (2020: \$0.6 million) primarily related to depreciation of \$0.3 million offset by recognition of a new lease entered into by BridgeComm of \$0.1 million in 2021.

### *Current assets*

Cash and cash equivalents decreased by \$14.8 million to \$9.7 million (2020: \$24.5 million). The decrease is mainly attributed to \$9.1 million of net cash used in operations, \$18.7 million cash used in investing activities, offset by \$13.0 million cash provided by financing activities.

Trade and other receivables decreased by \$0.1 million to \$5.9 million (2020: \$5.8 million) due to a cumulative decrease in trade receivables and prepaid expenses of \$0.1 million as a result of deconsolidation of OcuTerra in the first half of 2021.

Other financial assets have increased by \$2.8 million to \$5.1 million (FY2020: \$2.3 million) primarily due to the conversion of Orbital's convertible note of \$1.5 million into preferred shares upon the closing of the Series A funding offset by Allied Minds' \$4.3 million investment in Federated Wireless in the form of SAFEs (simple agreements for equity).

### *Current liabilities*

Subsidiary preferred shares decreased by \$5.2 million to \$1.3 million (2020: \$6.5 million) primarily driven by \$5.2 million in IFRS 9 fair value adjustment at BridgeComm for the year.

Deferred revenue increased by \$1.3 million to \$4.9 million (2020: \$3.6 million) primarily due to new revenue contracts recognised at BridgeComm in 2021.

Loans decreased by \$0.1 million (2020: \$3.1 million) primarily due to forgiveness of PPP loans.

### *Non-current liabilities*

Lease liabilities decreased by \$1.0 million to \$0.8 million (2020: \$1.8 million) primarily due to lease payments offset by issuance of a new lease at BridgeComm in second half of 2021.

Other non-current liabilities decreased by \$1.4 million (2020: \$1.4 million) primarily due to loan payments of convertible promissory notes at OcuTerra Therapeutics.

### *Equity*

Net equity decreased by \$13.6 million to \$44.7 million (2020: \$58.3 million) reflecting the combination of comprehensive loss for the period of \$16.3 million, repurchase of ordinary shares of \$0.7 million offset by the effect of deconsolidation of OcuTerra and Spark Insights of \$3.2 million and \$0.2 million charge due to equity-settled share based payments.

## Consolidated Statement of Cash Flows

For the years ended 31 December	2021 \$ '000	2020 \$ '000
Net cash outflow from operating activities	(9,060)	(17,057)
Net cash outflow from investing activities	(18,749)	(11,341)
Net cash inflow/(outflow) from financing activities	13,030	(37,684)
Net decrease in cash and cash equivalents	(14,779)	(66,082)
Cash and cash equivalents in the beginning of the year	24,489	90,571
Cash and cash equivalents at the end of the year	9,710	24,489

The Group's net cash outflow from operating activities of \$9.1 million in 2021 (2020: \$17.1 million) was primarily due to the losses for the year of \$16.3 million offset by the net effect from movement in working capital of \$1.7 million, other finance charges of \$2.6 million, the adjustment for non-cash items such as depreciation, amortisation, impairments, share of net loss of associate, gain on deconsolidation, loss on investments held at fair value and share-based payment expenses of \$2.9 million.

The Group had a net cash outflow from investing activities of \$18.7 million in 2021 (2020: \$11.3 million). This outflow was predominately related to the deconsolidation of OcuTerra and Spark Insights totaling \$13.3 million, the \$0.9 million investment made in the Orbital Series A funding and \$4.3 million investment made in Federated in the form of a SAFE.

The Group's net cash inflow provided by financing activities of \$13.0 million in 2021 (FY20: \$37.7 million) reflects, in part, proceeds from issuance of preferred shares in subsidiaries of \$14.6 million and the receipt of \$0.2 million of PPP loans. The increase was offset by \$1.1 million in lease payments and \$0.7 million payments to repurchase the company's own shares.

The Group's strategy is to maintain healthy, highly liquid cash balances that cover its operating expenses as a publicly listed entity and are readily available for small, follow-on investments in portfolio companies in a manner consistent with the Board's strategy for the Company and Group. To further minimise its exposure to risks the Group does not maintain any material borrowings or cash balances in foreign currency.

The Directors have further considered the on-going viability of the Company for the next three years, as required pursuant to the 2018 version of the UK Corporate Governance Code, in the Management and Governance section of the Annual Report and Accounts at pages 26 to 27.

## Risk Management

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

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

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

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

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

### Mitigation:

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

**Impact:** Allied Minds' objective is to generate returns for its shareholders through early stage company development within the technology sector. Such value is expected to be delivered through the commercialisation and monetisation of these businesses via a sale or other liquidity event for each. The timing and size of these

potential inflows is uncertain and, should liquidity events not be forthcoming, or in the event that they are achieved at values significantly less than the amount of capital invested, then it would be difficult to sustain the current levels of investment in the other portfolio companies. This would lead to reduced participation in funding rounds, which will result in a lower ownership position, or potentially impact the ability of a company to raise additional funds.

Mitigation:

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

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

Mitigation:

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

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

Mitigation:

- Prior to licensing any technology under these agreements, the Group's management seeks to identify the commercial and other alternatives available for products and services associated with such technology and innovations, and to ensure that there are sufficient markets available to justify the capital investment.
  - Prior to the commercialisation process, the Group's management seeks to obtain all the necessary clearances from applicable regulatory bodies to ensure that the export of products based upon the licensed IP is strictly in accordance with government guidelines.
  - The Group, including certain of the portfolio companies, employs a number of individuals with experience in working with various government agencies.
  - Senior management is fully cognisant of the regulations and sensitivities in relation to this issue, in particular with International Traffic in Arms Regulations (ITAR) which regulate the use of technologies for export, and has numerous mitigating actions available should issues arise.
5. The Group operates in complex and specialised business domains and requires highly qualified and experienced management to implement its strategy successfully. All of the operations of the Group are located in the United States, which is a highly competitive employment market. Furthermore, given the relatively small size of the senior management at the corporate level, the Group is reliant on a small number of key individuals. As announced on 31 March 2022 and updated on 31 May 2021, the Chairman of the Company has announced his intention to resign from the board of directors following the publication of these annual report and accounts for the year ended 31 December 2021. The Company has an urgent need to appoint new directors to the board in order to ensure effective management to implement the execution of its strategy.

Impact: There is a risk that the Group may lose key personnel, or fail to attract or retain new personnel. The loss of key personnel may negatively affect the Group's competitive advantage. The Company also needs to identify and appoint new non-executive directors to the board of the Company with sufficient experience to execute the Company's strategy.

Mitigation:

- The Company is working with its largest shareholders to identify and appoint new non-executive directors to the board of directors of the Company.

- Senior management continually monitor and assess compensation levels to ensure the Group remains competitive in the recruitment market.
6. A large proportion of the overall value of the Group's businesses may be concentrated in a small proportion of the Group's businesses. If one or more of the intellectual property rights relevant to a valuable business were terminated, this would have a material adverse impact on the overall value of the Group's businesses.

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

Mitigation:

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

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

Mitigation:

- The Company intends to monitor and conduct its operations so that it will not be deemed to be an investment company under the Investment Company Act.
  - The Company seeks to build value through its current portfolio companies; it is not engaged primarily in the business of investing, reinvesting, owning, holding or trading in securities and does not own or propose to acquire investment securities above prescribed thresholds under the Investment Company Act.
  - Currently the Company holds more than 50% of the voting securities in one of its portfolio companies, and more than 20% of all of its other portfolio companies (except TouchBistro, OcuTerra and Concirrus), and intends to continue to try to maintain significant influence in portfolio companies.
  - The Company seeks to maintain significant influence in portfolio companies through a combination of the following:
    - o Rights to elect representatives to the board of directors, with ability to exercise influence over the portfolio company's business strategy, operating plans, budgets and key corporate decisions;
    - o Legal rights, such as access to information (books and records) and financial statements, liquidation preferences, registrations rights, rights of first refusal, pre-emptive rights and co-sale rights; and
    - o Protective provisions, such as rights to block certain portfolio company actions.
8. As a result of the Group's strategy, the Group's overall success is dependent on a limited, finite portfolio of businesses. If one or more of such businesses were to fail, this would have a material adverse impact on the overall value of the Group's businesses and the Group's ability to return money to shareholders.

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

Mitigation:

- The Board is committed to engaging and working closely with the remaining portfolio companies to provide guidance and advice as they navigate funding, operational, and other needs.
  - The Board continues to monitor performance, progress, and development of each portfolio company to critically assess the return prospects of the remaining portfolio and make adjustments as necessary.
9. Given its current cash and financial position, the Group expects to remain operational through the next three years. However, if the Group is unable to generate sufficient revenue, appropriately manage expenses, attract co-investors to participate in follow-on portfolio company financings, or generate a sale or other liquidity event for any of its existing portfolio companies or portfolio company interests prior to the end of such period, then the Group's business, financial condition, results of operations, prospects and future viability could be adversely affected.

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

Mitigation:

- The Board and Senior management continually seek to build and maintain close relationships with its shareholder base and other strategic partners at the Group level, and each portfolio company continually seeks to engage in strategic relationships relevant to their respective markets and to maintain current information on and awareness of potential fund-raising and monetisation strategies.

- The Company strives to maintain majority ownership and/or primary control over all of the portfolio companies and/or portfolio company board representation, so that it can seek to influence optimal capital allocation, use of cash, and fund-raising strategy.
- The Company has built a valuable portfolio of companies since its inception.
- The Company continuously and critically reviews the progress of its portfolio companies against pre-set milestones to ensure its financial capital and human resource is properly allocated to the more promising areas of its portfolio to help strengthen and accelerate the Group's path to monetisation.
- The Company recognises the need to identify and appoint new non-executive directors to the board of the Company with sufficient experience to execute its strategy. It is working with its largest shareholders to identify and appoint new non-executive directors to the board of directors of the Company.

## COVID-19

As Allied Minds navigates the continued consequences of the coronavirus pandemic, we continue to closely monitor, assess, and respond to the impacts of the pandemic. The Group took several actions to enable Allied Minds and its portfolio companies to continue operating safely and effectively, including implementing remote working environments, using virtual meeting platforms, and reducing travel.

While the consequences of the coronavirus pandemic have had varying degrees of commercial impact across the portfolio in the past year, the actions and mitigation put in place by the Group enabled day-to-day operations to continue effectively across the portfolio. Allied Minds remains in close communication with all customers, suppliers and partners to collaborate on how to best support each other's needs in the post-pandemic environment.

## Ukraine

The Board has considered the potential impact on the Group of the current situation in Ukraine. The Group has no operations in Russia, Ukraine or Belarus and, as such, does not expect and direct, material impact on its business. Any possible impact to the Group would likely manifest itself in inflationary pressure, and deterioration in global economic performance and confidence. These impacts are being monitored closely by the Board.

## Corporate and Social Responsibility

Details on the Group's policies, activities and aims with regard to its corporate and social responsibilities, including diversity, are included in the Sustainability section on pages 53 to 56 and are incorporated into this Strategic Report by reference.

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

ON BEHALF OF THE BOARD

**Harry Rein**

**Chairman**

14 June 2022

## CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 December	Note	2021 \$ '000	2020 \$ '000
Revenue	3	1,544	480
Operating expenses:			
Cost of revenue	4,5	(443)	(210)
Selling, general and administrative expenses	4,5	(10,569)	(10,497)
Research and development expenses	4,5	(2,650)	(4,712)
<b>Operating loss</b>		<b>(12,118)</b>	<b>(14,939)</b>
Other income:			
Gain on deconsolidation of subsidiary	11	14,213	-
Loss on investments held at fair value (net)	11	(13,894)	(31,934)
Other income	18	705	-
<b>Other income /(expense)</b>		<b>1,024</b>	<b>(31,934)</b>
Finance income	7	45	291
Finance cost	7	(255)	(314)
Finance cost from IFRS9/ fair value accounting	7	(2,578)	(1,763)
<b>Finance loss, net</b>		<b>(2,788)</b>	<b>(1,786)</b>
Share of net loss of associates accounted for using the equity method	11	(2,362)	(6,845)
<b>Loss before taxation</b>		<b>(16,244)</b>	<b>(55,504)</b>
Taxation	23	-	-
<b>Loss for the period</b>		<b>(16,244)</b>	<b>(55,504)</b>
<b>Other comprehensive loss:</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(41)	(116)

<b>Other comprehensive loss, net of taxation</b>		(41)	(116)
<b>Total comprehensive loss for the period</b>		<u>(16,285)</u>	<u>(55,620)</u>
<b>Loss attributable to:</b>			
Equity holders of the parent		(15,534)	(53,025)
Non-controlling interests	15	<u>(710)</u>	<u>(2,479)</u>
		<u>(16,244)</u>	<u>(55,504)</u>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the parent		(15,575)	(53,141)
Non-controlling interests	15	<u>(710)</u>	<u>(2,479)</u>
		<u>(16,285)</u>	<u>(55,620)</u>
<b>Loss per share</b>		\$	\$
Basic	8	<u>(0.06)</u>	<u>(0.22)</u>
Diluted	8	<u>(0.06)</u>	<u>(0.22)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December	Note	2021	2020
		\$ '000	\$ '000
<b>Non-current assets</b>			
Property and equipment	9	787	1,596
Investment at fair value	11,20	33,984	41,588
Right-of-use assets	19	414	651
Other financial assets	20	44	581
<b>Total non-current assets</b>		<u>35,229</u>	<u>44,416</u>
<b>Current assets</b>			
Cash and cash equivalents	12	9,710	24,489
Trade and other receivables	13	5,912	5,816
Other financial assets	20	5,050	2,279
<b>Total current assets</b>		<u>20,672</u>	<u>32,585</u>
<b>Total assets</b>		<u>55,901</u>	<u>77,000</u>
<b>Equity</b>			
Share capital	14	3,767	3,767
Treasury shares	14	(738)	-
Translation reserve	14	1,302	1,343
Accumulated profit	14	40,156	55,440
<b>Equity attributable to owners of the Company</b>		<u>44,487</u>	<u>60,550</u>
Non-controlling interests	14,15	168	(2,264)
<b>Total equity</b>		<u>44,655</u>	<u>58,286</u>
<b>Non-current liabilities</b>			
Lease liabilities	19	213	806
Loans	17,18	-	1,440
<b>Total non-current liabilities</b>		<u>213</u>	<u>2,246</u>
<b>Current liabilities</b>			
Trade and other payables	17	1,061	2,101
Deferred revenue	3	4,948	3,697
Loans	18	3,109	3,149
Preferred shares	16	1,255	6,497
Lease liabilities	19	660	1,024
<b>Total current liabilities</b>		<u>11,033</u>	<u>16,468</u>
<b>Total liabilities</b>		<u>11,246</u>	<u>18,714</u>
<b>Total equity and liabilities</b>		<u>55,901</u>	<u>77,000</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Share capital		Treasury shares		Translation reserve \$' 000	Accumulated (Deficit)/ Earnings \$' 000	Percentage \$
		Shares	Amount \$' 000	Shares	Amount \$' 000			
<b>Balance at 31 December 2019</b>		241,563,123	3,759	-	-	1,459	147,238	152
<b>Total comprehensive loss for the year</b>								
Loss from continuing operations		-	-	-	-	-	(53,025)	(53)
Foreign currency translation		-	-	-	-	(116)	-	(116)
<b>Total comprehensive loss for the year</b>						(116)	(53,025)	(53)
Issuance of ordinary shares	14	624,862	8	-	-	-	-	-
Loss arising from change in non-controlling interest	15	-	-	-	-	-	-	-
Dividend payment	14	-	-	-	-	-	(39,707)	(39)
Equity-settled share based payments	6	-	-	-	-	-	934	934
<b>Balance at 31 December 2020</b>		242,187,985	3,767	-	-	1,343	55,440	60
<b>Total comprehensive loss for the period</b>								
Loss from continuing operations		-	-	-	-	-	(15,534)	(15)
Foreign currency translation		-	-	-	-	(41)	-	(41)
<b>Total comprehensive loss for the period</b>						(41)	(15,534)	(15)
Loss arising from change in non-controlling interest	15	-	-	-	-	-	-	-
Repurchase of ordinary shares	14,15	-	-	(2,538)	(738)	-	-	(738)
Deconsolidation of subsidiary	15	-	-	-	-	-	-	-
Equity-settled share based payments	6	-	-	-	-	-	250	250
<b>Balance at 31 December 2021</b>		242,187,985	3,767	(2,538)	(738)	1,302	40,156	42

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	Note	2021 \$ '000	2020 \$ '000
<b>Cash flows from operating activities:</b>			
Loss for the year		(16,244)	(55,504)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	9,19	839	819
Amortisation	10	-	197
Impairment losses on property and equipment	9	458	-
Share-based compensation expense	5,6	281	1,052
Forgiveness of Paycheck Protection Program (PPP) loan	18	(443)	-

Loss on investments held at fair value	11,20	13,894	31,934
Gain on deconsolidation of subsidiary	11	(14,213)	-
Share of net loss of associate	11	2,362	6,845
Other income	9	(262)	-
Changes in working capital:			
Increase in trade and other receivables	13	(96)	(114)
Decrease/(increase) in other assets		693	(874)
Decrease in trade payables	17	(78)	(876)
Decrease in accrued expenses	17	(691)	(1,643)
Increase in deferred revenue	3	1,386	240
Increase/(decrease) in other liabilities		517	(780)
Unrealised gain on foreign currency transactions		(41)	(116)
Other finance expense	7	2,578	1,763
<b>Net cash used in operating activities</b>		<u>(9,060)</u>	<u>(17,057)</u>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment, net of disposals	9	(185)	(564)
Purchase of investments at fair value	11	(5,283)	(10,855)
Receipt of payment for finance sub-lease	19	45	78
Cash derecognised upon loss of control over subsidiary	11	(13,326)	-
<b>Net cash used in investing activities</b>		<u>(18,749)</u>	<u>(11,341)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of convertible notes	18	-	2,981
Receipt of PPP loan	18	259	184
Payment of lease liability	19	(1,100)	(1,150)
Dividend payment	14	-	(39,707)
Payments to repurchase ordinary shares	14	(738)	-
Proceeds from issuance of share capital	6,14	-	8
Proceeds from issuance of preferred shares in subsidiaries	16	14,609	-
<b>Net cash provided by /(used in) financing activities</b>		<u>13,030</u>	<u>(37,684)</u>
<b>Net decrease in cash and cash equivalents, and restricted cash</b>		<u>(14,779)</u>	<u>(66,082)</u>
<b>Cash and cash equivalents, beginning of the period</b>		<u>24,489</u>	<u>90,571</u>
<b>Cash and cash equivalents, end of the period</b>		<u><u>9,710</u></u>	<u><u>24,489</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### (1) Accounting Policies

#### Basis of Preparation

The financial information set out in this document does not constitute the Group's statutory accounts for the years ended 31 December 2020 or 2021. Statutory accounts for the years ended 31 December 2020 and 31 December 2021, which were approved by the directors on 14 June 2022 have been reported on by the Independent Auditor. The Independent Auditor's Reports on the Annual Report and Financial Statements for each of 2020 and 2021 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2020 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2021 will be delivered to the Registrar of Companies in due course and will be posted to shareholders shortly, and thereafter will be available from the Group's registered office at Beaufort House, 51 New North Road, Exeter, Devon, England, United Kingdom, EX4 4EP, and from the Group's website <http://www.alliedminds.com/investor/>.

The financial information set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations in conformity with UK adopted international accounting standards ('IFRS'). The accounting policies adopted in these results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 31 December 2020, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2021. There are deemed to be no new standards, amendments and interpretations to existing standards, which have been adopted by the Group, that have had a material impact on the financial statements.

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

#### Basis of Measurement

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

#### Use of Judgments and Estimates



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

Significant estimates made include:

- Note 11 and 16 - Valuation of financial instruments measured at fair value through profit/loss: There is uncertainty in estimating the fair value of subsidiary note payables, subsidiary preferred shares, and convertible note assets and investments carried at fair value through profit and loss (FVTPL) according to IFRS 9 at initial recognition and upon subsequent measurement. This includes determining the appropriate valuation methodology and making certain estimates including future earnings potential of the subsidiary businesses, appropriate discount rate and earnings multiple to be applied, marketability, the probability weighting of the scenarios and other industry and company specific risk factors.

Significant judgements made include:

- Note 11 - there is judgement in considering whether the power to control the subsidiary exists or retaining significant influence as it is dependent on certain factors including the voting power the entity exercises over the company, the proportion of seats the company controls on the board and the investees dependence on the investor for funding, knowledge and its operations. Further to the above the group has considered its position under IFRS10 in respect of whether it is an investment entity for the purposes of this standard. Management have reviewed the operations of the group in line with the standard, and whilst there are characteristics which indicate the group could be considered an investment company, the underlying measurement of success for the consolidated portfolio investments is progress in relation to key strategic milestones in bringing their products to market and not the fair value of the business. Based on this management have judged the business to not be an investment entity and consolidate its subsidiaries under IFRS10.
- Note 11 - as the entities in the group progress they require further external funding which in some scenarios reduces the Group's shareholding to an extent that it loses control under IFRS 10 which results in them no longer being able to consolidate the entity. There is a further significant judgement in relation to whether the shares are accounted for as an investment in associate per IAS 28 or as a financial asset per IFRS 9 and therefore held at fair value, i.e. whether the Group maintain significant influence over the Company. This judgement includes, among others, an assessment of whether the Company has representation on the board of directors of the investee, whether the Company participates in the policy making processes of the investee, whether there is any interchange of managerial personnel, whether there is any essential technical information provided to the investee and if there are any transactions between the Company and the investee.
- Note 16 and 20 - financial instrument liability classification: when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment whether the financial instrument include any embedded derivative features, whether they include a contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Further information about these critical judgments is included below under Financial Instruments.
- Note 3 - revenue recognition: in determining the correct amount of revenue to be recognised, the Directors make estimates of the fair values of each component of a contract to be able to allocate the overall consideration to each component based on the relative fair value method or make estimates of future costs when applying the inputs method.
- Note 3 - timing of revenue recognition: making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards and in determining whether revenue should be recognised at a point in time or over a period of time.

Other estimates and judgments:

- Note 19 - discount rate used in lease treatment: in determining the appropriate discount rate to calculate the present value of lease payments. These judgements include an assessment of what Group's incremental borrowing rate is where there is no rate implicit within the lease. The incremental borrowing rate will take into account the credit standing of the lessee, the length of the lease, the nature and quality of the collateral provided and the economic environment in which the transaction occurs.

### **Going Concern**

The Directors have taken proactive cost management measures that include reduction in expenses of the management function of the head office at the parent level. They have also decided to focus exclusively on supporting the six existing portfolio companies, albeit do not make or have and enforceable financial or working capital commitments, and maximising monetisation opportunities for portfolio company interests, and not to deploy any capital into any new portfolio companies. In the event of successful monetisation events from the sale of portfolio companies or portfolio company interests, the Directors anticipate distributing the net proceeds to shareholders, after due consideration of potential follow-on investment opportunities within the existing portfolio and working capital requirements. The Directors expect this strategy to take at least two years to be fully

implemented, and as a matter of good governance, will continue to keep this strategy under review at appropriate intervals. They have prepared trading and cash flow forecasts for the parent through 2025. Reflecting this revised strategy, although the Group is currently loss making and is likely to continue to be so, at least in the short term, after making enquiries and considering the impact of risks and opportunities on expected cash flows, and given the fact that the Group has \$9.7 million of available funds in the form of cash and cash equivalents as at 31 December 2021, and added to this with the sale of the holding in TouchBistro post year end for consideration of \$3.9 million, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for a period of not less than 12 months from the date of approval of the financial statements. Furthermore, the directors have considered the timeline of when it plans to dispose of, divest or reinvest in its portfolio companies and there is no intention to cease trading or liquidate the business for the period under the going concern review.

Though the majority of the Company's operations are in the United States and the functional currency of the group is the U.S. dollar, Allied Minds is based in the United Kingdom and therefore susceptible to various international risks such as economic headwinds, including inflationary pressure, interest rates and component price increases, as well as changes in political and regulatory requirements. These risks are continuously monitored and reviewed by management. The Group cannot predict all future events or conditions, however, the directors have concluded that there are no material uncertainties that could cast significant doubt over the ability of the Group to continue as a going concern for at least the going concern period as assessed above and the Company's existing measures are sufficient to mitigate the inherent risks to its business model.

The Directors have also put in measures to mitigate against the risks to the business due to the continued impact of COVID-19. Any continued impact from COVID-19 or the situation in Ukraine will not affect Allied Minds from a going concern perspective. In fact, it is expected that the impact of COVID-19 will continue to add cost savings during 2022 as a result of suspension of most travel for board meetings, investor meetings and the 2022 Annual General Meeting. These savings have a positive impact on Allied Minds as a going concern.

The Directors are conscious of the recent board changes and the need to appoint additional directors to the board of the Company. The Directors are working closely with the Company's largest shareholders to identify and recruit new directors to the board of the Company.

The directors' judgement concludes there is no material uncertainty in relation to going concern. For this reason, they have adopted the going concern basis in preparing the financial statements.

#### **Basis of Consolidation**

Allied Minds Plc was formed on 15 April 2014 and the consolidated financial statements for each of the years ended 31 December 2021 and 2020 comprises the financial statements of Allied Minds Plc and its subsidiaries.

#### *Subsidiaries*

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value under IFRS 9 when control is lost and it will be assessed whether significant influence remains. Where this is the case the ongoing accounting will be under IAS 28, if significant influence is also lost, the remaining investment is accounted for under IFRS 9.

#### *Associates*

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

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to \$nil or up to additional losses are provided for, and a liability is recognised, to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate. Recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee. To the extent the Group holds interests in associates that are not providing access to returns underlying ownership

interests and are more akin to debt like securities, the instrument held by Allied Minds is accounted for in accordance with IFRS 9.

#### *Transactions eliminated on consolidation*

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

#### *Changes of non-controlling interests*

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

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

### **Functional and Presentation Currency**

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

### **Foreign Currency**

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

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

### **Cash and Cash Equivalents**

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

### **Financial Instruments**

#### *Classification - Financial Assets*

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

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

*Cash and cash equivalents:* Represent basic cash balances in banks used to fund operations. These are classified as assets at amortised cost under IFRS 9.

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

*Short-term notes:* The short-term note from an associate, since its contractual terms do not consist solely of cash flow payments of principal and interest on the principal amount outstanding, is initially and subsequently measured at fair value, with changes in fair value recognized through profit or loss under IFRS 9. The Group designates the SAFE note assets at FVTPL under IFRS 9. Hence, any gains and losses on these notes are recognised in profit or loss and are measured in the same way as investments at fair value above.

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

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

#### *Classification - Financial Liabilities*

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

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

Trade and other payables and loans are designated at amortised cost under IFRS 9.

#### *Impairment*

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

#### *Financial Instruments Issued by the Group*

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

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

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

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

#### *Paycheck Protection Program (PPP) loan*

The US CARES Act created the Paycheck Protection Program (PPP) to provide qualifying small businesses with necessary funds to support their operations during the COVID-19 pandemic. Entities have to meet certain eligibility requirements to receive PPP loans, and they must maintain specified levels of payroll and employment to have the loans forgiven. The conditions are subject to audit by the US government, but entities that borrow less than \$2 million will be deemed to have met the initial eligibility requirements.

Under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, the initial receipt of PPP loans is recognized as a liability. This liability can be derecognized when there is "reasonable assurance" that the loan conditions will be met and forgiveness will be granted. Once forgiven, the company records the amount as other income.

### **Share Capital**

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

### **Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the

asset. Assets under construction represent machinery and equipment to be used in operations, R&D activities, or to be leased to customers once completed.

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

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

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

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

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

### **Intangible Assets**

#### *Software*

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

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

#### *Amortisation*

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

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

Software	2 years
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### **Leases**

IFRS 16 is a single, on-balance sheet lease accounting model for lessees and requires leases to be accounted for using a right-of-use model, which recognises that, at the date of commencement, a lessee has a financial obligation to make lease payments to the lessor for the right to use the underlying asset during the lease term. The lessee recognises a corresponding right-of-use asset related to this right.

Upon adoption, the Group applied the following practical expedients:

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

The Group accounts for lease payments as an expense on a straight-line basis over the life of the lease for:

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

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

Finance leases will continue to be treated as finance leases. In November 2020 the Company relocated its corporate headquarters as part of management's initiative to minimise headquarters expenses. As a result, starting November 2020, the Company entered into a sublease for the remaining period of the head lease.

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

The Group recognised lease liabilities of \$0.9 million and \$0.4 million in lease assets at 31 December 2021. Those rights and obligations are primarily related to operating leases for office and laboratory space.

BridgeComm entered into a new lease in 2021. Further information regarding the right of use asset and lease liability can be found in Note 19.

## **Taxation**

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

### *Current Income Tax*

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

### *Deferred Income Tax*

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

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

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

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

## **Impairment**

### *Impairment of Non-Financial Assets*

Non-financial assets consist of property and equipment and intangible assets with finite lives and such intangible assets which are not yet available for use.

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

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

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

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

### *Impairment of Financial Assets*

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

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

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

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

## **Share-based Payments**

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

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option pricing valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market or non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

## **Employee Benefits**

### *Short-term Employee Benefits*

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

### *Defined Contribution Plans*

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

### *Phantom Plan*

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

## **Provisions**

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

## **Revenue Recognition**

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

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

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

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

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

## **Finance Income and Finance Costs**

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

## **Fair Value Measurements**

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

### Operating Segments

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

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

### Newly adopted standards

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

Effective date	New standards or amendments
1 January 2021	<i>Amendments to References to Conceptual Framework in IFRS Standards</i>
	<i>Definition of a Business (Amendments to IFRS 3)</i>
	<i>Definition of Material (Amendments to IAS 1 and IAS 8)</i>
	<i>Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Benchmark reform</i>

### (2) New Standards and Interpretations not yet effective

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

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

Effective date	New standards or amendments
1 January 2022	<i>Onerous contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)</i>
	<i>References to Conceptual Framework (Amendments to IFRS 3)</i>
	<i>Property, Plant and Equipment: Proceeds before Intended Use (amendments to IAS 16)</i>
	<i>Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)</i>
1 January 2023	<i>IFRS 17 Insurance Contracts</i>

The Group does not expect any other standard issued by the IASB, but not yet endorsed by the UK Endorsement Board ("UKEB"), to have a material impact on the group.

### (3) Revenue

Revenue recorded in the Statement of Comprehensive Loss consists of the following:

For the year ended 31 December:	<b>2021</b>	<b>2020</b>
	\$'000	\$'000
Service revenue (and transferred over time)	1,544	480
<b>Total revenue in Consolidated Statement of Loss</b>	<b>1,544</b>	<b>480</b>

### Contract Balances



Contract liabilities represent the Group's obligation to transfer products or services to a customer for which consideration has been received. When applicable, contract assets and liabilities are reported on a net basis at the contract level, depending on the contracts position at the end of each reporting period. Contract liabilities are included within deferred revenue on the Consolidated Statement of Financial Position. At the point of inception all contracts were expected to be completed within 12 months and therefore, no discounting of the contract liabilities has been accounted for.

As of 31 December:	<b>2021</b>	<b>2020</b>
	\$'000	\$'000
Deferred revenue, current	<u>(4,948)</u>	<u>(3,697)</u>

#### (4) Operating Segments

##### Basis for Segmentation

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

- (i) Early stage companies - subsidiary businesses that are in the early stage of their lifecycle characterised by incubation, research and development activities;
- (ii) Later stage companies - subsidiary businesses that have substantially advanced with or completed their research and development activities, are closer in their lifecycle to commercialisation, and/or have a potential of realising material return on investment through a future liquidity event;
- (iii) Minority holdings companies - reflects the activity related to portfolio companies other than consolidated subsidiary businesses where the Group has made a minority investment and does not control or exercise joint control over the financial and operating policies of those entities. This segment will only include the results of entities which were deconsolidated during the accounting period. As of 31 December 2021, this operating segment includes OcuTerra Therapeutics, Inc. profit and loss for the period up to deconsolidation on 27 April 2021 as well as Spark Insights, Inc. profit and loss for the period up to its disposal on 29 October 2021.

*Minority holdings:* During the period there was one deconsolidation and one disposal. The results of the two companies up to the point of deconsolidation and disposal, respectively, is included in the Minority Holdings segment below and included the following:

- OcuTerra Therapeutics, Inc., one of the company's subsidiaries that was deconsolidated during the first half of 2021 as a result of financing events at the company.
- Concirrus LTD (Spark Insights, Inc.) a company in which Allied Minds holds a minority stake. Spark was disposed of during the second half of 2021 as a result of the sale of the subsidiary to Concirrus.

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

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

##### Information about Reportable Segments

The following provides detailed information of the Group's reportable segments as of and for the years ended 31 December 2021 and 2020, respectively:

	<b>Later Stage</b>	<b>Minority Holdings</b>	<b>Other Operations</b>	<b>Consolidated</b>
<b>Statement of Comprehensive Loss</b>				
Revenue	1,544	—	—	1,544
Cost of revenue	(443)	—	—	(443)
Selling, general and administrative expenses	(3,089)	(1,875)	(5,605)	(10,569)
Research and development expenses	(2,026)	(624)	—	(2,650)
Other expense	520	14,398	(13,894)	1,024
Finance cost, net	15,889	(8,089)	(10,588)	(2,788)
Share of net loss of associates accounted for using the equity method	—	—	(2,362)	(2,362)

<b>Loss for the period</b>	12,395	3,810	(32,449)	(16,244)
Other comprehensive loss	—	—	(41)	(41)
<b>Total comprehensive loss</b>	<u>12,395</u>	<u>3,810</u>	<u>(32,490)</u>	<u>(16,285)</u>

Total comprehensive loss attributable to:

Equity holders of the parent	12,209	4,706	(32,449)	(15,534)
Non-controlling interests	186	(896)	—	(710)
<b>Total comprehensive loss</b>	<u>12,395</u>	<u>3,810</u>	<u>(32,449)</u>	<u>(16,244)</u>

#### Statement of Financial Position

Non-current assets	820	—	34,409	35,229
Current assets	<u>6,262</u>	<u>—</u>	<u>14,410</u>	<u>20,672</u>
<b>Total assets</b>	<u>7,082</u>	<u>—</u>	<u>48,819</u>	<u>55,901</u>
Non-current liabilities	(75)	—	(138)	(213)
Current liabilities	<u>(12,820)</u>	<u>—</u>	<u>1,787</u>	<u>(11,033)</u>
<b>Total liabilities</b>	<u>(12,895)</u>	<u>—</u>	<u>1,649</u>	<u>(11,246)</u>
<b>Net assets/(liabilities)</b>	<u>(5,813)</u>	<u>—</u>	<u>50,468</u>	<u>44,655</u>

2020  
\$'000

	Early Stage	Later Stage	Minority Holdings	Other Operations	Consolidated
<b>Statement of Comprehensive Loss</b>					
Revenue	—	480	—	—	480
Cost of revenue	—	(210)	—	—	(210)
Selling, general and administrative expenses	(526)	(2,788)	—	(7,183)	(10,497)
Research and development expenses	(1,420)	(3,292)	—	—	(4,712)
Other expense	—	—	—	(31,934)	(31,934)
Finance cost, net	(20)	(5,241)	—	3,475	(1,786)
Share of net loss of associates accounted for using the equity method	—	—	—	(6,845)	(6,845)
<b>Loss for the period</b>	<u>(1,966)</u>	<u>(11,051)</u>	<u>—</u>	<u>(42,487)</u>	<u>(55,504)</u>
Other comprehensive loss	—	—	—	(116)	(116)
<b>Total comprehensive loss</b>	<u>(1,966)</u>	<u>(11,051)</u>	<u>—</u>	<u>(42,603)</u>	<u>(55,620)</u>
Total comprehensive loss attributable to:					
Equity holders of the parent	58	(10,596)	—	(42,487)	(53,025)
Non-controlling interests	(2,024)	(455)	—	—	(2,479)
<b>Total comprehensive loss</b>	<u>(1,966)</u>	<u>(11,051)</u>	<u>—</u>	<u>(42,487)</u>	<u>(55,504)</u>
<b>Statement of Financial Position</b>					
Non-current assets	320	1,288	—	42,808	44,416
Current assets	<u>502</u>	<u>7,105</u>	<u>—</u>	<u>24,977</u>	<u>32,584</u>
<b>Total assets</b>	<u>822</u>	<u>8,393</u>	<u>—</u>	<u>67,785</u>	<u>77,000</u>
Non-current liabilities	(105)	(1,380)	—	(761)	(2,246)
Current liabilities	<u>(3,756)</u>	<u>(27,707)</u>	<u>—</u>	<u>14,995</u>	<u>(16,468)</u>
<b>Total liabilities</b>	<u>(3,861)</u>	<u>(29,087)</u>	<u>—</u>	<u>14,234</u>	<u>(18,714)</u>

<b>Net assets/(liabilities)</b>	(3,039)	(20,694)	—	82,019	58,286
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Early Stage companies comprise those that receive an array of business support resources and services from Allied Minds in order to successfully develop early stage technologies. In addition, all closed or dissolved subsidiaries were presented in the Early Stage segment up to the time at which they were all dissolved.

Later Stage companies comprise those that have graduated from Early Stage by way of further advancements in their development as described above. This currently includes BridgeComm Inc.

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

Summarised information related to the Company's operating revenues by reporting segment for the years ended 31 December 2021 and 2020 is as follows:

	2021			2020		
	Service revenue	Software revenue	Total	Service revenue	Software revenue	Total
Early Stage	-	-	-	-	-	-
Later Stage	1,544	-	1,544	480	-	480
Minority	-	-	-	-	-	-
<b>Total revenue</b>	<b>1,544</b>	<b>-</b>	<b>1,544</b>	<b>480</b>	<b>-</b>	<b>480</b>

In 2021, Cost of revenue and Selling, general and administrative expenses of Early Stage, Later Stage, Minority Holdings and Other Operations segments included depreciation and amortisation expense of \$nil, \$374,240, \$9,239, and \$166,626, respectively (2020: \$10,100, \$460,880, \$0, and \$179,637, respectively).

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

#### Geographic Information

The Group revenues and net operating losses for the years ended 31 December 2021 and 2020 are considered to be entirely derived from its operations within the United States and accordingly no additional geographical disclosures are provided.

#### (5) Operating Expenses

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

<b>For the year ended 31 December:</b>	<b>2021</b>	<b>2020</b>
Selling, general and administrative	16	28
Research and development	14	46
<b>Total</b>	<b>30</b>	<b>74</b>

The aggregate payroll costs of these persons were as follows:

<b>For the year ended 31 December:</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Selling, general and administrative	4,959	5,873
Research and development	1,378	2,619
<b>Total</b>	<b>6,337</b>	<b>8,492</b>

Total operating expenses were as follows:

<b>For the year ended 31 December:</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	4,669	5,903
Payroll taxes	333	158
Healthcare benefit	1,020	1,338
Other payroll cost	34	41
Share-based payments	281	1,052
<b>Total</b>	<b>6,337</b>	<b>8,492</b>

Cost of revenue	443	210
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Other SG&A expenses	5,610	4,624
Other R&D expenses	1,272	2,093
<b>Total operating expenses</b>	<b>13,662</b>	<b>15,419</b>
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Auditor's remuneration</b>		
Audit of these financial statements	430	419
Audit-related assurance services	96	96
	<b>526</b>	<b>515</b>

The Group recorded an impairment charge on property and equipment of \$0.4 million (2020: \$ nil million).

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

## (6) Share-Based Payments

### UK Long Term Incentive Plan

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

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

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

On 10 June 2019, the Board determined to retire the long term incentive plan (LTIP) scheme and therefore no future awards will be made to executive directors, management and other employees. Historic awards remained outstanding and eligible to vest in accordance with their terms. A significant majority of the outstanding awards are subject to relative total shareholder return (TSR) performance; however, at the current share price, the performance criteria of these awards will not be met and therefore, no shares are expected to be issued under such awards.

No shares were issued in respect of historic awards under the LTIP during 2021 (2020: 387,000 Ordinary shares). A summary of stock option activity under the UK LTIP for the years ended 31 December 2021 and 2020, respectively, is shown below:

For the year ended 31

December:

	2021			2020		
	rTSR	SVM	Time	rTSR	SVM	Time
Number of shares granted at maximum ('000)	-	-	-	-	-	387
Weighted average fair value (\$)	-	-	-	-	-	0.36
Fair value measurement basis	Monte Carlo	Market value of ordinary share	Market value of ordinary share	Monte Carlo	Market value of ordinary share	Market value of ordinary share

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

The share grants that vest only upon the occurrence of a non-market performance condition (i.e. the SVM grants) and service condition or upon passage of time were valued at the fair value of the shares on the date of the grants the vesting conditions are taken into account. The number of instruments included in the measurement of the transaction amount is subsequently adjusted so that, ultimately, the amount of recognised share-based expense is based on the number of instruments that eventually vest. None of the outstanding awards under the LTIP as of 31 December 2021 are subject to SVM vesting.

The accounting charge does not necessarily represent the intended value of share-based payments made to recipients, which are determined by the Remuneration Committee according to established criteria. The share-based payment charge for the fiscal year ended 31 December 2021 related to the UK LTIP was \$0.3 million (2020: \$0.9 million).

### U.S. Stock Option/Stock Issuance Plan

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

No new stock option grants were awarded in 2021 and 2020 under the Allied Minds 2008 Plan. A summary of stock option activity in the U.S. Stock Plan is presented in the following table:

For the twelve months ended:	31 December 2021		31 December 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Outstanding as of 1 January</b>	-	-	230,000	\$ 2.49
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	(230,000)	\$ 2.49
<b>Outstanding as of period end</b>	-	-	-	-
Exercisable at period end	-	-	-	-
Intrinsic value of exercisable	\$ nil		\$ nil	

As of 31 December 2021 no options were exercised (2020: nil) resulting in \$nil (2020: \$ nil) additional share premium for the period.

#### Allied Minds Phantom Plan

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

Allied Minds has not accrued any expense relating to the Phantom Plan as of 31 December 2021 and 2020. Management records an expense relating to this plan when it is probable that a subsidiary will be sold and the amount of the payout is reasonably estimable or will be paid out in accordance with the plan. Given the current valuation of the investments and the thresholds required for payments to be made, management has judged that is unlikely there will be any future payouts in respect of this plan based on the position at 31 December 2021.

#### Share-based Payment Expense

The Group recorded share-based payment charge/ credit related to stock options of approximately \$281,471 and \$1,052,000 for the years ended 31 December 2021 and 2020, respectively. There was no income tax benefit recognised for share-based payment arrangements for the years ended 31 December 2021 and 2020, respectively, due to operating losses.

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

For the year ended 31 December:	2021	2020
	\$'000	\$'000
Selling, general and administrative	270	991
Research and development	11	61
<b>Total</b>	<b>281</b>	<b>1,052</b>

#### (7) Finance Cost, Net

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

For the year ended 31 December:	2021	2020
	\$'000	\$'000
Interest income on:		
- Bank deposits	45	292
Foreign exchange gain	-	(1)
Finance income	45	291
Interest expense on:		
- Financial liabilities at amortised cost	(250)	(313)

Foreign exchange loss	(5)	(1)
Finance cost contractual	(255)	(314)
Loss on fair value measurement of subsidiary preferred shares	(2,578)	(1,763)
Finance cost	(2,833)	(2,077)
<b>Total finance cost, net</b>	<b>(2,788)</b>	<b>(1,786)</b>

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

### (8) Loss Per Share

The calculation of basic and diluted loss per share as of 31 December 2021 was based on the loss attributable to ordinary shareholders of \$15.5 million (2020: \$53.0 million) and a weighted average number of ordinary shares outstanding of 242,187,985 (2020: 241,901,871), calculated as follows:

*Loss attributable to ordinary shareholders:*

	2021		2020	
	\$'000		\$'000	
	Basic	Diluted	Basic	Diluted
Loss for the year attributed to the owners of the Company	(15,534)	(15,534)	(53,025)	(53,025)
Loss for the year attributed to the ordinary shareholders	(15,534)	(15,534)	(53,025)	(53,025)

*Weighted average number of ordinary shares:*

	2021		2020	
	Basic	Diluted	Basic	Diluted
Issued ordinary shares on 1 January	242,187,985	242,187,985	241,563,123	241,563,123
Effect of RSUs issued	—	—	338,748	338,748
Effect of dilutive shares	—	—	—	—
Weighted average ordinary shares	242,187,985	242,187,985	241,901,871	241,901,871

*Loss per share:*

	2021		2020	
	\$		\$	
	Basic	Diluted	Basic	Diluted
Loss per share	(0.06)	(0.06)	(0.22)	(0.22)

### (9) Property and Equipment

Information regarding the cost and accumulated depreciation of property and equipment, net, consists of the following:

#### Cost

<i>in \$'000</i>	Machinery and Equipment	Furniture and Fixtures	Leasehold Improvements	Computers and Electronics	Under Construction	Total
Balance as of 31 December 2019	1,049	71	871	355	208	554
Additions	64	-	-	353	147	564
Transfers	(454)	-	-	-	454	0
Balance as of 31 December 2020	659	71	871	708	809	3,118
Additions	309	-	-	15	-	324
Disposals	(347)	-	-	-	(139)	(486)
Impairment	-	-	-	-	(458)	(458)
Deconsolidation of subsidiaries	-	-	-	(34)	-	(34)
Balance as of 31 December 2021	621	71	871	689	212	2,464

**Accumulated  
Depreciation  
and Impairment  
loss**

<i>in \$'000</i>	<b>Machinery and Equipment</b>	<b>Furniture and Fixtures</b>	<b>Leasehold Improvements</b>	<b>Computers and Electronics</b>	<b>Under Construction</b>	<b>Total</b>
Balance as of 31 December 2019	(300)	(3)	(493)	(273)	—	(1,069)
Depreciation	(175)	(14)	(143)	(121)	—	(453)
Impairment loss	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
Balance as of 31 December 2020	(475)	(17)	(636)	(394)	-	(1,522)
Depreciation	(221)	(14)	(143)	(144)	-	(523)
Disposals	347	-	-	-	-	347
Deconsolidation of subsidiaries	-	-	-	21	-	21
Balance as of 31 December 2021	(349)	(31)	(779)	(518)	-	(1,677)

**Property and  
equipment, net**

<i>in \$'000</i>	<b>Machinery and Equipment</b>	<b>Furniture and Fixtures</b>	<b>Leasehold Improvements</b>	<b>Computers and Electronics</b>	<b>Under Construction</b>	<b>Total</b>
Balance as of 31 December 2020	184	54	235	314	809	1,596
Balance as of 31 December 2021	272	40	92	171	212	787

Impairment of property and equipment of \$0.5 million and \$ nil for the years ended 31 December 2021 and 2020, respectively, is mainly attributed to the closing of subsidiary companies, which resulted in the associated assets being impaired. Impairment of property and equipment is included in selling, general and administrative expenses in the consolidated statement of comprehensive income.

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

**(10) Intangible Assets**

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

**Cost**

*in \$'000*

	<b>Software</b>	<b>Total</b>
Balance as of 31 December 2019	926	926
Additions - Acquired separately	-	-
Disposals	-	-
Balance as of 31 December 2020	926	926
Additions - Acquired separately	-	-
Disposals	-	-
Balance as of 31 December 2021	926	926

**Accumulated amortisation  
and Impairment loss**

*in \$'000*

	<b>Software</b>	<b>Total</b>
Balance as of 31 December 2019	(729)	(729)
Amortisation	(197)	(197)
Balance as of 31 December 2020	(926)	(926)
Amortisation	-	-
Impairment loss	-	-
Balance as of 31 December 2021	(926)	(926)

**Intangible assets, net**

*in \$'000*

	<b>Software</b>	<b>Total</b>
Balance as of 31 December 2020	-	-
Balance as of 31 December 2021	-	-

Amortisation expense is included in selling, general and administrative expenses in the consolidated statement of comprehensive loss. Amortisation expense, recorded using the straight-line method, was approximately \$nil and \$197,000 for the years ended 31 December 2021 and 2020, respectively. This is mainly attributed to software assets being fully amortized.

Impairment of intangible assets was \$nil for the years ended 31 December 2021 and 2020. Impairment expense is included in selling, general and administrative expenses in the Consolidated Statement of Comprehensive Loss.

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

## (11) Investments

### Group Subsidiaries, associates and investments

As of 31 December 2021, Allied Minds has six portfolio companies, including subsidiaries, associates and investments and two holding companies. As at the 31 December 2021 the investments in each of the companies and the accounting treatment is summarized below:

Portfolio company	Financial instruments held	Accounting treatment of financial instruments
Allied Minds LLC	Ordinary shares	Consolidated by the group in line with IFRS 10 and following management assessment of significant control.
Allied Minds Securities Corp.	Ordinary shares	Consolidated by the group in line with IFRS 10 and following management assessment of significant control.
BridgeComm, Inc.	Ordinary share capital and preferred shares	Consolidated by the group in line with IFRS 10 and following management assessment of significant control. Preferred shares are eliminated on consolidation between group companies, preferred shares held by third parties are fair valued through profit and loss under IFRS 9.
Concirus, LTD (Spark Insights, Inc.)	Preferred shares	The Group has a minority stake in the investment and does not have significant influence over the company. The investment in preferred shares is accounted for at fair value through the profit and loss under IFRS 9.
OcuTerra Therapeutics, Inc.	Ordinary share capital and preferred shares	The Group has consolidated the company up to the point it lost control in OcuTerra due to its latest financing event and was no longer a majority owner. As a result, the company was deconsolidated and it retained a minority stake in the investment. As of the year end, the Group does not have significant influence over the company. Therefore, the investment in ordinary shares is accounted for at fair value through the profit and loss under IFRS 9. Preferred share holdings are accounted for at fair value through profit and loss as investments held by the Group under IFRS 9.



Federated Wireless, Inc.	Ordinary share capital and preferred shares	The ordinary share capital ownership means that the group has significant influence but not control over the entity. Therefore, the investment in ordinary shares is accounted for by the equity method of accounting under IAS 28. Preferred share holdings are accounted for at fair value through profit and loss as investments held by the Group under IFRS 9.
Orbital sidekick, Inc.	Preferred shares	No ordinary shares are owned by Allied Minds and the directors have judged, at the year end, that the group does not have significant influence over the entity through its preferred share holding. Preferred share holdings are accounted for at fair value through profit and loss as investments held by the Group under IFRS 9.
TouchBistro, Inc.	Ordinary shares	The group has a minority stake in the investment and does not have significant influence over the company. Therefore, the investment in ordinary shares is accounted for at fair value through the profit and loss under IFRS 9.

The following outlines the formation of each subsidiary and evolution of Allied Minds' ownership interest over the two year period ended 31 December 2021:

	Inception Date	Location <sup>(2)</sup>	Issued and Outstanding Ownership percentage at 31 December <sup>(1)</sup>	
			2021	2020
<b>Active subsidiaries</b>				
<b>Holding companies</b>				
Allied Minds, LLC	19/06/14	Boston, MA	100.00%	100.00%
Allied Minds Securities Corp.	21/12/15	Boston, MA	100.00%	100.00%
<b>Later stage company</b>				
BridgeComm, Inc. <sup>(3)</sup>	09/02/15	Denver, CO	81.15%	81.15%
<b>Number of active subsidiaries at 31 December:</b>			3	3
<b>Associates</b>				
Federated Wireless, Inc. <sup>(3)</sup>	08/08/12	Arlington, VA	42.72%	43.11%
Spin Memory, Inc.	03/12/07	Fremont, CA	N/A	43.01%
<b>Other investments</b>				
TouchBistro, Inc <sup>(4)</sup>	08/05/20	Boston, MA	1.40%	1.52%
		San Francisco, CA	26.29%	33.23%
Orbital Sidekick, Inc. <sup>(3)</sup>	02/08/16	CA		
OcuTerra Therapeutics, Inc. <sup>(3)</sup>		Cambridge, MA	17.06%	62.67%
<sup>(4)</sup>	14/12/10	MA		
Concirrus, LTD. (Spark Insights, Inc.) <sup>(3)</sup>	10/29/21	London, UK	0.98%	70.59%

Notes:

- (1) Represents ownership percentage held by Allied Minds Plc based on the equity interest owned in ordinary shares plus potential equity interest owned in convertible preference shares. The current percentage ownership of each company ordinary share capital is as follows: Allied Minds LLC 100%, Allied Minds Securities Corp. 100%, BridgeComm, Inc. 98.47%, OcuTerra Therapeutics, Inc. 75.26%, Federated Wireless 91.71%, TouchBistro 1.40%, Orbital Sidekick 0%;
- (2) Allied Minds LLC, BridgeComm, Inc., OcuTerra Therapeutics, Inc., Federated Wireless, Inc. and Federated Wireless Government Solutions, Inc. have a registered office address at CT

Corporation System, Corporation Trust Center, and 1209 Orange Street, Wilmington, DE 19801, United States. Allied Minds Securities Corp. has a registered office address at CT Corporation System, 155 Federal Street, Suite 700, Boston, MA 02110, United States. TableUp Inc. have a registered office address at 1209 Orange Street, Wilmington, DE 19801. Orbital Sidekick Inc. has a registered office at Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808. Concirrus, LTD. has a registered office address at New City Court, 20 St. Thomas Street, London SE1 9RS.

- (3) The preferred shares that Allied Minds has in these companies are accounted for under IFRS 9.  
(4) The common shares that Allied Minds has in these companies are accounted for under IFRS 9.

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

As of and for the year ended 31 December:

	2021		
	\$'000		
	Early Stage	Later Stage	Minority Holdings
<b>Statement of Comprehensive Loss</b>			
Revenue	-	1,544	-
Income for the year	-	12,395	3,810
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	12,395	3,810
Comprehensive (loss)/ income attributed to NCI	-	186	(896)
<b>Statement of Financial Position</b>			
Non-current assets	-	820	-
Current assets	-	6,262	-
<b>Total assets</b>	-	7,082	-
Non-current liabilities	-	(75)	-
Current liabilities	-	(12,820)	-
<b>Total liabilities</b>	-	(12,895)	-
<b>Net liabilities</b>	-	(5,813)	-
Carrying amount of NCI	-	168	-
<b>Statement of Cash Flows</b>			
Cash flows from operating activities	-	(2,089)	13,916
Cash flows from investing activities	-	(184)	-
Cash flows from financing activities	-	1,387	(1,186)
	-	(886)	12,730
<b>2020</b>			
\$'000			
	Early stage	Later stage	Minority holdings
<b>Statement of Comprehensive Loss</b>			
Revenue	-	480	-
Loss for the year	(1,966)	(11,051)	-
Other comprehensive loss	-	-	-
<b>Total comprehensive loss</b>	(1,966)	(11,051)	-
Comprehensive loss attributed to NCI	(2,024)	(455)	-
<b>Statement of Financial Position</b>			
Non-current assets	320	1,288	-
Current assets	502	7,105	-
<b>Total assets</b>	822	8,393	-
Non-current liabilities	(105)	(1,380)	-
Current liabilities	(3,756)	(27,707)	-
<b>Total liabilities</b>	(3,861)	(29,087)	-
<b>Net liabilities</b>	(3,039)	(20,694)	-
Carrying amount of NCI	(3,441)	1,180	-
<b>Statement of Cash Flows</b>			
Cash flows from operating activities	(1,953)	(6,621)	-
Cash flows from investing activities	(20)	(538)	-
Cash flows from financing activities	184	4,707	-
	(1,789)	(2,452)	-

**Investment in Associates**

At 31 December 2021, the Group has one associate, Federated Wireless, which is material to the Group and is equity accounted. During the year, the group held Spin Memory as an equity accounted for associate. Its operations were ceased in the period as the board made the decision to liquidate this company.

*Spin Memory:* : As of 31 December 2020, Allied Minds' ownership percentage went from 42.69% to 43.01% as a result of the entity's latest financing round in July 2020. In accordance with IAS 28, once the share of losses of an associate equals or exceeds its "interest in the associate", the investor discontinues recognising its share of further losses. Once Allied Minds' interest in Spin Memory was reduced to zero no further adjustments were made to the investment balance at 31 December 2020. As of 31 December 2021, Allied Minds' ownership percentage remained at 43.01%.

On 23 June 2021, the Board of Spin Memory has taken the decision to liquidate the company. Allied Minds first invested \$1.5 million in Spin Memory in November 2007 and continued to provide funding in subsequent fundraising rounds. Allied Minds' total investment in Spin Memory is \$50.5 million. As indicated at the full year results in March, and due to the fact the company was not able to secure further investment from third parties, despite shareholders providing operational and financial support, Spin Memory faced significant liquidity issues. These were due to challenges in securing new customers, alongside the impact of COVID-19 which significantly delayed the required testing of its development chip with ARM. In light of these challenges and the significant quantum of capital committed to Spin Memory to date, the Board of Allied Minds has concluded that it is no longer prepared to make any further investment into Spin Memory. As of 31 December 2021, the liquidation process is pending final environmental issues and is expected to be completed in Q2 2022. Based on the Assignments For The Benefit Of Creditors (ABC) proceedings Allied Minds expects to get no payment from the process.

	Location	Ownership percentage	
		31 December 2021	31 December 2020
Spin Memory, Inc.	Fremont, CA	43.01%	43.01%
		<b>31 December 2021</b>	<b>31 December 2020</b>
		\$'000	\$'000
Group's interest in net assets of investee, beginning of period		—	—
Share of loss from continuing operations		—	—
<b>Carrying amount for equity accounted investees</b>		—	—
Unrecognised share of losses in associate		(37,393)	(37,393)
<b>Total outstanding</b>		<b>(37,393)</b>	<b>(37,393)</b>

*Federated Wireless:* As of 31 December 2020, Allied Minds' ownership percentage went from 42.57% to 43.11% and the investment in Federated Wireless continues to be subject to the equity method accounting. In accordance with IAS 28, the Company's investment was adjusted by the share of profits and losses generated by Federated Wireless subsequent to the date of deconsolidation. As a result, Allied Minds recorded a share of loss of \$6.8 million in the Consolidated Statements of Comprehensive Loss for the year ended 31 December 2020, that reduced the investment in Federated to a zero balance.

As of 31 December 2021, Allied Minds' ownership percentage went from 43.11% to 42.72% and continues to be subject to the equity method accounting. No further adjustments were made to the investment balance at 31 December 2021. If Federated Wireless subsequently reports profits, Allied Minds will resume recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

	Location	Ownership percentage	
		31 December 2021	31 December 2020
Federated Wireless, Inc.	Arlington, VA	42.72%	43.11%
		<b>31 December 2021</b>	<b>31 December 2020</b>
		\$'000	\$'000
Group's interest in net assets of investee, beginning of period		—	6,845
Addition in the year		—	—
Share of loss from continuing operations		—	(6,845)
<b>Carrying amount for equity accounted investees</b>		—	—
Unrecognised share of losses in associate		(53,169)	(19,432)
<b>Total outstanding</b>		<b>(53,169)</b>	<b>(19,432)</b>

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

**Federated Wireless**  
\$'000

	2021	2020
Revenue	11,021	2,882
<b>Loss for the period</b>	<b>(36,788)</b>	<b>(28,073)</b>
Total non-current assets	10,067	17,948
Total current assets	24,209	30,597
<b>Total assets</b>	<b>34,276</b>	<b>48,545</b>
Total non-current liabilities	(4,516)	(5,804)
Total current liabilities	(86,607)	(133,917)
<b>Net assets</b>	<b>(56,847)</b>	<b>(91,176)</b>

### Investments at fair value

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

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

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

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

#### *Other valuation approaches*

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

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

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

#### *PWERM and OPM*

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

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

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

Those investments are presented in the below table:

	31 December 2021	Disposals	Finance (income)/cost from IFRS 9 fair value accounting	Additions*	31 December 2020
	\$'000	\$'000	\$'000	\$'000	\$'000
Federated Wireless, Inc.	14,154	—	(14,378)	—	28,532
Spin Memory, Inc.	-	—	(4,821)	—	4,821
Orbital Sidekick, Inc.	8,528	—	564	2,500	5,464
TouchBistro, Inc.	4,330	—	1,559	—	2,771
OcuTerra Therapeutics, Inc.	6,276	—	2,965	3,311	—
Concirus, LTD	696	—	—	696	—
<b>Total investments at fair value</b>	<b>33,984</b>	<b>—</b>	<b>(14,111)</b>	<b>6,507</b>	<b>41,588</b>

\* Of the total amount presented in the additions column, \$1.0 million was cash used in investing activities, related to Orbital Sidekick's latest financing. As such, on the cash flow statement, the total cash used for purchase of investments consists of that \$1.0 million and the \$4.3 million noted below related to Federated Wireless SAFE.

*Federated Wireless:* The Company's investment at fair value in Federated Wireless has changed from \$28.5 million, as reported at 31 December 2020, to \$14.2 million at 31 December 2021. The decrease in investment balance primarily relates to the IFRS 9 fair value accounting during the period.

In November 2021, Allied Minds invested \$4,283,000 in the form of SAFEs (simple agreements for equity) in Federated Wireless, which will convert into shares of preferred stock in the company's next equity financing round. The entire instrument is measured at fair value through profit or loss. The SAFE is classified as a current receivable on Allied Minds' financial position. At 31 December 2021, the entire instrument was adjusted by a fair market gain of \$0.2 million.

*Spin Memory:* The company's investment at fair value in Spin Memory has changed from \$4.8 million, as reported at 31 December 2020, to \$nil at 31 December 2021. The change was due to the Board's decision to liquidate the company.

*Orbital Sidekick:* On 6 April 2018, Allied Minds made an investment in Orbital Sidekick, a company developing capabilities in aerial and space-based hyperspectral imaging and analytics, initially for the oil and gas industry. Allied Minds has significant influence over financial and operating policies of the investee by virtue of its large, albeit minority, stake in the company and its representation on the entity's board of directors. Allied Minds only held shares of preferred stock in Orbital Sidekick. The preferred shares held by Allied Minds are not equity-like and therefore these fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value where all movements to the value of Allied Minds' share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Loss.

On 13 April 2021, Orbital Sidekick, Inc. ("OSK") completed the closing of its \$16 million Series A funding round led by Temasek, an investment company headquartered in Singapore, with participation from Energy Innovation Capital, Syndicate 708, and existing investors Allied Minds and 11.2 Capital. Out of the total financing capital raised, Allied Minds invested \$2.5 million (including the conversion of its SAFE of \$1.5 million). As of 31 December 2021, Allied Minds' ownership of Orbital Sidekick's issued share capital is 26.29% compared to 33.23% at 31 December 2020. As of 31 December 2021, Allied Minds investment held at fair value related to its Preferred Shares in Orbital Sidekick was valued at \$8.5 million (31 December 2020: \$5.5 million).

*TouchBistro:* On 6 April 2018, Allied Minds made an investment in TableUp, a software provider enabling end-to-end transparency through the restaurant supply chain to enable more effective inventory and operations management. On 5 August 2020, TableUp was acquired by TouchBistro, Inc. ("TouchBistro"). The acquisition was structured as a stock-for-stock transaction in which TouchBistro acquired 100% of the shares of TableUp in exchange for the issuance of TouchBistro common shares to the shareholders of TableUp. As such, Allied Minds's investment in preferred stock, along with the convertible note, was fully converted into common shares in TouchBistro. A total of 2,542,662 common shares of TouchBistro was paid to Allied Minds valued at \$5.99 million at the time of the transaction. As a result of the acquisition, Allied Minds' ownership percentage was 1.52% at 31 December 2020. Allied Minds does not have significant influence over the investee as it does not hold 20% or more of the voting power of the investee as well as it does not have any board representation. As such, the investment does not meet the definition of an associate under IAS 28 Equity Accounting ("IAS 28") and therefore, the common shares are classified as an investment at fair value, under IFRS 9 Financial Instruments ("IFRS 9"). As of 31 December 2021, Allied Minds' ownership of TouchBistro's issued share capital is 1.40% compared to 1.52% at 31 December 2020. At 31 December 2021, the fair value of Allied Minds' investment in TouchBistro was measured at \$4.3 million (31 December 2020: \$2.8 million).

*OcuTerra Therapeutics:* As of April 2021, OcuTerra Therapeutics was deconsolidated from the Group's financial statements as a result of the first closing of its Series B Preferred Stock financing round. On that date Allied Minds' issued and outstanding ownership percentage dropped from 62.67% to 27.58%.

Consequently, since the Company no longer held a majority of the voting rights in OcuTerra Therapeutics and did not hold a majority on its board of directors, Allied Minds did not exercise effective control over OcuTerra Therapeutics. However, even after the transaction, Allied Minds was able to exercise significant influence over the entity by virtue of its large, albeit minority, stake in the company and its representation on the OcuTerra Therapeutics's board of directors. As such, only the profits and losses generated by OcuTerra Therapeutics through April 2021 were included in the Group's Consolidated Statements of Comprehensive Loss. Upon the date of deconsolidation, Allied Minds recognised an investment in OcuTerra Therapeutics related to its common shares of \$2.4 million. Series A Preferred Stock and Series B Preferred Stock (collectively the "OcuTerra Therapeutics Preferred Stock") held by Allied Minds are not equity-like and therefore these fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value where all movements to the value of Allied Minds' share in the preferred stock will be recorded through the Consolidated Statements of Comprehensive Loss. At the date of deconsolidation these were classified as an investment at fair value of \$3.3 million. The fair value of the investment in associate at the date of deconsolidation was based on the value implied from the third party funding round which led to the loss of control. This is a market based valuation approach. As a result of the deconsolidation, Allied Minds recorded an unrealised gain of \$14.2 million in the Consolidated Statements of Comprehensive Loss. The gain was calculated by taking the difference between the fair value of the interest retained in the former subsidiary at the date control is lost less the carrying amount of net assets adjusted for the non-controlling interests of the former subsidiary.

On 21 June 2021, OcuTerra completed the third closing of the same Series B financing and as a result, Allied Minds' ownership dropped to 18.98% of the issued and outstanding shares. In addition, Allied Minds has only 1 out of 7 Board of Directors representation and therefore it is limited in its participation in operating and capital. Based on these factors management have judged that Allied Minds cannot alone impact the policy making processes of the company and there are no other material transaction between the investor and investee. It has therefore been determined, Allied Minds no longer has

significant influence over the investee and the investment does not meet the definition of an associate under IAS 28 at this date. As such, Allied Minds' share of common stock is accounted as an investment at fair value in accordance with IFRS 9 for the period beyond 21 June 2021.

Allied Minds' investment in common shares was adjusted by the share of loss of \$2.4 million generated by OcuTerra Therapeutics for the period 27 April through 21 June 2021. This reduced the investment in OcuTerra to a zero balance. At 21 June 2021, the investment in OcuTerra's common shares was accounted as an investment at fair value in accordance with IFRS 9. The investment in OcuTerra's common shares was subsequently measured at \$2.6 million from \$nil at 21 June 2021. This resulted in a gain through profit and loss in relation to the fair value of this amount.

Allied Minds recognised \$2.4 million as its share of loss from OcuTerra Therapeutics through the Consolidated Statements of Comprehensive Loss as follows:

	Location	Ownership percentage	
		31 December 2021	31 December 2020
OcuTerra Therapeutics, Inc.	Cambridge, MA	17.06%	62.67%
		31 December 2021	31 December 2020
		\$'000	\$'000
Group's interest in net assets of investee, beginning of period		—	—
Addition in the year		2,362	—
Share of loss from continuing operations		(2,362)	—
Carrying amount for equity accounted investees		—	—
Unrecognised share of losses in associate		(1,406)	—
Total outstanding		(1,406)	—

*Spark Insights:* On 29 October 2021, Allied Minds Plc has disposed of its portfolio company, Spark Insights, Inc. to Concirrus, a private UK-based insurance technology company. The acquisition was structured as a stock-for-stock transaction in which Concirrus acquired 100% of the shares of Spark in exchange for the issuance of Concirrus' Series A1 preferred shares. As such, Allied Minds's investment in preferred stock, along with the promissory notes, was fully converted into preferred shares in Concirrus. A total of 61,252 Series A1 preferred shares of Concirrus was paid to Allied Minds, valued at \$700,000. As at 29 October 2021, Allied Minds' issued and outstanding ownership of Spark Insights was 70.44% and fully-diluted ownership was 60.00%. As a result of the acquisition, Allied Minds' ownership percentage in Concirrus is 0.98%. Allied Minds has not retained any board representation as it waived that with the disposal of Spark Insights. As such, the company does not exercise effective control over Spark and as a result was deconsolidated from the Group's financial statements.

### Allocation Model Inputs

Allied Minds holds shares of preferred stock in Federated Wireless and Orbital sidekick and has significant influence over financial and operating policies of the investee by virtue of its stake in the companies and representation on the entity's board of directors. Allied Minds holds a minority interest in the ordinary share capital of TouchBistro and a minority interest in the preferred share of Concirrus, where significant influence is not held. It also hold a minority interest in the ordinary share capital and preferred stock of OcuTerra Therapeutics. The preferred shares and ordinary share capital in the investments noted above fall under the guidance of IFRS 9 and will be treated as a financial asset held at fair value and all movements to the value of Allied Minds' share of these assets will be recorded through the Consolidated Statements of Comprehensive Income/(Loss). The following presents the quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's financial assets:

As of 31 December:	2021	2020
Volatility	51.8%-81.2%	38.8%-73.5%
Time to Liquidity (years)	0.75 - 2.75	1.50 - 3.27
Risk-Free Rate	0.29% - 0.89%	0.10% - 0.2%
IPO/M&A/Sale Probability	0%/ 100%/ n/a	0%/ 100%/ n/a

### Sensitivity Analysis

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

As of 31 December:		2021	2020
		\$'000	\$'000
Input	Sensitivity range	Financial assets increase/(decrease)	
Enterprise Value	-2%	(780)	(451)
	+2%	677	613
Volatility	-10%	171	602
	+10%	(79)	(290)
Time to Liquidity	-6 months	534	445

	+6 months	(1,756)	(198)
Risk-Free Rate <sup>(1)</sup>	-0.23%/-0.09%	809	445
	0.18% /0.02%	(465)	(198)

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

## (12) Cash and Cash Equivalents

As of 31 December:	2021	2020
	\$'000	\$'000
Bank balances	9,710	24,489
<b>Total cash and cash equivalents</b>	<b>9,710</b>	<b>24,489</b>

## (13) Trade and Other Receivables

As of 31 December:	2021	2020
	\$'000	\$'000
Trade receivables	434	394
Prepayments and other current assets	5,478	5,422
<b>Total trade and other receivables</b>	<b>5,912</b>	<b>5,816</b>

## (14) Equity

ALM's Board of Directors (the "Board") approved a new programme to buy back up to \$3.0 million of the Group's shares ("Buyback Programme") during 2021. Share purchases took place in open market transactions and were made from time to time depending on market conditions, share price, trading volume and other factors. The Buyback Programme ran from the date of the announcement to 6 October 2021. The Buyback Programme was in accordance with Allied Minds' general authority to purchase a maximum of 24,218,799 Ordinary Shares, granted by its shareholders at the Annual General Meeting held on 12 May 2021 and the purpose was to reduce share capital. Shares purchased under the Buyback Programme will be cancelled. As of 31 December 2021, the company has repurchased 2,537,712 of its own shares for a total value of \$737,678.

During 2021 and 2020, there were no options exercised under the U.S. Stock Plan. Additionally, no shares (2020: 624,862 shares) were issued to existing and former employees of the Group during the year as result of vesting of RSUs under the LTIP.

As of 31 December 2021, 11,551,496 ordinary shares were reserved under the U.S. Stock Plan and 24,781,174 were reserved under the LTIP, see note 6 for further discussion of the share-based payment plans.

The table below explains the composition of equity:

As of 31 December:	2021	2020
	\$'000	\$'000
<b>Equity</b>		
Share capital, \$0.01 par value, issued and fully paid 242,187,985 and 242,187,985, respectively	3,767	3,767
Treasury shares	(738)	—
Translation reserve	1,302	1,343
Accumulated profit	40,156	55,440
<b>Equity attributable to owners of the Company</b>	<b>44,487</b>	<b>60,550</b>
Non-controlling interests	168	(2,264)
<b>Total equity</b>	<b>44,655</b>	<b>58,286</b>

Holders of Ordinary Shares are entitled to vote, on all matters submitted to shareholders for a vote. Each Ordinary Share is entitled to one vote. Each ordinary share is entitled to receive dividends when and if declared by the Company's Board of Directors. The Company has not declared any dividends prior to 2020. In February 2020, Allied Minds made a special cash dividend payment to shareholders of \$39.7 million as a result of the sale of Allied Minds' share in HawkEye in the second half of 2019.

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

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

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

	Early Stage	Later Stage	Consolidated
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	\$'000	\$'000	\$'000
<b>Non-controlling interest as of 31 December 2019</b>	<b>(1,418)</b>	<b>1,533</b>	<b>115</b>
Share of comprehensive loss	(2,024)	(455)	(2,479)
Effect of change in Company's ownership interest	-	(18)	(18)
Equity-settled share based payments	1	117	118
<b>Non-controlling interest as of 31 December 2020</b>	<b>(3,441)</b>	<b>1,177</b>	<b>(2,264)</b>
Share of comprehensive loss	2,714	(3,424)	(710)
Effect of change in Company's ownership interest	(58)	(38)	(96)
Equity-settled share based payments	(1)	32	31
Deconsolidation of subsidiaries	786	2,421	3,207
<b>Non-controlling interest as of 31 December 2021</b>	<b>-</b>	<b>168</b>	<b>168</b>

## (16) Preferred Shares

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

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

As of April 2021, OcuTerra Therapeutics was deconsolidated from the Group's financial statements as a result of the first closing of its Series B Preferred Stock financing round and Allied Minds' issued and outstanding ownership percentage dropped from 62.67% to 27.58%. On that date, OcuTerra has issued \$14.1 million in Series B Preferred Shares to its third party investors. In addition, as a result of the round OcuTerra's Series A Preferred Shares and Special Stock went up in value by \$7.7 million.

The following summarises the subsidiary preferred shares balance:

As of 31 December:	<b>2021</b>	<b>Fair value</b>	<b>Disposals</b>	<b>Additions</b>	<b>2020</b>
	\$'000	gain or loss under IFRS 9 \$'000	\$'000	\$'000	\$'000
BridgeComm	1,255	(5,242)	—	—	6,497
OcuTerra Therapeutics	—	7,704	(21,841)	14,137	—
<b>Total subsidiary preferred shares</b>	<b>1,255</b>	<b>2,462</b>	<b>(21,841)</b>	<b>14,137</b>	<b>6,497</b>

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

As of 31 December:	<b>2021</b>	<b>2020</b>
	\$'000	\$'000
BridgeComm	1,260	6,500
<b>Total liquidation preference</b>	<b>1,260</b>	<b>6,500</b>

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

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

The valuation methodologies utilised for determining the equity value include the market approach, income approach or cost approach or hybrid of these approaches. Other methodologies such as asset



based are also utilised where deemed appropriate. It is noted that in the current year none of the equity values were determined using the income approach.

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

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

#### *PWERM and OPM*

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

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

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

#### **Allocation Model Inputs**

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

As of 31 December:	<b>2021</b>	<b>2020</b>
Volatility	77.7%	53.6%
Time to Liquidity (years)	2.00	2.00
Risk-Free Rate	0.73%	0.10%
Probability M&A	n/a	100%

#### **Sensitivity Analysis**

The following summarises the sensitivity from the assumptions made by the Company in respect to the unobservable inputs used in the fair value measurement of the Group's subsidiary preferred shares liability. Option Pricing Model and Probability Weighted Expected Return Method Inputs for Investments Held at Fair Value at 31 December 2021 and 2020 respectively:

		OPM Measurement Date	
As of:		<b>2021</b>	<b>2020</b>
		\$'000	\$'000
<b>Input</b>	<b>Sensitivity range</b>		
Enterprise Value	-2%	(3)	(112)
	+2%	35	114
Volatility	-10%	35	266
	+10%	(3)	(264)
Time to Liquidity	-6 months	35	117
	+6 months	(3)	(112)
Risk-Free Rate	-0.17/-0.02	35	117
	0.12/ 0.02	(3)	(112)

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

The subsidiary preferred shares are measured at fair value through profit/loss (FVTPL) according to IFRS 9 at initial recognition and upon subsequent measurement. Hence, any gains and losses on the preferred shares liability are recognised in profit or loss, unless they relate to changes in the entity's own credit risk for financial liability designated as at fair value through profit or loss. The effect of changes in the entity's own credit risk in the fair value of the financial liabilities are presented in other comprehensive income. There were no adjustments considered for movement in credit risk as this is not applicable within the specific valuation frameworks utilized for the fair values of the Group's preferred share liability. The subsidiary preferred shares values and movement in credit risk, if applicable, are being constantly monitored as new information becomes available. For the year ended 31 December 2021, the change in fair value of the subsidiary preferred shares is recorded in Finance cost, net in the consolidated statement of comprehensive loss.

## (17) Trade and Other Payables

As of 31 December:	2021	2020
	\$'000	\$'000
Trade payables	210	319
Accrued expenses	525	1,457
Other current liabilities	326	325
<b>Trade and other payables, current</b>	<b>1,061</b>	<b>2,101</b>

## (18) Loans

As of 31 December:	2021	2020
	\$'000	\$'000
Current liabilities - Loans:		
Unsecured loans	3,109	2,965
Paycheck Protection Program (PPP) loans*	—	184
Non- Current liabilities - Loans:		
Unsecured loans	—	1,440
<b>Total loans</b>	<b>3,109</b>	<b>4,589</b>

\*Two subsidiaries of the Group during the year, Spark Insights and BridgeComm, have received PPP loans under the CARES Act in 2020 (\$0.2 million) and 2021 (\$0.2 million). At 31 December 2021, the full PPP balance decreased from \$443 thousand to \$nil due to PPP loan forgiveness in current period.

The terms and conditions of outstanding loans are as follows:

As of 31 December:	Currency	Nominal interest rate	Year of maturity	2021		2020	
				Face value	Carrying amount	Face value	Carrying amount
				\$'000	\$'000	\$'000	\$'000
Unsecured loan <sup>(1)</sup>	USD	5.0%	2020-22	2,500	3,109	2,500	2,862
Unsecured loan <sup>(2)</sup>	USD	12.0%	2021-21	—	—	100	103
Unsecured loan <sup>(3)</sup>	USD	8.0%	2020-22	—	—	1,325	1,440
<b>Total interest bearing liabilities</b>				<b>2,500</b>	<b>3,109</b>	<b>3,825</b>	<b>4,589</b>

### BridgeComm convertible note <sup>(1)</sup>

On 16 December 2020, BridgeComm secured \$1.0 million of funding through the issuance of a convertible bridge note to Boeing HorizonX Ventures, LLC ("Boeing"). All principal and accrued interest shall be due and payable on 30 June 2022. In August 2021, as a result of achieving certain development milestones under the JDA with Boeing, BridgeComm secured the remaining \$1.5 million of convertible debt from Boeing. The \$2.5 million promissory note was issued at a 5.0% interest rate that will be compounded monthly and computed on the basis of a year of 365 days for the actual number of days elapsed and shall be paid on the maturity date. The loan balance is due to amortize within the 12 months following the reporting date and will be classed as a current liability. The entire instrument is measured at fair value through profit or loss due to the conversion feature being an embedded derivative. At 31 December 2021, the entire instrument was adjusted upward by a fair market change of \$0.1 million.

### OcuTerra Therapeutics promissory note <sup>(2)</sup>

On 23 September 2020, OcuTerra Therapeutics secured \$0.1 million of funding through the issuance of a promissory note to multiple investors at annual interest rate of 12.0% payable within one year from the date of issuance. The note was issued at an interest rate that will accrue on the unpaid Principal Amount at the rate of twelve (12%) per annum computed on the basis of a 365-day year. The note converted into preferred shares upon the closing of the Series B funding in April 2021.

### OcuTerra Therapeutics convertible note <sup>(3)</sup>

On 5 November 2020, OcuTerra Therapeutics secured \$0.95 million of funding through the issuance of a convertible bridge note to multiple investors at annual interest rate of 8.0%. On 10 January 2021, OcuTerra Therapeutics raised an additional \$0.4 million in the second closing of its convertible note financing. The note was issued at an interest rate that will accrue on the unpaid Principal Amount at the rate of eight (8%) per annum, payable at the maturity date (36 month anniversary of the closing date). All accrued interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months, and shall be payable on the date the outstanding principal amount shall become due and payable, whether on the Maturity Date or by acceleration or otherwise, or upon conversion. The

entire instrument and the offsetting discount will be measured at fair value through profit or loss as the conversion feature fails the fixed for fixed equity classification. The convertible note of \$1.5 million converted into preferred shares upon the closing of the Series B funding in April 2021.

### (19) Leases

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

#### Right of use asset

	2021	2020
	\$000s	\$000s
Balance at 1 January	651	1,016
Additions	192	-
Depreciation	(316)	(365)
Deconsolidation	(113)	-
<b>Balance at 31 December</b>	<b>414</b>	<b>651</b>

#### Lease liability

	2021	2020
	\$000s	\$000s
Balance at 1 January	1,830	2,854
Additions	192	-
Cash paid	(1,100)	(1,150)
Interest expense	71	126
Deconsolidation	(120)	-
<b>Balance at 31 December</b>	<b>873</b>	<b>1,830</b>

The following details the short term and long-term portion of the lease liability as at 31 December 2021:

	Total lease liability
	\$000s
Lease liability released in < 1 year	660
Lease liability released in over 1 year	213
<b>Total Lease Liability</b>	<b>873</b>

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

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

<i>In thousands of \$</i>	31 December 2021
Less than 1 year	438
Between 1 and 5 years	-
More than 5 years	-
Total undiscounted lease receivable	438
Unearned finance income	(24)
Net investment in the lease	414

Additions in the period relate to site leases that were entered into by Allied Minds' consolidated subsidiaries during 2021. Amounts were arrived at using the contractual minimal lease payments, present valued using the applicable incremental borrowing rate of 5.0%.

#### Amounts recognised in profit or loss

<i>In thousands of \$</i>	31 December 2021
<b>2021 - Leases under IFRS 16</b>	
Interest on lease liabilities	71
Income from sub-leasing right-of-use assets presented in 'interest income'	45

### (20) Financial Instruments and Related Disclosures

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

As of 31 December:

**2021**

\$'000

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets designated as fair value through profit or loss</b>					
Investments at fair value	33,984	-	-	33,984	33,984
Convertible note receivable	4,500	-	-	4,500	4,500
<b>Loans and receivables</b>					
Cash and cash equivalents	9,710				
Trade and other receivables	5,912				
Security and other deposits	594				
Total	<u>54,700</u>	<u>-</u>	<u>-</u>	<u>38,484</u>	<u>38,484</u>
<b>Financial liabilities designated as fair value through profit or loss</b>					
Convertible notes	3,109	-	-	3,109	3,109
Subsidiary preferred shares	1,255	-	-	1,255	1,255
<b>Financial liabilities measured at amortised cost</b>					
Trade and other payables	1,061				
Lease liability	873				
Total	<u>6,298</u>	<u>-</u>	<u>-</u>	<u>4,364</u>	<u>4,364</u>

As of 31 December:

**2020**

\$'000

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets designated as fair value through profit or loss</b>					
Investments at fair value	41,588	-	-	41,588	41,588
Convertible note receivable	1,500	-	-	1,500	1,500
<b>Loans and receivables</b>					
Cash and cash equivalents	24,489				
Trade and other receivables	5,816				
Security and other deposits	1,360				
Total	<u>74,753</u>	<u>-</u>	<u>-</u>	<u>43,088</u>	<u>43,088</u>
<b>Financial liabilities designated as fair value through profit or loss</b>					
Convertible notes	4,590	-	-	4,590	4,590
Subsidiary preferred shares	6,497	-	-	6,497	6,497
<b>Financial liabilities measured at amortised cost</b>					
Trade and other payables	2,101				
Lease liability	1,830				
Total	<u>15,018</u>	<u>-</u>	<u>-</u>	<u>11,087</u>	<u>11,087</u>

Total other financials assets were as follows:

**For the year ended 31 December:**

	<b>2021</b> \$'000	<b>2020</b> \$'000
Deposits	44	81
Other long term assets	-	500

<b>Total</b>	44	581
Convertible note receivable	4,500	1,500
Other current assets	550	779
<b>Total</b>	5,050	2,279
	5,094	2,860

The fair value of financial instruments that are not traded is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Where the inputs for determining the fair value of financial instruments are not based on observable market data, the instrument is included in Level 3. See the assumptions for the valuation of the Convertible note receivable as disclosed in note 11 of the financial statements. As such, for assumptions used in the fair value measurement of the Group's convertible notes designated as Level 3, see note 18.

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

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

The movement in the convertible loan note assets are presented in the below table:

	31 December 2021	Disposals	Movement from IFRS 9 fair value accounting	Additions	31 December 2020
	\$'000	\$'000	\$'000	\$'000	\$'000
Federated Wireless, Inc.	4,500	—	217	4,283	—
Orbital Sidekick, Inc.	—	(2,500)	—	1,000	1,500
<b>Total convertible loan note assets at fair value</b>	<b>4,500</b>	<b>(2,500)</b>	<b>217</b>	<b>5,283</b>	<b>1,500</b>

## (21) Capital and Financial Risk Management

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

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

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

### Credit Risk

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

The Group held following balances:

As of 31 December:	2021	2020
	\$'000	\$'000
Cash and cash equivalents	9,710	24,489
Investments held at fair value	33,984	41,588
Trade and other receivables	5,912	5,816
	<u>49,606</u>	<u>71,893</u>

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to credit ratings (if available) or to historical information about counterparty default rates.

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

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

The Group has a concentration of credit risk in respect of its financial assets held at fair value through the profit or loss which relate to ordinary and preferred share investments with movements in fair value of \$14.1 million. Of this balance \$14.4 million in losses relates specifically to the preferred shares held in Federate Wireless for the period. These investments are reviewed in detail in note 11. The Group assesses the credit quality of customers, taking into account their current financial position.

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

As of 31 December:	2021 \$'000	2020 \$'000
Neither past due nor impaired	434	135
Past due 30-90 days	—	259
Past due over 90 days	—	—
Reserve for bad debt	—	—
	<u>434</u>	<u>394</u>

An analysis of the credit quality of trade receivables that are neither past due nor impaired is as follows:

As of 31 December:	2021 \$'000	2020 \$'000
Customers with less than three years of trading history with the Group	<u>434</u>	<u>394</u>
	<u>434</u>	<u>394</u>

### Liquidity Risk

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

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

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

As of 31 December 2021:		Contractual cash flows			
\$'000	Carrying amount	Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	1,061	1,061	1,061	-	-
Convertible loan notes	3,109	3,109	3,109	-	-
Subsidiary preferred shares	1,255	1,255	1,255	-	-
Lease liability	873	873	660	213	-
	<u>6,298</u>	<u>6,298</u>	<u>6,085</u>	<u>213</u>	<u>-</u>

As of 31 December 2020:		Contractual cash flows			
\$'000	Carrying amount	Total	Less than 1 year	2-5 years	More than 5 years
Trade and other payables	2,101	2,101	2,101	-	-
Convertible loan notes	4,590	4,590	3,150	1,440	-
Subsidiary preferred shares	6,497	6,497	6,497	-	-
Lease liability	1,830	1,830	1,830	-	-
	<u>15,018</u>	<u>15,018</u>	<u>13,578</u>	<u>1,440</u>	<u>-</u>

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

### Market Risk

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

### Capital Risk Management

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

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

## (22) Related Parties

### Transactions with Key Management Personnel

#### Key Management Personnel Compensation

Key management personnel compensation received comprised the following:

For the year ended 31 December:	2021 \$'000	2020 \$'000
Short-term employee benefits	18	1,022
Share-based payments	-	105
<b>Total</b>	<b>18</b>	<b>1,127</b>

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

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

#### Key Management Personnel Transactions

Directors' remuneration for the year comprised the following:

For the year ended 31 December:	2021 \$'000	2020 \$'000
Executive Directors' fees	18	1,127
Non-executive Directors' fees	345	359
<b>Total</b>	<b>363</b>	<b>1,486</b>

Executive management and Directors of the Company control 0.6% of the voting shares of the Company as of 31 December 2021 (2020: 0.6%).

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

## (23) Taxation

### Amounts recognised in profit or loss

No current income tax expense was recorded for the years ended 31 December 2021 and 2020 due to accumulated losses.

For the year ended 31 December:	2021 \$'000	2020 \$'000
Net income/(loss)	(15,534)	(53,025)
Income taxes	-	-
<b>Net income/(loss) before taxes</b>	<b>(15,534)</b>	<b>(53,025)</b>

### Reconciliation of Effective Tax Rate

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

effective tax rate is as follows:

	2021	2020
	%	%
US federal statutory rate	21.0	21.0
Effect of state tax rate in US	5.7	5.3
Research credits	1.4	0.7
Share-based payment remeasurement	(0.5)	(0.4)
Permanent differences from consolidation	52.7	1.2
Other permanent differences	2.2	(0.7)
Current year income/(losses) for which no deferred tax asset/(liability) is recognised	(82.5)	(27.1)
	<u>-</u>	<u>-</u>

#### *Factors that may affect future tax expense*

The Group is subject to taxation in the US and UK. Additionally, the Group is exposed to state taxation in various jurisdictions throughout the US. Changes in corporate tax rates can change both the current tax expense (benefit) as well as the deferred tax expense (benefit). A UK corporation tax rate of 25% (effective 1 April 2023) was substantively enacted on 23 May 2021, increasing the rate from 19% to 25% for future periods.

#### **Unrecognised Deferred Tax Assets**

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

As of 31 December:	2021	2020
	\$'000	\$'000
Tax loss carry forward	74,282	79,285
Research credits	5,201	7,022
Temporary differences	24,291	15,494
Deferred tax assets	<u>103,774</u>	<u>101,801</u>
Other temporary differences	-	-
Deferred tax liabilities	<u>-</u>	<u>-</u>
Deferred tax assets, net, not recognised	<u>103,774</u>	<u>101,801</u>

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

As of 31 December 2021 the Company had United States federal net operating losses carry forwards ("NOLs") of approximately \$277.6 million (2020: \$292.7 million) available to offset future taxable income, if any. These carryforwards start to expire in 2024 and are subject to review and possible adjustment by the Internal Revenue Service. The Company may be subject to limitations under Section 382 of the Internal Revenue Code as a result of changes in ownership. The Company's preliminary analysis on the impact from Section 382 limitations suggests that there is unlikely to be a material restriction on NOLs. A detailed exercise is ongoing. Upon the completion of the study, there may or may not be limitations on the Company's ability to utilise its current NOLs against future profits, although these are not expected to be material.

#### **(24) Subsequent Events**

On 28 March 2022, Allied Minds plc (LSE: ALM) has completed the disposal of its residual shareholding in TouchBistro for \$5.5 million CAD (\$4.4 million USD) in line with its strategy of monetising its investment portfolio. Of the sale proceeds, \$5.0 million CAD has been received and \$0.5 million CAD is to be held in escrow, with an initial release date in the third quarter of 2022, subject to any then outstanding claims.

On 2 May 2022, Federated Wireless, Inc., ("Federated"), the industry leader in enterprise shared spectrum 5G private wireless, completed a \$72.0 million in Series D funding at a pre new-money valuation of \$230.0 million. Participants in Federated's latest financing round include an affiliate of Cerberus Capital Management, L.P. ("Cerberus"), a new investor, alongside existing investors GIC (Singapore's sovereign wealth fund) and Allied Minds.

On 8 June 2022, Allied Minds and AE Industrial HorizonX Venture Fund I, LP (HorizonX), jointly contributed an aggregate of \$0.8 million of convertible bridge financing to BridgeComm, each contributing \$0.4 million. The bridge financing will be applied to support the business to the completion of a new financing round.



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