Specialising in the commercialisation of intellectual property

Frontier IP Group plc

Annual Report & Financial Statements

Year ended 30 June 2011

Registered number 06262177

FRONTIER IP GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2011

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Neil Crabb, Executive Chairman of Frontier IP, said:

"Frontier IP achieved significant progress on several fronts over the year to 30 June 2011. We moved from PLUS to AIM in January 2011, at the same time, raising £1.0 million (gross) and, in May, we secured our third long-term IP commercialisation partnership, with Plymouth University after a competitive tender process.

We added a new spinout company in the financial year and since the year-end, have received new stakes in two spinout companies and one of our portfolio companies, Counterweight Limited, achieved its first funding round.

There has been an encouraging upturn in activity since the start of the new financial year and the number of strong opportunities in the pipeline of spinouts gives us the confidence that we shall continue to build on the foundations already established. We believe that Frontier IP is well placed to make further progress and the Board remains confident about the opportunities for growth in the new financial year and beyond."

Key Points

- Encouraging progress over the year
  - admission to AIM and placing to raise £1.0m (gross) completed, January 2011
  - third university partnership secured with Plymouth University, May 2011
  - new equity stake in spinout company from existing university partner
- Total revenue from services of £307,000 (2010: £94,000)
- Loss before tax of £269,000 (2010: loss of £326,000)
- Loss per share of 3.86p (2010: loss of 6.55p)*
- Net assets per share as at 30 June 2011 of 41.4p (2010: 48.1p)*
- Cash balances as at 30 June 2011 of £582,000 (2010: £330,000)
- Post year-end, two new equity stakes in spinout companies received from university partner
- Group well positioned for continued development

** Loss per share and net assets per share calculated for 2010 as if share consolidation had happened then.*

EXECUTIVE CHAIRMAN'S STATEMENT

Introduction

Frontier IP Group plc (ñFrontier IPò, ñthe Groupò or ñthe Companyò) achieved significant progress on several fronts over the year to 30 June 2011. We moved from PLUS to AIM in January 2011, at the same time raising £1.0 million (gross) in an associated placing and, in May, we reached an important milestone when we secured our third long-term IP commercialisation partnership with Plymouth University after a competitive tender process.

In addition, our portfolio of companies, whilst not unaffected by the economic environment, added a new spinout company in the financial year. Since the year-end, we have received new stakes in two spinout companies, therefore the Group now holds direct equity stakes in nine spinout companies, and one of our portfolio companies, Counterweight Limited, achieved its first funding round.

Results

Total revenue was £307,000, more than double last yearôs result (2010: £94,000). The increase partly reflected the uplift in value of the Groupôs portfolio holdings, where we saw an unrealised gain of £149,000 (2010: loss of £48,000). Revenue from services increased by 11% to £158,000 (2010: £142,000). After a profit of £69,000 in the first half, the second half of the year was affected by the write down of equity and fees relating to one of the Groupôs portfolio of companies, B1 Medical, which was placed in administration, and the loss before tax was therefore £269,000 (2010: loss of £326,000). The loss per share was 3.86p (2010: on comparative basis, loss of 6.55p).

Cash balances stood at £582,000 at 30 June 2011 (2010: £330,000). Net assets per share as at 30 June 2011 were 41.4p (2010: on a comparative basis, 48.1p).

Operational Review

The Group made very good progress over the year.

We took the decision to move from PLUS to AIM to help accelerate the Companyôs development and on 31 January 2011, the Companyôs shares were admitted to trading on AIM. At the same time, we completed a placing to raise £1.0 million (gross). This move has improved Frontier IPôs brand and market recognition. It also provides us with better access to funding and greater flexibility in executing possible acquisitions and investment opportunities.

In May 2011, we secured the Groupôs third long term IP commercialisation partnership, signing a 10-year agreement with Plymouth University, with a mutual option to extend for a further 10 years. Under the terms of the agreement, Frontier IP will assist the university in the commercialisation of its IP across all faculties. In return for its advisory services, Frontier IP will receive a share of the income from all new licences and a percentage of the equity in each new spinout company. Plymouth University is Frontier IPôs third university partner, in addition to University of Dundee and Robert Gordon University, Aberdeen.

Plymouth University is ranked as one of the top 50 research universities in the UK (Source: Research Fortnight) and 80 per cent. of its research has been judged ñof international reputeò, according to the latest Research Assessment Exercise (published in 2008). In particular, Plymouth University has a world-class reputation for its research in marine sciences, medical sciences, computer science and informatics and environmental sciences. It also has a well established reputation for fostering innovation and has sought to build strong links between its research activities and industry. We are encouraged by the progress in the partnership to date and especially by the potential in its research base.

During the year, we increased our portfolio of companies, receiving an equity stake in Intelligent Flow Solutions Limited, a spinout company from Robert Gordon University, Aberdeen. Intelligent Flow Solutions provides innovative Real Time Engineering and Software Solutions to ensure Integrated Flow Assurance Management in the oil and gas industry. It offers an integrated approach to long-term production maintenance and a reduction in non-productive time.

There have been encouraging developments amongst our existing portfolio companies, offsetting the disappointment of B1 Medical being placed into administration. In particular, I am pleased to report that after the year end, Counterweight Limited completed its first funding round from investors, including the RGU Ventures Investment Fund, the Scottish Investment Bank's Co-Investment Fund and the management team. Counterweight develops and sells a low-cost, clinicianï led weight management programme which provides general practitioners and practice nurses with an evidenceï based approach to weight loss management.

I am also pleased to announce today that we have received two new equity stakes in spinout companies from University of Dundee. These are Glycobiochem Limited and Kinetic Discovery Limited.

Glycobiochem Limited is a biopharmaceutical company focused on the discovery and development of novel small molecules for research and treatment of human diseases. The company currently 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. In addition, Glycobiochem will also market a range of unique innovative molecular and chemical tools developed specifically for research into carbohydrate processing enzymes, implicated in several diseases including cancer, Alzheimerôs disease and diabetes. Glycobiochem is also developing a drug discovery programme in collaboration with the Daan van Aalten Laboratory at University of Dundee, which is focused on novel targets implicated in the development of Alzheimerôs disease.

The second, Kinetic Discovery Limited, is a drug discovery services company, specialising in biosensor-based screening. Biosensor-based screening offers the customer the advantage of determining the kinetics of molecular interactions. The kinetics of drug-protein interactions are an important factor in understanding how molecular interactions translate into clinical efficacy. The company offers assay development, fragment screening and kinetic characterisation services using state-of the-art technology. A particular specialism is its expertise in developing biosensor assays for membrane protein, based on the foundersô pioneering research in this area. The company has now established a global reputation in its field with customers based in the UK, USA and Europe, including many of the major pharmaceutical companies.

The pipeline of opportunities from university partners offers a number of good prospects and we will be focusing heavily on delivering revenues and value from these spinouts in the new financial year.

The Board and Management

We made a number of changes to the Board. In September 2011, I assumed the role of Executive Chairman, having previously been Non-executive Chairman and at the same appointed two new executive directors while Alister Minty stepped down from the Board. Jackie McKay was appointed to the Board as Partnership Director and David Cairns joined as Executive Director. In January 2011, we also appointed Michael Brennand as Regional Director North West.

Outlook

While the wider economic backdrop is challenging and there are pressures on budgets and the availability of capital both within the university and the financial sectors, which we remain cautious about, we are encouraged by the upturn in activity since the start of the new financial year. In particular, the number of strong opportunities in the pipeline of spinouts gives us the confidence that we shall continue to build on the foundations already established. In addition, we believe that the Group is positioned to grow its net revenue by ensuring value is generated within its existing university partnerships and by selectively adding new relationships as appropriate.

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

Neil Crabb

Chairman

22 September 2011

BUSINESS REVIEW

OVERVIEW OF THE BUSINESS

Frontier IPôs 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 seven spinout companies.

REVIEW OF 2010/11

The Group started the year with two partnerships with University of Dundee and Robert Gordon University, Aberdeen. Both of these partnerships have dedicated venture funds associated with them, which also have partnership status with Scottish Enterpriseôs Scottish Co-investment Fund.

In May 2011, the Group entered into a 10-year IP commercialisation agreement with Plymouth University, with a mutual option to extend for a further 10 years. Under the terms of the agreement, Frontier IP will assist the university in the commercialisation of its IP across all faculties. In return for its advisory services, Frontier IP will receive a share of the income from all new licences and a percentage of the equity in each new spinout company. Plymouth University is ranked as one of the top 50 research universities in the UK (Source: Research Fortnight) and 80 per cent. of its research has been judged ñof international reputeò (according to the latest Research Assessment Exercise published in 2008 and conducted by the Higher Education Funding Council for England, the Scottish Funding Council, the Higher Education Funding Council for Wales and the Department for Employment and Learning, Northern Ireland). In particular, Plymouth University has a world-class reputation for its research in marine sciences, medical sciences, computer science and informatics and environmental sciences. It has a well established reputation for fostering innovation and has sought to build strong links between its research activities and industry.

In January 2011, the Company floated on AIM raising £1.0 million (gross of expenses) to help fund the development of the business. Prior to the flotation, Frontier IP was a subsidiary of Sigma Capital Group plc (ñSigmaò) with whom there are a number of on going trading relationships, further detail is provided in Notes 18 and 19 to the financial statements. Following flotation, Sigma has a 46.7% holding in the Company.

In September 2011 the Company made a number of changes to the Board. Neil Crabb assumed the role of Executive Chairman, having previously been Non-executive Chairman. At the same time, the Company appointed two new executive directors while Alister Minty stepped down from the Board. Jackie McKay was appointed to the Board as Partnership Director and David Cairns joined as Executive Director. In January 2011, Michael Brennand was appointed as Regional Director North West.

During the year, the fair value of the Groupôs portfolio (including its limited partner interests in the dedicated university funds) increased from £197,000 to £400,000, despite the failure of portfolio company B1 Medical Limited. This increase includes equity in one new spinout company, Intelligent Flow Solutions Limited, a spinout from Robert Gordon University, Aberdeen. Post period-end two further equity stakes have been received in spinout companies from University of Dundee. Further details of the Groupôs portfolio are provided below.

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 made progress during the period, with sales growing.

At 30 June 2011 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.

At 30 June 2011 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, clinicianï led, weight management programme which provides general practitioners and practice nurses with an evidenceï based approach to weight loss management. Post the year end, Counterweight completed its first fundraising.

At 30 June 2011 the Group held 10% of the issued share capital of Counterweight.

Circa Connect Limited ("Circa Connect")
Circa Connect (formerly Living in the Moment Limited) was set up by University of Dundee and the University of St Andrews to develop tools to support carers of people suffering from Alzheimers. Circa Connect now has trial systems in place with a leading care home group and has been approached by a number of potential customers.

At 30 June 2011 the Group held 4.55% of the issued share capital of Circa Connect.

Intelligent Flow Solutions Limited ("Intelligent Flow Solutions")

Intelligent Flow Solutions, a spinout from Robert Gordon University, provides innovative, real-time engineering and software solutions to ensure Integrated Flow Assurance Management in the oil and gas industry. Intelligent Flow Solutions is currently working on making its software suite available commercially.

At 30 June 2011 the Group held 10% of the issued share capital of Intelligent Flow Solutions.

Nandi Proteins Limited ("Nandi")
Nandi is a spinout from Heriot-Watt University, set up to commercialise a technology for replacing fats in food with products based on egg white and whey protein. Nandi is conducting funded small-

scale trials with a number of food companies.

At 30 June 2011 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. The company is achieving a small volume of sales with a low cost base.

At 30 June 2011 the Group held 5% of the issued share capital of RQS.

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 one company, B1 Medical Ltd, details of which are given below. 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 2011, the carrying value is £nil (2010: £39,000), which is £80,000 below cost (2010:£16,000 below cost).

B1 Medical Limited ("B1 Medical")
Held 9.48% ordinary shares fully diluted
On 28 June 2011 B1 Medical was placed into liquidation.

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 2011 and 2010, the carrying value was nil, which is £31,000 below cost (2010: £23,000 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

During the year the Group increased its university partnerships from two to three. The value of the Group's spinout portfolio rose and equity was acquired in one spinout company. The Executive Chairman's Statement also contains information on progress in the business since 30 June 2011.

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 ï market, sector, and personnel ï are considered below.

There is considerable uncertainty in the capital markets resulting in a lower level of funding activity for early-stage spinout companies and a less favourable exit environment. The impact of this may be to constrain the growth and value of Frontier IPôs 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.

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 IPôs commercialisation partnerships in terms of lower levels of commercialisation activity and a reduced focus on commercialisation or consolidation affecting Frontier IPôs 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.

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 2011-2012

Frontier IPôs strategy is to grow its net revenue by ensuring value is generated within its existing university partnerships 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 spinout 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 spinouts 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

Neil Crabb, Executive Chairman (Age 44)
Neil Crabb co-founded Sigma with Graham Barnet. Neil has considerable investment management experience, particularly in technology and smaller companies. Prior to co-founding Sigma, Neil spent two years, from 1995 to 1996, with Duncan Lawrie Limited where he was an investment manager with responsibility for a range of managed portfolios. These portfolios invested primarily in UK smaller companies. Whilst at Duncan Lawrie Limited, Neil was responsible for investment activity in unquoted technology 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 Societyôs UK smaller company holdings, as well as larger stocks in the electronics sector.

Jacqueline McKay, Partnership Director (Age 51) Appointed 30 September 2010
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, having been at Sigma since 2000, latterly as Corporate Development Director. Prior to this, Jacqueline spent 12 years with the Bank of Scotland.

David Cairns, Executive Director (Age 47) Appointed 30 September 2010
David Cairns has 25 yearsô experience in developing technology from concept through to commercialisation. David previously worked for Optos plc (ñOptosò), 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 companyôs innovative product IP, leading to Optos being recognised by the World Economic Forum as a ñTechnology Pioneerò in the Biotechnology and Health category in 2005. David is currently Managing Director at Visium Technologies Ltd, the specialist IP consultancy.

Marilyn Cole, FCA, Finance Director and Company Secretary (Age 57)
Marilyn Cole qualified as a chartered accountant with Deloitte Haskins & Sells. She moved to Pannell Kerr Forster in 1985 and spent eight years in its corporate finance department assisting clients on a variety of transactions including flotations, acquisitions, disposals and fundraisings. 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.

Graham Barnet, Non-executive Director (Age 48)
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 44)
Tim Cockroft is Chief Executive of 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.

Tim Cockcroft and Graham Barnet are members of the audit and remuneration committees. Tim Cockroft chairs the audit committee and Graham Barnet chairs the remuneration committee.

ADVISERS

Registrars
Share Registrars Limited
Suite E
First Floor
9 Lion and Lamb Yard
Farnham
Surrey GU9 7LL

Secretary and registered office
Marilyn Cole FCA
North West Wing
Bush House
Aldwych
London WC2B 4EZ

Auditor
Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London WC1B 5LF

Trading address
41 Charlotte Square
Edinburgh EH2 4HQ

Solicitors
HBJ Gateley
Exchange Tower
19 Canning Street
Edinburgh EH3 8EH

Bankers
Lloyds Banking Group
120 George Street
Edinburgh EH2 4TS

Nominated Adviser and Stockbroker
Arbuthnot Securities Ltd
Arbuthnot House
20 Ropemaker Street
London
EC2Y 9AR

Financial PR
Biddicks
No.1 Cornhill
London
EC3V 3ND

Registered number 06262177

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 2011.

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 (ñIPò) within the university sector.

Results and dividends
The Group made a loss for the year of £269,000 (2010: £326,000). The Directors do not recommend the payment of a dividend (2010: 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 Executive Chairmanôs 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 page 10. Details of Directorsô shareholdings are given in the Directorsô Remuneration Report.

Supplier payment policy
The Companyôs 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 2011 were equivalent to 106 daysô purchases (2010: 80 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 (2010: nil).

Risk factors
Information on the Groupôs 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 ï market, sector and personnel ï is provided in the Business Review.

DIRECTORS' REPORT

Treasury activities and financial instruments
The Groupôs 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 2011, the Group had positive cash balances of £582,000 (2010: £330,000). The Groupôs policy is to keep surplus funds on instant access and short-term deposit to earn the prevailing market rate of interest.

It is the Groupôs 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 in place throughout the year.

Going concern
After making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. It is expected that the existing and additional university partnerships will continue to deliver a growing portfolio of spinout 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 and there is potential to grow fees from fund management. Costs are tightly controlled. The Directors therefore continue to adopt the going concern basis in preparing the Groupôs 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

22 September 2011

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

The members of the Remuneration Committee are Tim Cockroft and Graham Barnet. The Remuneration Committee decides the remuneration policy that applies to the Executive Directors.

Salaries and benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages. The remuneration packages are benchmarked to ensure comparability with companies of a similar size and complexity. 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 Crabbôs, Jacqueline McKayôs and David Cairnsôs 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 and Graham Barnet as directors.

Share options

The Company introduced 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.

The following director holds unapproved share options. The number of options and the exercise price are after amendment by the Board following the share consolidation.

	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

No options were exercised by the Directors in the year. Options over 14,916,495 ordinary shares of 0.1p lapsed in the year in relation to Alister Minty, who left the company in September 2010.

There is a commitment to cancel the options currently granted to Neil Crabb and to replace them with new options, the award of which was conditional on the Companyôs successful admission to AIM. The proposed options to be granted are set out in Note 16 to the financial statements.

DIRECTORS' REMUNERATION REPORT

Directors' interests in shares
The Directors in office at 30 June 2011 had the following interests in the ordinary shares of 10p each of the Company.

	2011 Number	2010 Number
Neil Crabb	556,375	12,500
Jacqueline McKay	12,855	-
David Cairns	70,000	-

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 2011 (2010: 385,000,000 ordinary shares of 0.1p). Neil Crabb is also a significant shareholder of Sigma, holding 12.7% of its share capital.

On 6th December 2010 a resolution was passed at the Companyôs Annual General Meeting to consolidate the share capital of the Company such that every 100 ordinary shares of 0.1 pence each in the share capital of the Company be consolidated into 1 new ordinary share of 10 pence. Accordingly, the existing 497,216,495 ordinary shares of 0.1 pence each were cancelled from trading on PLUS as at close of business, 6 December 2010, and 4,972,165 ordinary shares of 10 pence each will be admitted to trading on PLUS at 8.00 a.m. on 7 December 2010.

Graham Barnet
By order of the Board
22 September 2011

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 Companyôs 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 2011 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 Companyôs 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 Companyôs members those matters we are required to state to them in an auditorôs 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 Companyôs 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 2011 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
Statutory Auditor

22 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Notes	2011 £'000	2010 £'000
Revenue			
Revenue from services		**158**	142
Other operating income			
Unrealised profit / (loss) on the revaluation of investments	11	**149**	(48)
Total revenue		**307**	94
Administrative expenses (net)	3	**(576)**	(422)
Loss from operations		**(269)**	(328)
Finance income	4	**-**	2
Loss before tax		**(269)**	(326)
Taxation	6	**-**	-
Loss/total comprehensive expense for the year		**(269)**	(326)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share *	7	**3.86p**	6.55p

All of the Groupôs 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 £109,000 (2010: £192,000).

**The calculation of loss per share has been restated for 2010 as if the share consolidation had taken place in that year to give comparable figures.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	2011 £'000	2010 £'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	**400**	179
		2,367	2,145
Current assets			
Trade receivables	12	**21**	13
Other current assets	12	**28**	13
Cash and cash equivalents		**582**	330
		631	356
Total assets		**2,998**	2,501
Liabilities			
Current liabilities			
Trade and other payables	13	**(112)**	(107)
		(112)	(107)
Net assets		**2,886**	2,394
Equity			
Called up share capital	14	**697**	497
Share premium account	14	**4,457**	3,898
Reverse acquisition reserve	15	**(1,667)**	(1,667)
Share based payment reserve	15	**114**	112
Retained earnings	15	**(715)**	(446)
Total equity		**2,886**	2,394

The financial statements on pages 19 to 37 were approved by the Board of Directors and authorised for issue on 22 September 2011 and were signed on its behalf by:

Neil Crabb
Executive Chairman

22 September 2011

Registered number: 06262177

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	2011 £'000	2010 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	**1**	-
Investment in subsidiaries	10	**3,563**	3,563
		3,564	3,563
Current assets			
Trade receivables	12	**1**	-
Other current assets	12	**1,314**	623
Cash and cash equivalents		**24**	50
		1,339	673
Total assets		**4,903**	4,236
Liabilities			
Current liabilities			
Trade and other payables	13	**(53)**	(38)
Net assets		**4,850**	4,198
Equity attributable to equity holders of the Company			
Called up share capital	14	**697**	497
Share premium account	14	**4,457**	3,898
Share-based payment reserve	15	**114**	112
Retained earnings	15	**(418)**	(309)
Total equity		**4,850**	4,198

The financial statements on pages 19 to 37 were approved by the Board of Directors and authorised for issue on 22 September 2011 and were signed on its behalf by:

Neil Crabb
Executive Chairman

22 September 2011

Registered number: 06262177

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2011

Group

	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
At 1 July 2009	497	3,898	(1,667)	78	(120)	2,686
Loss/total comprehensive expense for the year	-	-	-	-	(326)	(326)
Share-based payments	-	-	-	34	-	34
At 30 June 2010	497	3,898	(1,667)	112	(446)	2,394
Issue of shares	200	800	-	-	-	1,000
Costs of issue	-	(241)	-	-	-	(241)
Loss/total comprehensive expense for the year	-	-	-	-	(269)	(269)
Share-based payments	-	-	-	2	-	2
At 30 June 2011	697	4,457	(1,667)	114	(715)	2,886

Company

	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
At 1 July 2009	497	3,898	78	(117)	4,356
Share-based payments	-	-	34	-	34
Loss for the year	-	-	-	(192)	(192)
At 30 June 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

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 30 June 2011

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	17	**(434)**	(194)	**(785)**	28
Taxation paid	6	**-**	-	**-**	-
Net cash (used in)/generated from operating activities		**(434)**	(194)	**(785)**	28
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)**	(188)	**-**	-
Interest received	4	**-**	2	**-**	2
Net cash (used in)/generated from investing activities		**(73)**	(186)	**-**	2
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 increase /(decrease) in cash and cash equivalents		**252**	(380)	**(26)**	30
Cash and cash equivalents at beginning of year		**330**	710	**50**	20
Cash and cash equivalents at end of year		**582**	330	**24**	50

ACCOUNTING POLICIES for the year ended 30 June 2011

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and 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, profit/(loss) on ordinary activities before tax and net assets do not need to be segmentally analysed.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Groupõs 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.

Financial instruments
Financial assets and financial liabilities are recognised in the Groupõs 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.

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.

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 amount as a means of estimating fair value. Subsequently the fair value of these investments and the Groupõs other unlisted investments is established using IPEV Guidelines.

ACCOUNTING POLICIES for the year ended 30 June 2011

The following considerations are used when calculating the fair value using these guidelines:

- Where the investment being valued was itself made recently, its cost will generally be a good indication of fair value.
- Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation.
- If there is no readily ascertainable value from following the ñprice of recent investmentò methodology, the Group considers alternative methodologies as set out in the IPEV Guidelines being principally multiples, net assets, discounted cash flows and industry valuation benchmarks.

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 instrumentôs contractual obligations rather than the financial instrumentôs 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 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

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.

ACCOUNTING POLICIES for the year ended 30 June 2011

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 managementôs 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 Groupôs estimate of shares or options that will eventually vest.

Fair value is measured in the same way as 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, directorsô 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 and there is no associated funding round, the Group applies an initial standard valuation amount as a means of estimating fair value

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.

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 (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 (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 (cash-generating unit) in prior years. However, impairment losses relating to goodwill may not be reversed.

ACCOUNTING POLICIES for the year ended 30 June 2011

New standards

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date after the date of these financial statements and which have not been early adopted:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- Prepayments of a Minimum Funding Requirement ï Amendments to IFRIC 14 (effective 1 January 2011). This will not be applicable to the Group as it does not have defined benefit assets.
- Improvements to IFRS issued May 2010 (Note: some changes are effective 1 July 2010, though not yet EU-adopted; others effective 1 January 2011)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

1. Financial risk management

Financial risk factors

The Groupôs business activities are set out in the Business Review. These activities expose the Group to a number of financial risks. The following describes the Groupôs 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 accounts.

(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 £400,000.

(b) Credit risk

The Groupôs credit risk is primarily attributable to its trade receivables, other current assets and cash equivalents. The Groupôs 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.

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 Groupôs objectives for managing capital are to safeguard the Groupôs 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 Groupôs 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 2011 and 30 June 2010 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year.

2. Significant accounting estimates

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.

Significant judgments

The Group believes that the most significant judgment area in the application of its accounting policies is establishing the fair value of its unlisted investments. The matters taken into account when assessing the fair value of the unlisted investments are detailed in the accounting policy on Investments above.

3. Administration expenses (net)

Expenses included in administrative expenses are analysed below.

	2011 £'000	2010 £'000
Employee costs	**353**	288
Travel and entertainment	**29**	22
Auditor's remuneration		
Audit services:		
- for the audit of the Company and consolidated accounts	**16**	8
- the audit of the Company's subsidiaries pursuant to legislation	**6**	17
Non-audit services:		
- tax services	**3**	3
Legal, professional and financial costs	**157**	80
Fund management fees remitted by Sigma	**-**	(32)
Warrants issued to universities	**-**	31
Premises costs	**9**	-
Administration costs	**3**	5
	576	422

4. Finance income

	2011 £'000	2010 £'000
Interest income on short-term deposits and loans	**-**	2
	-	2

5. Directors and employees

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

	2011 Number	2010 Number
Business and corporate development	**3**	2

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

5. Directors and employees (cont.)

	2011	**2010**
	£'000	**£'000**
Wages and salaries	**215**	178
Social security	**25**	20
Pension costs ï defined contribution plans	**16**	11
Directorsô fees	**91**	74
Other benefits	**4**	1
Share option expense	**2**	4
	353	288

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 £24,000, were paid to Singers Capital Markets Ltd. Payments made to Sigma for the services of Graham Barnet and Marilyn Cole are disclosed in note 16.

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 Executive Chairman. 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.

The total remuneration for each director is shown below.

	Salary		Other benefits		Total		Pension	
	2011	2010	2011	2010	2011	2010	2011	2010
	£ô000	£ô000	£ô000	£ô000	£ô000	£ô000	£ô000	£ô000
Executive								
N Crabb	84	66	2	-	86	66	4	-
J McKay	71	40	2	-	73	40	7	3
D Cairns	41	-	-	-	41	-	4	-
A Minty	19	75	-	1	19	76	1	8
Non-executive								
T Cockroft	24	21	-	-	24	21	-	-
	239	202	4	1	243	203	16	11

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

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.

	2011 £'000	2010 £'000
Loss before tax	**(269)**	(326)
-		
Loss before tax at the effective rate of corporation tax in the UK of 20% (2010: 21%)	**(54)**	(68)
Effects of:		
Trading losses carried forward	**54**	68
Tax charge for the year	**-**	-

The tax asset relating to the Group losses is not recognised, in accordance with Group policy. The Group has cumulative tax losses of £150k 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 2011 and 30 June 2010 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 2011	**269**	**6,972,165**	**3.86**
Year ended 30 June 2010 *	326	4,972,165	6.55

**The weighted average number of shares has been adjusted so comparable figures are as if the share consolidation had happened in 2010.*

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.

NOTES TO THE FINANCIAL STATEMENTS for the year 30 June 2011

8. Property, plant and equipment

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

9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 July 2009 and 30 June 2010	**1,966**	-
At 30 June 2011	**1,966**	
Impairment		
At 1 July 2009 and 30 June 2010	-	-
At 30 June 2011	-	-
Carrying value		
At 30 June 2011	**1,966**	-
At 30 June 2010	1,966	-

NOTES TO THE FINANCIAL STATEMENTS for the year 30 June 2011

9. Goodwill cont.

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 ï a weighted distribution of outcomes and values and an individual company dilution model.

The key assumptions used were:

Number of spinouts ï on average eight companies per year from 2012/13 onwards;

40% of the spinouts will fail with only 10% achieving a value of £10 million on exit;

Initial stake between 5% and 15%;

Dilution of 55% prior to realisation with exit being five years from spin out;

Rate of return on investment of 4.2% in line with the latest BVCA five year venture fund return to end 2010.

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 a 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 2011 £'000	Company 2010 £'000
At 1st July 2010 and at 30 June 2011	**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 intellectual property	Scotland	Ordinary	100.0
Frontier IP Investments Limited – Principal activity is investment	Scotland	Ordinary	100.0
Frontier IP Founder Partners Limited – Principal activity is founder partner in University of Dundee Venture Fund and RGU Ventures Investment Fund	Scotland	Ordinary	100.0

NOTES TO THE FINANCIAL STATEMENTS for the year 30 June 2011

11. Financial assets at fair value through profit and loss

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
At 1 July 2010	**179**	39	**-**	-
Additions	**72**	188	**-**	-
Provision	**(71)**	(83)	**-**	-
Fair value increase	**220**	35	**-**	-
At 30 June 2011	**400**	179	**-**	-

The investments held are valued individually at fair value in accordance with IPEV Guidelines.

12. Trade receivables and other current assets

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade receivables	**21**	13	**1**	-
Receivables from Group undertakings	**-**	-	**1,290**	616
VAT	**13**	-	**13**	4
Prepayments and accrued income	**15**	13	**11**	3
	49	26	**1,315**	623

13. Trade and other payables

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade payables	**47**	49	**31**	19
Amount owed to Group undertakings	**-**	2	**-**	-
Amounts due to subsidiaries	**-**	-	**-**	-
Social security and other taxes	**10**	8	**-**	-
Accruals and deferred income	**50**	48	**22**	19
Other creditors	**5**	-	**-**	-
	112	107	**53**	38

NOTES TO THE FINANCIAL STATEMENTS for the year 30 June 2011

14. Share capital and premium

	Number of shares in issue	Ordinary shares £'000	Share premium £'000	Total £'000
At 30 June 2010 ordinary shares of 0.1p	497,216,495	497	3,898	4,395
At 30 June 2011 ordinary shares of 10p	**6,972,165**	**697**	**4,457**	**5,154**

The total authorised number of ordinary shares is 20,000,000 (2010: 1,980,000,000) with a par value of 10p per share (2010: 0.1p). All issued shares are fully paid.

The Company raised £1.0 million (gross) by way of placing of 2,000,000 new ordinary shares at 50p per share in January 2011, which were available for trading on AIM on 31 January 2011 following the successful admission.

On 6th December 2010 a resolution was passed at the Companyὂs Annual General Meeting to consolidate the share capital of the Company such that every 100 ordinary shares of 0.1 pence each in the share capital of the Company be consolidated into 1 new ordinary share of 10 pence. Accordingly, the existing 497,216,495 ordinary shares of 0.1 pence each were cancelled from trading on PLUS as at close of business, 6 December 2010, and 4,972,165 ordinary shares of 10 pence each were admitted to trading on PLUS at 8.00 a.m. on 7 December 2010.

Warrants
Post share consolidation, movements in the number of warrants outstanding and their related weighted average exercise prices were as follows:

	2011 Number	2010* Number
At 1 July 2010	368,443	268,443
Granted	-	100,000
At 30 June 2011	368,443	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.

	2011	**2010***
25 June 2012	69,000	69,000
12 May 2014	299,443	299,443

**The warrants have been adjusted so comparable figures are as if the share consolidation had happened in 2010.*

15. Reserves

The reverse acquisition reserve was created on the reverse takeover of Frontier IP Group Plc (formerly ARH leisure Investments Ltd). 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 2011 and 2010 is set out in the Consolidated and Company Statement of Changes in Equity on page 22.

NOTES TO THE FINANCIAL STATEMENTS for the year 30 June 2011

16. Share options

The Company has two option schemes for executive Directors and employees, the Frontier IP Group Plc Employee Share Option Scheme 2011, which has received Inland Revenue approval in the year, and the Frontier IP Group Plc Unapproved Share Option Scheme. All options are granted at the market value of the shares at the date of grant. Both share option schemes run for a period of ten years. All employees are eligible to participate in the schemes. No payment is required from option holders on the grant of an option.

Details of share options granted to Neil Crabb are set out in the Directorsô Remuneration Report.

Options over 14,916,495 ordinary shares of 0.1p lapsed due to Alister Minty leaving the Group.

There is a commitment to award the following options over ordinary shares of 10p which were conditional on the Companyôs successful admission to AIM:

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

An EMI scheme has now been established and it is intended that these options will be granted shortly. The cost of the option will be charged to the profit and loss account from the date of the grant.

17. Cash used in operations

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Loss before tax	**(269)**	(326)	**(109)**	(192)
Adjustments for:				
Share-based payments	**2**	34	**2**	34
Adjustment for finance income	**-**	(2)	**-**	(2)
Fair value (gain)/loss on financial assets through profit and loss	**(149)**	48	**-**	-
Changes in working capital:				
Trade and other receivables	**(23)**	(9)	**(693)**	164
Trade and other payables	**5**	61	**15**	24
Cash flows from operating activities	**(434)**	(194)	**(785)**	28

18. Related party transactions

During the year the Company had transactions with a significant shareholder, Sigma.

Sigma charged directorsô fees of £50,000 (2010: £50,000) and recharged premises costs of £9,000 (2010: nil). The fees are for the services of Graham Barnet and Marilyn Cole as Directors of the Company and for administration support.

The Company received £37,000 from Sigma (2010: £32,000*) in respect of fund management fees for the Dundee Fund and the RGU Fund which are currently managed on the Companyôs behalf by Sigmaôs FSA authorised and regulated subsidiary Sigma Technology Management Limited of which Neil Crabb is also an employee.
*In 2010 this was shown as a cost offset.

At 30 June 2011, the Company owed Sigma £nil (2010: £nil).

NOTES TO THE FINANCIAL STATEMENTS for the year 30 June 2011

19. 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 the successful share placing and admission to AIM there is no controlling party.

THREE YEAR RECORD

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

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