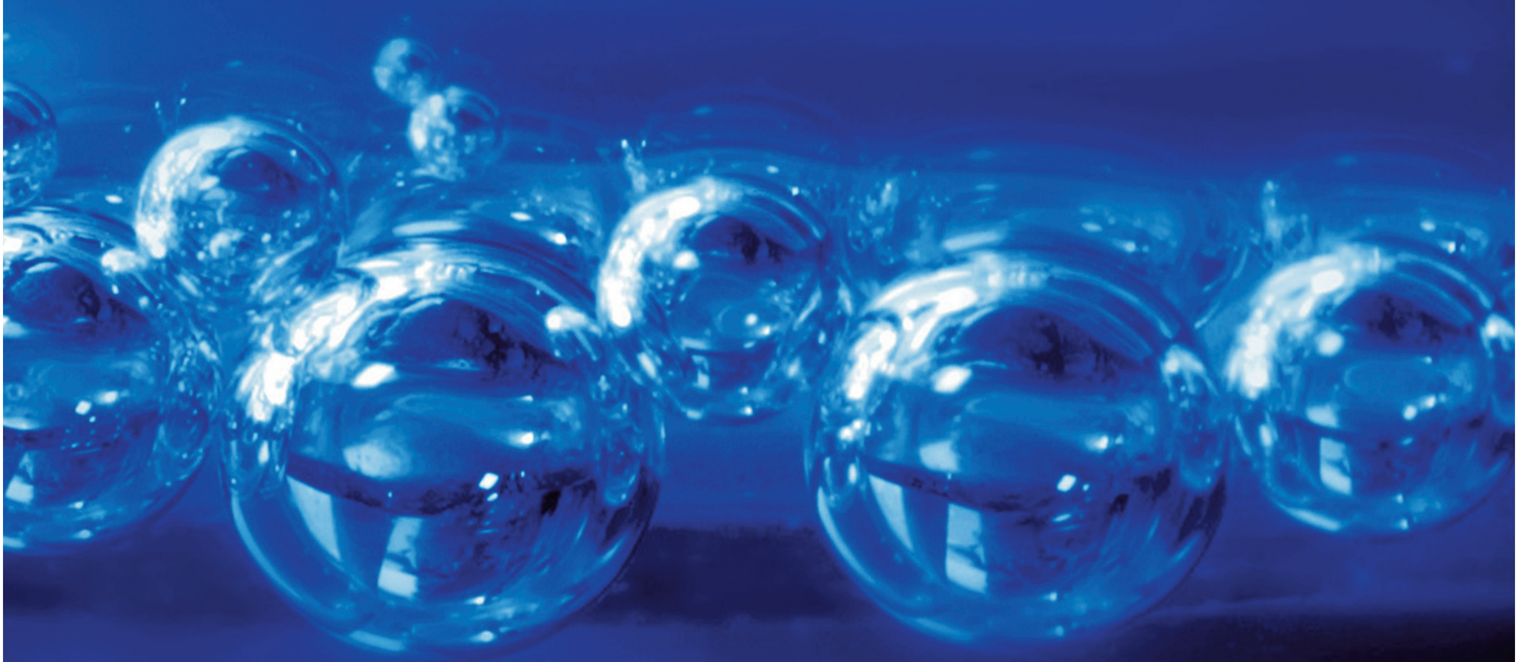
Frontier IP Group Plc

Annual Report and Financial Statements
Year ended 30 June 2012



Specialising in the commercialisation of intellectual property

Contents

Neil Crabb
Chief Executive Officer of Frontier IP, said:

"Frontier IP has made good progress during the year ended 30 June 2012 with helping its existing portfolio companies to deploy their technologies and with deepening and extending its relationships within its three university partnerships. The Company has also continued to develop new opportunities including a fund management agreement with Narec Capital Limited and a collaboration with the University of Central Lancashire.

The new financial year has started well and we believe that, dependent on the successful outcome of the fundraising which is in its final stage, Frontier IP will be well placed to make further progress. The Board remains confident about the opportunities for growth in the new financial year and beyond."

Key Points

- Good progress with developing new opportunities during the year:
  - three new spin-out companies
  - fund management agreement with Narec Capital Limited
  - collaboration with the University of Central Lancashire
- Revenue from services of £162,000 (2011: £158,000)
- Total revenue £223,000 (2011: £307,000)
- Loss before tax of £380,000 (2011: loss of £269,000)
- Loss per share of 5.45p (2011: loss of 3.86p)
- Net assets per share as at 30 June 2012 of 36.0p (2011: 41.4p)
- Post year-end:
  - three new spin-out companies
  - additional collaboration agreement with University of Dundee
- Completion of fundraising raising £608,000 (gross of expenses) – funds will provide ongoing working capital and support delivery of growth opportunities

Chairman's Statement

Introduction

Frontier IP has made good progress during the year ended 30 June 2012 with helping its existing portfolio companies to deploy their technologies and with deepening and extending its relationships within its three university partnerships. The Company has also continued to develop new opportunities in the year, including a fund management agreement with Narec Capital Limited ("Narec Capital") and a first collaboration venture with the University of Central Lancashire ("UCLan"). We saw some slippage in the receipt of equity and in completing two licence agreements which impacted results for the year. However, the completion of the delayed licence agreements remains underway and the equity from several new spin-outs was received in the first quarter of the new financial year.

The new financial year to 30 June 2013 has started well and the Company is benefiting from a high level of activity across its business. The Company has added three new spin-out companies to its portfolio since the start of July 2012 and, in particular, in August we were very pleased to enter into a new collaboration agreement with the University of Dundee, alongside the existing long term partnership.

Results

Revenue from services showed a small increase to £162,000 (2011: £158,000). Total revenue of £223,000 was lower than the prior year (2011: £307,000) due to a smaller increase in value of the Group's portfolio holdings and slippage in the receipt of equity from several new spin-outs into the new financial year as well as a delay in the completion of two licence agreements. With a 5% increase in administrative expenses due to higher personnel costs, the loss before tax was £380,000 (2011: loss of £269,000). The loss per share was 5.45p (2011: 3.86p).

Cash balances stood at £44,000 at 30 June 2012 (2011: £582,000). Net assets per share as at 30 June 2012 were 36.0p (2011: 41.4p). On 3 December 2012, the Company completed a placing of 608,000 new ordinary shares of 10p each at 10p per share ("the Placing") raising £608,000 gross of expenses.

Operational Review

The Group now has three university partnerships, with University of Dundee, Robert Gordon University, Aberdeen and Plymouth University. We believe that there is a broad range of significant commercial opportunities across these three partnerships and, in the short to medium term, we will be focusing our attention on exploring and developing these.

The Group received equity in three new spin-out companies during the year, Glycobiochem Ltd, Kinetic Discovery Ltd and Alusid Ltd.

Glycobiochem Ltd, a spin-out from University of Dundee, markets a software product called PRODRG, which is designed to generate three-dimensional models of chemicals for use in applications such as rational drug design, as well as a range of innovative molecular and chemical tools developed specifically for research into carbohydrate processing enzymes. The Group currently holds approximately 5% of the issued share capital of the company.

Kinetic Discovery Ltd, another spin-out from University of Dundee, is a drug discovery services company which specialises in biosensor based screening. It has a spread of international customers including many of the major pharmaceutical companies, and is already trading profitably. Kinetic Discovery Ltd is embedded within the University of Dundee, enabling it to continue to benefit from university facilities. This "embedded" approach is one which we are looking to develop further across our partnerships. The Group currently holds approximately 5% of the issued share capital of the company.

Our equity holding in spin-out company Alusid Ltd arose from our collaboration with UCLan which was agreed in June with UCLan's Silicate Research Unit. Alusid Ltd is a spin-out with UCLan and was formed just prior to the year end. The company will licence and commercialise the process to transform waste materials into a highly durable and functional material with applications in the construction industry. The material has been exhibited at a number of international design shows where it was well received. The Group currently has a beneficial ownership of 21% of the issued share capital of the company.

After the year end, Frontier IP was allotted equity in a further three spin-out companies, Tissue Repair Technologies Ltd, Ex Scientia Ltd and PoreXpert Limited.

Tissue Repair Technologies Ltd is a spin-out from University of Dundee. The company develops novel wound healing agents based on migration stimulating factor, a naturally occurring protein, which Tissue Repair Technologies Ltd believes has particular application in patients with impaired healing, such as diabetics. The Group currently holds approximately 5% of the issued share capital of the company.

Ex Scientia Ltd, a spin-out from University of Dundee, has been formed to exploit novel informatics and experimental methods to enable new, more effective ways of conducting drug discovery. The Group currently holds approximately 5.75% of the issued share capital of the company.

PoreXpert Ltd, a new spin-out from Plymouth University, was formed to accelerate the commercialisation activity of the Environmental and Fluid Modelling Group at Plymouth which provides software and consultancy for modelling porous systems. The company is now establishing distribution channels for a new version of its software released this month. The Group currently holds approximately 15% of the issued share capital of the company.

In June 2012, we were pleased to announce that we had signed an agreement with Narec Capital, the provider of consultancy and finance services to companies in the renewable energy sector. The agreement confirms Narec Capital's intention to appoint Frontier IP as its provider of fund management and administration services to a portfolio of renewable energy funds which it plans to launch later this year. The focus of this funding initiative will be on providing early-stage capital in order to accelerate the deployment and reduce the cost per megawatt hour of renewable energy technologies and projects emerging from sources including utilities, manufacturers, universities and research centres. Narec is currently investing over £150m of public and private finance to establish the UK's offshore renewable innovation facilities.

Once the funds are established, under the terms of the agreement, Frontier IP will receive fees arising from the introduction of investors and the provision of fund management services to the funds as well as investment deal fees and carried interest from the funds under management. We expect the benefits arising from the agreement to be reflected in current financial year, to 30 June 2013. In line with existing arrangements, certain regulated activities will be provided through Sigma Technology Management Limited, the FSA authorised and regulated subsidiary of Sigma Capital Group plc, a shareholder in the Company.

In August 2012, we entered into a Collaboration Agreement with University of Dundee. This is in addition to our existing spin-out commercialisation Relationship Agreement. The objective of this new collaboration is for Frontier IP and the University of Dundee to work together to define, agree and, as appropriate, establish a vehicle which funds the exploitation of commercial drug development opportunities arising from the Drug Discovery Unit at University of Dundee ("DDU"). The DDU was founded in 2006 in the university's College of Life Sciences, with the aim of translating basic science into lead compounds to validate putative drug targets, to use as tools to investigate disease pathways and, when appropriate, advance to pre-clinical drug candidates.

The Board

In December 2011, we were pleased to announce the appointment of Andrew Richmond as a Non-Executive Director, replacing Tim Cockroft. Andrew brings highly relevant experience to our business, having significant experience of the healthcare, stockbroking and private equity industries. He is also a Lay Member of the Court of the University of Dundee.

On 3 December 2012, Graham Barnet stood down as a non-executive Director of the Company. On behalf of the Board, I should like to thank Graham for his contribution to the Board during an important stage in the Company's growth.

On 3 December 2012, we were delighted to welcome Marcus Yeoman as a non-executive Director. Marcus brings a wealth of experience in advising young growth companies, both private and AIM-listed.

The Company has also re-organised its Board with the appointment of Andrew Richmond as non-executive Chairman, Neil Crabb to Chief Executive and Jackie McKay and David Cairns are now Chief Operating Officer and Portfolio Director respectively.

Outlook

While the wider economic backdrop continues to be challenging, we are encouraged by the level of activity since the start of the new financial year. Our additional collaboration with University of Dundee has extended that relationship and we are excited by the potential opportunity this offers in the longer term.

Chairman's Statement (Continued)

The recent growth in the number of portfolio companies represents an opportunity for us to take on advisory roles and we expect to extend this approach to a number of our portfolio companies.

We are also seeing developments in our historic portfolio. In particular, Nandi Proteins Limited ("Nandi"), the Heriot Watt University spin-out, has recently made significant progress with a number of major food companies towards the licensing and adoption of its protein technology. Subject to Nandi concluding licence terms, we expect to recover the significant ongoing advisory fees that are being accrued, which have been provided against to date, as well as an uplift in valuation, and we continue to work with the company to assist in the development of its business.

In addition, we are looking forward to furthering our work with Narec Capital and UCLan during the current financial year.

In summary, we believe that Frontier IP will be well placed to make further progress and the Board remains confident about the opportunities for growth in the new financial year and beyond.

Andrew Richmond
Chairman

6 December 2012

Business Review

Overview of the Business

Frontier IP's business model is based on assisting universities and research organisations in the commercialisation of the IP arising from their research activity. In return for this support, Frontier IP receives a share of the founder equity and licence revenue which the universities receive from the commercialisation of research.

In addition, Frontier IP generates revenue from board retainers and fees for fundraising and bespoke advisory work. Also, where required, Frontier IP seeks to establish a dedicated fund for each university relationship, which helps to accelerate the commercialisation process and to create recurring fund management income for Frontier IP. Frontier IP may also participate as a limited partner in such funds.

The Group currently has three university partnerships with University of Dundee, Plymouth University and Robert Gordon University, Aberdeen. At the year end, the Group directly held equity in ten spin-out companies.

Review of 2011/12

During the year the Group has made good progress with helping its existing portfolio companies to deploy their technologies and with deepening and extending its relationships within its three university partnerships. The Group added three spin out companies to its portfolio during the year and has added a further three post period end, bringing the total number in its portfolio to 13 as at the date of this report.

The Group has also continued to develop new opportunities including a fund management agreement with Narec Capital signed in June 2012 and a collaboration with UCLan.

Narec Capital is a provider of consultancy and finance services to companies in the renewable energy sector. It is a joint venture between Narec, the UK's national research centre for accelerating the deployment of offshore renewable energy technologies, and Ashberg Ltd (a fully regulated financial services entity). Narec is currently investing over £150 million of public and private finance to establish the UK's offshore renewable innovation facilities. The agreement confirms Narec Capital's intention to appoint Frontier IP as its provider of fund management and administration services to a portfolio of renewable energy funds which it intends to launch later this year. The focus of this funding initiative will be on providing early-stage capital in order to accelerate the deployment and reduce the cost per megawatt hour of renewable energy technologies and projects.

Once the funds are established, the Group will receive fees arising from the introduction of investors and the provision of fund management services to the funds as well as investment deal fees and carried interest from the funds under management. The Group expects that the benefits arising from the agreement will start to be seen in 2012/13. In line with existing arrangements, certain regulated activities will be provided through Sigma Technology Management Limited, the FSA authorised and regulated subsidiary of Sigma Capital Group plc ("Sigma"), a shareholder in Frontier IP.

The Group agreed a collaboration with UCLan to create and develop a new spin-out company from UCLan's Silicate Research Unit. The Group will provide advisory services and support in return for a stake in the spin-out company and it is intended that Frontier IP will also receive a share of licensing revenues. For further details see Alusid Ltd under Portfolio below.

Subsequent to the year end, the Group has entered into a Collaboration Agreement with University of Dundee. This is in addition to its existing spin-out commercialisation agreement with this university. The objective of this collaboration is for Frontier IP and University of Dundee to work together to define, agree and, as appropriate, establish a vehicle which funds the exploitation of commercial drug development opportunities arising from the Drug Discovery Unit at University of Dundee. The DDU was founded in 2006 in the university's College of Life Sciences, with the aim of translating basic science into lead compounds to validate putative drug targets, to use as tools to investigate disease pathways and, when appropriate, advance to pre-clinical drug candidates.

Post the period end, the Company has raised £608,000 (before expenses) by way of a placing of 6,080,000 new ordinary shares of 10p each at 10p per share.

Business Review (Continued)

Result for the year

The Group made a loss for the year of £380,000 (2011: £269,000). Excluding the impact of unrealised profits on the revaluation of investments, the adjusted loss was £441,000 (2011: £418,000). Revenue from services at £162,000 was at a similar level to the prior year (£158,000) but administrative expenses rose by 5% to £603,000 (2011: £576,000) due to increased staff costs.

Balance sheet

The principal items in the balance sheet at 30 June 2012 are goodwill (£1,966,000) and holdings in portfolio companies (£491,000). The carrying value of these items is determined by the Directors using their judgement when applying the Group's accounting policies. The considerations taken into account by the Directors when reviewing the value of goodwill are detailed in note 9. The matters taken into account when assessing the fair value of the portfolio companies are detailed in the accounting policy on investments.

Cash flow

The Group's cash balances fell during the year by £538,000 to £44,000 at 30 June 2012. Most of this was due to the operation of the business plus £72,000 was expended on investments.

Portfolio

Advanced Underwater Surveys Limited ("ADUS")

ADUS was spun out from University of Dundee and the University of St Andrews. It delivers high resolution multibeam sonar surveys and systems for the inspection of underwater assets. ADUS sonargrams offer photographic-like detail of vessels, underwater structures and wrecks. The results provide a tool for those engaged in the management, development and research of the marine environment. The company has won a number of customers in the government, salvage and energy sectors, enabling it to invest in its own remote operated vehicle, and is planning for further growth.

At 30 June 2012 the Group held 5% of the issued share capital of ADUS.

Aridhia Informatics Limited ("Aridhia")

Aridhia is a joint venture between University of Dundee, Sumerian Europe Limited and Scottish Health Equities Limited. Aridhia develops an intelligent data analysis service for the medical and life sciences sector which represents key performance indicators for both management and clinical purposes. In September 2011, Aridhia announced a partnership to deliver a diabetes programme in Kuwait. The company also formed a strategic partnership with Seattle-based Glencoe Software, Inc., which specialises in data management of imaging in life sciences, and this agreement includes an investment by Aridhia to accelerate Glencoe's growth.

At 30 June 2012 the Group held 1.1% of the issued share capital of Aridhia.

Counterweight Limited ("Counterweight")

Spun out from Robert Gordon University, Counterweight develops and sells a low-cost, clinician–led, weight management programme which provides general practitioners and practice nurses with an evidence–based approach to weight loss management. Counterweight completed its first fundraising during the year and is working with a number of commercial partners to extend its markets in the NHS and the private sector.

At 30 June 2012 the Group held 5.7% of the issued share capital of Counterweight.

Circa Connect Limited ("Circa Connect")

Circa Connect was set up by University of Dundee and the University of St Andrews to develop tools to support life enrichment for people suffering from Alzheimer's Disease. Circa Connect now has trial systems in place with a leading care home group.

At 30 June 2012 the Group held 4.6% of the issued share capital of Circa Connect.

Intelligent Flow Solutions Limited ("Intelligent Flow Solutions")

Intelligent Flow Solutions, a spin-out from Robert Gordon University, provides consultancy and training to the international oil and gas industry, leveraging its proprietary models of geological properties and complex fluid dynamics, thereby targeting improved flow efficiency and reduced downtime during drilling and production operations.

At 30 June 2012 the Group held 10% of the issued share capital of Intelligent Flow Solutions.

Nandi Proteins Limited ("Nandi")

Nandi is a spin-out from Heriot-Watt University, set up to commercialise a technology for replacing fats in food with products based on egg white and whey protein. The company has recently made significant progress with a number of major food companies towards the licensing and adoption of its protein technology.

At 30 June 2012 the Group held 3% of the issued share capital of Nandi.

Rapid Quality Systems Limited ("RQS")

Spun out from University of Dundee, RQS is a software developer which launched its first software product, Code Rocket, during the period. Code Rocket is a software tool which simplifies and supports the design of software systems.

At 30 June 2012 the Group held 5% of the issued share capital of RQS.

Glycobiochem Ltd ("Glycobiochem")

Glycobiochem, a spin-out from University of Dundee, markets a software product called PRODRG, which is designed to generate three-dimensional models of chemicals for use in applications such as rational drug design, as well as a range of innovative molecular and chemical tools developed specifically for research into carbohydrate processing enzymes. Glycobiochem is also developing a drug discovery programme, which is currently focused on novel targets implicated in the development of Alzheimer's disease.

At 30 June 2012 the Group held 5% of the issued share capital of Glycobiochem.

Kinetic Discovery Ltd ("Kinetic")

Kinetic is a spin-out from University of Dundee. It is a drug discovery services company which specialises in biosensor based screening. It has a spread of international customers including many of the major pharmaceutical companies, and is already trading profitably. Kinetic is embedded within the University of Dundee, enabling it to continue to benefit from university facilities. This "embedded" approach is one which Frontier IP is looking to develop further across its partnerships.

At 30 June 2012 the Group held 5% of the issued share capital of Kinetic.

Alusid Limited ("Alusid")

Alusid is a spin-out from the Silicate Research Unit of UCLan and has been formed to license and commercialise the process to transform waste materials into a highly durable and functional material with applications in the construction industry. Waste materials that can be converted include ceramics, incinerated waste and lead glass. The new material has a wide range of uses including interior and exterior wall cladding, flooring, bricks and work surfaces and is also itself wholly recyclable. The product has recently been exhibited at a number of international design shows where it was well received.

At 30 June 2012 the Group had beneficial ownership of 21% of the issued share capital of Alusid.

Limited Partner Interests

The Group has limited partner interests in two funds, the RGU Ventures Investment Fund and the University of Dundee Venture Fund.

RGU Ventures Investment Fund ("RGU Fund")

The RGU Fund reached first closing in July 2009, since when it has invested in two companies, B1 Medical Limited and Counterweight Limited. B1 Medical Ltd was placed into liquidation in June 2011. In accordance with Frontier IP's accounting policies, the Group's 27.3% investment in the RGU Fund is included in the financial statements at fair value. At 30 June 2012, the carrying value is £41,000 (2011: nil), which is £86,000 below cost (2011: £80,000 below cost).

Counterweight Limited ("Counterweight")

Held 16.6% ordinary shares fully diluted

Details on Counterweight are included under Portfolio above.

University of Dundee Venture Fund ("Dundee Fund")

The Dundee Fund reached first closing in September 2009 and has made no investments to date. In accordance with Frontier IP's accounting policies, the Group's 66.7% investment in the Dundee Fund is included in the financial statements at fair value. At 30 June 2012 and 2011, the carrying value was nil, which is £41,000 below cost (2011: £31,000 below cost).

Key Performance Indicators

The key performance indicators for the Group are:

- Growing net financial assets from university partnerships
- Number of portfolio companies and value from those companies
- Progress towards generating sufficient revenue to at least cover operational costs and to be cash neutral before taking account of any investment realisations

Equity was acquired in three spin-out companies during the year and the value of the Group's spin-out portfolio rose to £491,000 at 30 June 2012 from £400,000 at 30 June 2011. The Chairman's Statement also contains information on progress in the business during the year. The Group is still some way off achieving a cash neutral position at the operational level but the Directors continue to pursue opportunities that will assist in closing the gap. The Group is working towards improving its performance in all of its key performance indicators.

Principal Risks and Uncertainties

The specific financial risks of price risk, interest rate risk, credit risk and liquidity risk are discussed in the notes to the financial statements. The key broader risks – financial, operational, cash flow and personnel – are considered below.

The principal financial risks of the business are the impairment of the value of goodwill and a fall in the value of the Group's portfolio. The value of goodwill is linked to the progress of the existing portfolio and to the growth in the number of the companies in the portfolio. As regards the value of the portfolio itself, the risk is mitigated as the size of the portfolio increases.

The principal operational risk of the business is management's ability to continue to spin out companies from its partner universities and to increase the revenue streams that will generate cash in the short term.

The current economic environment means that there is considerable uncertainty in the capital markets resulting in a lower level of funding activity for early-stage spin-out companies and a less favourable exit environment. The impact of this may be to constrain the growth and value of Frontier IP's portfolio and to reduce the potential for revenue from funding advisory work. The Group seeks to mitigate these risks by maintaining relationships with co-investors, industry partners and financial institutions.

Also, there is reduced public funding to the Higher Education sector which may result in reduced research funding, universities changing their approach to commercialisation or consolidation among Higher Education institutions. Uncertainty in the sector may have an impact on the operation of Frontier IP's commercialisation partnerships in terms of lower levels of commercialisation activity and a reduced focus on commercialisation or consolidation affecting Frontier IP's contracted partnerships. The Group seeks to minimise these risks through its success-based reward mechanism and seeking to ensure that its university partners receive an appropriate level of service.

The main cash flow uncertainty of the business centres on the ability of management to increase its cash generating revenue streams thereby reducing the Group's reliance on raising money from capital markets.

Frontier IP is dependent on its executive team for its success and there can be no assurance that it will be able to retain the services of these key personnel. Incentives for senior staff include share option schemes and the Executive Directors hold direct interests in shares in the Company.

Strategy for 2012-2013

Frontier IP's strategy is to grow its revenue by ensuring value is generated within its existing university partnerships, by working with its existing portfolio companies and by adding new relationships as appropriate.

Frontier IP will continue its strategy of providing best practice advisory services to universities in order to develop and support their commercialisation operations and of continuing to engage with spin-out companies post-incorporation to advise on business and funding strategy. Frontier IP will continue to employ a structured and collaborative approach to its work with universities and spin-outs to help to ensure that milestones are met and deliverables support value creation.

The Group also intends to continue to pursue its aim of generating sufficient revenue to at least cover operational costs and to be cash neutral before taking account of any investment realisations.

Directors

K Andrew Richmond, Non-executive Chairman (Age 46) (appointed 16 December 2011)

Andrew Richmond has substantial experience of the healthcare, stockbroking and private equity industries. He is a Lay Member of the Court of the University of Dundee. He is also a non-executive director of NHS Tayside, Chairman of the Angus Community Health Partnership and Deputy Chairman of the Scottish Ambulance Service.

Neil Crabb, Chief Executive Officer (Age 45)

Neil has considerable investment management experience, particularly in technology and smaller companies. From 1990 to 1994, he worked for Equitable Life Assurance Society, latterly as investment analyst with investment authority for approximately one-third of the Society's UK smaller company holdings. Neil spent from 1995 to 1996, with Duncan Lawrie Limited where he was an investment manager with responsibility for a range of managed portfolios, invested primarily in UK smaller companies. In 1996 he co-founded Sigma with Graham Barnet.

Jacqueline McKay, Chief Operating Officer (Age 52)

Jacqueline McKay has substantial experience in private equity and of the university IP sector in particular, including structuring and executing university partnership agreements and venture funds. She has been working with the Group since its inception to develop new and existing university relationships for the Group. Prior to this, Jacqueline spent 12 years with the Bank of Scotland and joined Sigma in 2000, where latterly she was Corporate Development Director.

David Cairns, Portfolio Director (Age 48)

David Cairns previously worked for Optos plc ("Optos"), the retinal imaging company, where he was instrumental in building the business from start-up, serving on the board until its flotation on the London Stock Exchange. As Chief Technical Officer, David played a key role in creating and developing the company's innovative product IP, leading to Optos being recognised by the World Economic Forum as a "Technology Pioneer" in the Biotechnology and Health category in 2005. David is currently Managing Director at Visium Technologies Ltd, a specialist IP consultancy.

Marilyn Cole, FCA, Finance Director and Company Secretary (Age 58)

Marilyn Cole qualified as a chartered accountant with Deloitte Haskins & Sells, moving to Pannell Kerr Forster in 1985 where she spent eight years in its corporate finance department. In 1993 Marilyn set up her own business advisory practice working with local businesses and also undertaking work for the DTI and The Competition Commission. Following this she joined Northamber plc, a company listed on the London Stock Exchange, and was appointed finance director in 1997. Marilyn joined Sigma in January 2000 and was appointed finance director in April 2000.

Marcus Yeoman, Non-executive Director (Age 49) (appointed 3 December 2012)

Marcus Yeoman's early career started with the formation of three companies in IT infrastructure and distribution, after which he moved into small company broking and corporate work with Rathbone Stockbrokers Limited and Cheviot Capital (Nominees) Limited. He is currently non-executive director of a number of AIM listed companies including Nexus Management Plc, Reach4entertainment Enterprises Plc, 1spatial Plc and Concha Plc. He is also a non-executive director of a number of private companies which have engaged him principally to assist them with their growth strategies.

Graham Barnet, Non-executive Director (Age 49) (resigned 3 December 2012)

Graham Barnet is Chief Executive Officer and co-founder of Sigma. Graham is a qualified lawyer, having worked at Shepherd & Wedderburn, Noble Grossart Limited and Edinburgh Financial Trust Limited prior to forming his own company, Merchant Investments Limited, in 1994. This company was a specialist consultancy involved in the management of businesses both in the traditional and technology sectors. In 1996, Graham co-founded Sigma with Neil Crabb.

Tim Cockroft, Non –executive Director (Age 45) (resigned 16 December 2011)

Tim Cockroft is Chief Executive of Nplus1 Singer Capital Markets Limited, the independent stockbroking business. He was previously CEO of KBC Peel Hunt Limited, having been a founding member of Peel Hunt Limited in 1989.

Andrew Richmond and Marcus Yeoman are members of the audit and remuneration committees. Andrew Richmond chairs the audit committee and Marcus Yeoman chairs the remuneration committee.

Advisers

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Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year ended 30 June 2012.

Principal activities

Frontier IP Group Plc is a limited liability company incorporated in England. It acts as a holding company and has two principal wholly owned subsidiaries, Frontier IP Limited and Frontier IP Investments Limited. The principal activity of the Group is the commercialisation of intellectual property ("IP") within the university sector.

Results and dividends

The Group made a loss for the year of £380,000 (2011: £269,000). The Directors do not recommend the payment of a dividend (2011: nil). The Directors are confident of the prospects for the current year.

Review of the business and future developments

A review of the business and future developments is presented in the Chairman's Statement and in the Business Review.

Directors

The Directors who held office during the year and the current Directors of the Company are listed on pages 12 and 13. Details of Directors' shareholdings are given in the Directors' Remuneration Report.

Supplier payment policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment. Creditors of the Company at 30 June 2012 were equivalent to 64 days' purchases (2011: 106 days), based on the average daily amount invoiced by suppliers during the year.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort will be made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Charitable and political donations

No charitable or political contributions were made during the year (2011: nil).

Risk factors

Information on the Group's financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in note 1 to the financial statements. Information on the key broader risks – financial, operational, cash flow and personnel – is provided in the Business Review.

Treasury activities and financial instruments

The Group's financial instruments comprise cash, equity investments and other items such as trade debtors and trade creditors that arise directly from its operations. The Group has no borrowings. At 30 June 2012, the Group had positive cash balances of £44,000 (2011: £582,000). The Group's policy is to keep surplus funds on instant access and short-term deposit to earn the prevailing market rate of interest.

It is the Group's policy not to speculate in derivative financial instruments. The Group is not exposed to any foreign exchange risks as it has no transactions in foreign currency.

Directors' indemnity insurance

The Company had a Directors and Officers insurance policy and a Professional Indemnity Insurance policy in place throughout the year and at the date of these financial statements.

Going concern

The Company raised £608,000 (gross of expenses) by way of a placing of 6,080,000 of its ordinary shares of 10p at 10p per share on 3 December 2012. Based on forecast income and expenditure for the next 12 months and applying sensitivities the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for at least the next 12 months. It is expected that the existing university partnerships will continue to deliver a growing portfolio of spin-out companies that in turn will make use of the Group's services in return for cash fees, while over the medium term an increasing contribution is expected from sharing in license income. There is also potential to grow fees from fund management. Costs are tightly controlled. The Directors therefore continue to adopt the going concern basis in preparing the Group's financial statements.

Corporate governance

Although not required to do so, the Company seeks within the practical confines of being a small company to act in compliance with the principles of good governance and the code of best practice as contained in the UK Corporate Governance Code.

Awareness of relevant audit information

At the date of signing of this report and insofar as each of the Directors is aware:

- There is no relevant audit information of which the auditor is unaware.
- The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to re-appoint Chantrey Vellacott DFK LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

Marilyn Cole FCA
Company Secretary

6 December 2012

Directors' Remuneration Report

Directors' remuneration

The Remuneration Committee decides the remuneration policy that applies to the Executive Directors. The members of the Remuneration Committee during the year were Andrew Richmond and Graham Barnet. Marcus Yeoman replaced Graham Barnet as a member of the Remuneration Committee following Graham Barnet's resignation on 3 December 2012.

Salaries and benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages. Remuneration comprises basic salary, pension contributions and benefits in kind. An analysis of remuneration by director is given in note 5 of these financial statements.

Contract of service

Neil Crabb's, Jacqueline McKay's and David Cairns's service agreements are subject to a three-month notice period. The Company also has a service agreement with Sigma Technology Management Ltd for the services of Marilyn Cole as a director.

Share options

The Company has two share option schemes, the Frontier IP Group plc Employee Share Option Scheme 2011, an Enterprise Management Incentive (EMI) share option scheme, and the Frontier IP Group plc Unapproved Share Option Scheme. No EMI or unapproved options have been granted in the year.

At 30 June 2012, the following director held unapproved share options granted under a stand alone option agreement.

	Number of Options	Exercise Price	Grant Date	Option Period	Expiry Date
Neil Crabb	198,887	£1.00	13.5.09	13.5.12-12.5.19	12.5.19

Subsequent to the year end, Neil Crabb surrendered all of these options and consequently, at the date of this report, there are no share options in place.

There is an outstanding commitment to award options to the Executive Directors, which was conditional on the Company's successful admission to AIM. The number of options over ordinary shares of 10p to which these commitments relate are as follows:

N Crabb	244,026
J McKay	104,582
D Cairns	104,582

The market price of the Company's shares at 30 June 2012 was 13.5p. The range of prices during the year was 13p to 25p.

Directors' Remuneration Report (Continued)

Directors' interests in shares

The Directors in office at 30 June 2012 had the following interests in the ordinary shares of 10p each of the Company.

	2012 Number	2011 Number
Neil Crabb	**556,375**	556,375
Jacqueline McKay	**12,855**	12,855
David Cairns	**70,000**	70,000

All of the above interests are beneficial.

Graham Barnet and Marilyn Cole are both directors and shareholders of Sigma, which held 3,255,212 ordinary shares of 10p in the Company at 30 June 2012 (2011: 3,255,212 ordinary shares). Neil Crabb is also a significant shareholder of Sigma, holding 10.5% of its share capital.

On 3 December 2012, the following Directors acquired ordinary shares of 10p in the Company as part of the Placing:

	Acquired 3 Dec 2012 Number	Holding at 3 Dec 2012 Number
Neil Crabb	1,500,000	2,056,375
Andrew Richmond	500,000	500,000
David Cairns	300,000	370,000
Marcus Yeoman	200,000	200,000

Sigma acquired 250,000 shares as part of the Placing taking its holding to 3,505,212 ordinary shares of 10p in the Company as at 3 December 2012.

By order of the Board

Andrew Richmond
Chairman
6 December 2012

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with International Financial Reporting Standards as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the shareholders of Frontier IP Group Plc

We have audited the financial statements of Frontier IP Group Plc for the year ended 30 June 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following where, under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for audit have not been obtained from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ian Staunton
Senior Statutory Auditor

for and on behalf of
CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor

Russell Square House
10-12 Russell Square
London
WC1B 5LF

6 December 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Revenue			
Revenue from services	11	**162**	158
Other operating income			
Unrealised profit on the revaluation of investments		**61**	149
Total revenue		**223**	307
Administrative expenses	4	**(603)**	(576)
Loss from operations and before tax		**(380)**	(269)
Taxation	6	**-**	-
Loss/total comprehensive expense for the year		**(380)**	(269)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	7	**5.45p**	3.86p

All of the Group's activities are classed as continuing and there were no comprehensive gains or losses in either year other than those included in the statement of comprehensive income.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company statement of comprehensive income. The total comprehensive expense of the Company for the year was £121,000 (2011: £109,000).

Consolidated Statement of Financial Position

At 30 June 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	**-**	1
Goodwill	9	**1,966**	1,966
Financial assets at fair value through profit and loss	11	**532**	400
		2,498	2,367
Current assets			
Trade receivables and other current assets	12	**80**	49
Cash and cash equivalents		**44**	582
		124	631
Total assets		**2,622**	2,998
Liabilities			
Current liabilities			
Trade and other payables	13	**(115)**	(112)
		(115)	(112)
Net assets		**2,507**	2,886
Equity			
Called up share capital	14	**697**	697
Share premium account	14	**4,457**	4,457
Reverse acquisition reserve	15	**(1,667)**	(1,667)
Share based payment reserve	15	**115**	114
Retained earnings	15	**(1,095)**	(715)
Total equity		**2,507**	2,886

Company Statement of Financial Position

At 30 June 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	**-**	1
Investment in subsidiaries	10	**3,563**	3,563
Trade and other receivables	12	**1,136**	1,290
		4,699	4,854
Current assets			
Trade receivable and other current assets	12	**56**	25
Cash and cash equivalents		**2**	24
		58	49
Total assets		**4,757**	4,903
Liabilities			
Current liabilities			
Trade and other payables	13	**(27)**	(53)
Net assets		**4,730**	4,850
Equity attributable to equity holders of the Company			
Called up share capital	14	**697**	697
Share premium account	14	**4,457**	4,457
Share-based payment reserve	15	**115**	114
Retained earnings	15	**(539)**	(418)
Total equity		**4,730**	4,850

The financial statements on pages 22 to 40 were approved by the Board of Directors and authorised for issue on 6 December 2012 and were signed on its behalf by:

Neil Crabb
Chief Executive Officer

6 December 2012

Registered number: 06262177

Consolidated and Company Statements of Changes in Equity

For the year ended 30 June 2012

	Share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity attributable to equity holders of the Company £'000
Group						
At 1 July 2010	497	3,898	(1,667)	112	(446)	2,394
Issue of shares	200	800	-	-	-	1,000
Costs of issue	-	(241)	-	-	-	(241)
Share-based payments	-	-	-	2	-	2
Loss/total comprehensive expense for the year	-	-	-	-	(269)	(269)
At 30 June 2011	697	4,457	(1,667)	114	(715)	2,886
Share-based payments	-	-	-	1	-	1
Loss/total comprehensive expense for the year	-	-	-	-	(380)	(380)
At 30 June 2012	**697**	**4,457**	**(1,667)**	**115**	**(1,095)**	**2,507**

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity attributable to equity holders of the Company £'000
Company					
At 1 July 2010	497	3,898	112	(309)	4,198
Issue of shares	200	800	-	-	1,000
Costs of issue	-	(241)	-	-	(241)
Share-based payments	-	-	2	-	2
Loss/total comprehensive expense for the year	-	-	-	(109)	(109)
At 30 June 2011	697	4,457	114	(418)	4,850
Share-based payments	-	-	1	-	1
Loss/total comprehensive expense for the year	-	-	-	(121)	(121)
At 30 June 2012	**697**	**4,457**	**115**	**(539)**	**4,730**

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash flows from operating activities					
Cash used in operations	17	**(466)**	(434)	**(22)**	(785)
Taxation paid	6	**-**	-	**-**	-
Net cash used in operating activities		**(466)**	(434)	**(22)**	(785)
Cash flows from investing activities					
Purchase of tangible fixed assets	8	**-**	(1)	**-**	-
Purchase of financial assets at fair value through profit and loss	11	**(72)**	(72)	**-**	-
Net cash used in investing activities		**(72)**	(73)	**-**	-
Cash flows from financing activities					
Proceeds from issue of equity shares		**-**	1,000	**-**	1,000
Costs of share issue		**-**	(241)	**-**	(241)
Net cash generated from financing activities		**-**	759	**-**	759
Net (decrease)/increase in cash and cash equivalents		**(538)**	252	**(22)**	(26)
Cash and cash equivalents at beginning of year		**582**	330	**24**	50
Cash and cash equivalents at end of year		**44**	582	**2**	24

Accounting Policies

for the year ended 30 June 2012

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the accounting policy for valuing equity received in spin-out companies which was revised during the year. The new accounting policy is detailed under Investments below. The value at which the investments were held at 30 June 2011 and 30 June 2010 would not have been materially different if the revised accounting policy had been adopted for the whole of the preceding year.

Basis of accounting

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except where IFRS requires an alternative treatment. The principal variations from historical cost relate to financial instruments.

Basis of consolidation

The Group financial statements consolidate the financial statements of Frontier IP Group Plc and its subsidiary undertakings. Subsidiary undertakings are consolidated using acquisition accounting from the date of control.

Segmental reporting

The Group operates in one market sector, the commercialisation of university intellectual property, and wholly within the UK. Therefore, turnover, loss on ordinary activities before tax and net assets do not need to be analysed by segment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment annually. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

Property and equipment

Property and equipment are stated at cost less depreciation and any provision for impairment.

Depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life. The rates of depreciation are as follows:

Fixtures and office equipment	50% per annum

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Provisions for losses are made when there is objective evidence that settlement according to original conditions will not be made.

Accounting Policies (Continued)

Cash

Cash and cash equivalents comprise cash at bank and in hand.

Investments

Investments are recognised and derecognised on the trade date. Investments are classified as either trade investments or financial assets at fair value through profit and loss. Investments classified as held for trading are initially measured at cost. Investments classified as financial assets at fair value through profit and loss are initially measured at cost, including transaction costs.

The Group has interests of over 20% but these are not accounted for as associates as they are outside of the scope of IAS28 Investments in Associates.

Where the Group receives equity in companies when they are spun out by a university and there is no associated funding round, the Group applies an initial standard valuation matrix as a means of estimating fair value. The valuation matrix is as follows.

1. On initial spin out, value the company at £50,000.
2. Once the IP is transferred to the company, uplift the valuation by between £50,000 and £300,000 depending on the value attributed to the IP.
3. Consider if the valuation should be increased when the company commences trading and starts to generate revenue.
4. Apply International and Private Equity and Venture Capital Valuation Guidelines (“IPEV Guidelines”) if the company receives third party funding.
5. As the company develops, use other valuation methodologies such as turnover multiple, price/earnings ratio, net present value of future cash flows, as appropriate.

Under the previous accounting policy, where the Group received equity in companies when they were spun out by a university and there was no associated funding round, the Group applied an initial standard valuation amount as a means of estimating fair value. Subsequently the fair value of these investments and the Group’s other unlisted investments was established using IPEV Guidelines.

Investment in subsidiary companies is stated at cost less provision for any impairment in value. Subsequent measurement of all investments is at fair value.

When managing its investments, the Group aims to profit from the receipt of interest and dividends and changes in the fair value of equity instruments. Accordingly, all equity investments are designated as at fair value through profit or loss and are subsequently recorded in the balance sheet at fair value. Any gains or losses arising from changes in fair value are included in net gains or losses for the period.

Investments classified as financial assets at fair value through profit and loss are recognised as non-current assets. Investments classified as trade investments are recognised as current assets.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument’s contractual obligations rather than the financial instrument’s legal form. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade and payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Current and deferred tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled.

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Warrants and options

Fair value is measured using the Black Scholes-Merton pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. Fair value is measured in the same way for both warrants and options.

Revenue recognition

Fees for services provided by the Group are measured at the fair value of the consideration received or receivable, net of value added tax.

Fund management fees, directors' fees and retainers are recognised when the service is provided. Fees for corporate finance work are recognised when the service is provided subject to completion of the respective transaction being certain.

Where the consideration for services is equity in companies spun out by a university the Group values the company on initial spin out at £50,000.

Retirement benefit costs

The Group operates a defined contribution retirement benefit scheme. The amount charged to the income statement in respect of retirement benefit costs are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the statement of financial position.

Accounting Policies (Continued)

Impairment

At the end of each financial year, the Group reviews the carrying amounts of its intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. However, impairment losses relating to goodwill may not be reversed.

New standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets and liabilities. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the Financial Statements
for the year ended 30 June 2012

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Business Review. These activities expose the Group to a number of financial risks. The following describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them. The Group only operates in the UK and transacts in sterling. It is therefore not exposed to any foreign exchange risk.

The Group has sufficient financial resources for the size of its business and has no borrowings. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(a) Market risk

Interest rate risk

As the Group has no borrowings it only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. Cash resources are held in current, floating rate accounts.

Price risk

The Group is exposed to equity securities price risk because of equity investments classified on the consolidated statement of financial position as financial assets at fair value through profit and loss. The maximum exposure is the fair value of these assets which is £532,000 (2011: £400,000).

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, other current assets and cash equivalents. The Group's current cash and cash equivalents are held with two UK financial institutions, the Lloyds Banking Group and Barclays.

The concentration of credit risk from trade receivables and other current assets varies throughout the year depending on the timing of transactions and invoicing of fees. Details of major customers to the Group are set out in note 3.

The maximum exposure to credit risk for cash equivalents, trade receivables and other current assets is represented by their carrying amount.

(c) Capital risk management

The Group's objectives for 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 efficient capital structure to manage the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares or buy back existing shares. The Group currently has no debt. There were no changes in the Group's approach to capital management during the year.

(d) Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews available cash to ensure there are sufficient resources for working capital requirements. At 30 June 2012 and 30 June 2011 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year.

Notes to the Financial Statements (Continued)

2. Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgments

The Group believes that the most significant judgment areas in the application of its accounting policies are establishing the fair value of its unlisted investments and the consideration of any impairment to goodwill. The matters taken into account when assessing the fair value of the unlisted investments are detailed in the accounting policy on investments. The considerations taken into account by the Directors when reviewing goodwill are detailed in note 9.

Key sources of estimation uncertainty

The preparation of the financial statements requires the Group to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

3. Major customers

During the year the Group had three major customers that accounted for 90% of its revenue from services (2011: four customers accounted for 96%). The revenues generated from each customer were as follows:

	2012 £'000	2011 £'000
Customer 1	**70**	47
Customer 2	**41**	37
Customer 3	**35**	-
Customer 4	**-**	40
Customer 5	**-**	27
	146	151

4. Administration expenses

Expenses included in administrative expenses are analysed below.

	2012 £'000	2011 £'000
Employee costs	**401**	351
Share-based payments	**1**	2
Travel and entertainment	**27**	29
Depreciation	**1**	-
Provision for bad debts	**65**	72
Auditor's remuneration		
Audit services:		
- for the audit of the Company and consolidated accounts	**20**	16
Non-audit services:		
- the audit of the Company's subsidiaries pursuant to legislation	**6**	6
- tax services	**5**	3
Legal, professional and financial costs	**65**	85
Premises costs	**10**	9
Administration costs	**2**	3
	603	576

5. Directors and employees

The average number of employees, who are also Directors, employed by the Group during the year was:

	2012 Number	2011 Number
Business and corporate development	**3**	3

	2012 £'000	2011 £'000
Wages and salaries	**264**	215
Social security	**31**	25
Pension costs – defined contribution plans	**22**	16
Directors' fees	**74**	91
Other benefits	**10**	4
Share option expense	**1**	2
	402	353

The key management of the Group comprises the Frontier IP Group Plc Board of directors. The remuneration of the Board is shown above. Fees in respect of Tim Cockroft, totalling £10,000 (2011: £24,000), were paid to Nplus1 Singer Capital Markets Ltd. Payments made to Sigma for the services of Graham Barnet and Marilyn Cole are disclosed in note 18.

Remuneration comprises basic salary, pension contributions and benefits in kind, being private health insurance and life assurance. Some employees also receive a car allowance. The type of remuneration is constant from year to year. Ad hoc bonuses may be paid to reward exceptional performance. Such bonuses are decided by the Remuneration Committee on the recommendation of the Chief Executive Officer. Share options are also awarded to employees from time to time. The granting of share options to individual employees is determined taking into account seniority, commitment to the business and recent performance.

Notes to the Financial Statements (Continued)

5. Directors and employees (continued)

The total remuneration for each director is shown below.

	Salary		Other benefits		Total		Pension	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Executive								
N Crabb	**100**	84	**2**	2	**102**	86	**10**	4
J McKay	**69**	71	**6**	2	**75**	73	**7**	7
D Cairns	**55**	41	**-**	-	**55**	41	**5**	4
A Minty (resigned September 2010)	**-**	19	**-**	-	**-**	19	**-**	1
Non-executive								
A Richmond (appointed December 2011)	**13**	-	**-**	-	**13**	-	**-**	-
T Cockroft (resigned December 2011)	**10**	24	**-**	-	**10**	24	**-**	-
	247	239	**8**	4	**255**	243	**22**	16

6. Taxation

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below.

	2012 £'000	2011 £'000
Loss before tax	**(380)**	(269)
Loss before tax at the effective rate of corporation tax in the UK of 25.5% (2011: 20%)	**(97)**	(54)
Effects of:		
Expenses not deductible for tax purposes	**(11)**	-
Trading losses carried forward	**108**	54
Tax charge for the year	**-**	-

The tax asset relating to the Group losses is not recognised, in accordance with Group policy. Using a corporation tax rate of 25.5% (2011: 20%), the Group has cumulative unrelieved management expenses and other tax losses of £339,000 (2011: £150,000) available for use to offset future profits.

7. Loss per share

The calculation of the basic loss per share for the year ended 30 June 2012 and 30 June 2011 is based on the losses attributable to the shareholders of Frontier IP Group Plc divided by the weighted average number of shares in issue during the year.

	Loss attributable to shareholders £'000	Weighted average number of shares	Basic loss per share amount in pence
Year ended 30 June 2012	**380**	**6,972,165**	**5.45**
Year ended 30 June 2011	269	6,972,165	3.86

No warrant or option is potentially dilutive as the average market price of the ordinary shares during the year and the previous year was less than the exercise price of the warrants and options, hence basic and diluted loss per share are the same.

8. Tangible fixed assets

Fixtures and office equipment

	£'000
Group and Company	
Cost	
At 1 July 2010	-
Additions	1
At 30 June 2011 and at 30 June 2012	1
Depreciation	
At 1 July 2010	-
Charge for the year	-
At 30 June 2011	-
Charge for the year	1
At 30 June 2012	1
Net book value	
At 30 June 2012	**-**
At 30 June 2011	1

9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 July 2010	**1,966**	-
Movement in the year	**-**	-
At 30 June 2011 and at 30 June 2012	**1,966**	-
Impairment		
At 1 July 2010	**-**	-
Movement in the year	**-**	-
At 30 June 2011 and at 30 June 2012	**-**	-
Carrying value		
At 30 June 2012	**1,966**	-
At 30 June 2011	1,966	-

The Group has one cash generating operating unit within which it has two cash streams; cash generated from its trading activities (from retainers, fund management fees and one-off transaction fees) and cash generated from the realisation of its investment portfolio. Over the medium term the Board considers that the trading activities will be at least cash neutral. The goodwill has therefore been viewed against the net present value of projected cash flows from the investment portfolio. In arriving at a net present value, two models were considered – a weighted distribution of outcomes and values and an individual company dilution model.

9. Goodwill cont.

The key assumptions used in both models were:

- Number of spin-outs – on average six companies per year from 2012/13 onwards;
- Initial stake between 5% and 20%;
- Dilution of 55% prior to realisation with exit being five years from spin out.

In addition, the weighted distribution model assumed that 40% of the spin-outs will fail with only 5% achieving a value of £10 million on exit and the individual company model assumed a rate of return on investment of 6.6% in line with the latest BVCA five year venture fund return to end 2011 (4.6%) plus an adjustment of 2% as there are no fund management fees

A discount rate of 5% was used as the Board considers that this reflects low nominal risk free rates of return with low gilt yields and base rates. Other risk factors that might be taken through discount such as investment failure and dilution are taken into account elsewhere in the model.

The Board considers that the net present value of cash flow from investment realisations is greater than the carrying value of goodwill having applied 20% sensitivity in turn to the key assumptions of failure rate, dilution, years to exit, rate of return and discount rate.

10. Investment in subsidiaries

	Company 2012 £'000	Company 2011 £'000
At 1 July 2011 and at 30 June 2012	**3,563**	3,563

Group investments

The Company has investments in the following subsidiary undertakings.

	Country of incorporation	Class of capital	%
Frontier IP Limited			
- principal activity is commercialisation of IP	Scotland	Ordinary	100
Frontier IP Investments Limited			
- principal activity is investment in University of Dundee Venture Fund and RGU Ventures Investment Fund	Scotland	Ordinary	100
Frontier IP Founder Partners Limited			
- principal activity is founder partner in University of Dundee Venture Fund and RGU Ventures Investment Fund	Scotland	Ordinary	100

11. Financial assets at fair value through profit and loss

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
At 1 July 2011	**400**	179	**-**	-
Additions	**72**	72	**-**	-
Provision	**(17)**	(71)	**-**	-
Fair value increase	**77**	220	**-**	-
At 30 June 2012	**532**	400	**-**	-

The investments held are valued individually at fair value in accordance with the Group's accounting policy on Investments.

Financial assets at fair value through profit and loss comprise the following:

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Venture Capital funds	**41**	-	**-**	-
Unquoted securities	**491**	400	**-**	-
	532	400	**-**	-

The total fair value adjustments made during the year relating to investments are set out below.

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Venture Capital funds	**(16)**	(71)	-	-
Unquoted securities	**77**	220	-	-
	61	149	-	-

12. Trade receivables and other current assets

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Trade receivables	**37**	21	**-**	1
Receivables from Group undertakings	**-**	-	**1,136**	1,290
VAT	**12**	13	**38**	13
Prepayments and accrued income	**31**	15	**18**	11
	80	49	**1,192**	1,315
Less receivables from Group undertakings – non current	**-**	-	**(1,136)**	(1,290)
Current portion	**80**	49	**56**	25

Notes to the Financial Statements (Continued)

12. Trade receivables and other current assets (continued)
Trade receivables

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Trade receivables not due	**21**	30	**-**	-
Trade receivables past due 1–30 days	**10**	5	**-**	1
Trade receivables past due 31–60 days	**10**	5	**-**	-
Trade receivables past due 61–90 days	**9**	5	**-**	-
Trade receivables past due over 90 days	**131**	55	**-**	-
Gross trade receivables at 30 June 2012	**181**	100	**-**	1
Provision for bad debt at 1 July 2011	**79**	7	**-**	-
Debts provided for in the year	**65**	72	**-**	-
Provision for bad debt at 30 June 2012	**144**	79	**-**	-
Net trade receivables at 30 June 2012	**37**	21	**-**	1

13. Trade and other payables

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Trade payables	**53**	47	**21**	31
Social security and other taxes	**10**	10	**-**	-
Accruals and deferred income	**40**	50	**6**	22
Other creditors	**12**	5	**-**	-
	115	112	**27**	53

14. Share capital and share premium

	Number of shares in issue	Ordinary shares £'000	Share premium £'000	Total £'000
At 30 June 2011 ordinary shares of 10p	6,972,165	697	4,457	5,154
At 30 June 2012 ordinary shares of 10p	**6,972,165**	**697**	**4,457**	**5,154**

The total authorised number of ordinary shares is 20,000,000 (2011: 20,000,000) with a par value of 10p per share (2011: 10p). All issued shares are fully paid.

	2012 Number	2011 Number
Warrants		
At 1 July 2011	368,443	268,443
Granted	-	100,000
Expired	(69,000)	-
At 30 June 2012	299,443	368,443

Warrants outstanding at the end of the year have the following expiry dates. All warrants have an exercise price of £1 per share.

	2012	2011
25 June 2012	-	69,000
12 May 2014	299,443	299,443

Further ordinary shares were issued on 3 December 2012 as detailed in note 19.

15. Reserves

The reverse acquisition reserve was created on the reverse takeover of Frontier IP Group Plc. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is transferred to the share-based payment reserve. The movement in reserves for the years ended 30 June 2012 and 2011 is set out in the Consolidated and Company Statement of Changes in Equity on page 25.

16. Share options

Options over 198,887 shares with an exercise price of £1 were granted to Neil Crabb under a stand alone option agreement in May 2009. Full details are set out in the Directors' Remuneration Report. These are the only options that had been granted and were outstanding as at 30 June 2012. Subsequent to the year end, Neil Crabb surrendered all of these options.

Frontier IP has two option schemes, the Frontier IP Group Plc Employee Share Option Scheme 2011 and the Frontier IP Group Plc Unapproved Share Option Scheme 2011. The first is an employee management incentive scheme and the second an unapproved share scheme. Under the schemes, options are granted at no less than market value of the shares at the date of grant. No payment is required from option holders on the grant of an option. The schemes run for a period of ten years.

17. Cash used in operations

	Group 2012 £'000	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Loss before tax	**(380)**	(269)	**(121)**	(109)
Adjustments for:				
Share-based payments	**1**	2	**1**	2
Depreciation	**1**	-	**1**	-
Fair value (gain)/loss on financial assets through profit and loss	**(61)**	(149)	**-**	-
Changes in working capital:				
Trade and other receivables	**(30)**	(23)	**123**	(693)
Trade and other payables	**3**	5	**(26)**	15
Cash flows from operating activities	**(466)**	(434)	**(22)**	(785)

18. Related party transactions

During the year the Group had transactions with a significant shareholder, Sigma and certain of its subsidiary companies (together "Sigma").

Sigma charged directors' fees of £50,000 (2011: £50,000) and recharged premises costs of £9,000 (2011: £9,000). The fees are for the services of Graham Barnet and Marilyn Cole as Directors of the Company and for administration support.

The Dundee Fund and the RGU Fund are currently managed on the Group's behalf by Sigma's FSA authorised and regulated subsidiary Sigma Technology Management Limited of which Neil Crabb is also an employee. The Group received £40,000 from Sigma (2011: £37,000) in respect of Neil Crabb's services and in respect of deal fees.

At 30 June 2012, the Group owed Sigma £25,000 (2011: nil) and was owed £12,000 (2011: £11,000) by Sigma.

Jackie McKay is a director of Nandi Proteins Ltd and Neil Crabb is a director of Counterweight Ltd and Intelligent Flow Solutions Ltd, all of which are portfolio companies of the Group. The Group charged Nandi fees of £70,000 (2011: £47,000), charged Counterweight fees of £35,000 (2011: nil) and charged Intelligent Flow Solutions Ltd fees of £3,000 (2011: nil). At 30 June 2012, the Group was owed £123,000 (2011: £59,000) by Nandi, £12,000 (2011: nil) by Counterweight and £4,000 (2011: nil) by Intelligent Flow Solutions.

Andrew Richmond, a director of Frontier, is a lay member of the Court of the University of Dundee. The Group has a partnership agreement with the University of Dundee to assist that university in commercialising its IP. The Group charged advisory fees to the University of Dundee of £3,000 (2011: nil). At 30 June 2012, the Group was owed £4,000 (2011: £3,000) by the University of Dundee.

19. Post balance sheet event

On 3 December 2012, the Company issued 6,080,000 new ordinary shares of 10p each at 10p per share raising £608,000 gross of expenses.

20. Ultimate controlling party

The directors note that Sigma, a company incorporated in England, was the ultimate parent company and the ultimate controlling party until 31 January 2011. Following a share placing and admission to AIM in January 2011, there is no longer a controlling party.

Four Year Record

	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Total revenue	**223**	307	94	53
Loss from operations	**(380)**	(269)	(328)	(120)
Net finance income	**-**	-	2	-
Loss before tax	**(380)**	(269)	(326)	(120)
Attributable to:				
Equity holders of the Company	**(380)**	(269)	(326)	(120)
Net assets employed	**2,507**	2,886	2,394	2,686
Basic loss per ordinary share (pence)*	**5.45**	3.86	6.55	9.56

**Loss per share calculated for 2010 and 2009 as if share consolidation which took place in 2011 had happened in those years.*

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