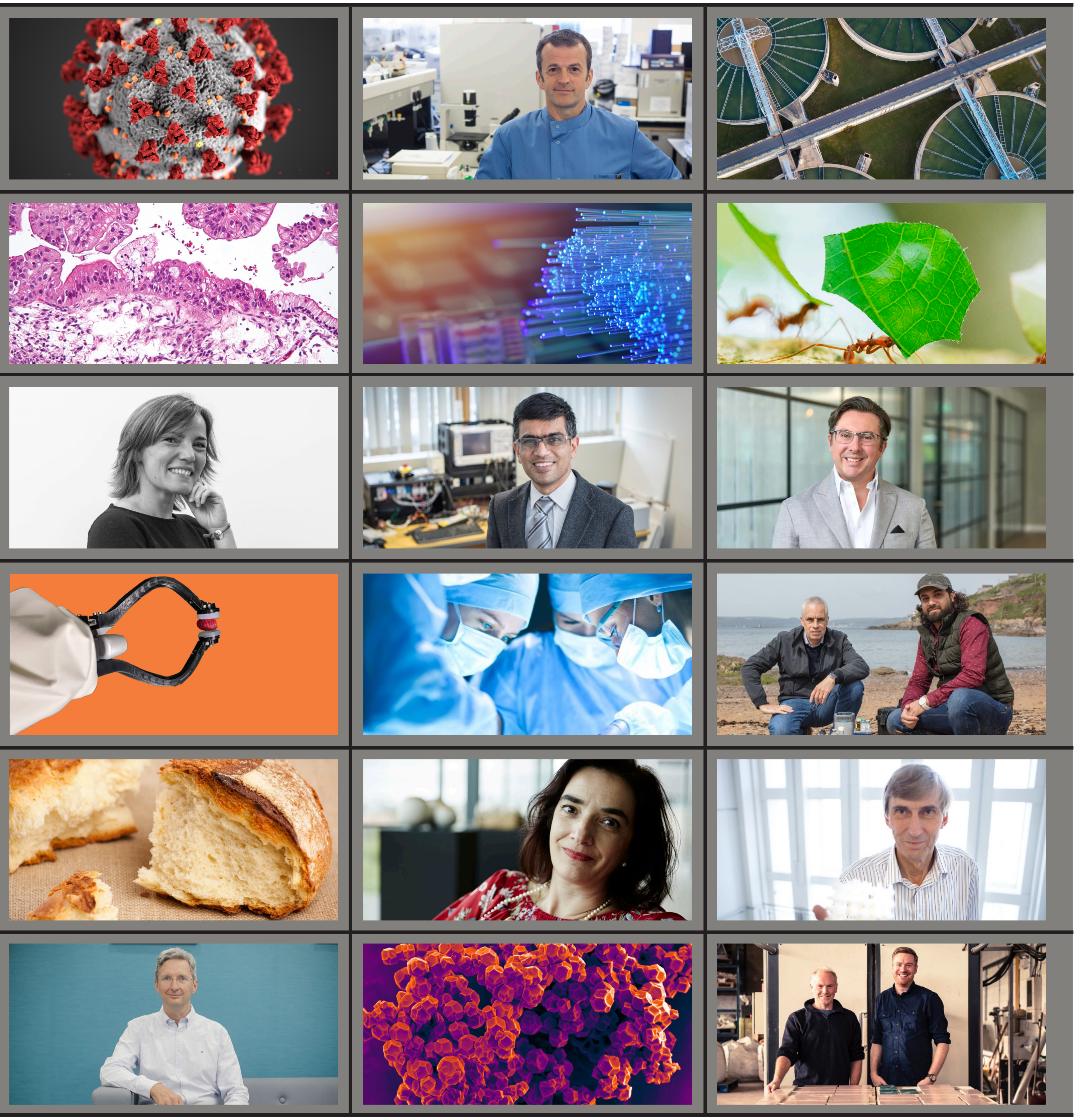
Frontier IP Group plc

Annual Report and Accounts 2020



Frontier IP provides commercialisation services in return for equity. We unite science, finance and industry to turn outstanding research into high-value businesses.

OVERVIEW

STRATEGIC REPORT

OUR GOVERNANCE

OUR FINANCIALS

COMPANY INFORMATION

Highlights
Financial

Fair value of our portfolio increased by 47% to

£19,444,000 2020

£13,252,000 2019

Profit before tax increased by 78% to

£4,184,000 2020

£2,350,000 2019

Total revenue and other operating income increased by 49% to

£6,377,000 2020

£4,268,000 2019

Basic earnings per share increased to

8.76p 2020

5.77p 2019

Reflecting a net unrealised profit on the revaluation of investments

£5,973,000 2020

£3,850,000 2019

Cash balances at 30 June 2020 of

£2,968,000 2020

£1,466,000 2019

Revenue from services decreased by 3% to

£404,000 2020

£418,000 2019

Net assets per share as at 30 June 2020 of

51.0p 2020

41.4p 2019

"Outside of coronavirus, highlights of the year saw the growing maturity of the portfolio reflected in an increased flow of fundraising and new industrial partnerships. A number of companies are now at important inflection points in their development. They have completed much hard toil in developing and validating their technologies and are now poised to see commercialisation materially accelerate. "

Andrew Richmond | Chairman

Highlights: continued

Corporate

- Strong response to opportunities and challenges presented by COVID-19 includes portfolio companies taking advantage of additional UK government support and adapting portfolio company technology to meet challenges posed by the crisis
- Post period end, raised £2.3 million via an oversubscribed placing and PrimaryBid retail offer to provide firepower and nimbleness through additional investment in the Group and enable increased capacity for bridge financing and direct investment in portfolio companies
- The post period end fundraising attracting strong support from existing and a significant number of new investors
- Two new portfolio companies incorporated – Elute Intelligence Holdings Limited and AquaInSilico Lda
- Increased stake in portfolio company Celerum from 10 per cent to 33.8 per cent to support development of its nature-inspired artificial intelligence tools to improve the efficiency of logistics
- Appointed Nplus1 Singer Advisory LLP ("N+1 Singer") as the Group's sole broker. Allenby Capital remains the Group Nominated Adviser
- Team strengthened with the appointment of two specialist advisers focused on defence, and food and agritech. We also appointed a Technology Commercialisation Director and, post period end, a Software Commercialisation Director. Both posts are non-board roles
- Collaborative project with University of Cambridge to tackle gum disease awarded grant by the National Biofilms Innovation Centre

Portfolio

- Strong commercial and technical progress, including industry engagement, within the portfolio overall, reflected in the increase in fair value
- Growing maturity of portfolio with a number of companies approaching inflection points reflected in faster flow of equity fund raisings:
  - Exscientia secured $60 million in Series C funding, led by new investor Novo Holdings
  - The Vaccine Group raised £680,000 and Fieldwork Robotics raised £316,000 through their first equity fund raisings
  - Molendotech raised a further equity investment of £425,000
  - Post period end, Cambridge Raman Imaging Limited attracted £250,000 equity investment in addition to winning €140,000 EU Graphene Flagship grant during the year
  - Post period end Pulsiv Solar raised £500,000 via a convertible loan, including a £250,000 investment by the UK government's Future Fund matched by the University of Plymouth Enterprise Limited and Frontier IP
  - Post-period end Elute Intelligence commercially launched Patent Reader Product following successful trials with a group of high-end users
  - Post period end, Nandi Proteins raised £720,000 via a convertible loan, including a £360,000 investment from the UK government's Future Fund, matched by Frontier IP and Shackleton Finance Limited
- Portfolio companies also made strong commercial and technical progress, including developing new and existing industry partnerships:
  - The Vaccine Group is developing vaccines for COVID-19, Ebola, Lassa fever, African Swine Fever bovine Tuberculosis and bovine mastitis, generating new commercialisable IP
  - Exscientia entered collaborative agreements with Rallybio, Bayer AG and SRI International. Behind first AI-designed drug to enter human clinical trials in partnership with Sumitomo Dainippon Pharma. Entered COVID-19 joint initiative with Diamond Light Source and Calibr to progress compounds with potential to be viable drugs to combat the disease
  - Elute Intelligence used novel technology to develop COVID-19 document reader and Patent Reader product, launched commercially post period end
  - Post period end Pulsiv Solar announced it had started work funded by major multinational to incorporate technology into new product line, was engaged with other major companies and strengthened IP position
  - Other post period end developments included Fieldwork Robotics entering into a collaboration with Bosch, Celerum supporting PlanSea Solutions and AquaInSilico working with a leading European environmental, water and waste management group

Our business

Our Key Strengths

- Strategy based on proving the commercial value of IP before significant financial commitment is made
- Portfolio offers potential for strong ongoing growth in equity valuation
- Innovative and capital efficient business model
- Proactive sourcing of potential spin outs
- Founder equity in return for hands-on commercialisation support before capital raising
- Deep relationships with academics, universities and industry partners

Our approach

IDENTIFY

Identify and evaluate strong commercialisable intellectual property generated by academics, universities and other partners

SPIN OUT

Take material equity stakes in return for commercialisation services and proactive, hands-on support

SCALE UP

Drive industry engagement and validation to prove technology works, can be scaled up and meets the demands or needs of real-world customers

FUNDING

Raise funding for further development mostly from third party investors as technical and commercial milestones are achieved

EXIT

Generate value through potential deferred earnings that crystallise on realisation

Our business: continued

Business Model

Frontier IP's purpose is to unite science, finance and industry to turn outstanding research into high-value businesses. Our aim is to generate long-term, sustainable returns for all our stakeholders; investors, universities, academics, industry partners and the companies themselves.

Our approach is innovative and capital efficient. It is based on proving the commercial worth of intellectual property, working closely in partnership with universities, academics and industrial partners; we earn our equity in portfolio companies in return for providing IP commercialisation and support services. These range from ensuring the business mechanics run smoothly to direct, hands-on support for technology development.

The focus is on the essentials: validating the technology and, through early industry engagement, understanding how it can be scaled up and what market needs or demands are being met.

Because intellectual property can have applications across many different sectors, we assess IP based on our expertise and understanding of underlying technologies, industrial processes and potential partners. As a result, our portfolio companies fall into clusters where they have either potential industry partners or underlying technologies in common. This allows us to exploit synergies in expertise and across networks to drive value in a more effective way than taking a narrower sector-based approach.

Funding is typically raised for portfolio companies from third parties once milestones are achieved, to fund future development and progress to an exit. We may ourselves commit small sums to portfolio companies through either loan advances or direct investment to enable them to meet working capital requirements. Portfolio companies also take advantage of non-dilutive grant funding.

Shareholder value is driven by the potential for realisations on exit, with the value of the portfolio representing potential deferred earnings.

We have developed, and continue to develop, strong relationships with universities, academics, industry and other organisations to source, identify and evaluate IP. Shareholders in our portfolio businesses are usually universities, academics, institutions, private investors and ourselves. Typically, no shareholder has a controlling stake, ensuring interests are aligned across all those involved in building the business.

The Group also generates additional revenue from its portfolio through board retainers and fees for bespoke business development, corporate and strategic advisory work, and fundraising.

We continue to grow our network of sources of capital ranging from institutions, industry investors through to private individuals. The Group's fundraising activity for our spin-out companies both enhances value in its portfolio and may also generate revenue for the Group. To enable us to provide fundraising support and raise capital for our portfolio, Group subsidiary Frontier IP Management Limited is an Appointed Representative of Privium Fund Management (UK) Limited which is authorised and regulated by the Financial Conduct Authority in the UK.

Our clusters approach

Frontier IP's portfolio falls into four broad clusters. These are:

- Artificial Intelligence, Big Data, Sparse Data and Robotics
- Engineered Particles and Materials
- Food and Agritech
- Pathogens and Cell Imaging

How our portfolio companies fall into each cluster

- Artificial Intelligence, Big Data, Sparse Data and Robotics: AquaInSilico, Cambridge Raman Imaging, Celerum, Elute Intelligence, Exscientia, Fieldwork Robotics, PoreXpert, Pulsiv Solar, and The Vaccine Group
- Engineered Particles and Materials: Alusid, CamGraPhIC, Cambridge Raman Imaging, Nandi Proteins, NTPE, and Tarsis Technology
- Pathogens and Cell Imaging: Amprologix, Cambridge Raman Imaging, Insignals Neurotech, Molendotech and The Vaccine Group
- Food and Agritech: AquaInSilico, Des Solutio, Fieldwork Robotics, Molendotech, Nandi Proteins, Tarsis Technology, and The Vaccine Group

Our business: continued

The Vaccine Group: an example of our clusters approach

The Vaccine Group (TVG) is developing a novel technology which can serve as a platform for vaccines to tackle a wide range of different diseases, including those which cross from animals into humans. It belongs in three clusters – Artificial Intelligence, Big Data, Sparse Data, and Robotics; Food and Agritech; and Pathogens and Cell Imaging.

Initially designed for use in animals, TVG's vaccines are being developed for two broad categories of disease. First are those which pose a direct threat to human health by jumping the species barrier. They include COVID-19, Ebola, Lassa fever, and Streptococcus suis, a disease in pigs which can be fatal to humans. The second category are diseases which harm economically important livestock, such as pigs and cows. Vaccines under development include those to combat bovine tuberculosis, African Swine Fever, and bovine mastitis.

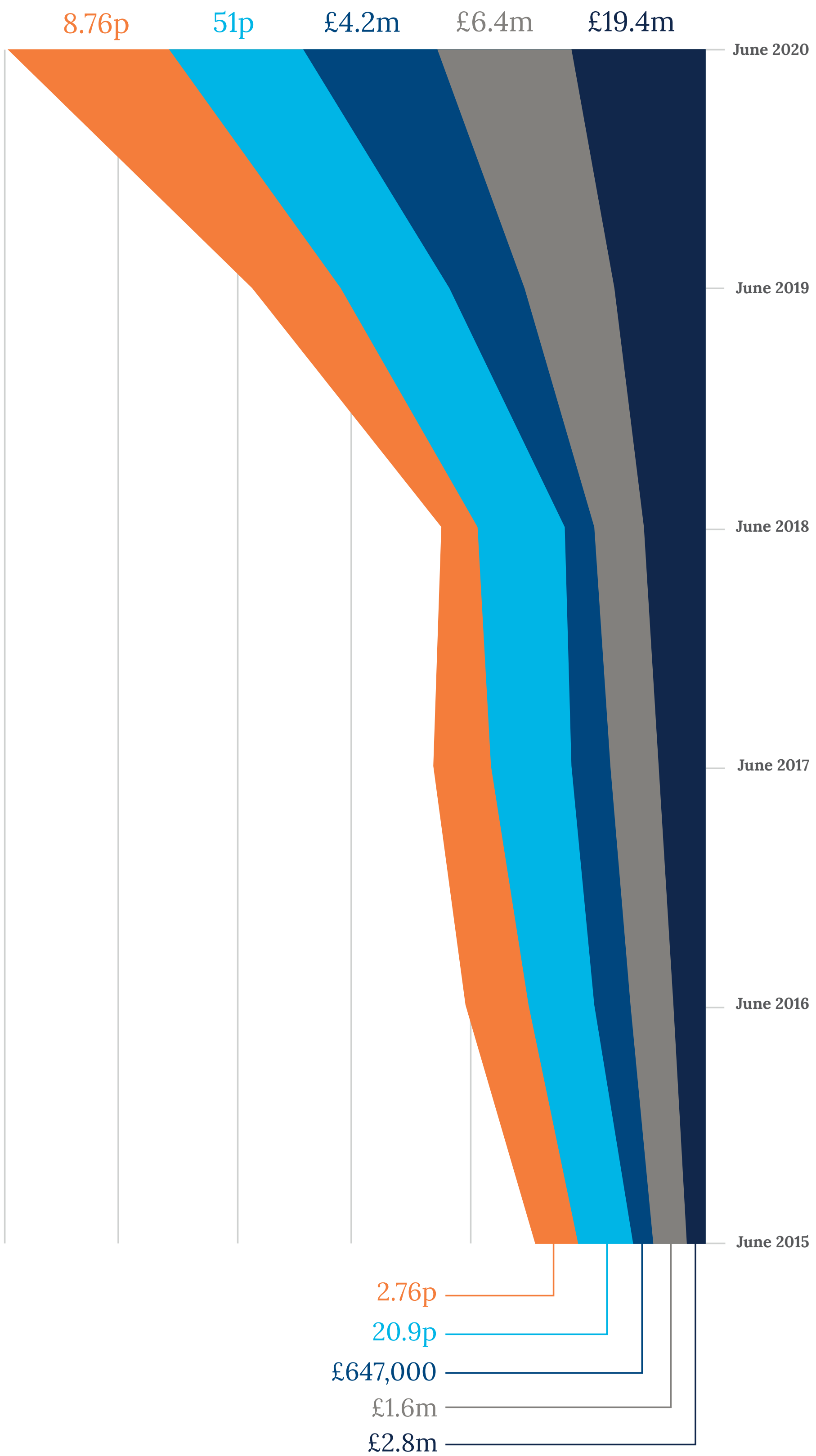
TVG's vaccines are based on benign forms of herpesviruses, a group of viruses found in all animals, including humans. They are created by inserting a non-infectious region of DNA from the pathogen being targeted into the herpesvirus. The vaccine then stimulates in immune response against the disease when delivered into animals.

The company needs to apply sophisticated data and software modelling techniques to identify the right DNA to use in its vaccine. As a result, it belongs in the artificial intelligence, Big Data, Sparse Data, and robotics cluster.

Its inclusion in the food and agritech cluster is earned by the focus on diseases afflicting economically important livestock. African Swine Fever has had a major economic impact in China and on pork prices globally, having killed or led to the slaughter of one in four pigs globally in 2019. Bovine tuberculosis, is seen as a major animal health threat in the UK, and, as a zoonotic disease, to human health in lower to middle income countries.

Finally, TVG's place in our Pathogens and Cell Imaging cluster is because of its work in seeking to combat a host of infectious diseases

Our story:
delivering growth over the last five years



We have enjoyed a strong performance over the past five years.

Our performance is also reflected in our newsflow. You can learn more about our recent news elsewhere in this annual report, or by reading our new quarterly newsletter on our website, www.frontierip.co.uk. or here: https://wp-frontier-2020.s3.eu-west-2.amazonaws.com/media/2020/10/26153551/Frontier-IP-Group-Newsletter-Oct-20-FINAL-2.pdf.

- Fair value of portfolio (£)
- Total revenues and operating income
- Pre-tax profit (£)
- Net Assets per share (p)
- Earnings per share (p)

Our portfolio companies:
some to watch

Companies at inflection points:

Several portfolio companies are now approaching inflection points. These are points at which a portfolio company achieves a critical mass of technological progress, industry engagement and/or investor interest. Once this point is passed, Frontier IP will review exit options for its stakes.

Elute Intelligence Holdings

Frontier IP stake: 43.5 per cent

Elute Intelligence Holdings is developing novel software tools to intelligently search, compare and analyse complex documents by mimicking the way people read – a method very different from either traditional artificial intelligence or Google-type searching.

The company was formed during 2019 from an existing business, CFL Software, whose customers included university admissions service UCAS, which uses a bespoke version of the software to detect plagiarism in student applications.

The company commercially launched a ground-breaking Patent Reader in September 2020, after the period end, following a successful pilot with a dedicated user group consisting of patent-rich multinationals, high-tech SMEs and professional service providers. It has also launched a dedicated document reader to support academics and researchers studying COVID-19.

Pulsiv Solar

Frontier IP stake: 18.9 per cent

Pulsiv Solar's patented technology improves the energy efficiency of devices that need to convert power. These include the power converters used in a huge range of everyday devices, such as televisions, mobile phones and laptops, and battery chargers. The Company has attracted very strong interest from industry.

It was already working closely with Bosch to optimise the design of a solar microinverter to improve the energy efficiency of solar cells; after the period end, in July, it started design work funded by a major multinational to incorporate its technology into a new product line. It is also is engaging with a number of other large multinationals about a wide range of further industrial applications.

The UK government Future Fund invested £250,000 in the company post period end as part of a £500,000 convertible loan. Pulsiv has also won grants from Innovate UK.

Our portfolio companies: continued

The Vaccine Group

Frontier IP stake: 17 per cent

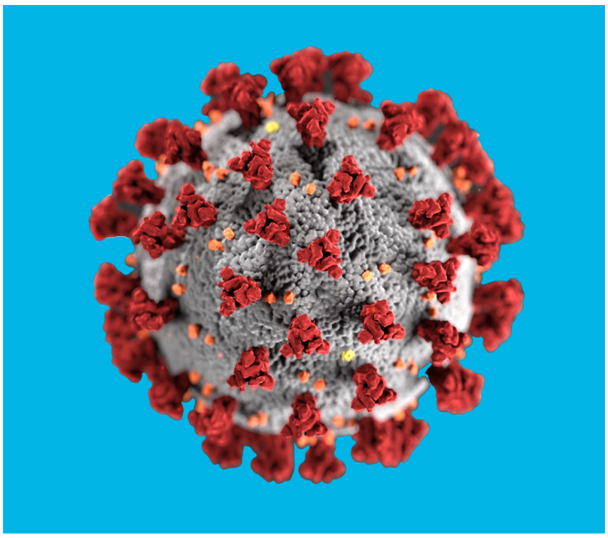
The Vaccine Group is developing a novel vaccine platform technology based on benign forms of herpesviruses to create a wide range of different vaccines for use initially in animals to combat zoonotic or economically damaging diseases. Herpesviruses are a group of viruses found in all animals, including humans. The vaccines are created by inserting a non-infectious region of DNA from the pathogen being targeted into the herpesvirus. This vaccine then stimulates an immune response when delivered into animals.

The company made significant progress in developing animal vaccines to tackle COVID-19 during the year and post period end, when they moved into animal trials. The risk of animal reservoirs of Sars-CoV-2 has not garnered much attention despite cat data and mink culling pointing to this being a real issue, aside from the origins of the disease in bats.

This success has been built on a slew of other positive news. Vaccines based on its platform to tackle bovine tuberculosis and African Swine Fever are also ready for animal trials. US government-funded work on vaccines for Lassa fever and Ebola is progressing well, and new IP potential has emerged from rabbit trials of a bovine mastitis vaccine.

To date, the company and its international partners have been awarded more than £9 million in grant funding by the UK, US and Chinese governments. Post period end, the company entered into its first industrial collaboration with The Pirbright Institute and ECO Animal Health Group, which is funding an 18-month project to develop a vaccine for porcine reproductive and respiratory syndrome virus.

TVG also announced the completion of its first equity funding round in January 2020, raising £680,000.



Nandi Proteins

Frontier IP stake: 20.1 per cent

Nandi Proteins: the company's process control technology creates new functional proteins from plants and animals that can be used as ingredients to replace fat and E-number additives in a host of processed foods.

The company made significant progress during year and beyond. Work with several major food industry partner has validated the strength of its technology, which is now ready to undergo full industrial trials in food production plants. If these are successful, then commercial roll out will follow.

The work has been backed by the UK government's Future Fund, which invested £360,000 after the period end into the company as part of a £720,000 convertible loan, with its funding matched by Nandi shareholders Frontier IP and Shackleton Finance. The money will allow Nandi to meet the commercial and technical milestones it now has to complete.

Nandi's partners include Devro, one of the world's leading providers of collagen casings for food, and supplier to Kerry Foods Group. Nandi is also leading an industry consortium to develop gluten replacements in work backed by Innovate UK and Coeliac UK. The consortium includes AB Mauri, the ingredients division of AB Foods, and Agrii, a subsidiary of Origin Enterprises.

It is also exploring opportunities in the burgeoning market for plant-based foods designed to replace those traditionally made with meat. Its natural vegetable protein-based ingredients have the potential, for example, to replace the chemical emulsifiers currently used in production of many processed foods.

Our portfolio companies: continued

Alusid

Frontier IP stake: 35.6 per cent

Alusid creates beautiful premium-quality tiles and architectural surfaces by recycling industrial waste ceramics, glass and other materials, much of which would otherwise end in landfill.

During the year, the company proved its tiles can be made at high volume – a 1,000m2 a day – using industry-standard tile making equipment, up from the 4,000m2 a year hand making tiles through a batch process at its plant in Preston, Lancashire. It is in advanced discussions to widen the distribution of its products.

Current customers include Nando's, Harrods, Selfridges, Amazon UK and Pret-a-Manger. The Company also has a distribution agreement with Parkside Architectural Tiles, the commercial arm of Topps Tiles.

A move to volume manufacturing gives a clear opportunity to scale up and added distribution should see rapid acceleration.

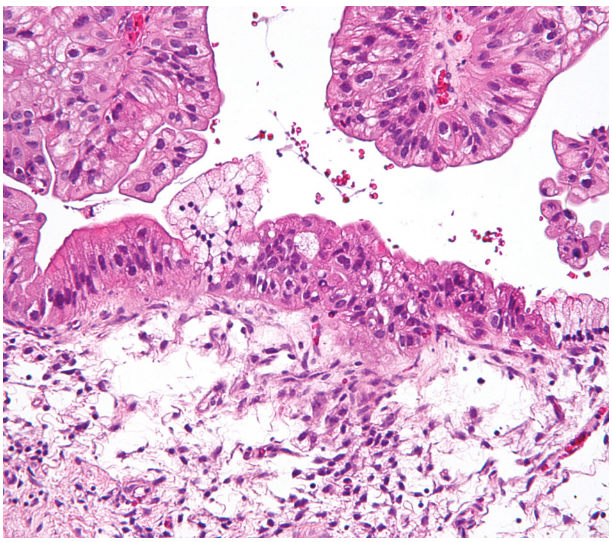
Cambridge Raman Imaging

Frontier IP stake: 30.9 per cent

Cambridge Raman Imaging: is developing ultra-fast lasers enhanced by graphene or other two-dimensional materials for use across a range of imaging applications. The company is initially focused on a graphene-enabled Raman imaging scanning microscope for use in medicine to diagnose and track cancer tumours and for use in other detection applications.

The company announced it had been awarded a €140,000 grant from the EU Graphene Flagship during the year and closed its first investment round after the period end, raising £250,000.

In other developments, the company appointed ultrafast and medical lasers specialist Dr Matteo Negro as Chief Technology Officer and Cambridge Raman Imaging's wholly-owned Italian subsidiary, Cambridge Raman Imaging s.r.l, was recognised as an official spin out from the Politecnico di Milano, opening up access to facilities at the University and further funding opportunities.



Chairman's Statement

Andrew Richmond | Chairman

Outside of coronavirus, highlights of the year saw the growing maturity of the portfolio reflected in an increased flow of fundraising and new industrial partnerships.

Performance

The year to 30 June 2020 saw Frontier IP and its portfolio companies make strong progress, despite the considerable uncertainties resulting from the COVID-19 outbreak. Chief Executive Officer Neil Crabb deals with the impact and our response in his statement, so I will limit my comments to saying that I am delighted with the responses from the Frontier IP team and our portfolio companies.

I would like to thank them for the splendid way they have reacted to the challenges and opportunities arising from the crisis.

Outside of coronavirus, highlights of the year saw the growing maturity of the portfolio reflected in an increased flow of fundraising and new industrial partnerships. A number of companies are now at important inflection points in their development. They have completed much hard toil in developing and validating their technologies and are now poised to see commercialisation materially accelerate.

Among them, of course, is Exscientia, whose artificial intelligence underpinned the first AI-designed drug to enter human clinical trials in partnership with Sumitomo Dainippon Pharma. The Company also raised $60 million through a successful Series C equity funding round during the year and signed further collaboration and commercial agreements, including with Bayer AG. Total milestone and other payments potentially due to Exscientia now come to more than £500 million.

Other successes include the significant progress made by Pulsiv Solar, which is now being paid by a major multinational to incorporate its technology to improve the energy efficiency of power converters into a new product line. The company was already collaborating with Bosch.

Building on our relationship, Bosch also entered into a collaboration with Fieldwork Robotics to support development of its agricultural robots. The Company also completed its first ever equity fund raising and entered into a new industry collaboration after the period end; it is now working with Bonduelle, a leading European produce company, to develop a cauliflower harvesting iteration of its advanced agricultural robot technology.

Chairman's statement: continued

I was also delighted with the rapid rate of progress at our two new portfolio companies. Elute Intelligence, the first in our portfolio to be formed from an existing company rather than a university spin out, commercially launched its Patent Reader post period end, as well as providing free-to-use tools for researchers investigating COVID-19. In addition, AquaInSilico won a European Union grant to commercialise its wastewater management software tools for improving the removal of phosphorus from wastewater.

Neil talks about the work The Vaccine Group is doing to create a family of vaccines, initially for use in animals, to combat COVID-19. The company is also making significant progress in its other work developing vaccines for Ebola, Lassa fever, African Swine Fever, bovine tuberculosis and Streptococcus suis. The company and its partners have already received substantial backing from the state sector. Strong endorsement from the private sector came post period when it announced a collaboration with The Pirbright Institute and ECO Animal Health Group.

We believe our portfolio as a whole is strongly placed despite the uncertainties resulting from the virus – and as we explain in our governance statements, our companies are playing their part in tackling some of the most pressing issues of the day.

Our governance

Good governance is vital for long-term sustainable growth, and we strive to achieve the highest standards for a company our size. We adhere to the Quoted Companies Alliance Corporate Governance Code, introduced in April 2018. To see more details about how we apply the principles of the Code, see the Our Governance section of this report and our website: https://www.frontierip.co.uk/about/governance/

Results

I am delighted with how the Group has performed in the year. An increase of 78% in pre-tax profits and an increase in the fair value of our portfolio to £19,444,000 vindicate the strength of our business model.

For the year to 30 June 2020, total revenue and other operating income increased by 49% to £6,377,000 (2019: £4,268,000) as a result of a net unrealised profit on the revaluation of investments of £5,973,000 (2019: £3,850,000), principally due to the increase in fair value of Pulsiv Solar and The Vaccine Group. Revenue from services, principally board retainers and licence income decreased slightly by 3% to £404,000 (2019: £418,000) as some services were assigned to companies' own management.

Outlook

Our team at Frontier IP is strong, and we strengthened it further with several key appointments during the year. I would like to thank our team for an excellent performance in very difficult circumstances. It has also been a particularly tough environment for our partners and I would like to express my gratitude to our key stakeholders for their resilience and for their support in growing our portfolio, which I am sure will continue to develop and thrive in the years ahead.

Andrew Richmond | Chairman
4 November 2020

Strategic Report

Frontier IP's strategic objectives are to achieve growth and create long-term, sustainable value for all stakeholders.

The Group does so by:

- Identifying and evaluating strong commercialisable IP generated by academics, universities and other partners to generate a steady stream of spin outs
- Taking material equity stakes in spin-out companies in return for commercialisation services and proactive, hands-on support
- Validating technology, scale up and market demand in partnership with industry
- Raising third-party funds for further development once milestones achieved for further development
- Generating value through potential deferred earnings that crystallise on realisation

"The business model is also proving its resilience. The progress of the past year has clearly been overshadowed by the events of the final quarter as a result of COVID-19 and the unprecedented steps taken to stop the spread of the virus. While I would not want to underplay the negative impact on some portfolio companies, I believe for the portfolio as a whole, there is much more potential on the upside."

Neil Crabb, Chief Executive Officer

Chief Executive Officer's Statement

Neil Crabb | Chief Executive Officer

Frontier IP saw another strong year for the period to 30 June 2020.

The fair value of our portfolio rose 47% to £19,444,000. We continued to adhere to our capital efficient business model with profit before tax increasing by 78% to £4,184,000. These numbers were significantly ahead of initial management expectations.

More detail on the reasons for our strong progress can be found in the corporate and portfolio reviews elsewhere in these statements. The growing maturity of our portfolio and the number of companies now reaching important inflection points provide further evidence that the very different approach our business model takes to commercialising intellectual property is working.

The business model is also proving its resilience. The progress of the past year has clearly been overshadowed by the events of the final quarter as a result of COVID-19 and the unprecedented steps taken to stop the spread of the virus. At the time of our half year results in March, I said we always sought to be candid about the risks we face, and that remains true now we have a much clearer understanding of challenges and opportunities presented by the pandemic. While I would not want to underplay the negative impact on some portfolio companies, I believe for the portfolio as a whole there is much more potential on the upside.

Broadly, the impacts on our portfolio companies fall into one of four areas – those where there are direct opportunities, others where opportunities arise from pandemic-induced changes to infrastructure, where the impact is neutral, and finally where the pandemic has caused delays to technical and commercial development.

Direct opportunities: most obviously The Vaccine Group, which has made rapid progress in developing a family of COVID-19 vaccines, initially for use in animals, to tackle the disease. Exscientia has been applying its artificial intelligence to identify potential treatments for COVID-19, while Elute has developed dedicated free-to-use document searching software to aid academics researching the virus. The pandemic has also highlighted other threats to global health, including the danger from antimicrobial resistance, Amprologix's area of expertise.

Infrastructure opportunities: areas where the pandemic has led to new ways of doing things, accelerated change or resulted in new government policy. For example, it has heightened the problems fruit and vegetable growers have in recruiting seasonal labour, the issue Fieldwork Robotics is seeking to address through its innovative agricultural robot technology. Other companies in this bracket would include Celerum, whose software improves the operational efficiency of complex logistics. CamGraPhIC, a company developing graphene and other 2D materials-based photonics able to transmit data significantly quicker over mobile and broadband networks, has the opportunity to benefit from the rise of remote working and the even greater need for high-speed transmission.

Neutral, where the impact is neither good or bad and the companies have been able to continue business on a reasonably normal basis. These include AquaInSilico, Des Solutio, NTPE, Insignals Neurotech, Cambridge Simulation Solutions, Cambridge Raman Imaging and Pulsiv Solar – although the latter, post period end, has benefited from the Future Fund scheme established to support innovative companies through the COVID-19 outbreak.

Finally, there are those companies facing delays to their technical or commercial development as a result of the outbreak. These are companies, for example, where decision making in industrial partners has been affected, or laboratories closed for the duration. However, the outbreak has not affected the fundamental worth of what they are doing, and we remain confident about their longer-term prospects. Although we did not furlough people directly employed by Frontier IP, some of our portfolio companies did so in line with their individual circumstances.

Chief Executive Officer's Statement: continued

It is not only business opportunities that have arisen as a result of the crisis. There are also a number of new funding opportunities, ranging from the Future Fund scheme from which Pulsiv and Nandi have benefitted, to the continuity grants to support companies through the pandemic offered by Innovate UK, the UK's innovation agency and which benefitted Fieldwork Robotics.

More broadly, grants are an important part of the funding mix: they are non-dilutive and, as applications are vetted by experts, provide important validation to the technology. Other grant winners during the period and after the period end included Cambridge Raman Imaging and AquaInSilico.

Different circumstances require different approaches. As part of our response to the crisis we have decided to tweak our business model to ensure we have the nimbleness and flexibility to seize opportunities as they arise. To this end, we plan to make more direct investment into our portfolio companies, either through equity investment or bridge financing. To support this ambition, we were delighted to successfully complete an oversubscribed placing via our broker, N+1 Singer and a PrimaryBid retail offer raising £2.3 million after the period end. I was delighted to see so many retail investors take advantage of the offer. I would like to welcome them to Frontier IP and thank them for their support.

Alongside an equally successful and oversubscribed placing raising £3.8 million net of expenses in November 2019, it means we are in a strong financial position to take advantage of opportunities in an environment which is ever shifting. We remain confident about the long-term prospects for the Group.

Within the Group, we continue to build a platform for future growth, key to which is finding the right people. We were very pleased to announce in October 2019 the appointments of John Price, who has had a long and distinguished career at Mars, Incorporated and Air Vice-Marshal Gary Waterfall CBE as specialist advisers to deepen and expand industrial partnerships for the Group and its portfolio companies. They will focus respectively on food and agritech, and defence.

I was also delighted to strengthen our core team. Lucy Rowbotham, former Director Medical Technology Division, at Cambridge Consultants, joined us as Technology Commercialisation Director in a non-board role. Post period end, we also welcomed Mark Rosten as Software Commercialisation Director, also a non-board role, who joined us from mobile payments group Bango plc where he was Senior Vice President Product Development. One of the objectives when we completed our latest funding round was to use certain of the proceeds to hire high-quality talent, and we are delighted to have delivered on this so quickly.

Another vital aspect of our business model is the strength of the industrial partnerships we forge. They are crucial for helping us understand the potential markets for our portfolio companies and to validate the technology. Therefore, I am very pleased to see our relationship with Bosch developing so strongly, with a new collaboration agreed to support Fieldwork Robotics in addition to the work they are already undertaking for Pulsiv.

I would also very much like to thank our investors and other stakeholders for their continued support in difficult times. We are well positioned despite the possible virus-related market and political headwinds and are confident that the year to come will build on the success we have enjoyed over the previous years of consistent growth and, despite these challenges, will be as successful as the year just passed.

Neil Crabb | Chief Executive Officer
04 November 2020

Key Performance Indicators

The Key Performance Indicators for the Group are:

KPI	Description	2020 Performance
Fair value of the portfolio	Value of equity in the portfolio	£19,444,000 (2019: £13,252,000)
Total revenue and other operating income	Growth in the aggregate of revenue from services and change in fair value of the portfolio	£6,377,000 (2019: £4,268,000)
Profit	Profit before tax for the year	£4,184,000 (2019: £2,350,000)
Net assets per share	Value of the Group's assets less the value of its liabilities per share outstanding	51.0p (2019: 41.4p)
Total initial equity in new portfolio companies	Aggregate percentage equity earned from new portfolio companies during the year	72% (2019: 123%)

We are pleased to report that the Group achieved significant increases in four of its five Key Performance Indicators, despite the issues raised by the COVID-19 pandemic. Since the COVID-19 outbreak, we have been more cautious in taking on new portfolio companies and have focused more on the existing portfolio with the result that the initial equity in new portfolio companies for the year is less than in 2019.

The value of the Group's equity investments increased to £19,444,000 (2019: £13,252,000) with net assets increasing to £25,866,000 (2019: £17,591,000). Profit after tax for the Group for the year to 30 June 2020 was £4,184,000 (2019: £2,350,000). This result includes a net unrealised profit on the revaluation of investments of £5,973,000 (2019: £3,850,000) and reflects a decrease in services revenue to £404,000 (2019: £418,000) and greater administrative expenses of £2,241,000 (2019: £1,932,000) as the Group invested in people. The additional administrative expenses were offset by growth in unrealised profit on revaluation of investments.

Operational Review

Corporate

Frontier IP made strong progress during the year, despite the impact of COVID-19 in the final quarter. A number of portfolio companies are now at inflection points as demonstrated by the significant technical and commercial advances made by a number of portfolio companies outlined in the Portfolio Review.

In anticipation of this and to ensure we had the financial wherewithal to make the most of opportunities, we raised £3.8 million (net of expenses) through an oversubscribed placing in November 2019. COVID-19 has given rise to further opportunities across a number of portfolio companies; to enable us to pursue these opportunities we raised a further £2.3 million (before expenses) through an oversubscribed placing and PrimaryBid retail offer. The funding will be used to invest in the Group to ensure there is the capacity to step up technology commercialisation. We are also flexing our business model to provide more direct financing to our portfolio companies via bridge funding and direct investments in portfolio companies.

People resource is a potential constraint on our ability to grow our business. During the year, Lucy Rowbotham joined as Technology Commercialisation Director in a non-board role. She is a former Director, Medical Technology Division, at Cambridge Consultants, and has extensive experience of technology commercialisation. Post period end, Mark Rosten joined as Software Commercialisation Director, also in a non-board role, from mobile payments group Bango plc where he was Senior Vice President Product Development.

We were also very pleased to announce the appointments of John Price and Air Vice-Marshal Gary Waterfall CBE as specialist advisers on food and agritech, and defence respectively.

Collaborations and partnerships are an important part of what we do whether with industry, academia or government. We were delighted post year end to extend our relationship with Bosch, already collaborating with Pulsiv Solar, to supporting Fieldwork Robotics with the commercial development of its agricultural robot technology.

We are also delighted to be collaborating with the University of Cambridge on a project to tackle gum disease which has been awarded a grant by the National Biofilms Innovation Centre. Other developments included increasing our stake in Celerum from 10 per cent to 33.8 per cent, reflecting the increased industry interest we are seeing in the company's novel artificial intelligence technology based on natural behaviour.

In September 2019, we announced N+1 Singer as the Group's sole broker alongside Allenby Capital Limited as the Group's Nominated Adviser.

Portfolio Review

Core portfolio

Frontier IP strives to develop and maximise value from its core portfolio, which numbered 19 at the year end. We do so by taking founding stakes in companies at incorporation and then working in long-term partnerships with shareholders, academic and industry partners. Core portfolio companies must meet two out of three criteria:

- The Group holds at least 10 per cent of the company's equity
- Our shareholding is worth at least £500,000
- We see substantial opportunity for a favourable exit, either through trade sale or IPO.

The core portfolio made strong progress across a number of fronts during the year, rising to meet the challenges and opportunities presented by COVID-19 during the final quarter. The growing maturity of the portfolio, with a number of companies approaching inflection points, was reflected in an increased flow of equity fund raisings, including the first equity funding rounds for The Vaccine Group and Fieldwork Robotics. We incorporated two new portfolio companies, including Elute Intelligence, the first from a non-university source. The other was AquaInSilico, our fourth spin out in Portugal. Industry engagement with our portfolio companies remained strong, with highlights including a slew of collaboration agreements for Exscientia, a major multinational funded development work for Pulsiv Solar and, post period end, Fieldwork Robotics entering into a collaboration with Bosch.

Alusid

Frontier IP stake: 35.6 per cent

Alusid's innovative formulations and processes create beautiful, premium-quality tiles, tabletops and other surfaces by recycling industrial waste ceramics and glass, most of which would otherwise be sent to landfill. Its processes also use less energy and water than conventional tile manufacturing.

The Company made significant technical progress during the year, successfully scaling up its technology for mass production on industry-standard manufacturing equipment. A successful pilot resulted in more than 1,000m2 of tiles being made in 24 hours – previously the company was limited to making 4,000m^2 a year hand making tiles via a batch process at its Preston plant.

Alusid is in advanced discussions to widen the distribution of its products.

Amprologix

Frontier IP stake: 10.0 per cent

Amprologix was created to commercialise the work of Mathew Upton, Professor of Medical Microbiology at Plymouth's Institute of Translational and Stratified Medicine.

The company is initially developing a new family of antibiotics, helping to tackle antimicrobial-resistant MRSA and other superbugs, based on epidermicin, which is derived from bacteria found on human skin. Progress to date has been rapid and industry involvement is already secured. Ingenza, a leader in industrial biotechnology and synthetic biology, is also a shareholder and is working with Amprologix on scale up.

COVID-19 has generated heightened interest in other threats to human health globally. Among these, and one consistently highlighted the World Health Organisation, is the danger of antimicrobial resistance. Amprologix is well placed to take advantage.

AquaInSilico

Frontier IP stake 29.0 per cent

AquaInSilico, the Group's fourth spin out in Portugal, is developing software tools to optimise wastewater treatment across many different industries, including municipal wastewater treatment plants, oil groups, brewers, pulp, paper and steel makers, food processing and waste recovery businesses.

The Company, a spin out from NOVA University, NOVA School of Science and Technology, has developed sophisticated algorithms able to understand and predict how biological and chemical processes unfold in different operating conditions.

After the period end, the Company announced it had won €60,000 EIT Raw Materials grant from the European Union's European Institute of Innovation and Technology to build on an existing collaboration with a leading environmental, water and waste management group to commercialise tools to remove phosphorus from wastewater in a more environmentally friendly and effective way than existing technologies.

Portfolio Review: continued

Cambridge Raman Imaging

Frontier IP stake: 30.9 per cent

Cambridge Raman Imaging was the Group's first graphene spin out, the result of a partnership between the University of Cambridge and the Politecnico di Milano, in Italy. It has been incorporated to commercialise research undertaken into ultra-fast lasers based on graphene or other 2D materials, initially for use in Raman-imaging microscopes to diagnose and monitor tumours. During the year, the Company won a €140,000 grant from the EU Graphene Flagship programme.

Post period end, it announced that it had successfully raised £250,000 in equity funding from external investors, been recognised as an official spin out by the Politecnico di Milano, opening up further funding avenues and access to facilities, and appointed a Chief Technology Officer.

CamGraPhIC

Frontier IP stake: 33.3 per cent

A second graphene spin out, this time from the University of Cambridge and Italian research institute CNIT, CamGraPhIC was incorporated to develop graphene-based photonics for high-speed data and telecommunications. Graphene photonics are seen as a key enabler for 5G technologies by the company's industrial partners. The area is attracting increased interest, with COVID-19 and the subsequent rise in remote working underlining the need for very high broadband speeds.

Cambridge Simulation Solutions

Frontier IP stake: 40.0 per cent

Cambridge Simulation Solutions is developing advanced software to simulate and control complex, discontinuous processes, such as the way neural transmitters work in the brain. There are a number of potential industrial and medical applications for the spin out to explore.

Celerum Limited

Frontier IP stake: 33.8 per cent

Celerum is developing novel artificial intelligence to improve the operational efficiency of logistics and supply chains. The technology also has the potential to address a host of other complex scientific, engineering and industrial challenges.

The Company, a spin out from the Robert Gordon University in Aberdeen, is developing technology based on nature-inspired computing, which develops software and algorithms based on natural processes and behaviours, such as those exhibited by ant colonies and fish schools.

During the year, Frontier IP increased its stake in the Company from 10 per cent to 33.8 per cent in response to increased industry interest. Post period end, the Company announced it had been sub-contracted to support software development for Aberdeen-based PlanSea Solutions.

Des Solutio

Frontier IP stake: 25.0 per cent

Des Solutio, incorporated as the Group's second Portuguese spin out in October 2018, is developing safer and greener alternatives to the toxic solvents currently used to extract active ingredients by the pharmaceutical, personal care, household goods and food industries. The company is developing strong relationships with potential industry partners.

Des Solutio was established to commercialise the research of Associate Professor Ana Rita Duarte and Dr Alexandre Pavia of the NOVA University Lisbon, NOVA School of Science and Technology.

Elute Intelligence

Frontier IP stake 43.5 per cent

Elute Intelligence, whose incorporation was announced during the period, is the first portfolio company not to originate from a university, instead being formed from an existing business, CFL Software Limited and including additional IP developed by Frontier IP.

The Company is developing software tools to intelligently search, compare and analyse complex documents by mimicking the way people read. There are a huge range of potential applications, from searching patents and contracts, to detecting evidence of plagiarism, collusion and copyright infringement.

To support researchers investigating COVID-19, the Company launched a dedicated, free-to-use only document reader. Post period end, it also commercially launched a Patent Reader following a successful pilot trial with a user group comprising users from multinationals, high-tech SMEs and professional IP services providers.

Portfolio Review: continued

Exscientia

Frontier IP stake: 2.4 per cent

Exscientia, a spin out from the University of Dundee, now based in Oxford, justified its reputation as a world leader in artificial intelligence-driven drug discovery by announcing its involvement in the world's first AI-designed drug to enter human clinical trials in partnership with Sumitomo Dainippon Pharma.

The announcement was part of another successful year. Exscientia signed further collaboration agreements with a host of leading pharmaceutical companies, including Rallybio, an early-stage company seeking to combat rare diseases, and giant Bayer AG to bring the total amount of upfront and potential milestone payments and royalties to more than £500 million.

During the period, the company successfully raised $60 million through a Series C funding round led by a new investor Novo Holdings. In March, Exscientia announced a joint initiative to identify COVID-19 drugs with Diamond Light Source, the UK's national synchrotron facility funded by the government, the University of Oxford, and Calibr, a division of Scripps Research (USA).

Fieldwork Robotics

Frontier IP stake: 26.7 per cent

Fieldwork Robotics successfully raised £316,000 through its first equity funding round after completing two sets of field trials for its novel raspberry-harvesting robot technology during the course of 2019. The company is now seeking to accelerate development of both the soft fruit picking and vegetable iterations of the technology.

To this end, it has entered into two further industry collaborations in addition to the work it is doing with Hall Hunter Partnership, a leading soft fruit grower, on the raspberry harvester. Post period end, it entered into a collaboration with Bosch, which will be optimising the robot arm technology and software to increase speed and reduce cost. It also started working with Bonduelle, a leading vegetable producer, on a three-year project to develop a cauliflower harvesting robot.

Although the COVID-19 outbreak has impacted subsequent field trials, it has also exacerbated the problems facing many growers in recruiting labour to work their farms and emphasised the potential for robots in agriculture.

Insignals Neurotech

Frontier IP stake: 33.0 per cent

Insignals Neurotech, a spin out from the Portuguese Institute for Systems and Computer Engineering, Technology and Science ("INESC TEC"), with the support of São João University Hospital, part of the University of Porto, is developing wireless wearable devices to precisely measure wrist rigidity to help surgeons place brain implants more accurately. The first product is aimed at Parkinson's disease and has already undergone two clinical studies.

Molendotech

Frontier IP stake: 12.6 per cent

Molendotech raised £425,000 in equity investment in May 2020 to accelerate development of its innovative rapid pathogen detection technology. The funding round valued the company at £3.9 million, up from its previous valuation, reflecting the success already achieved in commercialising its patented technology.

Siren$_{BW}$, a kit to test bathing water for faecal matter based on Molendotech's proprietary bacterial detection technology, was launched through Palintest, a subsidiary of FTSE 100 group Halma plc. The kit, which can be used on site, cuts testing times from up to two days to under 30 minutes because samples do not need to be sent to a laboratory. The company has also developed a novel method to detect specific pathogenic bacteria, and the investment will enable further development of this technology for new markets, including the food industry. The company is already collaborating with G's Group to develop tests detecting the different levels of bacteria in produce, food contact areas, and irrigation and washing water.

Molendotech has also received strong interest internationally from potential customers concerned about the risk of secondary infections result from the COVID-19 outbreak.

Nandi Proteins

Frontier IP stake: 20.1 per cent

Nandi Proteins develops processes and process control technology to create new ingredients from whey, collagen and vegetable proteins to replace chemical E-number additives, fat and gluten in processed food. The technology is now in the process of being scaled up following successful small-scale trials in collaboration with industry partners, which include Devro and Kerry Foods Group.

With its expertise in vegetable proteins and a growing consumer demand for more meat-free products, Nandi is attracting strong interest from major companies in the food industry.

The Company continued to make good technical progress during the year. Although commercial progress has been delayed by the COVID-19 outbreak, the disease and its greater impact on the obese has resulted in the UK government stepping up efforts to encourage people to eat more healthily. The Company also raised £720,000 through a convertible loan from the UK government's Future Fund, Frontier IP and Shackleton Finance Limited.

Portfolio Review: continued

NTPE LDA

Frontier IP stake: 31.6 per cent

NTPE was our first spin out in Portugal. The company is developing Paper-E, a novel technology to print electronic circuits, sensors and semiconductors onto any cellulose-based paper. It does so by replacing the silicon used in electronics with eco-friendly metal oxides and cellulose. Applications include paper-based diagnostic kits, smart packaging, logistics, and for use with banknotes and passports.

The company was spun out of the NOVA University Lisbon, NOVA School of Science and Technology to commercialise the work of professors Elvira Fortunato and Rodrigo Martins, who lead a team of more than 65 researchers.

PoreXpert

Frontier IP stake: 15.0 per cent

PoreXpert's software and consultancy services provide highly accurate information about the void spaces in porous materials and how gases and liquids behave within them. Customers include major players in the nuclear industry and the oil and gas sector.

Pulsiv Solar

Frontier IP stake: 18.9 per cent

Pulsiv Solar's technology improves the energy efficiency of photovoltaic cells and the power converters used by a host of everyday devices, such as laptops, televisions and mobile phones.

The company enjoyed a year of strong progress, where it successfully proved the technology had very broad application across wide range of industries and product areas. Post period end, Pulsiv announced it had started design work funded by a major multinational to incorporate the technology into a new product line and engaged with a number of other large multinationals about further applications. The company has also strengthened its IP position.

The step change in industrial engagement follows the successful development of a series of demonstration products. Pulsiv was already working with Bosch to optimise the design, cost and manufacturability of the product; the company will be able to market the devices as "Engineered by Bosch" when it moves into commercial production. There is strong industry and government interest in the technology.

Also post period end, Pulsiv announced it had raised a convertible loan of £500,000, with £250,000 from the UK government's Future Fund to support innovative companies through the COVID-19 outbreak being matched by University of Plymouth Enterprise Limited and Frontier IP.

Tarsis Technology

Frontier IP stake: 18.0 per cent

A spin out from the University of Cambridge, Tarsis Technology entered into a collaboration agreement with a world-leading manufacturer of crop protection products in July 2018. The collaboration is researching the use of the company's technology to deliver chemical pesticides and fungicides in a more precise and controlled way using metal-organic framework particles.

The Vaccine Group

Frontier IP stake: 17.0 per cent

The Vaccine Group develops novel vaccine technologies to combat zoonotic diseases, which jump from species to species, including humans, and other diseases.

The period represented a stand-out year for the company. In addition to raising £680,000 through its first equity fund raising, the Company proved the flexibility of its novel vaccine platform technology by making strong progress in developing a range of COVID-19 vaccines, initially for use in animals. The University of Plymouth spin out took significant step forwards with other applications of the technology. Rabbit trials of a bovine mastitis vaccine revealed the potential for new IP, while vaccines to combat bovine tuberculosis and African Swine Fever are ready for animal trials. Work on Ebola and Lassa fever vaccines funded by the US government are also progressing well.

The Company and its partners have already won major backing for their work, winning grants from the US, UK and Chinese governments totalling more than £9 million. Post period end, these strong endorsements from the public sector were enhanced by its first industrial validation, when it entered into a three-way collaboration with The Pirbright Institute and ECO Animal Health Group.

As well as the project to tackle Ebola and Lassa fever, grant-funding also backs work underway to tackle Streptococcus suis, an emerging antibiotic-resistant disease that can leap from pigs to humans.

Portfolio Review: continued

Core Portfolio at 30 June 2020

Portfolio Company	% Issued Share Capital	About	Source
AquaInSilico	29.0%	Digital tools to optimise wastewater treatment	FCT Nova
Alusid Limited	35.6%	Recycled materials	University of Central Lancashire
Amprologix Limited	10.0%	Novel antibiotics to tackle antimicrobial resistance	Universities of Plymouth and Manchester
Cambridge Raman Imaging Limited	30.9%	Medical imaging using ultra-fast lasers	University of Cambridge and Politecnico di Milano
Cambridge Simulation Solutions Limited	40.0%	Methods to simulate and control complex chemical processes	University of Cambridge
CamGraPhIC Limited	33.3%	Graphene-based photonics	University of Cambridge and CNIT
Celerum Limited	33.8%	Near real-time automated fleet scheduling	Robert Gordon University
Des Solutio LDA	25.0%	Green alternatives to industrial toxic solvents	FCT Nova
Elute Holdings Limited	43.5%	Software tools able to intelligently search, compare and analyse unstructured data	Existing business
Exscientia Limited	2.4%	Novel informatics and experimental methods for drug discovery	University of Dundee
Fieldwork Robotics Limited	26.7%	Robotic harvesting technology for challenging horticultural applications	University of Plymouth
Insignals Neurotech Lda	33.0%	Wearable medical devices supporting deep brain surgery	INESC TEC
Molendotech Limited	12.6%	Rapid detection of water borne bacteria	University of Plymouth
Nandi Proteins Limited	20.1%	Food protein technology	Heriot-Watt University, Edinburgh
NTPE LDA	31.6%	Novel technology to print electronic circuits, sensors and semiconductors onto paper	FCT Nova
PoreXpert Limited	15.0%	Analysis and modelling of porous materials	University of Plymouth
Pulsiv Solar Limited	18.9%	High efficiency power conversion and solar power generation	University of Plymouth
Tarsis Technology Limited	18.0%	Controlled delivery of agrochemicals using metal-organic frameworks	University of Cambridge
The Vaccine Group Limited	17.0%	Herpesvirus-based vaccines for the control of bacterial and viral diseases	University of Plymouth

The Group holds equity stakes in four further portfolio companies which do not meet the test for inclusion in its core portfolio. At 30 June 2020, the value of these holdings was £33,624, equivalent to 0.2% of the fair value of the Group's portfolio at 30 June 2020.

Financial Review

Key Highlights

The value of the Group's equity investments increased to £19,444,000 (2019: £13,252,000) with net assets increasing to £25,866,000 (2019: £17,591,000).

Profit after tax for the Group for the year to 30 June 2020 was £4,184,000 (2019: £2,350,000). This result includes a net unrealised profit on the revaluation of investments of £5,973,000 (2019: £3,850,000) and reflects a decrease in services revenue to £404,000 (2019: £418,000) and greater administrative expenses of £2,241,000 (2019: £1,932,000) as the Group invested in people. The additional administrative expenses were offset by growth in unrealised profit on revaluation of investments.

Revenue

Total revenue and other operating income for the year to 30 June 2020, which is the aggregate of services revenue and unrealised gain on the revaluation of investments, increased 49% to £6,377,000 (2019: £4,268,000). Revenue from services decreased 3% to £404,000 (2019: £418,000). The Group's net unrealised profit on the revaluation of investments increased 55% to £5,973,000 (2019: £3,850,000). Unrealised gains on revaluation of investments of £7,064,000 (2019: £3,885,000) were offset by fair value decreases of £1,091,000 (2019: £35,000). £2,646,000 of the gain relates to Pulsiv Solar Limited and £1,428,000 to The Vaccine Group Limited while £760,000 of the impairments relates to Exscientia Limited which raised capital around 30 June 2020 at a price lower that the carrying value.

Administrative Expenses

Administrative expenses increased by 16% to £2,241,000 (2019: £1,932,000). The increase is primarily due to increased staff, salaries and associated costs of £188,000 and share based payments of £103,000 while travel and subsistence costs decreased by £33,000 due to Covid-19 restrictions during the second half of the year.

Earnings Per Share

Basic earnings per share were 8.76p (2019: 5.77p). Diluted earnings per share were 8.41p (2019: 5.51p).

Statement of Financial Position

The principal items in the statement of financial position at 30 June 2020 are goodwill £1,966,000 (2019: £1,966,000) and financial assets at fair value through profit and loss, principally equity holdings of £19,444,000 (2019: £13,252,000) and debt investments £863,000 (2019: £437,000) in portfolio companies. 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 carrying 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.

The Group had net current assets at 30 June 2020 of £3,588,000 (2019: £2,212,000). The current assets at 30 June 2020 include trade receivables of £474,000 which are more than 90 days overdue of which £337,000 has been collected since the year end leaving £137,000 to collect from certain portfolio companies, being Alusid and Fieldwork Robotics. Other debtors also includes an unsecured interest free loan to Alusid of £31,000. The directors are confident that both Alusid and Fieldwork Robotics will be able to raise sufficient funds to finance their business plans and pay the amounts due to the Group.

Net assets of the Group increased to £25,866,000 at 30 June 2020 (30 June 2019: £17,591,000) resulting in net assets per share of 51.0p (2019: 41.4p).

Cash

The Group's cash balances increased during the year by £1,502,000 to £2,968,000 at 30 June 2020. Operating activities consumed £1,758,000 (2019: £1,270,000) and investing activities consumed £600,000 (2019: £772,000) reflecting the purchase of financial assets at fair value of £685,000 (2019: £779,000). The group raised cash of £3,814,000 net of costs through a placing in November 2019 and subsequent to the year-end raised cash of £2,178,000 net of costs through a capital raising in July 2020.

Key Risks and Challenges affecting the Group

The specific financial risks of price risk, interest rate risk, credit risk and liquidity risk are discussed in note 1 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 a fall in the value of the Group's portfolio, the impairment of the value of goodwill and recovery of overdue debt from portfolio companies. With regards to the value of the portfolio itself, the fair value of each portfolio company represents the best estimate at a point in time and may be impaired if the business does not perform as well as expected, directly impacting the Group's value and profitability. This risk is mitigated as the number of companies in the portfolio increases. The value of goodwill is linked to the progress of the existing portfolio and to continued identification and acquisition of equity stakes in new portfolio companies.

There is a risk of certain portfolio companies being unable to repay outstanding loans or trade debt owed to the Group. The Group aims to mitigate this risk by helping ensure that these portfolio companies meet planned milestones and are in a position to finance their business plans, typically through fundraising, and repay the debt when due. Since the year end, 69% of overdue trade receivables at 30 June 2020 have been collected.

The principal operational risk of the business is management's ability to continue to identify spin out companies from its formal and informal university relationships, to increase the revenue streams that will generate cash in the short term and achieve realisations from the portfolio.

Early-stage spin out companies are particularly sensitive to downturns in the economic environment. Any downturn would mean considerable uncertainty in the capital markets, resulting in a lower level of funding activity for such companies and a less favourable exit environment. The impact of this may be to constrain the growth and value of the Group's portfolio and to reduce the potential for revenue from advisory work. The Group seeks to mitigate these risks by maintaining relationships with co-investors, industry partners and financial institutions.

The Group reviewed its risk policy including considering the impact of the COVID-19 pandemic on the Group; the principal risks to the Group are set out below.

Capital risk

The impact of COVID-19 may have resulted in a reduced ability for the Group to source further equity funding. Post-period end, the Group completed an equity fundraising to strengthen its balance sheet and to enable bridge funding and direct investment in its portfolio companies. In addition, where appropriate, we have supported our portfolio companies in raising equity funding, accessing public funding and reducing cost.

Operational risk

We have sought to minimise disruption to the Group's operations by ensuring that the team continues to work effectively remotely and good communication is maintained. We have supported our portfolio companies in doing the same.

Valuation risk

The impact of COVID-19 on our portfolio companies' progress has varied across the portfolio. However, we continue to work closely with our portfolio companies to ensure that our portfolio is supported to meet, or benefit, from the challenges that COVID-19 brings.

A reduction in public funding to the Higher Education sector may result in reduced research funding; universities changing their approach to research, which generates intellectual property, and subsequent commercialisation; or consolidation among Higher Education Institutions. Any uncertainty in the sector may have an impact on the operation of the Group's commercialisation partnerships in terms of lower levels of intellectual property generation and therefore commercialisation activity. The Group seeks to mitigate these risks by continuing to seek new sources of IP from a wide range of institutions both within and outside of the UK.

Brexit presents potential risks for the business: the unknown impact on funding for research and development in both the higher education sector as discussed above and for our portfolio companies; the uncertain economic conditions could impact the ability of our portfolio companies to grow, in particular potentially increased difficulty recruiting and retaining appropriately skilled staff. There may also be risks to certain portfolio companies of potential tariffs, shipping delays and large foreign currency fluctuations. We believe the direct impact of Brexit on the Group's operations is likely to be limited but will be kept under review. The Group will work closely with its portfolio companies to mitigate the impact of any issues arising.

Key Risks and Challenges affecting the Group: continued

Until the Group generates cash through an investment realisation it will rely on raising additional capital to fund the Group's operations. The uncertainty centres on the ability of management to identify and effect realisations from the portfolio and generate service revenue streams to reduce the Group's reliance on raising money from capital markets. In order to manage this risk, the Group continues to pursue its aim of actively seeking realisation opportunities within its portfolio and growing service revenue to reduce the requirement for additional capital raising.

The Group 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 key personnel. This risk is mitigated by the Group through recruiting additional skilled personnel and ensuring that the Group's reward and incentive framework aids our ability to recruit and retain key personnel. The Executive Directors are encouraged to hold direct interests in shares in the Company.

By order of the Board

Neil Crabb | Director | 04 November 2020

Our Governance

"Good governance is vital for long-term sustainable growth, and we strive to achieve the highest standards for a company our size." Frontier IP Chairman Andrew Richmond

Board of Directors

Our Board of Directors is responsible for setting the vision and performance objectives for the Group to deliver value to our shareholders through implementing our strategy and business model. The Board members are collectively responsible for defining corporate governance arrangements to achieve this purpose, under the leadership of the chair.

K Andrew Richmond

Non-Executive Chairman
and Independent Director (Age 54)

Appointment Date:

December 2011

Experience:

Andrew Richmond has substantial experience of the healthcare, stockbroking and private equity industries. He is a member of the Management Board of the Caledonia Housing Association and is a Non-Executive Director of Scotland's Charity Air Ambulance. He was previously a Lay Court Member of the University of Dundee.

Skills:

Finance, knowledge of the university sector at senior level and investment and broking expertise.

Role:

Andrew's appointment requires at least 12 full days per annum in his role as Non-executive Chairman. Additional duties include membership of the audit and remuneration committees, regular meetings with the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer and assisting in relationships with the Group's Nomad and Stockbroker.

Committees:

Chairman of the Audit Committee and member of the Remuneration Committee.

Scheduled Board Meetings attended:

5 out of 6

Neil Crabb

Chief Executive Officer
(Age 52)

Appointment Date:

May 2009

Experience:

Neil has considerable investment management experience, particularly in technology and smaller companies. He co-founded Sigma Capital Group plc.

Skills:

Innovation, strategy, finance, knowledge of the university sector at senior level and investment and broking expertise.

Role:

In his full-time role as CEO Neil is responsible for setting the Group's strategy and vision; setting its culture, values and behaviour; and building and leading the executive team.

Scheduled Board Meetings attended:

6 out of 6

Board of Directors: continued

Jacqueline McKay

Chief Operating Officer
(Age 60)

Appointment Date:

September 2010

Experience:

Jackie has substantial experience in private equity and of the university IP sector, including structuring and executing university partnership agreements and venture funds. Her previous experience includes Sigma Capital Group plc and Bank of Scotland.

Skills:

Sector knowledge, company growth expertise, operational and strategy implementation skills.

Role:

Jackie performs her role at least 4 days per week, which combines helping set strategy as part of the executive director team and setting and overseeing an operations framework to ensure delivery to stakeholders in line with the Group's values and overall strategy.

Scheduled Board Meetings attended:

5 out of 6

James Fish

Chief Financial Officer and Company Secretary
(Age 62)

Appointment Date:

March 2014

Experience:

Jim is a chartered accountant with over 25 years' experience in senior financial positions and a wide range of commercial experience including venture capital funded small/medium-sized enterprises and start-up companies.

Skills:

Qualified CA and company growth expertise.

Role:

Jim's full-time role combines helping set strategy as part of the executive director team; planning, implementing, managing and controlling all financial-related activities and acting as outsourced finance director for selected portfolio companies.

Scheduled Board Meetings attended:

6 out of 6

Board of Directors: continued

Matthew White

Chief Commercialisation Officer
(Age 46)

Appointment Date:

March 2019

Experience:

Matthew has experience in technology, product and service innovation, business development and marketing. In his previous role he was Head of Innovation at AB Sugar, part of FTSE 100 group AB Foods. He also has extensive experience working with university partners. Before joining AB Sugar, Matthew was Director of Consumer Products for international technology consulting and product development business, Sagentia Limited.

Skills:

Strategy development; new business development; commercial negotiation; technology, product & service innovation; innovation process development; executive management.

Role:

In his full-time role, Matt has overall responsibility for delivering the Group's commercialisation activity in line with strategy. He is responsible for leading and managing the Group's commercialisation team, managing key relationships and the delivery of the Group's objectives in relation to its portfolio of spin outs.

Scheduled Board Meetings attended:

5 out of 6

Michael Bourne

Non-Executive Director
and Independent Director (Age 61)

Appointment Date:

March 2014

Experience:

Mike has a background in investment management and expertise in technology, life sciences and clean technology.

Skills:

Investment Management and Venture.

Role:

Mike's appointment requires at least 12 full days a year in his role as Non-executive director. Additional duties include membership of the remuneration and audit committees.

Committees:

Chairman of the Remuneration Committee and member of the Audit Committee.

Scheduled Board Meetings attended:

6 out of 6

Board of Directors: continued

Dr. Campbell Wilson

Non-Executive Director
(Age 65)

Appointment Date:

May 2014

Experience:

Campbell has a background in the pharmaceutical sector. He is a member and former Chair of the UK Pharmaceutical Licensing Group. In his role at AstraZeneca he was latterly Executive Business Development Director within the company's central Business Development function. He led strategic collaboration and licensing activities at the unit, driving multiple technology and oncology therapy area collaborations and product licensing deals, including high profile and innovative agreements.

Skills:

Deep knowledge of pharmaceutical industry and licencing.

Role:

Campbell's appointment requires at least 12 full days a year in his role as Non-executive director. He is a member of the remuneration and audit committees. Additional duties include advising on the Group's life sciences portfolio.

Committees:

Member of the Remuneration Committee and the Audit Committee.

Scheduled Board Meetings attended:

6 out of 6

David Cairns

Portfolio Director
(Age 56) (Resigned 27 August 2019)

Appointment Date:

September 2010

Resignation Date:

August 2019

Experience:

David has experience of bringing technology to market.

Skills:

Company growth and technology commercialisation. He previously worked for Optos plc, the retinal imaging company, where he was instrumental in building the business from start-up, serving on the Board until its flotation.

Role:

David performs his role at least 3 days per week, providing technology commercialisation support and guidance to the Group's portfolio companies.

Scheduled Board Meetings attended:

1 out of 1

Committees of the Board

Remuneration Committee Report

The goal of our remuneration policy is to incentivise and reward appropriately in order to attract and retain the best people in support of the Group's strategy.

This is achieved through our Remuneration Committee whose main role and responsibilities are to:

> determine and agree with the Board the remuneration of the Group's Chief Executive, Executive Directors and senior members of the executive team;

> review the on-going appropriateness and relevance of the remuneration policy;

> approve any performance related pay schemes and approve the total annual payments made under such schemes; and

> review share incentive plans and determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives and the performance targets to be used.

Full details of terms of reference for the Remuneration Committee are available on our website.

Our remuneration framework includes: annual salary and associated benefits such as paid holiday, medical and life insurance; employer's contributions to a defined contribution pension scheme and participation in the Group's Employee Share Option Scheme.

The Remuneration Committee met formally twice during the year, with all committee members in attendance.

Remuneration Review

The Committee remains focused on delivering shareholder value, through the reward and incentivisation of its team and to attract the resources we need to grow and meet demand.

A key responsibility of the Remuneration Committee is to review the on-going appropriateness and relevance of the remuneration policy. During the year the Remuneration Committee began a review of the Group's remuneration arrangements. The review focused on the suitability of the current option scheme and the Group's capacity to continue to be a qualifying company for EMI purposes.

Key considerations were that the growth in Group assets could result in the Group exceeding the gross assets test in qualifying for EMI purposes during the financial year ended 30 June 2021, the current scheme is due to expire on 30 November 2022 and the need to ensure that best practice is maintained.

The main conclusions of the review are summarised below and the intention is that these will be implemented during the course of the financial year ended 30 June 2021.

> A Company Share Option Plan (CSOP) is planned to be adopted

> An updated unapproved option scheme is planned to be adopted. Key updates planned are vesting being subject to certain performance conditions and changes to bring the scheme into line with current best practice, in particular leaver and malus provisions

> The existing EMI approved scheme will remain in place; noting that new options can be granted until the Group ceases to be a qualifying company for EMI purposes.

The new schemes will be broadly similar in terms to the current scheme, in particular with no changes planned to the maximum percentage of the Group's fully diluted share capital over which options may be granted and the ability to grant options at market value or at £0.10 nominal value.

The Remuneration Committee believes that these measures will continue to incentivise, reward and retain the best people.

Directors' remuneration

An analysis of remuneration by director is given in Note 5 of these financial statements.

Contracts of service

Neil Crabb's, Jacqueline McKay's, James Fish's and Matthew White's service agreements are subject to a three-month notice period.

Share options

The Company currently has one share option scheme, the Frontier IP Group plc Employee Share Option Scheme 2011, as adopted by the Board of Directors of the Company on 30 November 2012 and amended by the Board of Directors of the Company on 26 March 2018. The scheme is able to grant both options which are Enterprise Management Incentive (EMI) approved and options which are unapproved. 563,368 unapproved options have been granted in the year and 702,213 are held at 30 June 2020. 1,100,008 EMI share options were granted in the year and 3,633,463 are held at 30 June 2020. 331,034 EMI options were exercised during the year and 308,666 EMI options lapsed during the year.

Committees of the Board: continued

Details of share options held by Directors who were in office at 30 June 2020 are set out below:

Director	Grant date	Number of options	Exercise price	Exercise date	Expiry date
Neil Crabb	15.01.2013	456,825	15.00p	15.01.2016 – 14.01.2023	14.01.2023
Neil Crabb	01.04.2014	128,175	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Neil Crabb	07.04.2016	350,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
Neil Crabb	11.05.2017	124,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
Neil Crabb	15.11.2018	50,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Neil Crabb	15.11.2018	95,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
Neil Crabb	06.12.2019	38,185	66.00p	06.12.2022 – 05.12.2029	05.12.2029
Neil Crabb	06.12.2019	184,565	10.00p	06.12.2022 – 05.12.2029	05.12.2029
Jacqueline McKay	15.01.2013	195,782	15.00p	15.01.2016 – 14.01.2023	14.01.2023
Jacqueline McKay	01.04.2014	54,218	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Jacqueline McKay	07.04.2016	150,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
Jacqueline McKay	11.05.2017	95,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
Jacqueline McKay	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Jacqueline McKay	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
Jacqueline McKay	06.12.2019	35,862	66.00p	06.12.2022 – 05.12.2029	05.12.2029
Jacqueline McKay	06.12.2019	173,333	10.00p	06.12.2022 – 05.12.2029	05.12.2029
James Fish	01.04.2014	250,000	26.88p	01.04.2017 – 31.03.2024	31.03.2024
James Fish	07.04.2016	150,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
James Fish	11.05.2017	95,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
James Fish	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
James Fish	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
James Fish	06.12.2019	35,862	66.00p	06.12.2022 – 05.12.2029	05.12.2029
James Fish	06.12.2019	173,333	10.00p	06.12.2022 – 05.12.2029	05.12.2029
Matthew White	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Matthew White	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
Matthew White	06.12.2019	35,862	66.00p	06.12.2022 – 05.12.2029	05.12.2029
Matthew White	06.12.2019	173,333	10.00p	06.12.2022 – 05.12.2029	05.12.2029

The market price of the Company's shares at 30 June 2020 was 59.5p. The range of prices during the year was 46.00p to 84.00p.

Directors' interests in shares

The Directors in office at 30 June 2020 had the following interests in the ordinary shares of 10p each in the Company at the year end.

	2020 Number	2019 Number
Neil Crabb	**2,934,168**	2,834,168
Jacqueline McKay	**12,855**	12,855
Andrew Richmond	**1,000,000**	1,000,000
Michael Bourne	**403,170**	303,170
James Fish	**100,000**	100,000

All of the above interests are beneficial.

Michael Bourne | Chairman of the Remuneration Committee
4 November 2020

Audit Committee Report

Key Responsibilities

The Committee's terms of reference are available on the Group's website. The Committee is required, amongst other things, to:

> monitor the integrity of the financial statements of the Group, reviewing significant financial reporting issues and the judgements they contain;

> review and challenge where necessary the accounting policies used, the application of accounting standards and the clarity of disclosure in the financial statements;

> keep under review the effectiveness of the Group's internal controls and risk management systems; and

> oversee the relationship with the external auditor, reviewing their performance and advising the Board on their appointment and remuneration.

Committee Governance

The Committee comprises the three non-executive directors and was chaired during the year by Andrew Richmond. It meets a minimum of two times per year with the external auditors present. In addition, executive directors are asked to attend.

Activities of the Audit Committee during the year

The Committee met on three occasions during the year under review and up to the date of this Annual Report with all members present and the external auditors in attendance. The main areas covered by the Committee are outlined below:

Internal controls and risk management

The Board has overall responsibility for internal controls and risk management. As the Board's three non-executive directors were also the Committee members during the year, the Group's risk analysis and controls policy was reviewed and updated by the Board. Further details of business risks identified can be found in Key Risks and Challenges Affecting the Group. The risk management process is continually being developed and improved.

Significant estimates and judgements

The focus at the Committee meetings was on the significant estimates, assumptions and judgements used in the financial statements in arriving at the value of investments, reviewing goodwill for impairment and assessing the recoverability of amounts owed to the Group by portfolio companies. The Committee was satisfied that such estimates, assumptions and judgements used were reasonable and appropriate. Details of critical accounting estimates and assumptions and of critical accounting judgements can be found in Note 2 to the Financial Statements.

External audit

The external auditor reports to the Committee on actions taken to comply with professional and regulatory requirements and is required to rotate the lead audit partner every five years. BDO LLP were first appointed as external auditor in FY19 following their merger with Moore Stephens LLP who were first appointed as external auditor in FY15 following their merger with Chantrey Vellacott DFK LLP who were first appointed in FY08 and Timothy West was appointed lead partner in FY17. The Committee has confirmed it is satisfied with the independence, objectivity and effectiveness of BDO LLP and has recommended to the Board that the auditors be reappointed, and there will be a resolution to this effect at the forthcoming Annual General Meeting. In addition to their statutory duties, BDO LLP are also engaged to provide non-audit services where it is felt their knowledge of the business best places them to provide those services, such as tax advice and review of the interim results.

Andrew Richmond | Chairman of the Audit Committee
4 November 2020

Corporate Governance

Stakeholder Engagement

Section 172 Statement

The following serves as our section 172 statement and should be read in conjunction with the Strategic Report of this document. Section 172 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to interests of the Group's employees, shareholders and other stakeholders, society, the environment and the Group's reputation when making decisions. Acting in good faith and fairly between stakeholders, the Directors consider what is most likely to promote the success of the Company and its stakeholders in the long term. The Directors are therefore fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

The Board regularly reviews our principal stakeholders and how we engage with them. Their views are brought into the boardroom through direct engagement with stakeholders either by management or Directors themselves. The relevance of each stakeholder group may vary depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and part of its decision making.

We adopted the QCA Code introduced in 2018, which outlines 10 principles we must adhere to and requires us to make additional disclosures on our website and in this annual report. Our Corporate Governance Statement of Compliance with the QCA Corporate Governance Code is available on our website.

Frontier IP is focused on commercialising intellectual property generated by universities, academics and other sources by building successful portfolio companies. A key part of the Group's innovative business model is working closely with industry and other commercial and government partners to provide strong foundations for its portfolio businesses by validating the technology under development and ensuring real-world market needs and demands are being met.

As such, the Group and its portfolio companies work with a broad constituency of stakeholders including employees, shareholders individual academics, universities, industry and commercial partners, government agencies and regulators.

Effective engagement with stakeholders at Board and senior levels is vital to our continued progress and future success in building long-term value from commercialisable intellectual property. We have always engaged proactively with our stakeholders listening and responding to their views and are delighted to explain how we do so.

We are committed to meeting the needs of all our stakeholders. Aside from shareholders, stakeholders are key to our success and include employees, portfolio companies, universities, industry partners, suppliers and regulators. We maintain a regular dialogue with all our partners through a range of communication channels and actively solicit feedback. Engagement strengthens relationships and leads to better business decisions.

Employees

We strive to attract, develop and retain high-quality talent with the right skills to drive our business forward. Our people play a critical role in delivering our strategy to create long-term value by commercialising intellectual property.

Employees are actively encouraged to provide feedback and express their needs, interests and expectations through frequent formal and informal conversations.

Shareholders

The Board is pleased to regularly engage with shareholders and with the capital markets more broadly.

The Group communicates with shareholders and the market through the annual report and accounts, full-year and half-year announcements, the annual general meeting and one-to-one meetings with existing and potential institutional investors. We communicate openly, clearly and directly to ensure our strategy, business model and performance are clearly understood.

Shareholder feedback, support and agreement with our strategic objectives are critically important to developing our business, so we actively solicit their views. The Board is kept informed of the views and concerns of major shareholders.

We maintain regular contact and dialogue through regular meetings with key shareholders, the annual general meeting, roadshows, correspondence and digital channels, including our website www.frontierip.co.uk, social media and email. Because of the requirements imposed by COVID-19, we were unable to organise our usual capital markets event for shareholders and other stakeholders, but will do so as normality returns.

Information about the Company is also disclosed in a timely manner through the RNS and RNS Reach services of the London Stock Exchange and our website. Our brokers are

Corporate Governance: continued

also in regular contact with institutional investors. Our Notice of AGM is sent to all shareholders with our published accounts.

In light of social distancing measures, as a response to the pandemic our 2020 AGM will be run as a closed meeting and shareholders will not be able to attend the AGM in person. Our engagement with our shareholders is very important to us, so we will be enabling questions in relation to the AGM to be submitted by email.

Our investor communications are led by Andrew Johnson the Group's director of communications and investor relations. His contact details are: andrew.johnson@frontierip.co.uk or on 07464 546 025. This information is clearly displayed in the Group's announcements and on our website.

External Stakeholders

Universities

Universities supply us with intellectual property. They are critical to our success. We work with them through informal and formal relationships and maintain constant contact with them, our portfolio businesses, the academics and industry partners involved. When negotiating with our partners, from industry as well as universities, we strive to strike agreements where benefits are shared fairly among all.

Portfolio Companies

Frontier IP's goal is to develop and maximise value from its portfolio, we do so by taking founding shareholdings in portfolio companies and then working with them in partnership.

Where and when appropriate, we provide support to our portfolio companies to generate value for all stakeholders by providing support services including board representation, fundraising support, market validation, strategic advice and administrative support.

Suppliers

We aim to pay suppliers promptly and regularly review contracts with service providers, such as IT and our lawyers, to ensure a good service. Our contact with regulators is mediated and guided by our Nominated Adviser and other professional advisers.

Social and environment

Many of our portfolio companies have demonstrable social and environmental as well as potential economic, commercial and shareholder value.

This has been vividly shown this year with the COVID-19 outbreak and the role some of our portfolio companies are playing as part of efforts to combat the virus. They include The Vaccine Group, which is developing a range of animal vaccines intended to prevent future outbreaks jumping from animals to humans and Exscientia, whose novel artificial intelligence is being used to identify potential treatments for the disease.

- Alusid: recycling industrial waste ceramics and glass otherwise destined for landfill to create high-quality tiles, tabletops and other surfaces
- Amprologix: new antibiotics to overcome the threat from antimicrobial-resistant superbugs
- Pulsiv Solar: developing micro-inverters to make photovoltaic solar cells and power converters much more energy efficient
- AquaInSilico: improves the efficiency of wastewater treatment and the recovery of valuable and recyclable products, such as nutrients, biogas, and volatile fatty acids that can be used in biofertilisers and biofuels
- Celerum: software to assign logistical resource more efficiently
- Des Solutio: replacing the use of toxic solvents in manufacturing
- Fieldwork Robotics: its unique robot technology could support Britain's farmers struggling to recruit seasonal labour to pick soft fruit and vegetables
- Molendotech: tests for faecal matter in water already commercially available to allow the speedier assessment of bathing water – potential applications also include tests for drinking water
- Nandi Proteins: striving to tackle the obesity crisis through technology reducing the amount of animal protein, fat and additives in processed food
- The Vaccine Group: novel vaccine technology to create more effective vaccines to treat a wide range of animal ailments and reduce the risk of a catastrophic pandemic resulting from a disease which has jumped from animals to humans
- Tarsis Technology: working with a world-leading crop protection company on novel ways to deliver pesticides and fungicides in a more precise and controlled way, reducing environmental run off

Corporate Governance: continued

When assessing intellectual property for potential spin outs, we are very aware of potential environmental, social and reputational risks and seek to mitigate them.

Regulators

The Group is subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange. The Board has a balanced range of complementary skills and experience, with independent nonexecutive directors who provide oversight, and challenge decisions and policies as they see fit. The Board believe in robust and effective corporate governance structures and is committed to maintaining high standards and applying the principles of best practice. Compliance is maintained through the utilisation of recognised professional advisers, including the Company's nominated adviser, and the Board would not hesitate to seek input in this regard from external regulators if necessary.

To enable us to provide fundraising support and raise capital for our portfolio, Group subsidiary Frontier IP Management Limited is an Appointed Representative of Privium Fund Management (UK) Limited which is authorised and regulated by the Financial Conduct Authority in the UK.

Delivering Growth

Strategy and Business Model

The nature of our business, supporting university spin outs and start-up businesses over several years is geared towards generating long-term value. Our strategy and business model is set out in Strategy and Business Model sections.

Effective Risk Management

The Group has an established framework of risk analysis and controls for which the Board is ultimately responsible and which it regularly reviews. There is also a clearly defined set of key performance indicators which the Board uses to monitor the Group's progress towards meeting its strategic aims and objectives.

The Board is responsible for reviewing and approving the Group's strategy, objectives and business plans. It is also responsible for ensuring any necessary corrective action is taken should performance materially vary from plans and forecasts.

Financial controls:

> As the Group is a small business with few personnel and limited opportunity for segregation of duties, Board oversight provides the main overriding control

> The Board receives and reviews detailed reports on financial performance and position against budget and forecast, use of cash, cash forecasts and detailed analysis of portfolio movements. Any material capital or unbudgeted overhead expenditure must be approved by the Board

> The Board approves treasury and dividend policies and significant changes in accounting policies

> The Annual Report and Financial Statements, the half-yearly report, interim management statements and any other reporting required by the AIM Rules for Companies ("AIM Rules") is approved by the Board

> The Audit Committee supports the board in discharging its financial control duties

Non-financial controls

Maintaining sound controls and discipline is critical to managing the risks of the business. Although we believe our capital-efficient business model mitigates many of the risks associated with start-up and early-stage companies, they are by their nature inherently riskier than more established businesses.

We believe the internal controls we have in place are appropriate for our size, complexity and risk profile. They include:

> Close management of the everyday activities of the Group by the Executive Directors

> Established processes in place, overseen by the Chief Executive Officer, to rigorously assess university intellectual property and its commercial potential

> Executive Directors approving entry into strategic partnerships and collaborations with universities, other research institutions, and industry, and other material contracts

> Board review and approval of the Group's risk appetite, the effectiveness of its risk and control processes, and procedures for preventing fraud and bribery in line with the Group's policies

> Board review and approval of the Group's clearly defined key performance indicators to ensure adherence to strategic aims and objectives

The Group is supported by its Nominated Adviser and other professional advisers to ensure compliance with all relevant regulations and laws in the countries in which it operates.

Corporate Governance: continued

Key risk areas are regularly reviewed and reported on in the annual report and further consideration of risk areas are set out in the Key Risks and Challenges section of in the Group's Annual Report and Accounts.

Maintaining a Dynamic Management Framework

Our Board

At the year-end, the Group Board comprised the Non-Executive Chairman, two Non-Executive Directors and four Executive Directors – an appropriate balance for the Group's size and complexity. During the year, David Cairns resigned from the Board and ceased to be employed by the Group. The Board considers, after careful review, that the Chairman and one Non-Executive Director are independent. They have served for fewer than nine years, are considered to be independent in character and judgement and receive no additional remuneration from the Group apart from a director's fee.

The Board is satisfied it has the right balance of independence, knowledge and expertise to fulfil its duties and responsibilities effectively.

Six Board meetings are scheduled each year and a number of ad-hoc Boards to approve specific issues such as the interim and annual accounts are held. Each Directors' attendance record at scheduled Board meetings will be disclosed in the annual report and accounts for the Company.

All Directors are encouraged to use their judgement and challenge all matters. In addition to regular communication with the Chief Executive Officer, the Chairman meets frequently with the Chief Financial Officer and Chief Operating Officer to ensure they are performing as required.

Board activities typically include:

> Discussing and reviewing the Group's business model, strategy, objectives and key performance indicators

> Reviewing the Group's portfolio companies and their performance, including plans, partnerships and forecasts

> Continuing to communicate regularly with existing and potential investors in the Group and its portfolio businesses

> Reviewing financial and non-financial policies, controls and stock market statements

> Attending the Group's Capital Markets Day

> Discussing the Group's capital structure and financial structure, including loans and investments

> Approving the recommendations of the Audit, Remuneration and Nominations committees

> Approval and monitoring of the Group's annual budget and approving extraordinary capital expenditure

> Governance

> Directors' interests, share dealings and related party matters

Details of matters reserved for the board are available on our website: https://www.frontierip.co.uk/about/governance/#board

Conflicts of interest:

The Group has systems in place to monitor and deal with conflicts of interests. Considering and, where appropriate, approving Directors' conflicts of interest (in relation to the public company and its subsidiaries) is a matter reserved for the Board. Each Director has a statutory duty under the Companies Act 2006 to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts or may potentially conflict with the interests of the Group. This duty is in addition to the continuing duty that a director owes to the Group to disclose to the Board any transaction or arrangement under consideration by the Company in which he or she is interested.

The Board is aware of the other commitments and interests of its directors and any material changes are reported to and where appropriate agreed with the rest of the Board.

Our Directors

The Board considers it has an effective and appropriate balance of skills and experience, including in the areas of fund management, private equity, university spin outs and small-to-medium-sized businesses, science, innovation and technology. All Directors receive regular and timely information on the operational and financial performance of the Group and its portfolio companies. Information is circulated to the Board before meetings.

The Board decides the appointment and removal of Directors and there is a rigorous and transparent process in place. The Group's Articles of Association demand that one-third of the Board must stand for re-election by shareholders annually in rotation and that all Directors must stand for re-election at least once every three years. Any new Directors appointed during the year must stand for

Corporate Governance: continued

election at the annual general meeting immediately following their appointment.

We are an equal opportunities company and ensure we recruit, develop, promote, support and retain skilled and motivated people regardless of disability, race, religion or belief, sex, sexual orientation, gender identification, marital status or age. The Board acknowledges that certain groups are currently under-represented, and we remain vigilant in ensuring equal opportunities for current and potential members of our team.

All Directors can take independent professional advice to further their duties and are encouraged to engage in activities which further their professional development. Directors can also access the advice and services of the Group's Company Secretary and Chief Financial Officer.

Board Performance

Board performance is closely linked to the performance of the Group. There are clearly defined and relevant key performance indicators, aligned with long-term value creation, which are:

> Fair value of the portfolio: movement in the equity value in the portfolio

> Total revenue: growth in the aggregate of revenue from services and change in the fair value of the portfolio

> Profit: profit before tax for the year

> Net assets per share: value of the group's assets less the value of its liabilities per share outstanding

> Total initial equity in new portfolio companies: aggregate percentage equity earned from new portfolio companies during the year

The Board's performance is evaluated and reviewed against these metrics. How we performed during the year is set out in our Strategic Report at Key Performance Indicators.

In addition, the performance of our committees and individual Directors is reviewed and assessed on an ongoing basis by the Chairman and Chief Executive Officer.

We believe these measures are appropriate for a Company of our size and complexity. However, as the business grows, we will continue to the adapt the process to ensure it is appropriate for the organisation and Board structure.

Our Culture

Frontier IP is a small company with a very flat structure. The Board is expected to set an example and act in the best interests of the Group and its stakeholders – shareholders, employees, universities, industry partners, suppliers and our portfolio companies. The corporate culture aims to be open and fair in dealings with all stakeholders, working in partnerships to ensure mutual benefit. Ethical values and behaviours are recognised and respected.

It is central to our business model that we work equitably with universities, investors and industry partners. Our corporate values reflect that need.

Governance Framework

The Board is satisfied it has the appropriate structures and processes for a company of its size.

Scheduled Board meetings are held six times a year to set and review the Group's direction, spread throughout the year and aligned as far as possible with its financial and operational calendar. Further meetings are held when necessary. Board meetings are held at the Group's various office locations and remotely to give the Non-Executive Directors a better understanding of our team's work.

The Board and its Committees receive relevant and timely information, including Board papers and presentations, before each meeting, which is run to a formal agenda. All Directors are encouraged to challenge proposals, and decisions are taken on a vote after discussion and debate. Any concerns can be noted in the minutes of the meeting, which are then circulated to directors. Specific actions are agreed and followed up, as appropriate.

Senior executives below Board level attend Board meetings where appropriate to present business updates.

The Board is supported in its decision-making by the Audit, Remuneration and Nomination Committees, and the Company's Nominated Adviser and other professional advisers when appropriate. The terms of reference for the Board committees can be found on our website: https://www.frontierip.co.uk/about/governance/#commitees

There is a clear separation of responsibilities at the top. The Chairman, Andrew Richmond, is responsible for running the business of the Board, including meetings, and ensuring strategic focus and direction. The Chief Executive Officer, Neil Crabb, is responsible for setting strategy and ensuring it is executed.

Corporate Governance: continued

The other Executive Directors support and challenge the Chief Executive Officer in formulating and executing the Group's strategy, including setting and managing budgets, risk management and compliance with relevant regulations and laws.

While this is appropriate for a company of our size, the Board will review its governance framework regularly as the Group grows.

Good Communication with shareholders and other relevant stakeholders

Frontier IP holds a continuing dialogue with shareholders and other relevant stakeholders through regular updates, frequent conversations, the annual report and accounts, full-year and half-year announcements, the annual general meeting and one-to-one meetings with existing and potential institutional investors. Investors and other stakeholders are encouraged to provide feedback. There are regular meetings and conversations between the Chief Executive Officer, the communications and investor relations director and shareholders. Board Directors are appraised of shareholder feedback.

Shareholders can vote at the annual general meeting. Group Directors stand down in rotation for re-election.

The Group aims to be transparent, clear and direct in communications with shareholders and stakeholders, including its employees, and university and industry partners.

Information about the Company is disclosed in a timely manner through the RNS and RNS Reach services of the London Stock Exchange and our website: www.frontierip.co.uk . Our Nomad and our Broker are also in regular contact with investors.

In addition, the Company uses several digital channels, including the website, social media and email. The Chief Executive Officer, Neil Crabb, is regularly interviewed by specialist investor website Proactive Investors and we also hold events to which key stakeholders are invited.

Group corporate notices, including those for annual general meetings can be found here: http://www.frontierip.co.uk/investors/shareholder-information/notices-and-circulars

Notices of the result of each AGM can be found here: http://www.frontierip.co.uk/investors/regulatory-news

The result of voting in the 2020 annual general meeting will be presented on the Company website after the AGM has been completed.

Our annual and half-yearly reports can be found here: http://www.frontierip.co.uk/investors/results-centre

Advisers

Registrars

Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey GU9 7DR

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Solicitors

CMS Cameron McKenna Nabarro Olswang LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

Nominated Adviser

Allenby Capital Limited
5 St. Helen's Place
London EC3A 6AB

Broker

Nplus1 Singer Advisory LLP
1 Bartholomew Lane
London EC2N 2AX

Secretary & Registered office

James Fish
Frontier IP Group plc
c/o CMS Cameron McKenna Nabarro Olswang LLP
78 Cannon Street
London EC4N 6AF

Main trading address

Frontier IP Group plc
93 George Street
Edinburgh
EH2 3ES

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 2020.

Strategic report

The Group's Overview and Strategic Report sections of this report cover outlook, business review and key risks.

Results and dividends

The Group made a profit for the year of £4,184,000 (2019: £2,350,000). The Directors do not recommend the payment of a dividend (2019: nil). The Directors are confident of the prospects for the Group for the current year.

Directors

The Directors who held office during the year and the current Directors of the Company are listed on pages 26 to 29. Details of Directors' interests in share options and in shares are given in the Remuneration Committee Report.

Employees

At 30 June 2020 the Group employed 14 people across offices in Cambridge, Edinburgh and London.

We are an equal opportunities company and ensure we recruit, develop, promote, support and retain skilled and motivated people regardless of disability, race, religion or belief, sex, sexual orientation, gender identification, marital status or age.

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.

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. The broader risks of the business are considered in the Strategic Report.

Treasury activities and financial instruments

The Group's financial instruments comprise cash, equity investments, debt 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 2020, the Group had positive cash balances of £2,968,000 (2019: £1,466,000). The Group's policy is to keep surplus funds on instant access and short-term deposit to earn the prevailing market rate of interest. It is the Group's policy not to speculate in derivative financial instruments. The Group's exposure to foreign exchange risks is minimal due to the low value of its transactions in foreign currency during the year and at the year-end.

Directors' indemnity insurance

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

Emissions

We believe that the impact of our operations on the environment is low. We are a consulting business and operate from serviced offices at three UK locations with fewer than 20 employees. However, we ensure that our office supplier is committed to promoting environmental sustainability.

We have control over our business travel and have sought to minimise unnecessary travel. In the second half of the year, as a result of the COVID-19 pandemic, we moved to remote working for all personnel so both business travel and commuting levels have been very low.

We support our portfolio companies in ensuring that, where relevant, they are compliant with the appropriate environmental legislation in their operations.

Our portfolio has a number of companies whose technology actively helps to reduce or mitigate the impact of carbon emissions. Examples of companies making a positive contribution to sustainability can be found in the Corporate Governance section of this report.

Going concern

The COVID-19 pandemic represents the greatest threat to companies and the global economy since the financial crisis of 2008. Governments in many countries are struggling to contain the virus and in the UK, our main market, the number of cases of infection has started to rise again following the initial lockdown. The devastating impact of the

Directors' Report continued

pandemic on certain industries has been well documented. The impact on the Group's portfolio has been less severe due to the technology focus and the stage that many of the companies are at. Certain portfolio companies have benefited from the opportunities that the pandemic has presented while others have been disrupted due to access to laboratory facilities and to delays in planned fundraisings where the pandemic has impacted on the achievement of key technical and commercial milestones. While the end of this crisis remains unknown the impact on the portfolio and the Group's future results, operations and liquidity remains uncertain. The Directors' assessment of going concern is outlined in the Group's accounting policies.

Subsequent events

Subsequent events are disclosed in note 22 to the Financial Statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and Strategic 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, and as regards the parent, as applied by the Companies Act 2006. Under company law, the Directors must not approve the financial statements unless they are satisfied that they 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 or Company will continue in business.

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

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

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 BDO LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

James Fish | Company Secretary

4 November 2020

Independent Auditor's Report to the members of Frontier IP Group plc

Opinion

We have audited the financial statements of Frontier IP Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 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 and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 June 2020 and of the Group's profit for the year then ended;

> the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the Parent Company financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed companies, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

> the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or

> the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the members of Frontier IP Group plc continued

<table>
<tr><th>Key audit matter</th><th>How we addressed the key audit matter in the audit</th></tr>
<tr><td>Valuation of unquoted investments (see note 12)
We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the unquoted investment valuations.

The share price valuation of the Group is informed by the value of investments recognized in the Statement of Financial Position. Management are responsible for valuing investments in the financial statements and, as there is a high level of estimation uncertainty due to the lack of readily available prices, there is a potential risk of misstatement of the valuation of investments.

The Group's accounting policy for determining the fair value of investments is disclosed in accounting policies and disclosures regarding the fair value estimates are given in note 12.</td><td>Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique.

For all investments in our sample we:

> considered whether the valuation methodology chosen is in accordance with IFRS 9 and IFRS 13 and is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines;

> discussed the valuation technique with management and challenged significant judgements made by carrying out a cross-check of the estimated value where possible and evaluating post year end events to assess whether these provided evidence about the valuation at the year-end.

For investments where the carrying value is based on the price of recent investment, we:

> agreed the price of recent investment to supporting documentation and management information;

> assessed whether the performance of the portfolio company has varied significantly from expectations by obtaining management's evaluation of post transaction performance against relevant milestones;

> challenged management in respect of the impact of COVID-19 on the prospects of investee companies;

> assessed whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee company.</td></tr>
</table>

Independent Auditor's Report to the members of Frontier IP Group plc continued

Key audit matter	How we addressed the key audit matter in the audit
	For investments where the carrying value is based on the price of a planned funding round that had not completed at the reporting date, we assessed the level of discount, taking into account the degree of progress and the risk of non-completion at that date. For scenario based Discounted Cash Flow valuations, we held discussions with management to understand the performance of the portfolio company, the potential impact of the COVID-19 pandemic, and challenged assumptions used in the valuations of the investments. These included, but were not restricted to, a review of the appropriateness of the discount rate, the rationale for and consistency of discounts or premiums applied and the basis for budgeted revenue figures and probability of success used. For debt investment valuations, we agreed the terms of the instruments to the loan agreements and challenged the basis on which the valuation appropriately assessed the weighted probability of the various scenarios. We also considered the completeness and clarity of disclosures regarding the valuation of investments in the financial statements. **Key observation** Based on the procedures performed, we consider the unquoted investment valuations to be within an appropriate range, and the estimates made by management in valuing the unquoted investments to be reasonable.

Independent Auditor's Report to the members of Frontier IP Group plc continued

Our application of materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined the materiality for the Group financial statements as a whole to be £390,000 (2019: £265,000), calculated with reference to a benchmark of Group total assets, of which it represents 1.5% (2019: 1.5%). Total assets is considered an appropriate benchmark as the Groups' primary activity is that of investment value appreciation. The Parent Company's materiality was calculated at £348,000 based on 1.5% of total assets (2019: £212,000).

Whilst materiality for the financial statements as a whole was £390,000 (2020: £265,000), each component of the Group was audited to a lower level of materiality. Significant component materiality ranged from £348,000 to £118,000 (2019: £212,000 to £114,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. The Group's performance materiality was determined as 75%, i.e. £292,500 (2019: 75%, £198,750) of materiality for the financial statements as a whole based on our assessment of risk.

We reported to the Audit Committee all potential adjustments in excess of £7,800 (2019: £5,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of the valuation of unlisted investments which have a high level of estimation uncertainty involved.

We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

There are two significant components in the Group, which are all registered and operate in the UK. All entities in the group were subject to a full scope audit by BDO LLP.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the members of Frontier IP Group plc continued

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

> the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

> the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

> the Parent Company financial statements are not in agreement with the accounting records and returns; 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Timothy West | (Senior Statutory Auditor)

for and on behalf of BDO LLP, Statutory Auditor
London, UK
4 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

OUR FINANCIALS

"I am delighted with how the Group has performed during the year. An increase of 78% in pre-tax profits and an increase in the fair value of the portfolio to £19,444,000 vindicate the strength of our business model."
Frontier IP Chairman Andrew Richmond

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 £'000	2019 £'000
Revenue			
Revenue from services		**404**	418
Other operating income			
Unrealised profit on the revaluation of investments	12,13	**5,973**	3,850
		6,377	4,268
Administrative expenses	4	**(2,011)**	(1,805)
Share based payments		**(230)**	(127)
Dividend income on financial assets at fair value through profit or loss		**-**	2
Other income		**27**	-
Profit from operations		**4,163**	2,338
Interest income on short term deposits		**21**	12
Profit from operations and before tax		**4,184**	2,350
Taxation	6	**-**	-
Profit and total comprehensive income attributable to the equity holders of the Company		**4,184**	2,350
Profit per share attributable to the equity holders of the Company:			
Basic earnings per share	7	**8.76p**	5.77p
Diluted earnings per share	7	**8.41p**	5.51p

All of the Group's activities are classed as continuing.

There is no other comprehensive income in the year (2019: nil).

Consolidated Statement of Financial Position

At 30 June 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	**5**	7
Goodwill	9	**1,966**	1,966
Equity investments	12	**19,444**	13,252
Debt investments	13	**863**	40
Trade receivables	14	**-**	114
		22,278	15,379
Current assets			
Debt investments	13	**-**	397
Trade receivables and other current assets	14	**830**	488
Cash and cash equivalents		**2,968**	1,466
		3,798	2,351
Total assets		**26,076**	17,730
Liabilities			
Current liabilities			
Trade and other payables	15	**(210)**	(139)
		(210)	(139)
Net assets		**25,866**	17,591
Equity			
Called up share capital	16	**5,076**	4,243
Share premium account	16	**12,819**	9,791
Reverse acquisition reserve	17	**(1,667)**	(1,667)
Share based payment reserve	17	**477**	293
Retained earnings	17	**9,161**	4,931
Total equity		**25,866**	17,591

Company Statement of Financial Position

At 30 June 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investment in subsidiaries	11	**2,383**	2,383
Equity investments	12	**12,145**	5,777
Debt investments	13	**713**	40
Amounts receivable from group undertakings	14	**4,657**	3,854
		19,898	12,054
Current assets			
Debt investments	13	**-**	376
Trade receivables and other current assets	14	**385**	292
Cash and cash equivalents		**2,943**	1,407
		3,328	2,075
Total assets		**23,226**	14,129
Liabilities			
Current liabilities			
Trade and other payables	15	**(84)**	(56)
		(84)	(56)
Net assets		**23,142**	14,073
Equity attributable to equity holders of the Company			
Called up share capital	16	**5,076**	4,243
Share premium account	16	**12,819**	9,791
Share-based payment reserve	17	**477**	293
Retained earnings	17	**4,770**	(254)
Total equity		**23,142**	14,073

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 profit of the Company for the year was £4,978,000 (2019: £967,000)

The financial statements on pages 49 to 76 were approved by the Board of Directors and authorised for issue on 4th November 2020 and were signed on its behalf by:

James Fish | Chief Financial Officer
04 November 2020

Registered number: 06262177

Consolidated and Company Statements of Changes in Equity

For the year ended 30 June 2020

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 2018	3,828	7,789	(1,667)	186	2,581	12,717
Issue of shares	415	2,002		(20)		2,397
Share-based payments	-	-	-	127	-	127
Profit/total comprehensive income for the year	-	-	-	-	2,350	2,350
At 30 June 2019	4,243	9,791	(1,667)	293	4,931	17,591
Issue of shares	833	3,028	-	(46)	46	3,861
Share-based payments	-	-	-	230	-	230
Profit/total comprehensive income for the year	-	-	-	-	4,184	4,184
At 30 June 2020	**5,076**	**12,819**	**(1,667)**	**477**	**9,161**	**25,866**

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 2018	3,828	7,789	186	(1,221)	10,582
Issue of shares	415	2,002	(20)		2,397
Share-based payments	-	-	127	-	127
Profit/total comprehensive expense for the year	-	-	-	967	967
At 30 June 2019	4,243	9,791	293	(254)	14,073
Issue of shares	833	3,028	(46)	46	3,861
Share-based payments	-	-	230	-	230
Profit/total comprehensive income for the year	-	-	-	4,978	4,978
At 30 June 2020	**5,076**	**12,819**	**477**	**4,770**	**23,142**

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash flows from operating activities					
Cash used in operations	20	**(1,758)**	(1,270)	**(1,248)**	(1,392)
Taxation paid	6	**-**	-	**-**	-
Net cash used in operating activities		**(1,758)**	(1,270)	**(1,248)**	(1,392)
Cash flows from investing activities					
Purchase of tangible fixed assets	8	**(3)**	(7)	**-**	-
Purchase of equity investments	12	**(97)**	(363)	**(23)**	(360)
Purchase of debt investments	13	**(588)**	(416)	**(425)**	(416)
Disposal of debt investments	13	**40**	-	**40**	-
Amounts receivable from group undertakings		**-**	-	**(803)**	-
Interest received		**21**	12	**130**	108
Other income		**27**	-	**5**	-
Dividend income on financial assets at fair value through profit or loss		**-**	2	**-**	-
Net cash used in investing activities		**(600)**	(772)	**(1,076)**	(668)
Cash flows from financing activities					
Proceeds from issue of equity shares		**4,175**	2,552	**4,175**	2,552
Costs of share issue		**(315)**	(155)	**(315)**	(155)
Net cash generated from financing activities		**3,860**	2,397	**3,860**	2,397
Net increase in cash and cash equivalents		**1,502**	355	**1,536**	337
Cash and cash equivalents at beginning of year		**1,466**	1,111	**1,407**	1,070
Cash and cash equivalents at end of year		**2,968**	1,466	**2,943**	1,407

Accounting Policies

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 and in accordance with the Companies Act 2006.

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.

Going Concern

Due to the uncertainty arising from the COVID-19 pandemic the directors have made an assessment of going concern by taking account of the impact on the portfolio and the outlook for the Group's liquidity.

The Group's business model requires equity stakes in portfolio companies to be sold to generate cash as the cash received from services does not cover the Group's planned operating costs and investments in portfolio companies. In the absence of cash exits the Group has raised finance though placings and in July 2020 the Company raised £2.3m (before expenses) through a placing.

COVID-19 has impacted portfolio companies in different ways and the directors have categorised them into one of four areas – those where direct opportunities have arisen, those where opportunities have arisen due to changes to infrastructure, those where the impact is neutral and those which have been negatively impacted due to delays to technical and commercial development. Examples of these are addressed in the chief executive's report and this analysis informs our assessment of potential support required which, if not sourced through government COVID-19 support schemes, may be provided by the Group. A small number of our portfolio companies have experienced a direct negative impact on their operations primarily as a consequence of lockdown measures. However, on balance, our assessment indicates that the majority of our portfolio companies are seeing either a positive or neutral overall impact from COVID-19.

The directors have also focused on the health and well-being of employees as they adjust to operating remotely.

Based on the Group's current cash position and the scenario analysis of its forecasted operating and investment activities, including the potential requirement for addition financial support for portfolio companies as a result of COVID-19, the Group has adequate financial resource to continue in operational existence for a period of at least twelve months from the date of this report. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Changes in accounting policies

a) New standards, interpretations and amendments effective 1 July 2019

The following new standards have been applied in these financial statements:

IFRS 16 – Leases

IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the typical straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for lease assets (included within operating costs) and an interest expense on lease liabilities (included within finance costs). The impact of IFRS 16 is explained in note 19 to the financial statements.

IFRIC 23 – Uncertainty over income tax treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on

Accounting Policies: continued

whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The adoption of IFRIC 23 does not result in any increase in the Group's corporation tax liabilities.

b) New standards, interpretations and amendments not yet effective

There are no new standards, interpretations or amendments which would have a material impact on future financial statements.

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. An entity is classed as under the control of the Group when all three of the following elements are present: power over the entity, exposure, or rights to, variable returns from its involvement with the entity and the ability of the Group to use its power over the entity to affect the amount of those variable returns.

Segmental reporting

The Group operates in one market sector, the commercialisation of University Intellectual Property, and primarily within the UK. The Group has commenced developing business in Portugal, but transactions during the year were immaterial. Therefore, revenue, profit 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. 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. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Property and equipment

The Group does not own any property. 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 at fair value when the Group becomes a party to the contractual provisions of the instrument.

IFRS 9 divides all financial assets into two classifications – those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains or losses are either recognised entirely in profit or loss or in other comprehensive income. Impairments are recognised on an expected loss basis. As such where there are expected to be credit losses these are recognised in the profit and loss.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for an appropriate allowances for credit losses over the expected life of the asset. An allowance for expected credit loss is established when there is expectation that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the comprehensive income statement. The Group applies the IFRS 9 simplified approach to measuring expected loss, details of which are provided in note 14.

Cash

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits and is measured at fair value.

Accounting Policies: continued

Equity Investments

Equity investments are held with a view to the ultimate realisation of capital gains and are recognised and derecognised on the trade date. They are classified as financial assets at fair value through profit and loss and are initially measured at fair value and any gains and losses arising from subsequent changes in fair value are presented through the profit or loss in the period in which they arise. Equity investments are classified as non-current assets.

The Group has interests of over 20% but these are not accounted for as associates as the Group elects to hold such investments at fair value in the statement of financial position. IAS 28 Investments in Associates and Joint Ventures does not require investments held by entities which are similar to venture capital organisations to be accounted for under the equity method where those investments are designated, upon initial recognition, as at fair value through profit and loss.

The fair value of unquoted equity investments is established in accordance with International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines"). The Group uses valuation techniques that management consider appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs taking into account any discounts required for non-marketability and other risks inherent in early stage businesses. The Group's investments are primarily in seed, start-up and early-stage companies often with no short-term earnings, revenue or positive cash flow making it difficult to assess the value of its activities and to reliably forecast cash flows. The Group normally receives its initial equity prior to any third-party funding and some companies progress without third party funding. In selecting the most appropriate valuation technique in estimating fair value the Group uses a standard valuation matrix to categorise companies. The valuation matrix is as follows:

1. When the Group has received its initial equity prior to transfer of IP to the portfolio company, the company is valued at a notional £50,000 derived from the transaction price at which the Group has recently received equity stakes and which the Group considers to be a materially correct representation of fair value. This notional value may therefore change over time.
2. Once the IP is transferred to the company, the valuation is increased to reflect the value attributable to the IP. In addition, where grant funding is awarded in relation to its product development costs the value of the grants is included in the company valuation to the extent that management is satisfied that the company will derive commensurate economic benefit. In valuing the IP the Group uses the comparable company valuation technique, specifically comparing the entry price at which investors would typically invest in investor-ready pre-revenue companies with IP and adjusting for management's assessment of the company's IP and stage. There is often a lack of external value markers for these early stage pre-revenue companies and, recognising the subjectivity and uncertainty in management's assessment of the IP, a degree of caution is applied in valuing these companies which are typically determined to be in a range up to £1m unless there is clear evidence for a valuation above this level.
3. When the company commences trading, the Group considers if this indicates a change in fair value. If there is evidence of value creation the Group may consider increasing the value and would seek comparable company valuations to estimate fair value.
4. If the company receives third party funding, the price of that investment will provide the starting point for the valuation. The Group considers whether any changes or events subsequent to the investment would indicate a change in fair value. Any adjustment made is, whenever possible, based on objective data from the company in addition to management's judgement.
5. As the company develops and generates predictable cash flows a combination of valuation techniques are applied as appropriate, such as discounted cash flow, industry specific valuation models and comparable company valuation multiples.

Investment in subsidiary companies is stated at cost less provision for any impairment in value. If the recoverable amount of an investment in a subsidiary is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately through profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the investment in subsidiary 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 in prior years.

Accounting Policies: continued

Debt investments

Debt investments are unquoted debt instruments, are loans to portfolio companies and are valued at fair value. None of the instruments are held with a view to selling the instrument to realise a profit or loss. Instruments which are convertible to equity at a future point in time or which carry warrants to purchase equity at a future point in time are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group does not separate the embedded derivative from the host contract and the entire instrument is measured at fair value through profit or loss. The price at which the debt investment was made may be a reliable indicator of fair value at that date depending on facts and circumstances. Any indications of changes in the credit risk of the portfolio company borrower are considered when valuing debt investments at subsequent measurement dates.

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 amortised cost.

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 statement of financial position date.

Deferred tax is accounted for using the statement of financial position 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. 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.

Taxation note 6 explains why a deferred tax liability has not been recognized in these financial statements.

Share options

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value 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. The corresponding credit is recognized in retained earnings within total equity. 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

The Group's revenue streams are recognised in accordance with IFRS 15. The Group applies IFRS 15 to each of its revenue streams analysing its nature, the timing of satisfaction of performance obligations and any significant payments terms.

Fees for services provided by the Group are measured at the fair value of the consideration received or receivable, net of value added tax. The Group's revenue is derived from the following streams:

Business support services are governed by engagement agreements which typically provide for a fixed monthly fee for services to be performed on an on-going monthly basis. The services are invoiced at the end of each month and the revenue recognised for that month.

Fees for corporate finance work are governed by separate engagement agreements where the fee is typically based on a percentage of funds raised and/or a fixed fee. Revenue is recognised when the service is provided and the respective transaction has completed.

Where the consideration for spin-out services is equity in companies spun out by a university, the revenue recognized is the Group's percentage of equity received applied to the

Accounting Policies: continued

value attributed to the portfolio company on initial spin out. The percentage of equity received is governed by an agreement with the university and revenue is recognized upon spin-out. When the consideration for services is a share in licencing income the revenue is recognised on an accruals basis in accordance with the terms of the licensing agreements.

Leases

As a lessee, the Group rents office premises. Under the terms of the rental agreements, the supplier has the right to terminate the agreement during the period of use, however at inception of the agreement this is not considered likely to occur. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term if the present value is materially different from the lease payments to be made. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the in-substance fixed lease payments.

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.

Net assets per share

Net assets per share represents the net assets at the year-end divided by the number of ordinary shares in issue at the year end.

Notes to the Financial Statements

For the year ended 30 June 2020

1. Financial risk management

Financial risk factors

Going concern

The COVID-19 pandemic has not impacted the Group and its portfolio companies to the same extent as many other businesses but the uncertainty over the length of the pandemic presents a significant risk to the Group's future operations. The Directors have assessed the Group's going concern position as outlined in the accounting policies and concluded that the Group has sufficient cash to cover expenditure for a period of more than twelve months.

The Group's business activities are set out in the Strategic Report. 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 operates primarily in the UK and although it has started to develop business in Portugal, transactions in foreign currency were minimal during the year and at the year-end. It has therefore not been exposed to any material foreign exchange risk.

(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 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 £19,444,000 (2019: £13,252,000).

(b) Credit risk

The Group's credit risk is primarily attributable to its debt investments, trade receivables, other debtors and cash equivalents. The Group's current cash and cash equivalents are held with two UK financial institutions, the Bank of Scotland plc and Barclays Bank plc, both of which have a credit rating of "P1" from credit agency Moody's, indicating that Moody's consider that these banks have a "superior" ability to repay short-term debt obligations. The concentration of credit risk from trade receivables and other debtors 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. Details of trade receivables and other current assets are set out in note 14. The Group's debt investments are loans to its portfolio companies and its customers are its portfolio companies. These are primarily early stage and start-up companies and Group management determine impairment and assess expected credit loss through taking into account both trading and fundraising prospects in addition to the financial position and other factors. Management's assessment is aided through representation on the Board and/or through providing advisory services to the companies.

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

(c) Capital risk management

The Group is funded by equity finance only. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position. 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 manage the cost of capital. In order to maintain the capital structure the Group may issue new shares as required. 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 Group's business model is to realise cash through the sale of investments in portfolio companies and in the absence of such realisations the Group would plan to raise additional capital. The Board reviews available cash to ensure there are sufficient resources for working capital requirements and investments. At 30 June 2020 and 30 June 2019 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year.

Notes to the Financial Statements

For the year ended 30 June 2020

2. Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgements.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Valuation of unquoted equity investments
In applying valuation techniques to determine the fair value of unquoted equity investments the Group makes estimates and assumptions regarding the future potential of the investments. As the Group's investments are in seed, start-up and early stage businesses it can be difficult to assess the outcome of their activities and to make reliable forecasts. Given the difficulty of producing reliable cash flow projections for use in discounted cash flow valuations, this technique is applied with caution. Adjustments made to fair value are, by their very nature, subjective and determining the fair value is a critical accounting estimate. Reasonable possible shifts, which themselves are estimates, are included in Note 12 and show a reasonable possible shift for the total unquoted equity investments of 32% being £6,375,000 from a total value of £19,444,000.

(ii) Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the stated accounting policy. The recoverable amount is determined using value in use models which require a number of estimations and assumptions about the timing and amount of future cash flows. As future cash inflows relate primarily to capital gains on the sale of unquoted equity investments, these estimates and assumptions are subject to a high degree of uncertainty. Note 9 describes the key assumptions and sensitivity applied.

(iii) Consideration of credit losses
The matters taken into account in the recognition of credit losses include historic current and forward-looking information. The Group applies the IFRS 9 simplified approach to measuring expected loss, details of which are provided in note 14.

Critical accounting judgements

The Group believes that the most significant judgement areas in the application of its accounting policies are establishing the fair value of its unquoted equity investments and the consideration of any impairment to goodwill. The matters taken into account by the Directors when assessing the fair value of the unquoted equity 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. In addition, the Directors judge that the Group is exempt from applying the equity method of accounting for associates in which it has interests of over 20% as they consider the Group to be similar to a venture capital organisation and elects to hold such investments at fair value in the statement of financial position.

IAS28 Investments in Associates and Joint Ventures permits investments held by entities which are similar to venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit and loss.

3. Major customers

During the year the Group had five major customers that accounted for 75% of its revenue from services (2019: five customers accounted for 81%). The revenues generated from each customer were as follows:

	2020 £'000	2019 £'000
Customer 1	**90**	102
Customer 2	**72**	77
Customer 3	**53**	65
Customer 4	**48**	48
Customer 5	**39**	48
	302	340

Notes to the Financial Statements

For the year ended 30 June 2020

4. Administration expenses

Expenses included in administrative expenses are analysed below.

	2020 £'000	2019 £'000
Employee costs	**1,446**	1,276
Consultant	**43**	16
Travel and subsistence	**22**	56
Depreciation	**6**	6
Bad and doubtful debts	**(1)**	(9)
Audit services:		
- audit of the Company and consolidated accounts	**65**	35
- audit of the Company's subsidiaries pursuant to legislation	**2**	7
Non-audit services:		
- tax services	**8**	7
- consultancy services	**9**	16
Legal, professional and financial costs	**217**	218
Premises lease	**142**	133
Administration costs	**52**	44
	2,011	1,805

5. Directors and employees

The average number of people employed by the Group during the year was:

	2020 Number	2019 Number
Business and corporate development	**15**	14

	2020 £'000	2019 £'000
Wages and salaries	**1,081**	961
Social security	**146**	124
Pension costs – defined contribution plans	**73**	71
Non-executive directors' fees	**95**	92
Other benefits	**51**	28
Share option expense	**230**	127
	1,676	1,403

All employees with the exception of Jacqueline McKay are employed by Frontier IP Group plc. Jacqueline McKay is employed by the subsidiary Frontier IP Limited and her costs are shown in the table of directors' remuneration below.

The key management of the Group and the Company comprise the Frontier IP Group Plc Board of Directors. The remuneration of the individual Board members is shown below.

Notes to the Financial Statements

For the year ended 30 June 2020

Remuneration comprises basic salary, pension contributions and benefits in kind, being private health insurance and life assurance. 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		Pension		Share option		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Executive										
N Crabb	**138**	133	**3**	3	**15**	11	**21**	29	**177**	176
J McKay	**103**	99	**4**	4	**11**	10	**11**	21	**129**	134
D Cairns	**12**	74	**-**	-	**1**	7	**0**	8	**13**	89
J Fish	**108**	104	**3**	3	**11**	10	**20**	21	**142**	138
M White	**130**	99	**3**	2	**13**	10	**20**	14	**166**	125
Non-executive										
A Richmond	**43**	42	**-**	-	**-**	-	**-**	-	**43**	42
M Bourne	**26**	25	**-**	-	**-**	-	**-**	-	**26**	25
C Wilson	**26**	25	**-**	-	**-**	-	**-**	-	**26**	25
	586	601	**13**	12	**51**	48	**72**	93	**722**	754

6. Taxation

A reconciliation from the reported profit before tax to the total tax charge is shown below:

	2020 £'000	2019 £'000
Profit before tax	**4,184**	2,350
Profit before tax at the effective rate of corporation tax in the UK of 19% (2019: 19%)	**795**	446
Effects of:		
Non-taxable income	**(1,086)**	(733)
Expenses not deductible for tax purposes	**48**	26
Trading losses carried forward	**295**	269
Other adjustments	**(52)**	(8)
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 £1,621,000 (2019: £1,152,000) available for use to offset future profits. These amounts are stated using a corporation tax rate of 19% of total losses of £8,531,000 (2019: 17% of total losses of £6,779,000).

There is a deferred tax liability on the difference between base cost and fair value of certain financial assets at fair value through profit and loss which are not exempt from tax under the Substantial Shareholding Exemption. There are excess management expenses and trading losses carried forward in the Group and there is the ability to transfer gains arising which would be covered by excess management expenses and no tax liability would be expected to arise.

Notes to the Financial Statements

For the year ended 30 June 2020

7. Earnings per share

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Frontier IP Group Plc by the weighted average number of shares in issue during the year.

	Profit attributable to shareholders £'000	Weighted average number of shares	Basic earnings per share amount in pence
Year ended 30 June 2020	**4,184**	**47,753,569**	**8.76**
Year ended 30 June 2019	2,350	40,700,979	5.77

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market value share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Profit attributable to shareholders £'000	Weighted average number of shares adjusted for share options	Diluted earnings per share amount in pence
Year ended 30 June 2020	**4,184**	**49,775,053**	**8.41**
Year ended 30 June 2019	2,350	42,632,932	5.51

Notes to the Financial Statements

For the year ended 30 June 2020

8. Tangible fixed assets

	Fixtures and equipment £'000
Cost	
At 1 July 2018	17
Additions	7
Disposals	(1)
At 30 June 2019	23
Additions	3
Disposals	-
At 30 June 2020	26
Depreciation	
Accumulated depreciation at 1 July 2018	10
Charge for the year to 30 June 2019	6
Disposals	-
Accumulated depreciation at 30 June 2019	16
Charge for the year to 30 June 2020	5
Disposals	-
Accumulated depreciation at 30 June 2020	21
Net book value	
At 30 June 2020	**5**
At 30 June 2019	7

9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 July 2018, 30 June 2019 and at 30 June 2020	**1,966**	-
Impairment		
At 1 July 2018, 30 June 2019 and at 30 June 2020	**-**	-
Carrying value		
At 30 June 2020	**1,966**	-
At 30 June 2019	1,966	-

Notes to the Financial Statements

For the year ended 30 June 2020

The Group conducts an annual impairment test on the carrying value of goodwill based on the recoverable amount of the Group as one cash generating operating unit. The net present value of projected cash flows is compared with the carrying value of the Group's investments and goodwill. In arriving at a net present value of projected cash flows, an individual company dilution value-in-use model was used within which assumptions were used for future spin outs and for the existing portfolio. For the prior year, a weighted distribution of outcomes and values model was also used but the Directors consider that as the portfolio has matured the individual company dilution model provides a sufficient impairment test.

The assumptions used in the model are set out below:

	2020		2019	
	Future Spin Outs	**Existing Portfolio**	Future Spin Outs	Existing Portfolio
Initial spin out equity, being the product of the number of spin outs and initial equity acquired.	**75% - 150%**	**-**	75% - 175%	-
Equity in existing portfolio	**-**	**2.4% - 43.5%***	-	3% - 40%*
Dilution	**35%**	**Average of 31%**	35%	Average of 33%
Years to exit	**7**	**7 (minimum of 2 years from measurement date)**	6	6 (minimum of 2 years from measurement date)
Rate of return	**27%**	**27%**	23%	23%
Discount rate (pre-tax)	**12%**	**12%**	12%	12%
Value at first/next funding round	**£1.5m**	**£1.5m - carrying values of individual companies at 30 June 2020. Average of £13.5m**	£1.5m	£1.5m - carrying values of individual companies at 30 June 2019. Average of £13.3m

* Actual range of equity at 30 June 2020.

Projected cash flows are based upon management approved budgets for service income, overheads and investments for a period of three years and key assumptions over potential investment outcomes in the future. When determining the key assumptions, management has used both past experience and management judgement. In particular, the Group has no history of exits as the Group's portfolio comprises primarily early stage businesses. No increase or growth has been factored into the model with regard to the key assumptions, or for the projected cash flows after the 3-year budgeted period. The COVID-19 pandemic may impact a number of our assumptions, in particular the number of spin-outs and time to exit.

The percentage change required in an assumption in order to cause the recoverable amount to equal the carrying amount is shown below:

Assumption	Change Required
Initial spin out equity, being the product of the number of spin outs and initial equity acquired.	-25%
Dilution	+80%
Years to exit	+29%
Rate of return	-12%
Discount rate (pre-tax)	+24%
Value at first funding round	-18%

Notes to the Financial Statements

For the year ended 30 June 2020

The Board considers that a reasonably possible change in the rate of return would cause the carrying amount of the cash generating unit to exceed its recoverable amount. The amount by which the recoverable amount exceeds the carrying amount is £4.1m and a 12% decrease in the rate of return from 29% to 24% would cause the recoverable amount to equal the carrying amount.

The Board considers that the net present value of cash flow from the Group's one cash generating unit is greater than its carrying value.

10. Categorisation of Financial Instruments

	At fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets			
At 30 June 2020			
Equity investments	19,444	-	19,444
Debt investments	863	-	863
Trade and other receivables	-	830	830
Cash and cash equivalents	-	2,968	2,968
Total	20,307	3,798	24,105
At 30 June 2019			
Equity investments	13,252	-	13,252
Debt investments	382	55	437
Trade and other receivables	-	602	602
Cash and cash equivalents	-	1,466	1,466
Total	13,634	2,123	15,757

All financial liabilities are categorised as other financial liabilities and recognized at amortised cost.

A reduction in the fair value of financial assets of £40,000 was attributable to credit risk. (2019: £nil)

All net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss. (2019: all net fair value gains were attributable to financial assets designated at fair value through profit or loss.)

11. Investment in subsidiaries

	Company 2020 £'000	Company 2019 £'000
At 1 July	**2,383**	2,383
Provision for impairment	**-**	-
At 30 June	**2,383**	2,383

Notes to the Financial Statements

For the year ended 30 June 2020

Group Investments

The Company has investments in the following subsidiary undertakings.

	Country of incorporation	Proportion of ordinary shares directly held by the Company	Proportion of ordinary shares held by the Group
Frontier IP Limited - principal activity is commercialisation of IP	Scotland	100%	
Frontier IP Investments Limited - principal activity was investment in the RGU Ventures Investment Fund*	Scotland	100%	
Frontier IP Founder Partners Limited - principal activity was founder partner in the RGU Ventures Investment Fund*	Scotland	100%	
Frontier IP Management Limited - principal activity is investment advisory and marketing services	Scotland	100%	
Frontier IP GP RG Limited - principal activity was the general partner of the RGU Ventures Investment Fund*	Scotland		100%

* RGU Ventures Investment Fund was dissolved 15 January 2020.

The registered office of all subsidiaries is c/o CMS Cameron McKenna Nabarro Olswang LLP, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

12. Equity investments

Equity investments are unquoted investments 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 unobservable inputs. All gains and losses relate to assets held at the year end, and the fair value movement has been shown in the income statement as other operating income.

Unquoted Equity Investments

	Group 2020 £'000	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
At 1 July	**13,252**	9,041	**5,777**	3,441
Additions	**97**	359	**23**	360
Conversion of debt investments	**82**	-	**48**	-
Fair value increases	**7,064**	3,864	**6,617**	1,988
Fair value decreases	**(1,051)**	(12)	**(320)**	(12)
At 30 June	**19,444**	13,252	**12,145**	5,777

Limited Partnership Interests

	Group 2020 £'000	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
At 1 July	**-**	19	**-**	-
Additions	**-**	4	**-**	-
Fair value decreases	**-**	(23)	**-**	-
At 30 June	**-**	-	**-**	-

Notes to the Financial Statements

For the year ended 30 June 2020

The ten-year term of the RGU Ventures Investment Fund expired on 27 July 2019 and prior to 30 June 2019 the assets were distributed to the limited partners and the limited partnership dissolved on 15 January 2020.

The table below sets out the movement in the value of unquoted equity investments by valuation matrix stage during the year:

Unquoted Equity Investments

	Valuation matrix stage					
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 4 £'000	Stage 5 £'000	Total £'000
1 July 2019	78	2,537	180	5,290	5,167	13,252
Transfers between stages	274	(2,342)	1,606	5,629	(5,167)	-
Fair value (decrease) / increase through other operating income	(277)	696	1,459	4,135	-	6,013
Additions	-	23	-	156	-	179
30 June 2020	**75**	**914**	**3,245**	**15,210**	**-**	**19,444**

The table below provides information about unquoted equity investment fair value measurements. (See the accounting policy on investments for a description of the valuation matrix stages)

Valuation matrix stage	No of Investments	Fair value £'000	Unobservable inputs	Reasonable possible shift %	Reasonable possible shift +/- £000
Stage 1	5	75	Initial valuation of new spin outs at £50,000	20%	15
Stage 2	3	914	Management's assessment of the value of IP transferred and the value of grants from which economic benefit is derived.	25%	228
Stage 3	6	3,245	Management's assessment of performance against milestones and discussions of likely imminent fundraising.	39%	1,265
Stage 4	9	15,210	The price of latest funding round provides unobservable input into the valuation of any individual investment. However, subsequent to the funding round, management are required to re-assess the carrying value of investments at each period end which result in unobservable inputs into the valuation methodology.	32%	4,867
Stage 5	0	-	Discounted comparable public company valuation. Unobservable inputs into discounted cash flow are forecasts of future cash flows, probabilities of project failure and evaluation of the time cost of money.	-	-
30 June 2020		**19,444**		**32%**	**6,375**

Notes to the Financial Statements

For the year ended 30 June 2020

Significant unobservable inputs:

The valuation of the Group's investment in Exscientia at 30 June 2020 was £4,407,000, 23% of the Group's total equity investments and 17% of its net assets at 30 June 2020. The decrease in the value of the Group's holding in Exscientia over the year to 30 June 2020 was £760,000, 13% of the Group's net unrealised profit on the revaluation of investments and 18% of profit for the year to 30 June 2020. The significant inputs into the valuation of the Group's holding in Exscientia included the price of investments immediately before and after 30 June 2020 which were completed at the same price.

The valuation of the Group's investment in Pulsiv Solar at 30 June 2020 was £3,591,000, 18% of the Group's total equity investments and 14% of its net assets at 30 June 2020. The increase in the value of the Group's holding in Pulsiv over the year to 30 June 2020 was £2,646,000, 44% of the Group's net unrealised profit on the revaluation of investments and 63% of profit for the year to 30 June 2020. The significant inputs into the valuation of the Group's holding in Pulsiv included indication of the price of investment at 30 June 2020 and beyond as well as progress since the year end.

The valuation of the Group's investment in The Vaccine Group (TVG) at 30 June 2020 was £3,051,000, 16% of the Group's total equity investments and 12% of its net assets at 30 June 2020. The increase in the value of the Group's holding in TVG over the year to 30 June 2020 was £1,428,000, 24% of the Group's net unrealised profit on the revaluation of investments and 34% of profit for the year to 30 June 2020. The significant inputs into the valuation of the Group's holding in TVG included an assessment of the progress made in the five projects in progress at 30 June 2020 since the most recent funding round in January 2020, the growth in valuation of vaccine companies over the period and a discounted cash flow model. The company's activities on the projects funded by the US, UK and Chinese governments remain on track and have met the milestones agreed with the funders. In addition TVG has made significant progress on a number of internally funded projects including: the development of three candidate vaccines to protect against SARS CoV-2 (responsible for COVID-19) that are being prepared for animal trials post period end; the development of a candidate vaccine for African Swine Fever Virus (a highly contagious and deadly virus that affects pigs, with no effective vaccine currently commercially available) that was ready for trials in pigs; the development of a candidate vaccine for Bovine tuberculosis that was ready for trials in cattle; the development of a candidate vaccine for bovine mastitis that has been successfully trialled in a model rabbit system and is being prepared for trials in cattle. Post-period end TVG has announced its first agreement with a commercial partner, developing two vaccine candidates for Porcine Reproductive and Respiratory Syndrome Virus in collaboration with the Pirbright Institute and funded by ECO Animal Health Group plc. Each of these projects are individually high risk but also potentially high reward for TVG. It is therefore challenging to accurately value TVG given the material impact of success or failure in any one of these projects. This is particularly challenging at this point in time as the current COVID-19 environment has seen a strong growth in the valuations of vaccine companies, particularly those that are specifically targeting COVID-19. The current valuation has been corroborated by discounted cash flows which have been risk adjusted for probability of success. A 25% reduction in the royalty rate or cost per dose would reduce the valuation of the Group's investment in TVG by 21% while a 25% increase in the success rate would increase the valuation by 36%. The high risk/reward nature of TVG's projects, the difficulty in estimating future cash flows and the high level of judgement involved mean there is a risk of material adjustment to the valuation.

Notes to the Financial Statements

For the year ended 30 June 2020

Equity investments are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS28, Investments in Associates. At 30 June 2020 the Group held an economic interest of 20% or more in the following companies:

Name of Undertaking	Registered Address	% Issued Share Capital	Share Class
AquaInSilico	Avenida Tenente Valadim, nº. 17, 2º F, 2560-275 Torres Vedras, Portugal	29.0%	Ordinary
Alusid Limited	Richard House, Winckley Square, Preston, Lancashire, PR1 3HP	35.6%	Ordinary
Cambridge Raman Imaging Limited	Wellington House, East Road, Cambridge, CB1 1BH	30.9%	Ordinary
Cambridge Simulation Solutions Limited	8 Cody Road, Waterbeach, Cambridge, CB25 9LS	40.0%	Ordinary
CamGraPhIC Limited	Wellington House, East Road, Cambridge, CB1 1BH	33.3%	Ordinary
Celerum Limited	School Of Computing Science & Digital Media Robert Gordon University, Garthdee Road, Aberdeen, AB10 7GJ	33.8%	Ordinary
Des Solutio LDA	Avenida Tenente Valadim, nº. 17, 2º F, 2560-275 Torres Vedras, Portugal	25.0%	Ordinary
Elute Holdings Limited	21 Church Road, Tadley, RG26 3AX	43.5%	Ordinary
Fieldwork Robotics Limited	Research And Innovation Floor 2 Marine Building, Plymouth University, Plymouth, PL4 8AA	26.7%	Ordinary
Insignals Neurotech Lda	Rua Passeio Alegre, 20 Centro de Incubacyo e Aceleracyo Do Porto, Porto 4150-570, Portugal	33.0%	Ordinary
Nandi Proteins Limited	93 George Street, Edinburgh, EH2 3ES	20.1%	A Ordinary
NTPE LDA	Avenida Tenente Valadim, nº. 17, 2º F, 2560-275 Torres Vedras, Portugal	31.6%	Ordinary

The nature of these companies' business is provided in the Portfolio Review section of the Strategic Report.

13. Debt investments

Debt investments are loans to portfolio companies to fund early stage costs, provide funding alongside grants and bridge to an equity fundraise. Loans ranging from £75,000 (Cambridge Raman Imaging) to £150,000 (Nandi Proteins) were made to five companies during the period. All debt investments are categorised as fair value through profit or loss and measured at fair value. The Group uses valuation techniques that management consider appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs The price at which the debt investment was made may be a reliable indicator of fair value at that date but management consider the financial position and prospects for the portfolio company borrower when valuing debt investments at subsequent measurement dates.

Debt investments comprise the following:

	Group 2020 £'000	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
Fair value through profit or loss	**863**	382	**713**	361
Amortised cost	**-**	55	**-**	55
At 30 June	**863**	437	**713**	416

Notes to the Financial Statements

For the year ended 30 June 2020

The movement during the year of debt investments is set out below

Fair value through profit or loss

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
At 1 July	**382**	–	**361**	–
Additions	**588**	361	**425**	361
Disposals	**(40)**		**(40)**	
Conversion to unquoted equity investments	**(82)**		**(47)**	
Reclassification	**55**	–	**55**	–
Fair value increases	**–**	21	**–**	–
Fair value decreases	**(40)**	–	**(40)**	–
At 30 June	**863**	382	**713**	361
Less non-current	**(863)**	(40)	**(713)**	(40)
Current portion	**–**	342	**–**	321

Amortised cost

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
At 1 July	**55**	–	**55**	–
Reclassification	**(55)**	55	**(55)**	55
At 30 June	**–**	55	**–**	55

All debt investments are classed as non-current. Certain debt instruments have conversion or repayment terms dependent on the amount and timing of an equity fundraising by the portfolio company borrower. The exercise of a conversion right would reclass the debt investment as a non-current equity investment. The expectation is to exercise the right to repayment, however there is uncertainty over the timing and amount of equity fundraisings, particularly during the existing COVID-19 pandemic. Furthermore, notwithstanding the right to repayment being triggered, the Group may decide, depending on the circumstance at the time, to defer repayment or convert into equity for the benefit of the portfolio company borrower in which the Group also holds an equity stake.

14. Trade receivables and other current assets

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables	**614**	392	**280**	151
Receivables from Group undertakings	**–**	–	**4,612**	3,854
VAT	**3**	3	**–**	–
Prepayments and accrued income	**48**	34	**23**	11
Other debtors	**146**	173	**117**	130
Accrued interest	**19**	–	**10**	–
	830	602	**5,042**	4,146
Less trade receivables – non current	**–**	(114)	**–**	–
Less receivables from Group undertakings – non current	**–**	–	**(4,657)**	(3,854)
Current portion	**830**	488	**385**	292

Notes to the Financial Statements

For the year ended 30 June 2020

Trade receivables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables not past due	**62**	68	**56**	59
Trade receivables past due 1–30 days	**28**	26	**21**	16
Trade receivables past due 31–60 days	**29**	27	**22**	18
Trade receivables past due 61–90 days	**21**	13	**17**	4
Trade receivables past due over 90 days	**474**	258	**164**	54
Gross trade receivables at 30 June	**614**	392	**280**	151
Expected credit loss at 1 July	**–**	9	**–**	–
Debts provided for in the year	**–**	(9)	**–**	–
Debts written off in the year	**–**	–	**–**	–
Expected credit loss at 30 June	**–**	–	**–**	–
Net trade receivables at 30 June	**614**	392	**280**	151

Trade receivables are amounts due from portfolio companies for services provided with net amounts recorded as revenue in the consolidated statement of comprehensive income. The expected credit losses are estimated by reference to the financial position and specific circumstances of the portfolio companies, by reference to past default experience and by assessment of the current and forecast economic conditions. The nature of the services provided to portfolio companies means the Group has in-depth knowledge of the companies' prospects both for trading and raising capital and the number of companies with past due receivables is small enabling a full assessment of recoverability by company. The Group also considers if a general provision for expected loss through applying the historical rate of portfolio company failures is material. £416,000 of trade receivables at 30 June 2020 have been recovered post year end and the remaining £198,000 is due from four companies including Fieldwork Robotics (£97,000) and Alusid (£87,000). The directors are confident that these companies will be able to raise sufficient funds to repay their debt and fund their business plan. The directors do not consider it necessary to provide for any expected credit loss on a specific company or general basis.

Receivables from Group undertakings carry interest of 2.1% (2019: 2.5%).

15. Trade and other payables

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade payables	**36**	33	**14**	12
Social security and other taxes	**47**	41	**–**	–
VAT	**–**	–	**9**	7
Other creditors	**7**		**5**	
Accruals and deferred income	**120**	65	**56**	37
At 30 June	**210**	139	**84**	56

Notes to the Financial Statements

For the year ended 30 June 2020

16. Share capital and share premium

	Number of shares issued and fully paid	Ordinary shares of 10p £'000	Share premium £'000	Total £'000
At 30 June 2019	42,431,372	4,243	9,791	14,034
Issue of shares on exercise of share options	331,034	33	59	92
Issue of shares through a placing	8,000,000	800	2,969	3,769
At 30 June 2020	**50,762,406**	**5,076**	**12,819**	**17,895**

On 6 November 2019, the Company conducted a placing of 8,000,000 new ordinary shares of 10p for cash at a price of 50p per share raising £4,000,000 before expenses of £231,000. The Company has one class of ordinary shares which carry equal voting rights, equal rights to income and distribution of assets on a winding-up. The allotted share capital of the Company at 30 June 2020 is 50,762,406 ordinary shares of 10p each.

17. 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 2020 and 2019 is set out in the Consolidated and Company Statement of Changes in Equity on page 52.

18. Share options

Frontier IP has one option scheme, the Frontier IP Group Plc Employee Share Option Scheme 2011 – Amended 26 March 2018. Under the scheme, both enterprise management incentive options and unapproved options are granted. No payment is required from option holders on the grant of an option. The options are exercisable starting three years from the date of the grant with no performance conditions. The scheme runs for a period of ten years.

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

	2020 Weighted average exercise price Pence per share	**2020 Options**	2019 Weighted average exercise price Pence per share	2019 Options
At 1 July	**27.05**	**3,312,000**	25.52	2,806,000
Granted	**40.74**	**1,663,376**	29.33	831,000
Exercised	**27.72**	**(331,034)**	19.67	(325,000)
Lapsed	**52.04**	**(308,666)**	-	-
At 30 June	**30.48**	**4,335,676**	27.05	3,312,000

Of the 4,335,676 outstanding options (2019: 3,312,000) 2,134,000 had vested at 30 June 2020 (2019: 1,985,000). The vested options have a weighted average exercise price of 25.62p.

The weighted average share price at the date of exercise for share options exercised during the year was 64.99p (2019: 85.50p)

Notes to the Financial Statements

For the year ended 30 June 2020

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

	Exercise price Pence per share	2020 Number	2019 Number
2023	15.00	**652,607**	652,607
2024	26.88	**432,393**	432,393
2026	26.63	**650,000**	900,000
2027	40.00	**399,000**	496,000
2028	65.00	**253,000**	292,000
2028	10.00	**468,000**	539,000
2029	66.00	**740,971**	-
2029	10.00	**739,705**	-

The weighted average remaining contractual life of the outstanding options is 6.9 years.

The weighted average fair value of options granted to executive Directors and employees during the year determined using the Black-Scholes-Merton valuation model was 36.37p per option. The significant inputs into the model were the exercise price shown above, weighted average share price of 66.0p, volatility of 42%, dividend yield of 0%, expected life of 5 years and annual risk-free interest rate of 0.56%. Future volatility has been estimated based on 5 years' historical monthly data.

19. Leases

	2020 Land & Buildings £'000	2019 Land & Buildings £'000
Commitments under non-cancellable leases expiring:		
Within one year	**90**	123
Within two to five years	**4**	58
After five years	**-**	-
	94	181

The leases relate to rental of serviced offices. Under the terms of the rental agreements, the supplier has the right to terminate the agreement during the period of use, however at inception of the agreement this was not considered likely to occur. For short term leases (12 months or less) and leases of low value assets, the Group has opted to recognise a lease expense on a straight line basis as permitted by IFRS 16's transitional rules. One lease has rental commitments of 14 months with an annual rent of £27,000 and is not considered material.

Notes to the Financial Statements

For the year ended 30 June 2020

20. Cash used in operations

	Group 2020 £'000	Group 2019 £'000	**Company 2020 £'000**	Company 2019 £'000
Profit before tax	**4,184**	2,350	**4,978**	967
Adjustments for:				
Share-based payments	**230**	127	**230**	127
Depreciation	**6**	6	**-**	-
Interest received	**(21)**	(12)	**(130)**	(108)
Dividends received	**-**	(2)	**-**	-
Other income	**(27)**	-	**(5)**	-
Fair value (gain) on financial assets through profit and loss	**(5,973)**	(3,850)	**(6,257)**	(1,976)
Changes in working capital:				
Trade and other receivables	**(228)**	176	**(92)**	(388)
Trade and other payables	**71**	(65)	**28**	(14)
Cash flows from operating activities	**(1,758)**	(1,270)	**(1,248)**	(1,392)

The movements in liabilities from financing cashflows are nil.

21. Related party transactions

Neil Crabb is a director of PoreXpert Limited, Pulsiv Solar Limited, Celerum Limited and Alusid Limited. Neil Crabb was a director of Nandi Proteins Limited during the year. Campbell Wilson is a director of Tarsis Technology Limited and principal of Wilson Biopharma Consulting. Matthew White is a director of The Vaccine Group Limited, Nandi Proteins Limited and Elute Intelligence Limited. All these companies, with the exception of Wilson Biopharma, are portfolio companies of the Group. The Group charged fees to these companies and was owed amounts from these companies as follows:

	Fees charged 2020 £'000	Fees charged 2019 £'000	**Amounts owed 2020 £'000**	Amounts owed 2019 £'000
By the Group				
Nandi Proteins Limited	**90**	102	**324**	241
Pulsiv Solar Limited	**48**	48	**59**	19
Alusid Limited	**72**	66	**118**	22
Tarsis Technology Limited	**0**	36	**0**	24
The Vaccine Group Limited	**28**	5	**15**	1
Celerum Limited	**21**	-	**10**	-
Elute Intelligence Holdings Limited	**21**	-	**3**	-
By Related Parties				
Wilson Biopharma Consulting	**12**	11	**0**	0

Notes to the Financial Statements

For the year ended 30 June 2020

On 6 November 2019 the Group announced a placing to raise £4.0 million (before expenses) through the issue of 8,000,000 new ordinary shares at 50 pence per share. Neil Crabb, CEO and Michael Bourne, a Non-Executive Director, each subscribed for 100,000 Placing Shares. In addition, 2,000,000 Placing Shares were subscribed for by Canaccord Genuity Group Inc. ("Canaccord") and 873,076 Placing Shares were subscribed for by Quilter Cheviot Limited ("Quilter"). Canaccord and Quilter are substantial shareholders in the Group, as defined in the AIM Rules and accordingly their participations in the Placing were deemed to be related party transactions under the AIM Rules. In addition, as Neil Crabb and Michael Bourne are Directors of the Group, their participations were deemed to be related party transactions under the AIM Rules.

22. Subsequent events

On 21 July 2020, the Company conducted a capital raising through the issue of 4,243,410 new ordinary shares of 10p for cash at a price of 55p per share raising £2,334,000 before expenses of £156,000. As a consequence, the Directors believe that the Group will have sufficient funds to fund its activities for the next 12 months. 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.

Company Information

Five Year Record

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Total revenue and other operating income	**6,377**	4,268	2,363	2,309	2,030
Profit from operations	**4,163**	2,338	898	1,227	1,130
Net finance income	**21**	12	4	2	1
Profit from operations and before tax	**4,184**	2,350	902	1,229	1,131
Taxation	**-**	-	-	-	-
Profit after tax	**4,184**	2,350	902	1,229	1.131
Attributable to:					
Equity holders of the Company	**4,184**	2,350	902	1,229	1.131
Net assets employed	**25,866**	17,591	12,717	11,759	7,668
Basic earnings per ordinary share (pence)	**8.76**	5.77	2.36	3.73	4.08

Perivan 259781

Frontier IP Group plc

EDINBURGH
93 George Street Edinburgh EH2 3ES

CAMBRIDGE
Wellington House East Road Cambridge CB1 1BH

LONDON
18 King William Street London EC4N 7BP

www.frontierip.co.uk