Frontier IP Group Plc

Annual Report & Financial Statements
Year ended 30 June 2013

Specialising in the commercialisation of intellectual property

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2013

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Key Points

- Encouraging progress over the year
- Portfolio companies:
  - three new spin-out companies added
  - Nandi Proteins secured licence agreement with Tate & Lyle
- University partnerships:
  - first licensing contribution and first equity stake from Plymouth University partnership
- Fund management operations:
  - collaboration agreement signed with the University of Dundee to exploit commercial drug development opportunities
  - MOU signed for energy sector collaboration with Iberdrola and Narec Capital
- Revenue from services increased to £174,000 (2012: £162,000)
- Total revenue reduced to £117,000 (2012: £223,000) – reflecting an unrealised loss on the revaluation of investments of £57,000 (2012: unrealised profit of £61,000)
- Loss before tax reduced to £368,000 (2012: loss of £380,000)
- Loss per share reduced to 3.5p (2012: loss of 5.5p)
- Cash balances at 30 June 2013 of £155,000 (2012: £44,000)
- Net assets per share as at 30 June 2013 of 21.1p (2012: 36.0p)
- Post year-end share placing raised £392,000 (gross)
- Board remains encouraged about prospects for further progress with portfolio companies and partnerships

Andrew Richmond, Chairman of Frontier IP, said,

"I am pleased to report that the Group has made good progress over the year across a number of fronts.

We acquired equity in three new spin-out companies, taking the total number of companies in our portfolio to 13. We have also seen encouraging developments in a number of our portfolio companies. We received our first equity stake and licensing revenue from our partnership with Plymouth University and entered into a collaboration agreement with the University of Dundee designed to exploit opportunities in commercial drug development. Our fund management activities are also moving forward and we are making good progress with our partners.

As we look ahead, we expect to see further positive momentum across our activities over the new financial year."

CHAIRMAN’S STATEMENT

Introduction

Frontier IP’s strategy is to develop its portfolio of companies, generate value from its existing university partnerships and expand its fund management activities. I am pleased to report that the Group has made progress in all three areas over the year.

We have seen encouraging developments in a number of our portfolio companies and have acquired equity in three new spin-outs. We also received our first share of licensing revenue from our partnership with Plymouth University. Our fund management activities are progressing encouragingly and we are exploring a number of specific opportunities with our partners.

As we look ahead, we expect to see further positive momentum across our activities over the new financial year.

Results

For the year to 30 June 2013, revenue from services showed a 7% increase to £174,000 (2012: £162,000). However total revenue was adversely affected by the booking of an unrealised loss of £57,000 (2012: unrealised profit of £61,000) on the revaluation of investments, principally due to the adjustment to the holding value of one portfolio company following a significant fundraising. Total revenue showed a reduction to £117,000 (2012: £223,000). Due to the commercial progress made by Nandi Proteins Ltd (“Nandi”), the provision of £119,000 made in prior periods against monies due from Nandi was released in the year. Frontier IP has commenced a fundraising for Nandi for its ongoing working capital needs and the Directors are confident of a successful outcome.

The loss before tax position improved slightly to £368,000 (2012: loss of £380,000) and excluding the impact of unrealised losses or profit on the revaluation of investments, the adjusted loss before tax reduced by 29% to £311,000 (2012: £441,000). The loss per share reduced by 36% to 3.51p (2012: 5.45p).

Cash balances stood at £155,000 at 30 June 2013 (2012: £44,000), principally reflecting the share placing completed in December 2012 as previously reported. Net assets per share as at 30 June 2013 were 21.1p (2012: 36.0p).

Post period-end, the Group concluded a further placing, which was over-subscribed, of 6,325,212 ordinary shares at a price of 10p per share, raising £392,000 (before expenses) using existing authorities.

Operational Review

Over the period, we acquired equity in three new spin-out companies, PoreXpert Ltd, Ex Scientia Ltd and Tissue Repair Technologies Ltd. PoreXpert is a spin-out from Plymouth University, the other two portfolio companies were spin-outs from the University of Dundee. The largest of these holdings is in PoreXpert Ltd, at 15%, and these three new holdings take the total number of companies in our portfolio to 13.

We have seen encouraging developments in a number of our portfolio companies. Nandi in particular made a major step forward concluding a licensing agreement with Tate & Lyle PLC for the use of its innovative protein technology. I am also pleased to highlight Counterweight Ltd’s successful second fundraising which was completed in the period and the business is working very closely with a key industry partner.

We continue to engage strongly with our university partnerships and received our first equity stake and share of licensing revenue from our partnership with Plymouth University. We also entered into a collaboration agreement with the University of Dundee designed to exploit opportunities in commercial drug development.

Our fund management activities are progressing with a number of partners. In particular, as part of our collaboration agreement with the University of Dundee, we are exploring the establishment of a funding vehicle for its Drug Discovery Unit. In addition, as part of our work with Narec Capital to establish its Accelerated Renewable Deployment Portfolio, together with Narec Capital we entered into a Memorandum of Understanding in August, with Spanish power group Iberdrola, to establish a framework for closer engagement.

The Board

As previously reported, at the end of 2012 the Board was reorganised, with Neil Crabb, previously Chairman, taking up the position of Chief Executive and Executive Directors Jackie McKay and David Cairns being appointed as Chief Operating Officer and Portfolio Director respectively. I moved from my non-executive Director position to Non-executive Chairman. At the same time, we made a new appointment to the Board with Marcus Yeoman joining as a Non-executive Director. Marcus, who has a wealth of experience in advising young growth companies, replaced Graham Barnet who stood down as a Non-executive Director.

Outlook

The Group continues to make encouraging progress and there are clear opportunities for further development across all our activities as we continue to engage productively with our partners and portfolio companies. We are working with our university partners on a number of new spin out opportunities and we expect to see further growth in the number of portfolio companies during the current financial year. We also hope to make further progress in particular on raising new sources of funding for partners and portfolio companies and we are exploring a number of specific opportunities.

Andrew Richmond
Chairman

30th October 2013

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.

The Group currently has three university partnerships with the University of Dundee, Plymouth University and Robert Gordon University, Aberdeen. At the year end, the Group directly held equity in 13 spin-out companies.

Frontier IP also seeks to provide access to sources of capital to finance businesses as they develop.
In pursuit of this, where appropriate, Frontier IP seeks to establish a dedicated fund for each university relationship and also to establish sector-specific funds. This strategy helps to accelerate the commercialisation process and to create recurring fund management income for Frontier IP.

The Group currently receives fees from and has limited partner interests in two funds, the RGU Ventures Investment Fund and the University of Dundee Venture Fund. The Group is also working on establishing new funds with partners Narec Capital and the University of Dundee in the renewable energy and life sciences sectors respectively.

In addition, Frontier IP generates revenue from board retainers and fees for fundraising and bespoke advisory work.

Trading review

During the year the Group made good progress in deepening and extending its relationships within its three university partnerships and in continuing to develop new opportunities.

The Group added three spin-out companies to its portfolio during the year. These were PoreXpert Ltd, Ex Scientia Ltd and Tissue Repair Technologies Ltd, which bring the total number in the portfolio to 13.

PoreXpert Ltd, a 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. Distribution channels for the software are currently being established, with a first agreement with global scientific supply company Thermo Fisher. The Group currently holds approximately 15% of the issued share capital of the company.

Ex Scientia Ltd, a spin-out from the University of Dundee, has been formed to exploit novel informatics and experimental methods to enable new, more effective ways of conducting drug discovery. Ex Scientia Ltd is already making good commercial progress and won its first two significant contracts during the year. The Group currently holds approximately 5.75% of the issued share capital of the company.

Tissue Repair Technologies Ltd is a spin-out from the 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.

The Group also received its first licensing contribution earned from the partnership with Plymouth University and continues to work with Plymouth University to grow this income stream.

BUSINESS REVIEW

The Group saw pleasing progress in a number of its existing portfolio companies. Highlights included Nandi securing a licence agreement with Tate & Lyle PLC, DeepOcean UK Ltd acquiring a 50% interest in Advanced Underwater Surveys Limited to form ADUS DeepOcean Ltd and Counterweight Ltd successfully completing its second fundraising during the year.

During the period, Frontier IP entered into a collaboration agreement with the University of Dundee. The agreement provides 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 the University of Dundee. We are actively working with the University of Dundee on shaping this exciting initiative.

The Group continues to make progress with its fund management agreement with Narec Capital Ltd ("Narec Capital"), in which it is intended that Frontier IP be appointed as provider of fund management and administration services to the Accelerated Renewable Deployment Portfolio ("ARDP") which is being established to provide early-stage capital to renewable energy technologies. In particular, in August this year, Frontier IP and Narec Capital entered into a Memorandum of Understanding with Spanish power group Iberdrola, which sets out how Iberdrola will work alongside the ARDP as both a co-investment and industrial partner.

Financial results

Revenue from services increased by over 7% to £174,000 (2012: £162,000). The Group booked an unrealised loss on the revaluation of investments of £57,000 (2012: unrealised profit £61,000) principally due to the adjustment to the holding value of one portfolio company following a significant fundraising. As a result, total revenue reduced to £117,000 (2012: 223,000). Administrative expenses in the year totalled £604,000 (2012: £603,000) and included placing costs of £44,000. Excluding the placing costs, administrative expenses fell by 7% to £560,000. Due to the commercial progress made by Nandi, the provision of £119,000 made in prior periods against monies due from Nandi was released in the year. Frontier IP has commenced a fundraising for Nandi for its ongoing working capital needs and the Directors are confident of a successful outcome.

The Group made a reduced loss for the year of £368,000 (2012: £380,000). Excluding the impact of unrealised losses and profits on the revaluation of investments, the adjusted loss saw a reduction of 29% to £311,000 (2012: £441,000). The loss per share reduced by 36% to 3.51p (2012: 5.45p).

In December 2012, Frontier IP raised £564,000 (net) by way of a placing of 6,080,000 ordinary shares at 10 pence per share. The net proceeds of the placing provide working capital to support the ongoing needs of the business.

Post period-end, the Group concluded a further placing, which was over subscribed, of 6,325,212 ordinary shares at a price of 10p per share raising £368,000 (net) using existing authorities. As part of this placing, Sigma Capital Group plc sold 2,405,212 existing ordinary shares in Frontier IP to meet demand from new and existing institutional investors and to reduce its shareholding to a level more commensurate with both companies' longer term strategies.

Balance sheet

The principal items in the balance sheet at 30 June 2013 are goodwill (£1,966,000) and holdings in portfolio companies (£494,000). 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.

BUSINESS REVIEW

The Group had net current assets at 30 June 2013 of £291,000 (2012: £9,000). The current assets at 30 June 2013 include debtors of £156,000 which are more than 90 days overdue. The majority of this, £128,000, is due from Nandi. The Directors consider this debt is recoverable and expect Nandi to commence repayment during 2014.

Net assets of the Group increased to £2,751,000 at 30 June 2013 (30 June 2012: £2,507,000). The number of issued ordinary shares also increased to 13,052,165 at 30 June 2013 (30 June 2012: 6,972,165) resulting in net assets per share of 21.1p (2012: 36.0p).

Cash flow
The Group's cash balances increased during the year by £111,000 to £155,000 at 30 June 2013. This was as a result of a placing of new shares which raised £564,000 net of expenses. The cash generated by the share placing was used to fund the operation of the business with £19,000 expended on investments (2012: £72,000).

PORTFOLIO

ADUS DeepOcean Ltd ("ADUS") (formerly Advanced Underwater Surveys Ltd)
ADUS was spun out from the 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. In April 2013 ADUS announced that DeepOcean UK Ltd, a subsidiary of DeepOcean Group Holding BV, had acquired a 50% interest in ADUS to form ADUS DeepOcean Ltd.

At 30 June 2013, the Group held 2.5% of the issued share capital of ADUS.

Aridhia Informatics Ltd ("Aridhia")
Aridhia is a joint venture between the 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. During the period, Aridhia announced two new industry collaborations in the fields of healthcare research and stratified medicine. Post period end, Aridhia announced that it had secured substantial investment from new and existing shareholders.

At 30 June 2013, the Group held 1.1% of the issued share capital of Aridhia.

Counterweight Ltd ("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 second fundraising during the year and is working with a key industry partner to extend its markets in the NHS and the private sector.

At 30 June 2013, the Group held 2.8% of the issued ordinary share capital of Counterweight.

Circa Connect Ltd ("Circa Connect")
Circa Connect was set up by the University of Dundee and the University of St Andrews to develop tools to support life enrichment for people suffering from Alzheimer's Disease.

At 30 June 2013, the Group held 4.6% of the issued share capital of Circa Connect.

BUSINESS REVIEW

Intelligent Flow Solutions Ltd ("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 2013, the Group held 10% of the issued share capital of Intelligent Flow Solutions.

Nandi Proteins Ltd ("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. In particular, in November 2012, Nandi concluded a licence agreement for the use of its innovative protein technology with Tate & Lyle PLC. Post period-end, the Group increased its holding in Nandi to approximately 20.15 per cent.

At 30 June 2013, the Group held 3.7% of the issued share capital of Nandi.

Rapid Quality Systems Ltd ("RQS")
Spun out from the University of Dundee, RQS is a software developer. It has launched a software product, Code Rocket, a software tool which simplifies and supports the design of software systems.

At 30 June 2013, the Group held 5% of the issued share capital of RQS.

Glycobiochem Ltd ("Glycobiochem")
Glycobiochem, a spin-out from the 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 2013, the Group held 5% of the issued share capital of Glycobiochem.

Kinetic Discovery Ltd ("Kinetic")
Kinetic is a spin-out from the 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. Post period-end, Kinetic returned a small dividend to shareholders.

At 30 June 2013, the Group held 5% of the issued share capital of Kinetic.

Alusid Ltd ("Alusid")
Alusid is a spin-out from the Silicate Research Unit of UCLan and has been formed to licence and commercialise the process to transform waste materials into a highly durable and functional material with applications in the construction industry. 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. Alusid is working on establishing licence and manufacturing agreements.

At 30 June 2013, the Group had beneficial ownership of 21% of the issued share capital of Alusid.

BUSINESS REVIEW

Tissue Repair Technologies Ltd ("TRT")
TRT is a spin-out from the University of Dundee. The company develops novel wound healing agents based on migration stimulating factor, a naturally occurring protein, which TRT believes has particular application in patients with impaired healing, such as diabetics.

At 30 June 2013, the Group held 5% of the issued share capital of TRT.

Ex Scientia Ltd ("Ex Scientia")
Ex Scientia, a spin-out from the University of Dundee, has been formed to exploit novel informatics and experimental methods to enable new, more effective ways of conducting drug discovery. Ex Scientia is making good commercial progress and won its first two significant contracts during the year.

At 30 June 2013, the Group held 5.6% of the issued share capital of Ex-Scientia.

PoreXpert Ltd ("PoreXpert")
PoreXpert, a 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. Distribution channels for the software are currently being established, with a first agreement with global scientific supply company Thermo Fisher.

At 30 June 2013, the Group held 15% of the issued share capital of PoreXpert.

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. 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 2013, the carrying value was £26,000 (2012: £41,000), which is £108,000 below cost (2012: £86,000 below cost).

Counterweight Limited ("Counterweight")
Held 8.5% 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 2013 and 2012, the carrying value was £nil (2012: £nil), which is £51,000 below cost (2012: £41,000 below cost).

BUSINESS REVIEW

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. The value of the Group's spin-out portfolio fell to £468,000 at 30 June 2013 from £491,000 at 30 June 2012. 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 across 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, a fall in the value of the Group's portfolio and recovery of the overdue debt from Nandi. The value of goodwill is linked to the progress of the existing portfolio and to the growth in the number of companies in the portfolio and to a steady growth in licence income. As regards the value of the portfolio itself, the risk is mitigated as the size of the portfolio increases. The payment by Nandi of its ongoing retainer in the next 12 months is dependent on Nandi raising funds from third party investors. Frontier IP has commenced a fundraising for Nandi and the Directors are confident of a successful outcome.

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.

BUSINESS REVIEW

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 options and the Executive Directors hold direct interests in shares in the Company.

STRATEGY FOR 2013-2014

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

Frontier IP will continue its strategy of providing best practice advisory services to universities in order to develop and support their commercialisation operations and will continue to engage with spin-out companies post-incorporation to advise on business and funding strategy. Frontier IP's approach to its work with universities and spin-outs remains structured and collaborative, helping 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 47)
Andrew Richmond has substantial experience of the healthcare, stockbroking and private equity industries. He is Deputy Chairman of the Scottish Ambulance Service and a Lay Member of the Court of the University of Dundee. He is also a non-executive director of NHS Tayside and Chairman of the Angus Community Health Partnership.

Neil Crabb, Chief Executive Officer (Age 46)
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 Capital Group plc with Graham Barnet.

Jacqueline McKay, Chief Operating Officer (Age 54)
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 49)
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 59)
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 50) (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 50) (resigned 3 December 2012)
Graham Barnet is Chief Executive Officer and co-founder of Sigma Capital Group plc. Graham is a qualified lawyer, having worked at Shepherd & Wedderburn, Noble Grossart Limited and Edinburgh Financial Trust Limited prior to forming his own consultancy, Merchant Investments Limited, in 1994. In 1996, Graham co-founded Sigma Capital Group plc with Neil Crabb.

DIRECTORS

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.

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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 2013.

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 £368,000 (2012: £380,000). The Directors do not recommend the payment of a dividend (2012: 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 page 12. 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 2013 were equivalent to 45 days' purchases (2012: 64 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 (2012: 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 2013, the Group had positive cash balances of £155,000 (2012: £44,000). The Group's policy is to keep surplus funds on instant access and short-term deposit to earn the prevailing market rate of interest.

DIRECTORS' REPORT

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 £564,000 (net 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 and a further £368,000 (net of expenses) by way of a placing of 3,920,000 of its ordinary shares of 10p at 10p per share on 13 August 2013. 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 licence income and from fund management activities. 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.

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.

DIRECTORS' REPORT

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.

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

30th October 2013

DIRECTORS' REMUNERATION REPORT

Directors' remuneration
The Remuneration Committee decides the remuneration policy that applies to the Executive Directors. The current members of the Remuneration Committee are Andrew Richmond and Marcus Yeoman. 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' 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 which is also subject to a three-month notice period.

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 unapproved options have been granted in the year. EMI share options were granted in the year to three directors. In the year, Neil Crabb surrendered options over 198,887 shares. These options had been granted in 2009 under a standalone option agreement.

The EMI share options granted in the year and held at 30 June 2013 are as follows:

	Number of options	Exercise price	Grant date	Option period	Expiry date
David Cairns	195,782	15p	15.01.2013	10 years	14.01.2023
Neil Crabb	456,825	15p	15.01.2013	10 years	14.01.2023
Jacqueline McKay	195,782	15p	15.01.2013	10 years	14.01.2023

The market price of the Company's shares at 30 June 2013 was 9p. The range of prices during the year was 8.25p to 14p.

DIRECTORS' REMUNERATION REPORT

Directors' interests in shares
The Directors in office at 30 June 2013 had the following interests in the ordinary shares of 10p each in the Company at the year end.

	2013 Number	2012 Number
David Cairns	**370,000**	70,000
Neil Crabb	**2,056,375**	556,375
Jacqueline McKay	**12,855**	12,855
Andrew Richmond	**500,000**	-
Marcus Yeoman	**200,000**	-

All of the above interests are beneficial.

On 13 August 2013, Neil Crabb was allotted 658,745 new ordinary shares of 10p each in exchange for his shares in Nandi at an implied price per new ordinary share of 10p.

Between 30 June 2013 and 30 October 2013 the following directors have purchased ordinary shares of 10p each in the Company:

David Cairns	250,000
Andrew Richmond	250,000

Marilyn Cole is a director and shareholder of Sigma Capital Group plc, which held 3,505,212 ordinary shares of 10p each in the Company at 30 June 2013 (2012: 3,255,212 ordinary shares). Between 30 June 2013 and 30 October 2013, Sigma sold 2,905,212 ordinary shares of 10p each in the Company.

Marcus Yeoman
Non-executive Director

30th October 2013

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 2013 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 2013 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FRONTIER IP GROUP PLC

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

30th October 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	2013 £'000	2012 £'000
Revenue			
Revenue from services		**174**	162
Other operating income			
Unrealised (loss)/profit on the revaluation of investments	11	**(57)**	61
Total revenue		**117**	223
Administrative expenses	4	**(604)**	(603)
Release of bad debt provision	12	**119**	-
Loss from operations and before tax		**(368)**	(380)
Taxation	6	**-**	-
Loss/total comprehensive expense for the year		**(368)**	(380)
Loss per share attributable to the equity holders of the Company:			
Basic and diluted loss per share	7	**3.51p**	5.45p

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 £2,547,000 (2012: £121,000). The principal reasons for the expense in the year are a provision against the carrying value of its subsidiary, Frontier IP Ltd, and a provision against amounts due from Frontier IP Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	**-**	-
Goodwill	9	**1,966**	1,966
Financial assets at fair value through profit and loss	11	**494**	532
		2,460	2,498
Current assets			
Trade receivables and other current assets	12	**222**	80
Cash and cash equivalents		**155**	44
		377	124
Total assets		**2,837**	2,622
Liabilities			
Current liabilities			
Trade and other payables	13	**(86)**	(115)
		(86)	(115)
Net assets		**2,751**	2,507
Equity			
Called up share capital	14	**1,305**	697
Share premium account	14	**4,457**	4,457
Reverse acquisition reserve	15	**(1,667)**	(1,667)
Share based payment reserve	15	**119**	115
Retained earnings	15	**(1,463)**	(1,095)
Total equity		**2,751**	2,507

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	**-**	-
Investment in subsidiaries	10	**2,383**	3,563
Financial assets at fair value through profit and loss	11	**8**	-
Trade and other receivables	12	**393**	1,136
		2,784	4,699
Current assets			
Trade receivable and other current assets	12	**18**	56
Cash and cash equivalents		**22**	2
		40	58
Total assets		**2,824**	4,757
Liabilities			
Current liabilities			
Trade and other payables	13	**(29)**	(27)
Net assets		**2,795**	4,730
Equity attributable to equity holders of the Company			
Called up share capital	14	**1,305**	697
Share premium account	14	**4,457**	4,457
Share-based payment reserve	15	**119**	115
Retained earnings	15	**(3,086)**	(539)
Total equity		**2,795**	4,730

The financial statements on pages 21 to 39 were approved by the Board of Directors and authorised for issue on 30 October 2013 and were signed on its behalf by:

Neil Crabb
Chief Executive Officer

30th October 2013

Registered number: 06262177

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2013

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 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
Issue of shares	608	-	-	-	-	608
Share-based payments	-	-	-	4	-	4
Loss/total comprehensive expense for the year	-	-	-	-	(368)	(368)
At 30 June 2013	**1,305**	**4,457**	**(1,667)**	**119**	**(1,463)**	**2,751**

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 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
Issue of shares	608	-	-	-	608
Share-based payments	-	-	4	-	4
Loss/total comprehensive expense for the year	-	-	-	(2,547)	(2,547)
At 30 June 2013	**1,305**	**4,457**	**119**	**(3,086)**	**2,795**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 30 June 2013

	Notes	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Cash flows from operating activities					
Cash used in operations	17	**(434)**	(466)	**(536)**	(22)
Taxation paid	6	**-**	-	**-**	-
Net cash used in operating activities		**(434)**	(466)	**(536)**	(22)
Cash flows from investing activities					
Purchase of financial assets at fair value through profit and loss	11	**(19)**	(72)	**(8)**	-
Net cash used in investing activities		**(19)**	(72)	**(8)**	-
Cash flows from financing activities					
Proceeds from issue of equity shares		**608**	-	**608**	-
Costs of share issue		**(44)**	-	**(44)**	-
Net cash generated from financing activities		**564**	-	**564**	-
Net increase/(decrease) in cash and cash equivalents		**111**	(538)	**20**	(22)
Cash and cash equivalents at beginning of year		**44**	582	**2**	24
Cash and cash equivalents at end of year		**155**	44	**22**	2

ACCOUNTING POLICIES
for the year ended 30 June 2013

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 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 is 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 met.

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

ACCOUNTING POLICIES

Investments
Investments are recognised and derecognised on the trade date. Investments are classified as financial assets at fair value through profit and loss and are initially measured at cost, including transaction costs. They are recognized as non-current assets.

The Group has interests of over 20% but these are not accounted for as associates as they are outside 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.

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 and loss and are subsequently recorded in the balance sheet at fair value. Any gains and losses arising from changes in fair value are included in net gains and losses for the period.

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 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.

ACCOUNTING POLICIES

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
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 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.

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.

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.

ACCOUNTING POLICIES

New standards

A number of new standards, amendments to standards and interpretations are effective for accounting periods beginning after 1 July 2012 which have not been early adopted.

At the date of approval of these financial statements, the following were in issue but not yet effective:

- IFRS 10 Consolidated Financial Statements (effective 1 January 2013
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 12 Income taxes (effective 1 January 2013)
- IAS 27 (Revised) Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective 1 January 2013)

Where relevant, the Group is evaluating the effect of these Standards and amendments on the presentation of its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

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 £494,000 (2012: £532,000).

(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 primarily with one UK financial institutions, the Lloyds Banking Group.

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 2013 and 30 June 2012 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year except where stated in note 12.

NOTES TO THE FINANCIAL STATEMENTS

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 four major customers that accounted for 96% of its revenue from services (2012: three customers accounted for 90%). The revenues generated from each customer were as follows:

	2013 £'000	2012 £'000
Customer 1	70	70
Customer 2	37	41
Customer 3	33	-
Customer 4	28	35
	168	146

4. Administration expenses

Expenses included in administrative expenses are analysed below.

	2013 £'000	2012 £'000
Employee costs	**373**	361
Share-based payments	**4**	1
Consultant	**40**	40
Travel and entertainment	**14**	27
Depreciation	**-**	1
Bad debts written off	**30**	-
Provision for bad debts	**(21)**	65
Audit services:		
- for the audit of the Company and consolidated accounts	**13**	20
- the audit of the Company's subsidiaries pursuant to legislation	**6**	6
Non-audit services:		
- tax services	**5**	5
Legal, professional and financial costs	**84**	65
Premises costs	**9**	10
Administration costs	**3**	2
Placing costs	**44**	-
	604	603

NOTES TO THE FINANCIAL STATEMENTS

5. Directors and employees

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

	2013 Number	2012 Number
Business and corporate development	**3**	3

	2013 £'000	2012 £'000
Wages and salaries	**224**	224
Social security	**32**	31
Pension costs – defined contribution plans	**22**	22
Directors' fees	**86**	74
Other benefits	**9**	10
Share option expense	**4**	1
	377	362

The key management of the Group comprises the Frontier IP Group Plc Board of Directors. The remuneration of the individual Board members is shown below. Fees in respect of Tim Cockroft, totalling £nil (2012: £10,000), were paid to Nplus1 Singer Capital Markets Ltd. Payments made to Sigma Capital Group plc 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.

The total remuneration for each director is shown below.

	Salary		Other benefits		Total		Pension	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Executive								
N Crabb	100	100	3	2	103	102	10	10
J McKay	69	69	6	6	75	75	7	7
D Cairns	55	55	-	-	55	55	5	5
Non-executive								
A Richmond	33	13	-	-	33	13	-	-
M Yeoman (appointed December 2012)	14	-	-	-	14	-	-	-
T Cockroft (resigned December 2011)	-	10	-	-	-	10	-	-
	271	247	9	8	280	255	22	22

NOTES TO THE FINANCIAL STATEMENTS

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.

	2013 £'000	2012 £'000
Loss before tax	(368)	(380)
-		
Loss before tax at the effective rate of corporation tax in the UK of 23.8% (2012: 25.5%)	**(87)**	(97)
Effects of:		
Expenses not deductible for tax purposes	**26**	(11)
Trading losses carried forward	**61**	108
Tax charge for the year	**-**	-

The tax asset relating to the Group losses is not recognised, in accordance with Group policy. The Group has a tax asset for cumulative unrelieved management expenses and other tax losses of £365,000 (2012: £339,000) available for use to offset future profits. These amounts are stated using a corporation tax rate of 23% (2012: 25.5%).

The Finance Act 2013 which was given Royal Assent on 17 July 2013 states that the corporation tax rate will drop to 21% from 1 April 2014 and to 20% from 1 April 2015. Based on these rates, the total deferred value of the losses would become £333,000 and £317,000 respectively.

7. Loss per share

The calculation of the basic loss per share for the year ended 30 June 2013 and 30 June 2012 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 2013	**368**	**10,470,247**	**3.51**
Year ended 30 June 2012	380	6,972,165	5.45

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

8. Tangible fixed assets

	Fixtures and equipment £'000
Group and Company	
Cost	
At 1 July 2011, 30 June 2012 & 30 June 2013	1
Depreciation	
Accumulated depreciation at 1 July 2011	-
Charge for the year to 30 June 2012	1
Accumulated depreciation at 30 June 2012 & 30 June 2013	1
Net book value	
At 30 June 2013	-
At 30 June 2012	-

9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 July 2011, 30 June 2012 and at 30 June 2013	**1,966**	-
Impairment		
At 1 July 2011, 30 June 2012 and at 30 June 2013	-	-
Carrying value		
At 30 June 2013	**1,966**	-
At 30 June 2012	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 and from licensing income. 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 and from the licensing income. In arriving at a net present value, two models were considered for the investment portfolio – a weighted distribution of outcomes and values and an individual company dilution model.

The key assumptions used in both models were:
- Number of spin-outs – on average six companies per year from 2013/14 onwards;
- Initial stake between 5% and 30%;
- 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 6.3% in line with the latest BVCA five year venture fund return to end 2012 for 2002 vintage funds onwards (4.3%) plus an adjustment of 2% as there are no fund management fees. In arriving at the net present value of the licensing income, a growth rate of 20% year on year was assumed using the income received in the year ended 30 June 2013 as the base amount. 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.

NOTES TO THE FINANCIAL STATEMENTS

9. Goodwill (cont.)

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 and nil growth to licence income. There were three spin outs in the year to 30 June 2013 which is half the average number assumed in the model. However, given the current level of activity that Frontier IP is seeing in it three university partners, the Board expects an average of six to be maintained over the longer term.

10. Investment in subsidiaries

	Company 2013 £'000	**Company 2012 £'000**
At 1 July 2012	**3,563**	3,563
Provision for impairment	**(1,180)**	-
At 30 June 2013	**2,383**	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 2013 £'000	**Group 2012 £'000**	**Company 2013 £'000**	**Company 2012 £'000**
At 1 July 2012	**532**	400	**-**	-
Additions	**19**	72	**8**	-
Provision	**(32)**	(17)	**-**	-
Fair value (decrease)/increase	**(25)**	77	**-**	-
At 30 June 2013	**494**	532	**8**	-

The investments held are valued individually at fair value in accordance with the Group's accounting policy on investments and have been categorised as being level 3, that is valued using inputs that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

11. Financial assets at fair value through profit and loss (cont.)

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

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Venture capital funds	**26**	41	**-**	-
Unquoted securities	**468**	491	**8**	-
	494	532	**8**	-

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

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Venture capital funds	**(32)**	(16)	**-**	-
Unquoted securities	**(25)**	77	**-**	-
	(57)	61	**-**	-

12. Trade receivables and other current assets

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade receivables	**195**	37	**-**	-
Receivables from Group undertakings	**-**	-	**393**	1,136
VAT	**6**	12	**3**	38
Prepayments and accrued income	**21**	31	**15**	18
	222	80	**1,411**	1,192
Less receivables from Group undertakings – non current	**-**	-	**(393)**	(1,136)
Current portion	**222**	80	**18**	56

Trade receivables

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade receivables not due	**20**	21	**-**	-
Trade receivables past due 1–30 days	**9**	10	**-**	-
Trade receivables past due 31–60 days	**10**	10	**-**	-
Trade receivables past due 61–90 days	**4**	9	**-**	-
Trade receivables past due over 90 days	**156**	131	**-**	-
Gross trade receivables at 30 June 2013	**199**	181	**-**	-
Provision for bad debt at 1 July 2012	**144**	79	**-**	-
Debts provided for in the year	**4**	65	**-**	-
Provision released in the year	**(144)**	-	**-**	-
Provision for bad debt at 30 June 2013	**4**	144	**-**	-
Net trade receivables at 30 June 2013	**195**	37	**-**	-

Due to the commercial progress made by Nandi, a provision of £119,000 made in prior years against monies due from Nandi has been released in the year. Frontier IP has commenced a fundraising for Nandi for its ongoing working capital needs and the Directors are confident of a successful outcome. The Directors do not expect to recover all the amount due from Nandi in the next 12 months but do expect Nandi to at least pay its current retainer during the year ending 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and other payables

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade payables	**39**	53	**24**	21
Social security and other taxes	**11**	10	**-**	-
Accruals and deferred income	**36**	40	**5**	6
Other creditors	**-**	12	**-**	-
	86	115	**29**	27

14. Share capital and share premium

	Number of shares in issue	Ordinary shares of 10p £'000	Share premium £'000	Total £'000
At 30 June 2012	6,972,165	697	4,457	5,154
Issue of shares in the year	6,080,000	608	-	608
At 30 June 2013	**13,052,165**	**1,305**	**4,457**	**5,762**

On 3 December 2012, the Company conducted a placing of 6,080,000 ordinary shares of 10p each at a price of 10p per share raising £608,000 gross of expenses. Further ordinary shares were issued on 13 August 2013 as detailed in note 19.

The total authorised number of ordinary shares is 20,000,000 (2012: 20,000,000) with a par value of 10p per share (2012: 10p). All issued shares are fully paid.

Warrants

	2013 Number	2012 Number
At 1 July 2012	299,443	368,443
Expired	-	(69,000)
At 30 June 2013	299,443	299,443

Warrants outstanding at the end of the year have the following expiry date and have an exercise price of £1 per share.

	2013	**2012**
12 May 2014	299,443	299,443

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 2013 and 2012 is set out in the Consolidated and Company Statement of Changes in Equity on page 24.

16. Share options

Frontier IP has two option schemes, the Frontier IP Group Plc Employee Share Option Scheme 2012 and the Frontier IP Group Plc Unapproved Share Option Scheme 2012. The first is an enterprise 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.

NOTES TO THE FINANCIAL STATEMENTS

16. Share options (cont.)

Movements in the number of share options outstanding and their related weighted average exercise prices were as follows:

	2013 Weighted average exercise price Pence per share	2013 Options ('000s)	2012 Weighted average exercise price Pence per share	2012 Options ('000s)
At 1 July	100	198,887	100	198,887
Granted	15	848,389	-	-
Surrendered	100	(198,887)	-	-
At 30 June	15	848,389	100	198,887

Of the 848,389 outstanding options (2012: 198,887) none had vested at 30 June 2013 (2012: 198,887 had vested).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price Pence per share	2013 Number	2012 Number
2019	100	-	198,887
2023	15	848,389	-

The weighted average fair value of options granted to executive Directors during the year determined using the Black-Scholes-Merton valuation model was 2.8p per option. The significant inputs into the model were exercise price shown above, volatility of 33% based on three years' historical date, dividend yield of 0%, expected option life of 5 years and annual risk free interest rate of 1.1%.

17. Cash used in operations

	Group 2013 £'000	**Group 2012 £'000**	**Company 2013 £'000**	**Company 2012 £'000**
Loss before tax	**(368)**	(380)	**(2,547)**	(121)
Adjustments for:				
Share-based payments	**4**	1	**4**	1
Depreciation	**-**	1	**-**	1
Fair value (gain)/loss on financial assets through profit and loss	**57**	(61)	**1,180**	-
Cost of share issue	**44**	-	**44**	-
Changes in working capital:				
Trade and other receivables	**(142)**	(30)	**781**	123
Trade and other payables	**(29)**	3	**2**	(26)
Cash flows from operating activities	**(434)**	(466)	**(536)**	(22)

18. Related party transactions

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

Sigma charged directors' fees of £38,000 (2012: £50,000) and recharged premises costs of £9,000 (2012: £9,000). The fees are for the services of Graham Barnet and Marilyn Cole as Directors of the Company and for administration support.

NOTES TO THE FINANCIAL STATEMENTS

18. Related party transactions (cont.)

The Dundee Fund and the RGU Fund are currently managed on the Group's behalf by Sigma's FCA authorised and regulated subsidiary Sigma Technology Management Limited of which Neil Crabb is also an employee. The Group received £37,000 from Sigma (2012: £40,000) in respect of Neil Crabb's services and in respect of deal fees.

At 30 June 2013 the Group owed Sigma £8,000 (2012: £25,000) and was owed £11,000 (2012: £12,000) 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 (2012: £70,000), charged Counterweight fees of £28,000 (2012: £35,000) and charged Intelligent Flow Solutions fees of £12,000 (2012: £3,000). At 30 June 2013, the Group was owed £146,000 (2012: £123,000) by Nandi, £27,000 (2012: £12,000) by Counterweight and £10,000 (2012: £4,000) 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 £5,000 (2012: £3,000). At 30 June 2013, the Group was owed £5,000 (2012: £4,000) by the University of Dundee.

Subsequent to the year end, on 13 August 2013 Neil Crabb exchanged shares in Nandi for 658,745 new ordinary shares in the Company at an implied price of 10p per new ordinary share.

19. Post balance sheet event

On 13 August 2013, the Company conducted a placing of 3,920,000 new ordinary shares of 10p for cash at a price of 10p per share raising £392,000 before expenses.

FIVE YEAR RECORD

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Total revenue	117	223	307	94	53
Loss from operations	(368)	(380)	(269)	(328)	(120)
Net finance income	-	-	-	2	-
Loss before tax	(368)	(380)	(269)	(326)	(120)
Attributable to:					
Equity holders of the Company	(368)	(380)	(269)	(326)	(120)
Net assets employed	2,751	2,507	2,886	2,394	2,686
Basic loss per ordinary share (pence)*	3.51	5.45	3.86	6.55	9.56

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