Frontier IP Group Plc

Annual Report & Financial Statements
Year ended 30 June 2014

FRONTIER IP GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2014

Registered number 06262177

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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STRATEGIC REPORT

The Directors have pleasure in presenting their Strategic Report for the year ended 30 June 2014.

OVERVIEW

KEY POINTS

- Two new portfolio companies added
- Revenue from services increased to £178,000 (2013: £174,000)
- Total revenue increased to £786,000 (2013: £117,000) – reflecting an unrealised profit on the revaluation of investments of £608,000 (2013: unrealised loss of £57,000)
- Profit before tax of £27,000 (2013: loss of £368,000)
- Profit per share of 0.13p (2013: loss of 3.51p)
- Cash balances at 30 June 2014 of £587,000 (2013: £155,000)
- Net assets per share as at 30 June 2014 of 18.1p (2013: 21.1p)
- Two placings during the year raising £1,142,000 (gross)
- Post year-end
  - portfolio company Nandi Proteins Limited secured funding
  - first spin-out from University of Cambridge, bringing the total number of portfolio companies to 16
- Board remains encouraged about prospects for further progress with portfolio companies and partnerships

Andrew Richmond, Chairman of Frontier IP, said,

"Frontier has made encouraging progress over the year and we are also seeing positive developments in a number of our existing portfolio companies. We have added new portfolio companies and intend to take more significant stakes as we grow our portfolio and extend our sources of deal flow.

Looking ahead, we have strengthened management team, bringing on board additional expertise, and expect to see further progress across our activities as we continue to develop the business."

CHAIRMAN'S STATEMENT

Introduction

Frontier IP's core strategy is to generate value from its university partnerships by providing best practice advisory services, developing a portfolio of companies capable of commercial success and providing access to capital for its portfolio companies. I am pleased to report that the Group has made progress in each of these areas over the year.

The increase in our personnel resource and new additions to our board during the year have secured a platform for growth which is already enabling us to extend the range of services we offer. Our expertise in life sciences and energy has also been enhanced by these appointments.

In line with our move towards increasing the size of our equity holdings in portfolio companies, we added two new spin-out companies to our portfolio, including PulsiV Solar Limited, a spin-out from Plymouth University, in which we received a 21% stake. We have also seen encouraging developments in a number of our existing portfolio companies.

After the period end, we were also pleased to announce our first spin-out company with the University of Cambridge and specifically the Department of Chemical Engineering and Biotechnology. The new portfolio company, Cambridge Simulations Solutions Limited, which has developed a method to simulate and control complex chemical processes, takes the total number of portfolio companies to 16.

Our work in providing access to capital for portfolio companies has borne fruit with, post period-end, the completion of a fundraising in Nandi Proteins Limited indicating a significant increase in its value which in turn is reflected in increased total revenue for the year. We continue to pursue our sector-specific fund activities and are exploring a number of opportunities.

Results

For the year to 30 June 2014, revenue from services increased marginally to £178,000 (2013: £174,000). However total revenue increased as a result of booking an unrealised profit of £608,000 (2013: unrealised loss of £57,000) on the revaluation of investments, principally due to the adjustment to the holding value of one portfolio company, Nandi Proteins Limited, following a significant fundraising. Total revenue showed an increase to £786,000 (2013: £117,000).

The profit before tax position was £27,000 (2013: loss of £368,000) and excluding the impact of unrealised profit or losses on the revaluation of investments, the adjusted loss before tax increased by 87% to £581,000 (2013: £311,000). The profit per share was 0.13p (2013: loss of 3.51p).

Cash balances stood at £587,000 at 30 June 2014 (2013: £155,000), principally reflecting the share placings completed in August and December 2013 as previously reported. Net assets per share as at 30 June 2014 were 18.1p (2013: 21.1p).

The Board

In the year, we were pleased to welcome Michael Bourne and Dr. Campbell Wilson to our board as Non-executive Directors. Mike brings investment management expertise in the technology, life sciences and clean technology, whilst Campbell has 35 years' experience in the global pharmaceutical industry with experience in both scientific and business development roles at a senior level.

In addition, the Group welcomed a new executive board member, James Fish, replacing Marilyn Cole as Finance Director and Company Secretary. I would like extend the board's thanks to Marilyn for her significant contribution to Frontier IP during her time as Finance Director. Jim, a chartered accountant, has 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.

Outlook

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

We are working on a number of new spin-out opportunities and intend to continue to grow our core portfolio by taking more significant stakes and extending our sources of deal flow. In line with our strategy of broadening the range of capital available to portfolio companies, we expect to see further portfolio fundraisings during the current financial year.

Andrew Richmond
Chairman

28 November 2014

PRINCIPAL ACTIVITIES

BUSINESS MODEL

Frontier IP Group Plc is a public limited liability company incorporated in England. It has two principal wholly owned subsidiaries, Frontier IP Limited and Frontier IP Investments Limited.

Frontier IP's business activity is focused on the commercialisation of intellectual property ("IP") through providing advisory services and access to capital to universities and businesses, in order to accelerate growth.

The Group's business model aims to create a platform for generating capital value and recurring revenue through:

- Access to equity stakes and licence income from IP commercialisation partnerships with universities and the Group's wider network;
- Working closely with its partners and portfolio companies to support and accelerate commercialisation;
- Using its sector expertise to target the life sciences and energy markets; and
- Providing access to capital for its portfolio through a mix of its investor network, sector-specific funds and seed funds.

The Group currently has university IP commercialisation partnerships with University of Dundee, Plymouth University and Robert Gordon University, Aberdeen. In return for the services provided to its university partners, Frontier IP receives a share of the founder equity and, from Plymouth University and Robert Gordon University, licence revenue which the universities receive from the commercialisation of research.

In addition to its IP commercialisation partnerships, the Group currently has portfolio companies spun out of Heriot Watt University, University of Central Lancashire and, most recently, University of Cambridge.

At the year end, the Group directly held equity in 15 spin-out companies. Frontier IP works closely with its portfolio companies, generating revenue from board retainers, fees for fundraising and bespoke business development and corporate advisory work.

The Group has a particular focus on the life sciences and renewable energy sectors which have certain factors in common, in particular both have a strong presence in the UK, are capital intensive and benefit from strong relationships with industry.

The Group recognises the importance of access to sources of capital to finance businesses as they develop. Fundraising activity supports value in the portfolio in addition to generating revenue for the Group. The Group is retained or receives a deal fee to manage individual fundraisings for its portfolio companies. The Group also receives fees from and has limited partner interests in two seed funds, the RGU Ventures Investment Fund and the University of Dundee Venture Fund.

STRATEGY

Frontier IP's principal strategic objectives are to achieve revenue growth and create long-term value for its stakeholders. The Group intends to continue to pursue its aim of generating sufficient revenue to at least cover operational costs and to be cash neutral before taking account of any investment realisations.

Frontier IP's strategy is to pursue growth by:

- Generating value from its relationships through new spin-outs, increased equity holdings, licensing income and realisations from existing spin-outs;
- Providing best practice advisory services to universities in order to develop and accelerate their commercialisation output;
- Building a portfolio, capable of commercial success;
- Providing support services to portfolio companies to enable growth and achieve realisations;
- Extending its range of access to capital for its portfolio; and
- Extending its portfolio pipeline by fostering new sources of deal flow as appropriate.

PERFORMANCE

The Group is making good progress in line with its objectives and strategy.

OPERATIONAL REVIEW

Corporate

Frontier IP completed two placings during the period in order to support the development and growth of its relationships, advisory roles, commitments to existing funds and portfolio companies and the establishment of sector specific funds. In August 2013 the placing comprised 3,920,000 new ordinary shares of at a price of 10p per share, raising £392,000 before expenses. In December 2013 Frontier IP placed a further 3,750,000 new ordinary shares of at a price of 20p per share raising £750,000 before expenses. Both placings were oversubscribed.

During the year, the Group took the opportunity to strengthen its board with the appointments of Michael Bourne and Dr. Campbell Wilson as Non-executive Directors. Mike brings investment management expertise in the technology, life sciences and clean technology, whilst Campbell has 35 years' experience in the global pharmaceutical industry with experience in both scientific and business development roles at a senior level. In addition, the Group appointed a new executive board member, James Fish, replacing Marilyn Cole as Finance Director and Company Secretary. Jim, a chartered accountant, has 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. We have also expanded our team during the period with the appointment of Rui Andres focusing on the development of our activity in the energy sector.

During the period Frontier IP ceased to be an associate of Sigma Capital Group plc ("Sigma") as a result of Sigma selling its holding. Following this, Frontier IP replaced Sigma Technology Management Limited, a wholly-owned subsidiary of Sigma, with NCM Fund Services Limited as FCA regulated manager and operator of its two funds.

Portfolio

The Group added two new spin-out companies to its portfolio during the year. These were PulsiV Solar Limited and Celerum Limited.

The Group received a 21% equity stake in PulsiV Solar Limited, a spin-out from Plymouth University. PulsiV Solar develops a technology designed to improve the power take-off from photovoltaic solar panels. A multi-panel demonstrator is now operational and performing well in tests in comparison with a standard product already in commercial use. PulsiV is planning for its first fundraising to support the development of a commercial version of its prototype.

The Group also received a 10% equity stake in Celerum Limited, a spin-out from Robert Gordon University. Celerum Limited develops algorithms and software which offer added value to resource-intensive industries by improving efficiency and supporting decision-makers in handling complex data. The company's first application will be developed to provide planning and scheduling techniques to the marine operations of the oil and gas industry.

Post period-end, in line with our strategy to extend our access to deal flow we have added a new portfolio company, Cambridge Simulation Solutions Limited, spun out of University of Cambridge. Cambridge Simulation has been formed to exploit the technology developed by Dr. Vassilios Vassiliadis, a Senior Lecturer at the Department of Chemical Engineering and Biotechnology. Dr. Vassiliadis has developed a method to simulate and control complex chemical processes, which potentially has a wide range of commercial applications in industry, including the food and pharmaceutical sectors. The Group received a 40% equity stake in Cambridge Simulation.

In August 2013, as result of a share swap, the Group increased its equity holding in Nandi Proteins Limited to approximately 20%. In October 2014 Nandi Proteins Limited completed a capital restructuring and fundraising, following which the Group's equity holding increased to 21%.

Relationships

We continue to engage strongly with our university partnerships and are working with our partners on a range of pipeline projects.

Our relationships within the energy sector continue to develop, and post the year-end we entered into a Memorandum of Understanding with a second energy utility, Energias de Portugal, through its innovation and venture arm, EDP Inovação, S.A. which supports innovative technologies and invests in energy technologies and businesses. This collaboration enables the parties to co-operate to provide industrial leadership for promising energy start-up companies and we expect to see new client engagements from this relationship.

Access to Funding

We continue to extend and make use of our network in managing funding rounds for our portfolio. In particular, the recent investment in Nandi Proteins Limited was a demonstration of this approach, where investors included certain of the Group's shareholders. A number of additional portfolio fundraisings are anticipated in the current financial year.

The Group continues to move forward with its sector-specific fund initiatives in the life sciences and energy sectors and has expanded its team. We have also engaged a consultancy company to support our fundraisings, adding expertise and broadening our access to sources of capital. In life sciences, we continue to work with University of Dundee to establish a funding vehicle for its Drug Discovery Unit and are currently exploring a number of opportunities in energy sector.

The Group continues to hold limited partner interests in two university seed funds, the RGU Ventures Investment Fund LP and the University of Dundee Venture Fund LP. During the period the Group acquired the General Partner companies for these funds from Sigma Capital Group plc. Frontier IP GP RG Limited and Frontier IP GP Dundee Limited are now wholly owned subsidiaries of the Group.

PORTFOLIO REVIEW

ADUS DeepOcean Ltd ("ADUS")

ADUS was spun out from the University of Dundee and the University of St Andrews. It delivers high resolution multibeam sonar surveys and systems for the inspection of underwater assets. ADUS sonargrams offer photographic-like detail of vessels, underwater structures and wrecks. The results provide a tool for those engaged in the management, development and research of the marine environment. ADUS continues to generate business, including a commission to survey the wreck of the Costa Concordia.

At 30 June 2014, the Group held 2.5% of the issued share capital of ADUS.

Alusid Ltd ("Alusid")

Alusid is a spin-out from the Silicate Research Unit of UCLan and has been formed to licence and commercialise the process to transform waste materials into a highly durable and functional material with applications in the construction industry. The new material has a wide range of uses including interior and exterior wall cladding, flooring, bricks and work surfaces and is also itself wholly recyclable. Alusid is working on establishing licence and supply agreements.

At 30 June 2014, the Group had beneficial ownership of 30% of the issued share capital of Alusid.

Aridhia Informatics Ltd ("Aridhia")

Aridhia is a joint venture between the University of Dundee, Sumerian Europe Limited and Scottish Health Equities Limited. Aridhia develops an intelligent data analysis service for the medical and life sciences sector which represents key performance indicators for both management and clinical purposes. During the period, Aridhia launched its first major product, the AnalytiXagility data science platform, and secured substantial investment from new and existing shareholders.

At 30 June 2014, the Group held 0.98% of the issued share capital of Aridhia.

Celerum Ltd ("Celerum")

Celerum, a spin-out from Robert Gordon University, develops planning and scheduling software which has a wide range of potential industry applications. The first target market is the energy industry, providing software for the global oil and gas offshore support operations market through wholly-owned subsidiary Plansea Limited.

At 30 June 2014, the Group held 10% of the issued share capital of Celerum.

Circa Connect Ltd ("Circa Connect")

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

At 30 June 2014, the Group held 4.6% of the issued share capital of Circa Connect.

Counterweight Ltd ("Counterweight")

Spun out from Robert Gordon University, Counterweight develops and sells a low-cost, clinician–led, weight management programme which provides general practitioners and practice nurses with an evidence–based approach to weight loss management. Momentum is building and a key event during the period was the announcement of the Diabetes UK funded Diabetes Remission Clinical Trial.

At 30 June 2014, the Group directly held 2.8% of the issued ordinary share capital of Counterweight with an additional interest via the RGU Venture Fund.

Ex Scientia Ltd (“Ex Scientia”)

Ex Scientia, a spin-out from the University of Dundee, has been formed to exploit novel informatics and experimental methods to enable new, more effective ways of conducting drug discovery. Ex Scientia continues to make making good commercial progress and post-period end announced a significant contract with Sunovion Pharmaceuticals Inc. worth $4.8 million. It continues to build its team, most recently with the appointment of Andy Bell as head of chemistry. Andy was a co-inventor of two successfully marketed, FDA-approved drugs: Viagra (sildenafil) and Vfend (voriconazole).

At 30 June 2014, the Group held 5.6% of the issued share capital of Ex-Scientia.

Glycobiochem Ltd (“Glycobiochem”)

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

At 30 June 2014, the Group held 5% of the issued share capital of Glycobiochem.

Intelligent Flow Solutions Ltd (“Intelligent Flow Solutions”)

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

At 30 June 2014, the Group held 10% of the issued share capital of Intelligent Flow Solutions.

Kinetic Discovery Ltd (“Kinetic”)

Kinetic is a spin-out from the University of Dundee. It is a drug discovery services company which specialises in biosensor based screening. Kinetic is looking to extend its products and services to build on its core expertise in surface plasmon resonance.

At 30 June 2014, the Group held 5% of the issued share capital of Kinetic.

Nandi Proteins Ltd (“Nandi”)

Nandi is a spin-out from Heriot-Watt University, set up to commercialise a technology for replacing fats in food with products based on egg white and whey protein. Post period-end, Nandi completed a fundraising, which will enable Nandi to support the roll-out of its technology to its food industry customers and partners, increase its scientific resource and continue to protect and develop its intellectual property portfolio.

At 30 June 2014, the Group held 20.15% of the issued share capital of Nandi.

PoreXpert Ltd (“PoreXpert”)

PoreXpert, a spin-out from Plymouth University, was formed to accelerate the commercialisation activity of the Environmental and Fluid Modelling Group at Plymouth which provides software and consultancy for modelling porous systems. IP is now transferred from the university, and with collaboration arrangements in place with relevant equipment companies sales are beginning to build.

At 30 June 2014, the Group held 15% of the issued share capital of PoreXpert.

Pulsiv Solar Ltd (“PulsiV”)

PulsiV, a spin-out from Plymouth University, PulsiV was formed to exploit a novel approach developed by Associate Professor in Information Technology in the Faculty of Science & Environment, Dr. Mohammed Zaki Ahmed, to improve the power take-off from photovoltaic solar panels. A multi-panel demonstrator is now operational and performing well in tests in comparison with a standard product already in commercial use. PulsiV is planning for its first fundraising to support the development of a commercial version of its prototype.

At 30 June 2014, the Group held 21% of the issued share capital of PulsiV.

Rapid Quality Systems Ltd ("RQS")

Spun out from the University of Dundee, RQS is a software developer. It continues to make a small level of sales of its software product, Code Rocket, a software tool which simplifies and supports the design of software systems.

At 30 June 2014, the Group held 5% of the issued share capital of RQS.

Tissue Repair Technologies Ltd ("TRT")

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

At 30 June 2014, the Group held 4.75% of the issued share capital of TRT.

Limited Partnership Funds

RGU Ventures Investment Fund LP ("RGU Fund")

The RGU Fund reached first closing in July 2009. In accordance with Frontier IP's accounting policies, the Group's 27.3% investment in the RGU Fund is included in the financial statements at fair value. At 30 June 2014, the carrying value was £34,000 (2013: £26,000), which is £112,000 below cost (2013: £108,000 below cost).

The RGU Fund has one investment in Counterweight Limited ("Counterweight"), holding 8.5% of the ordinary shares fully diluted. Post period-end, the RGU Fund granted a convertible loan to Celerum Limited.

University of Dundee Venture Fund ("Dundee Fund")

The Dundee Fund reached first closing in September 2009 and has made no investments to date. In accordance with Frontier IP's accounting policies, the Group's 66.7% investment in the Dundee Fund is included in the financial statements at fair value. At 30 June 2014 the carrying value was £nil (2013: £nil), which is £63,000 below cost (2013: £51,000 below cost).

FINANCIAL REVIEW

Key Points

Revenue from services increased by 2% to £178,000 (2013: £174,000). The Group booked an unrealised profit on the revaluation of investments of £608,000 (2013: unrealised loss £57,000) principally due to the adjustment to the holding value of one portfolio company following a significant fundraising. As a result, total revenue increased to £786,000 (2013: £117,000). Administrative expenses in the year totaled £769,000 (2013: £604,000) and included placing costs of £26,000. Excluding the placing costs, administrative expenses increased by 22% to £743,000 principally due to additional headcount.

The Group made a profit for the year of £27,000 (2013: loss £368,000). Excluding the impact of unrealised profits and losses on the revaluation of investments, the adjusted loss saw an increase of 87% to £581,000 (2013: £311,000). The profit per share was 0.13p (2013: loss 3.51p).

In August 2013, the Company conducted a placing of 3,920,000 new ordinary shares of 10p for cash at a price of 10p per share raising £392,000 before expenses and in December 2013, the Company conducted a placing of 3,750,000 new ordinary shares of 10p for cash at a price of 20p per share raising £750,000 before expenses.

On 13 August 2013, the Company swapped 1,812,188 new ordinary shares of 10p for shares in Nandi at an implied price of 10p per share. Following the share swap, Frontier IP's interest in Nandi increased from approximately 3.7% to approximately 20.2%. (See Note 19 – Related Party Transactions).

Balance Sheet

The principal items in the balance sheet at 30 June 2014 are goodwill (£1,966,000) and financial assets at fair value through profit, principally holdings in portfolio companies (£1,325,000). The carrying value of these items is determined by the Directors using their judgement when applying the Group's accounting policies. The considerations taken into account by the Directors when reviewing the value of goodwill are detailed in Note 9. The matters taken into account when assessing the fair value of the portfolio companies are detailed in the accounting policy on investments.

The Group had net current assets at 30 June 2014 of £690,000 (2013: £291,000). The current assets at 30 June 2014 include debtors of £109,000 which are more than 90 days overdue, of which £108,000 is due from Nandi. The long term trade receivables of £86,000 are also due from Nandi. Frontier IP completed a fundraising for Nandi on 31 October 2014 at which Frontier IP converted £80,000 of trade receivables into equity in Nandi. The remaining outstanding trade receivable due from Nandi at that time will be paid in equal monthly instalments over a period of twenty four months. The Directors are confident that Nandi will have sufficient working capital to pay these instalments and its current retainer over the two year period.

Net assets of the Group increased to £4,069,000 at 30 June 2014 (30 June 2013: £2,751,000). The number of issued ordinary shares also increased to 22,534,353 at 30 June 2014 (30 June 2013: 13,052,165) resulting in net assets per share of 18.1p (2013: 21.1p).

Cash flow

The Group's cash balances increased during the year by £432,000 to £587,000 at 30 June 2014. This was as a result of placings of new shares which raised £1,078,000 net of expenses. The cash generated by the share placing was used to fund the operation of the business.

Key Performance Indicators

The key performance indicators for the Group are:

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

Equity was acquired in two spin-out companies during the year. The value of the Group's spin-out portfolio increased to £1,291,000 at 30 June 2014 from £468,000 at 30 June 2013. The Chairman's Statement and Operational Review also contain information on progress in the business during the year. The Group is still some way off achieving a cash neutral position at the operational level but the Directors continue to pursue opportunities that will assist in closing the gap. The Group is working towards improving its performance across all of its key performance indicators.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The principal financial risks of the business are the impairment of the value of goodwill, a fall in the value of the Group's portfolio and recovery of the overdue debt from Nandi. The value of goodwill is linked to the progress of the existing portfolio and to the growth in the number of companies in the portfolio and to a steady growth in licence income. As regards the value of the portfolio itself, the risk is mitigated as the size of the portfolio increases. Nandi completed a fundraising in October 2014 and a payment plan has been agreed for recovery of the overdue debt.

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

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

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

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

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

GOVERNANCE

DIRECTORS

K Andrew Richmond, Non-executive Chairman (Age 48)

Andrew Richmond has substantial experience of the healthcare, stockbroking and private equity industries. He is Deputy Chairman of the Scottish Ambulance Service and a Lay Member of the Court of the University of Dundee. He is also a trustee of the University of Dundee Superannuation and Life Assurance Scheme and a non-executive director of Scotland's Charity Air Ambulance.

Neil Crabb, Chief Executive Officer (Age 47)

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

Jacqueline McKay, Chief Operating Officer (Age 55)

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

David Cairns, Portfolio Director (Age 50)

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

James Fish, Finance Director and Company Secretary (Age 57) (appointed 31 March 2014)

James Fish 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. He was latterly interim Finance Director at The One Place Capital Limited, an online technology start-up. He qualified as a chartered accountant with KPMG and holds a degree in Accounting and Finance from Heriot Watt University, Edinburgh.

Michael Bourne, Non-executive director (Age 56) (appointed 31 March 2014)

Michael Bourne has almost 30 years' experience in investment management and particular expertise in technology, life sciences and clean technology. He is currently Partner of Accretion Capital LLP and a Director of Cygna Negra Limited and Cygna Negra Malta Limited. He is also an Advisory Board Member of V2R, the US technology transfer venture company. Prior to these roles, in 1995, he founded asset management company, Reabourne Technology Investments Limited, where he was also Chief Investment Officer. For nine years until 2009, he was also a member of the techMARK Advisory Committee.

Dr. Campbell Wilson, Non-executive director (Age 60) (appointed 8 May 2014)

Campbell Wilson is Chair of the UK Pharmaceutical Licensing Group and has worked in the UK pharmaceutical industry for approximately 35 years. The last 17 years of his career were in business development at AstraZeneca, the global research-based biopharmaceutical company, latterly as 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. Before his involvement in business development, Campbell worked in senior level scientific roles in cardiovascular drug discovery at AstraZeneca, and earlier at Beecham Pharmaceuticals (now GSK). Campbell holds a PhD in Cardiovascular Pharmacology and has lectured and published extensively over his career. As well as chairing the UK Pharmaceutical Licensing Group, he participates in the European Pharma Licensing Council and is a consultant to Medius Associates Limited, the pharmaceutical and healthcare consultancy.

Marilyn Cole, FCA, Finance Director and Company Secretary (Age 60) (resigned 31 March 2014)

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

Marcus Yeoman, Non-executive Director (Age 51) (resigned 8 May 2014)

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

Andrew Richmond and Michael Bourne are members of the audit and remuneration committees. Andrew Richmond chairs the audit committee and Michael Bourne chairs the remuneration committee.

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TRADING ADDRESS

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DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year ended 30 June 2014.

RESULTS AND DIVIDENDS

The Group made a profit for the year of £27,000 (2013: loss £368,000). The Directors do not recommend the payment of a dividend (2013: nil). The Directors are confident of the prospects for the current year.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors are required to present an extended business review reporting on the development and performance of the business during the year and its position at the end of the year. This requirement is met by the Strategic Report on pages 2 to 14.

DIRECTORS

The Directors who held office during the year and the current Directors of the Company are listed on page 15. Details of Directors' interests in share options and in shares are given in the Directors' Remuneration Report.

EMPLOYEES

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

CHARITABLE AND POLITICAL DONATIONS

No charitable or political contributions were made during the year (2012: nil).

RISK FACTORS

Information on the Group's financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in Note 1 to the financial statements. 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 and other items such as trade debtors and trade creditors that arise directly from its operations. The Group has no borrowings. At 30 June 2014, the Group had positive cash balances of £587,000 (2013: £155,000). The Group's policy is to keep surplus funds on instant access and short-term deposit to earn the prevailing market rate of interest. It is the Group's policy not to speculate in derivative financial instruments. The Group is not exposed to any foreign exchange risks as it has no transactions in foreign currency.

DIRECTORS' INDEMNITY INSURANCE

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

GOING CONCERN

It is expected that the existing university partnerships will continue to deliver a growing portfolio of spin-out companies that in turn will make use of the Group's services in return for cash fees, while over the medium term an increasing contribution is expected from sharing in licence income and from fund management activities. However, based on forecast income and expenditure for the next 12 months, the Group is not yet in a position where cash income will be sufficient to cover the Group's expenditure. Consequently, the Group will require to raise additional capital in order to continue in operational existence for at least the next 12 months. The Directors intend to seek authority to allot securities at the forthcoming Annual General Meeting in December 2014 with a view to conducting a placing in early 2015. The Directors have concluded that the requirement for additional capital represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, following discussions with the Group's Nominated Advisor and Joint Broker about the potential investor demand and considering that the previous two fundraisings in 2013 were oversubscribed, the Directors have a reasonable expectation of successfully raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

CORPORATE GOVERNANCE

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

AWARENESS OF RELEVANT AUDIT INFORMATION

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

- There is no relevant audit information of which the auditor is unaware.

- The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

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

By order of the Board

James Fish
Company Secretary

28 November 2014

DIRECTORS' REMUNERATION REPORT

DIRECTORS' REMUNERATION

The Remuneration Committee decides the remuneration policy that applies to the Executive Directors. The current members of the Remuneration Committee are Andrew Richmond and Michael Bourne. Michael Bourne replaced Marcus Yeoman as a member of the Remuneration Committee following Marcus Yeoman's resignation on 8 May 2014.

SALARIES AND BENEFITS

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

CONTRACT OF SERVICE

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

SHARE OPTIONS

The Company has two share option schemes, the Frontier IP Group plc Employee Share Option Scheme 2011, an Enterprise Management Incentive (EMI) share option scheme, and the Frontier IP Group plc Unapproved Share Option Scheme. No unapproved options have been granted in the year and none are held at 30 June 2014. EMI share options were granted in the year to four directors.

Details of EMI share options held by Directors who were in office at 30 June 2014 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
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
David Cairns	15.01.2013	195,782	15.00p	15.01.2016 – 14.01.2023	14.01.2023
David Cairns	01.04.2014	54,218	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Jim Fish	01.04.2014	250,000	26.88p	01.04.2017 – 31.03.2024	31.03.2024

The market price of the Company's shares at 30 June 2014 was 38.35p. The range of prices during the year was 8.80p to 40p.

DIRECTORS' INTERESTS IN SHARES

The Directors in office at 30 June 2014 had the following interests in the ordinary shares of 10p each in the Company at the year end.

	2014 Number	2013 Number
Neil Crabb	**2,715,120**	2,056,375
David Cairns	**745,000**	370,000
Jacqueline McKay	**12,855**	12,855
Andrew Richmond	**900,000**	500,000
Michael Bourne	**175,000**	-
James Fish	**100,000**	-

All of the above interests are beneficial.

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

Marilyn Cole is a director and shareholder of Sigma Capital Group plc, which held 3,505,212 ordinary shares of 10p each in the Company at 30 June 2013, all of which were sold during the year.

Michael Bourne
Non-executive Director

28 November 2014

FINANCIALS

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

We have audited the financial statements of Frontier IP Group Plc for the year ended 30 June 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the disclosures made in the strategic report and in Note 1 to the consolidated financial statements concerning the uncertainty regarding the Group's ability to generate sufficient working capital to support the ongoing requirements of the Group and the preparation of the financial statements on a going concern basis. In view of the significance of these issues we consider that the disclosure should be brought to your attention. As explained in Note 1 to the financial statements, without additional capital the Group has insufficient cash to cover its unavoidable costs, which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustment that would result if the Group was unable to continue as a going concern.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Neil Tustian
Senior Statutory Auditor
for and on behalf of Chantrey Vellacott DFK LLP
Chartered Accountants and Statutory Auditor

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

28 November 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 £'000	2013 £'000
Revenue			
Revenue from services		**178**	174
Other operating income			
Unrealised profit/(loss) on the revaluation of investments	11	**608**	(57)
Total revenue		**786**	117
Administrative expenses	4	**(769)**	(604)
Release of bad debt provision	12	**-**	119
Dividend income on financial assets at fair value through profit or loss		**10**	-
Profit/(loss) from operations and before tax		**27**	(368)
Taxation	6	**-**	-
Profit/(loss) and total comprehensive income/expense attributable to the equity holders of the parent		**27**	(368)
Profit/(loss) per share attributable to the equity holders of the Company:			
Basic and diluted earnings / (loss) per share	7	**0.13p**	(3.51p)

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company statement of comprehensive income. The total comprehensive expense of the Company for the year was £94,000 (2013: £2,547,000). The principal reasons for the expense in 2013 were a provision against the carrying value of its subsidiary, Frontier IP Ltd, and a provision against amounts due from Frontier IP Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	**2**	-
Goodwill	9	**1,966**	1,966
Financial assets at fair value through profit and loss	11	**1,325**	494
		3,293	2,460
Current assets			
Trade receivables and other current assets	12	**299**	222
Cash and cash equivalents		**587**	155
		886	377
Total assets		**4,179**	2,837
Liabilities			
Current liabilities			
Trade and other payables	13	**(110)**	(86)
		(110)	(86)
Net assets		**4,069**	2,751
Equity			
Called up share capital	14	**2,253**	1,305
Share premium account	14	**4,794**	4,457
Reverse acquisition reserve	15	**(1,667)**	(1,667)
Share based payment reserve	15	**125**	119
Retained earnings	15	**(1,436)**	(1,463)
Total equity		**4,069**	2,751

COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	**-**	-
Investment in subsidiaries	10	**2,383**	2,383
Financial assets at fair value through profit and loss	11	**134**	8
		2,517	2,391
Current assets			
Trade receivable and other current assets	12	**982**	411
Cash and cash equivalents		**530**	22
		1,512	433
Total assets		**4,029**	2,824
Liabilities			
Current liabilities			
Trade and other payables	13	**(37)**	(29)
Net assets		**3,992**	2,795
Equity attributable to equity holders of the Company			
Called up share capital	14	**2,253**	1,305
Share premium account	14	**4,794**	4,457
Share-based payment reserve	15	**125**	119
Retained earnings	15	**(3,180)**	(3,086)
Total equity		**3,992**	2,795

The financial statements on pages 25 to 27 were approved by the Board of Directors and authorised for issue on 28 November 2014 and were signed on its behalf by:

Neil Crabb
Chief Executive Officer

28 November 2014

Registered number: 06262177

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

Group

	Share capital	Share premium account	Reverse acquisition reserve	Share-based payment reserve	Retained earnings	Total equity attributable to equity holders of the Company
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2012	697	4,457	(1,667)	115	(1,095)	2,507
Issue of shares	608	-	-	-	-	608
Share-based payments	-	-	-	4	-	4
Loss/total comprehensive expense for the year	-	-	-	-	(368)	(368)
At 30 June 2013	1,305	4,457	(1,667)	119	(1,463)	2,751
Issue of shares	948	337	-	-	-	1,285
Share-based payments	-	-	-	6	-	6
Profit/total comprehensive income for the year	-	-	-	-	27	27
At 30 June 2014	**2,253**	**4,794**	**(1,667)**	**125**	**(1,436)**	**4,069**

Company

	Share capital	Share premium account	Share-based payment reserve	Retained earnings	Total equity attributable to equity holders of the Company
	£'000	£'000	£'000	£'000	£'000
At 1 July 2012	697	4,457	115	(539)	4,730
Issue of shares	608	-	-	-	608
Share-based payments	-	-	4	-	4
Loss/total comprehensive expense for the year	-	-	-	(2,547)	- (2,547)
At 30 June 2013	1,305	4,457	119	(3,086)	2,795
Issue of shares	948	337	-	-	1,285
Share-based payments	-	-	6	-	6
Loss/total comprehensive expense for the year	-	-	-	(94)	(94)
At 30 June 2014	**2,253**	**4,794**	**125**	**(3,180)**	**3,992**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash flows from operating activities					
Cash used in operations	17	**(617)**	(434)	**(560)**	(536)
Taxation paid	6	**-**	-	**-**	-
Net cash used in operating activities		**(617)**	(434)	**(560)**	(536)
Cash flows from investing activities					
Purchase of tangible fixed assets	8	**(3)**	-	**-**	-
Purchase of financial assets at fair value through profit and loss		**(26)**	(19)	**(10)**	(8)
Net cash used in investing activities		**(29)**	(19)	**(10)**	(8)
Cash flows from financing activities					
Proceeds from issue of equity shares		**1,142**	608	**1,142**	608
Costs of share issue		**(64)**	(44)	**(64)**	(44)
Net cash generated from financing activities		**1,078**	564	**1,078**	564
Net increase in cash and cash equivalents		**432**	111	**508**	20
Cash and cash equivalents at beginning of year		**155**	44	**22**	2
Cash and cash equivalents at end of year		**587**	155	**530**	22

ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the accounting policy for valuing equity received in spin-out companies, which was revised during the preceding year.

BASIS OF ACCOUNTING

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

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

BASIS OF CONSOLIDATION

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

SEGMENTAL REPORTING

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

GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment annually. Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately in the statement of comprehensive income and are not subsequently reversed.

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

PROPERTY AND EQUIPMENT

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

DEPRECIATION

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

Fixtures and office equipment	50% per annum

FINANCIAL INSTRUMENTS

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

TRADE AND OTHER RECEIVABLES

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

CASH

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

INVESTMENTS

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

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

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

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

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

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

FINANCIAL LIABILITIES AND EQUITY

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

TRADE PAYABLES

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

EQUITY INSTRUMENTS

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

CURRENT AND DEFERRED TAX

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

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

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

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

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

WARRANTS AND OPTIONS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. Fair value is measured using the Black-Scholes-Merton pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

REVENUE RECOGNITION

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

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

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

RETIREMENT BENEFIT COSTS

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

NEW STANDARDS

A number of new standards, amendments to standards and interpretations are effective for accounting periods beginning after 1 July 2014 which have not been early adopted.

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

- IFRS 10 Consolidated financial statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of interests in other entities (effective 1 January 2014)
- IFRS 27 Separate financial statements (effective 1 January 2014)
- IFRS 28 Investments in Associates and Joint Ventures (effective 1 January 2014)

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

NOTES TO THE FINANCIAL STATEMENTS

1. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

Going concern
As described in the Directors' Report, the Group will require to raise additional capital in order to continue in operational existence for at least the next 12 months and the Directors have concluded that this represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, following discussions with the Group's Nominated Advisor and Joint Broker about the potential investor demand and considering that the previous two fundraisings in 2013 were oversubscribed, the Directors have a reasonable expectation of successfully raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

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 only operates in the UK and transacts in sterling. It is therefore not exposed to any 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 £1,333,000 (2013: £494,000).

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

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

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

(c) Capital risk management
The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares or buy back existing shares. The Group currently has no debt. There were no changes in the Group's approach to capital management during the year.

(d) Liquidity risk
The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews available cash to ensure there are sufficient resources for working capital requirements. At 30 June 2014 and 30 June 2013 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year except where stated in Note 12.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

CRITICAL ACCOUNTING JUDGMENTS

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

3. MAJOR CUSTOMERS

During the year the Group had three major customers that accounted for 77% of its revenue from services (2013: four customers accounted for 96%). The revenues generated from each customer were as follows:

	2014	**2013**
	£'000	**£'000**
Customer 1	90	70
Customer 2	28	37
Customer 3	19	33
Customer 4	-	28
	137	168

4. ADMINISTRATION EXPENSES

Expenses included in administrative expenses are analysed below.

	2014	**2013**
	£'000	**£'000**
Employee costs	**464**	373
Equity-based payments	**6**	4
Consultant	**62**	40
Travel and entertainment	**25**	14
Depreciation	**1**	-
Bad debts written off	**1**	30
Provision for bad debts	**6**	(21)
Audit services:		
- for the audit of the Company and consolidated accounts	**28**	13
- the audit of the Company's subsidiaries pursuant to legislation	**3**	6
Non-audit services:		
- tax services	**5**	5
Legal, professional and financial costs	**122**	84
Premises costs	**10**	9
Administration costs	**10**	3
Placing costs	**26**	44
	769	604

5. DIRECTORS AND EMPLOYEES

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

	2014 Number	2013 Number
Business and corporate development	**3**	3

	2014 £'000	2013 £'000
Wages and salaries	**290**	224
Social security	**40**	32
Pension costs – defined contribution plans	**27**	22
Directors' fees	**98**	86
Other benefits	**9**	9
Share option expense	**6**	4
	470	377

The key management of the Group comprises the Frontier IP Group Plc Board of Directors. The remuneration of the individual Board members is shown below. Payments made to Sigma Capital Group plc for the services of Marilyn Cole are disclosed in Note 19.

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

The total remuneration for each director is shown below.

	Salary		Other benefits		Total		Pension	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
EXECUTIVE								
N Crabb	100	100	2	3	102	103	10	10
J McKay	69	69	5	6	75	75	7	7
D Cairns	55	55	-	-	55	55	5	5
J Fish (appointed March 2014)	35	-	-	-	35	-	3	-
Non-executive								
A Richmond	40	33	-	-	40	33	-	-
M Yeoman (resigned May 2014	26	14	-	-	26	14	-	-
M Bourne (appointed March 2014)	6	-	-	-	6	-	-	-
C Wilson (appointed May 2014)	4	-	-	-	4	-	-	-
	335	271	7	9	343	280	25	22

6. TAXATION

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

	2014 £'000	2013 £'000
Profit/(Loss) before tax	27	(368)
-		
Loss before tax at the effective rate of corporation tax in the UK of 22.5% (2013: 23.8%)	**6**	(87)
Effects of:		
Non-taxable income	**(145)**	-
Expenses not deductible for tax purposes	**16**	26
Trading losses carried forward	**126**	-
Other adjustments	**(3)**	61
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 £484,000 (2013: £365,000) available for use to offset future profits. These amounts are stated using a corporation tax rate of 21% (2013: 23%).

The Finance Act 2013 which was given Royal Assent on 17 July 2013 states that the corporation tax rate will drop to 20% from 1 April 2015. Based on this rate, the total deferred value of the losses would become £461,000.

There is a deferred tax liability on the difference between base cost and fair value of financial assets at fair value through profit and loss. There are excess management expenses carried forward in the Company and there is the ability to transfer gains arising in the Group to the Company which would be offset by excess management expenses and no tax liability would be expected to arise.

7. EARNINGS PER SHARE

(a) Basic

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

	Profit/(loss) attributable to shareholders £'000	Weighted average number of shares	Basic earnings/(loss) per share amount in pence
Year ended 30 June 2014	**27**	**20,091,931**	**0.13**
Year ended 30 June 2013	(368)	10,470,247	(3.51)

(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/(loss) attributable to shareholders £'000	Weighted average number of shares adjusted for share options	Basic earnings/(loss) per share amount in pence
Year ended 30 June 2014	**27**	**20,376,926**	**0.13**
Year ended 30 June 2013	(368)	10,470,247	(3.51)

8. TANGIBLE FIXED ASSETS

	Fixtures and equipment £'000
GROUP	
Cost	
At 1 July 2012 & 30 June 2013	1
Additions	3
Disposals	(1)
At 30 June 2014	3
DEPRECIATION	
Accumulated depreciation at 1 July 2012 & 30 June 2013	1
Charge for the year to 30 June 2014	1
Disposals	(1)
Accumulated depreciation at 30 June 2014	1
NET BOOK VALUE	
At 30 June 2014	**2**
At 30 June 2013	-

	Fixtures and equipment £'000
COMPANY	
Cost	
At 1 July 2012 & 30 June 2013	1
Disposals	(1)
At 30 June 2014	-
DEPRECIATION	
Accumulated depreciation at 1 July 2012 & 30 June 2013	1
Disposals	(1)
Accumulated depreciation at 30 June 2014	-
NET BOOK VALUE	
At 30 June 2014	**-**
At 30 June 2013	-

9. GOODWILL

	Group £'000	Company £'000
Cost		
At 1 July 2012, 30 June 2013 and at 30 June 2014	**1,966**	-
Impairment		
At 1 July 2012, 30 June 2013 and at 30 June 2014	**-**	-
Carrying value		
At 30 June 2014	**1,966**	-
At 30 June 2013	1,966	-

The goodwill has been viewed against the net present value of the Group as one cash generating operating unit. In arriving at a net present value of projected cash flows from the investment portfolio, two models were considered – a weighted distribution of outcomes and values and an individual company dilution model.

The key assumptions used in both models were:

- Number of spin-outs – average six companies per year increasing to ten companies per year after ten years;
- Initial stake between 5% and 15%; and
- Dilution of 55% prior to realisation with exit being five years from spin out.

In addition, the weighted distribution model assumed that 40% of the spin-outs will fail with only 5% achieving a value of £10 million on exit and the individual company model assumed a rate of return on investment of 7.9% in line with the latest BVCA five year venture fund return to end 2012 for 2002 vintage funds onwards (5.9%) plus an adjustment of 2% as there are no fund management fees. In arriving at the net present value of the licensing income, a growth rate of 20% year on year was assumed using the income received in the year ended 30 June 2013 as the base amount. A discount rate of 5% was used as the Board considers that this reflects low nominal risk free rates of return with low gilt yields and base rates. Other risk factors that might be taken through discount such as investment failure and dilution are taken into account elsewhere in the model.

The Board considers that the net present value of cash flow from the Group's one cash generating unit is greater than the carrying value of goodwill having applied 20% sensitivity in turn to the key investment realisation assumptions of failure rate, dilution, years to exit, rate of return and discount rate and nil growth to licence income.

10. INVESTMENT IN SUBSIDIARIES

	Company 2014 £'000	Company 2013 £'000
At 1 July 2013	**2,383**	3,563
Provision for impairment	**-**	(1,180)
At 30 June 2014	**2,383**	2,383

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 is investment in University of Dundee Venture Fund and RGU Ventures Investment Fund	Scotland	100%	
Frontier IP Founder Partners Limited - principal activity is founder partner in University of Dundee Venture Fund and RGU Ventures Investment Fund	Scotland		100%
Frontier IP Management Limited - principal activity is an intermediate holding company	Scotland	100%	
Frontier IP GP RG Limited (formerly Sigma GP No 4 Limited) - principal activity is the general partner of the RGU Ventures Investment Fund	Scotland		100%
Frontier IP GP Dundee Limited (formerly Sigma GP No 5 Limited) - principal activity is the general partner of the University of Dundee Venture Fund	Scotland		100%

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
At 1 July 2013	**494**	532	**8**	-
Additions	**223**	19	**10**	8
Fair value (decrease)/increase	**608**	(57)	**116**	-
At 30 June 2014	**1,325**	494	**134**	8

Additions in the period include £181,000 of shares in Nandi Proteins Limited acquired by a group company in exchange for shares.

The investments held are valued individually at fair value in accordance with the Group's accounting policy on investments and have been categorised as being level 3, that is, valued using unobservable inputs. In applying the valuation matrix described in the Group's accounting policy on investments the Group considers the following unobservable inputs:

- the intellectual property assets;
- management accounts and forecasts;
- significant commercial developments;
- third party funding; and
- recent valuations of comparable investments.

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

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Venture capital funds	**34**	26	**-**	-
Unquoted securities	**1,291**	468	**134**	8
	1,325	494	**134**	8

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

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Venture capital funds	**(17)**	(32)	**-**	-
Unquoted securities	**625**	(25)	**116**	-
	608	(57)	**116**	-

12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade receivables	**237**	195	**-**	-
Receivables from Group undertakings	**-**	-	**954**	393
VAT	**16**	6	**9**	3
Prepayments and accrued income	**37**	21	**19**	15
Other debtors	**9**	-	**-**	-
	299	222	**982**	411
Less trade receivables – non current	**(86)**	-	**-**	-
Less receivables from Group undertakings – non current	**-**	-	**(954)**	(393)
Current portion	**213**	222	**28**	18

TRADE RECEIVABLES

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade receivables not due	**10**	20	**-**	-
Trade receivables past due 1–30 days	**10**	9	**-**	-
Trade receivables past due 31–60 days	**10**	10	**-**	-
Trade receivables past due 61–90 days	**12**	4	**-**	-
Trade receivables past due over 90 days	**205**	156	**-**	-
Gross trade receivables at 30 June 2014	**247**	199	**-**	-
Provision for bad debt at 1 July 2013	**4**	144	**-**	-
Debts provided for in the year	**6**	4	**-**	-
Provision released in the year	**-**	(144)	**-**	-
Provision for bad debt at 30 June 2014	**10**	4	**-**	-
Net trade receivables at 30 June 2014	**237**	195	**-**	-

£224,000 of trade receivables are due from Nandi. Frontier IP completed a fundraising for Nandi on 31 October 2014 at which Frontier IP converted £80,000 of trade receivables into equity in Nandi. The remaining outstanding trade receivable due from Nandi at that time will be paid in equal monthly instalments over a period of twenty four months. The Directors are confident that Nandi will have sufficient working capital to pay these instalments and its current retainer over the two year period. A provision of £119,000 made against income due from Nandi was released in the prior year.

13. TRADE AND OTHER PAYABLES

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade payables	**35**	39	**15**	24
Social security and other taxes	**19**	11	**-**	-
Accruals and deferred income	**56**	36	**22**	5
	110	86	**37**	29

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares in issue	Ordinary shares of 10p £'000	Share premium £'000	Total £'000
At 30 June 2013	13,052,165	1,305	4,457	5,762
Issue of shares in the year	9,482,188	948	337	1,285
At 30 June 2014	**22,534,353**	**2,253**	**4,794**	**7,047**

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

On 13 August 2013, the Company swapped 1,812,188 new ordinary shares of 10p for shares in Nandi at an implied price of 10p per share. Following the share swap, Frontier IP's interest in Nandi increased from approximately 3.68% to approximately 20.15%. (See Note 19 – Related Party Transactions).

On 20 December 2013, the Company conducted a placing of 3,750,000 new ordinary shares of 10p for cash at a price of 20p per share raising £750,000 before expenses.

WARRANTS

	2014 Number	2013 Number
At 1 July 2013	299,443	299,443
Expired	(299,443)	-
At 30 June 2014	-	299,443

15. RESERVES

The reverse acquisition reserve was created on the reverse takeover of Frontier IP Group Plc. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is transferred to the share-based payment reserve. The movement in reserves for the years ended 30 June 2014 and 2013 is set out in the Consolidated and Company Statement of Changes in Equity on page 28.

16. SHARE OPTIONS

Frontier IP has two option schemes, the Frontier IP Group Plc Employee Share Option Scheme 2012 and the Frontier IP Group Plc Unapproved Share Option Scheme 2012. The first is an enterprise management incentive scheme and the second an unapproved share scheme. Under the schemes, options are granted at no less than market value of the shares at the date of grant. No payment is required from option holders on the grant of an option. The schemes run for a period of ten years.

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

	2014 Weighted average exercise price Pence per share	2014 Options ('000s)	2013 Weighted average exercise price Pence per share	2013 Options ('000s)
At 1 July	15.00	848,389	100.00	198,887
Granted	26.88	486,611	15.00	848,389
Surrendered	-	-	100.00	(198,887)
At 30 June	19.33	1,335,000	15.00	848,389

Of the 1,335,000 outstanding options (2013: 848,389) none had vested at 30 June 2014 (2013: Nil).

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

	Exercise price Pence per share	2014 Number	2013 Number
2023	15.00	848,389	848,389
2024	26.88	486,611	-

The weighted average fair value of options granted to executive Directors during the year determined using the Black-Scholes-Merton valuation model was 12.9p per option. The significant inputs into the model were exercise price shown above, volatility of 54% based on three years' historical date, dividend yield of 0%, expected option life of 5 years and annual risk free interest rate of 1.81%.

17. CASH USED IN OPERATIONS

	Group 2014 £'000	**Group 2013 £'000**	**Company 2014 £'000**	**Company 2013 £'000**
Profit/(Loss) before tax	**27**	(368)	**(94)**	(2,547)
Adjustments for:				
Equity-based payments	**6**	4	**6**	4
Depreciation	**1**	-	**-**	-
Fair value (gain)/loss on financial assets through profit and loss	**(608)**	57	**(116)**	1,180
Cost of share issue	**26**	44	**26**	44
Changes in working capital:				
Trade and other receivables	**(93)**	(142)	**(390)**	781
Trade and other payables	**24**	(29)	**8**	2
Cash flows from operating activities	**(617)**	(434)	**(560)**	(536)

18. BUSINESS COMBINATIONS

On 1 April 2014, the Group acquired 100% of the share capital of Sigma GP No 4 Limited (renamed Frontier IP GP RG Limited on 20 May 2014) and 100% of the share capital of Sigma GP No 5 Limited (renamed Frontier IP GP Dundee Limited on 20 May 2014). These companies are the respective general partners in the RGU Fund and the Dundee Fund.

The consideration paid and the fair value of the assets acquired and liabilities assumed were as follows.

	Frontier IP GP RG Limited £'000	Frontier IP GP Dundee Limited £'000
Accrued income	6	4
Trade payables	(5)	(3)
Total identifiable net assets	1	1
Consideration	1	1
Goodwill	0	0

The contribution to revenue and profit/(loss) included in the consolidated statement of comprehensive income since 1 April 2014 was as follows.

	Frontier IP GP RG Limited £'000	Frontier IP GP Dundee Limited £'000
Revenue	6	4
Profit/(loss)	1	(1)

19. RELATED PARTY TRANSACTIONS

During the year the Group had transactions with a significant shareholder, Sigma Capital Group plc and certain of its subsidiary companies (together "Sigma"). Sigma charged fees of £22,000 (2013: £38,000) and recharged premises costs of £8,000 (2013: £9,000). The fees were for the services of Marilyn Cole as Director of the Company and for regulatory and administration support.

On 1 April 2014, the Group acquired two companies from Sigma; Sigma GP No 4 Limited (renamed Frontier IP GP RG Limited) and Sigma GP No 5 Limited (renamed Frontier IP GP Dundee Limited), (Refer to Note 18).

The Dundee Fund and the RGU Fund were managed during part of the period on the Group's behalf by Sigma's FCA authorised and regulated subsidiary Sigma Technology Management Limited of which Neil Crabb was an employee until 24 April 2014. The Group received £32,000 from Sigma (2013: £37,000) in respect of Neil Crabb's services and in respect of deal fees.

Jackie McKay is a director of Nandi Proteins Ltd and Neil Crabb is a director of Counterweight Ltd, Intelligent Flow Solutions Ltd, PoreXpert Ltd, Pulsiv Solar Ltd and Celerum Ltd, all of which are portfolio companies of the Group. The Group charged Nandi fees of £90,000 (2013: £70,000), Counterweight fees of £15,000 (2013: £28,000), Intelligent Flow Solutions fees of £12,000 (2013: £12,000), PoreXpert fees of £nil (2013: £7,500), Pulsiv Solar fees of £10,500 (2013: £nil) and Celerum fees of £5,000 (2013: £nil). At 30 June 2014, the Group was owed £224,000 (2012: £146,000) by Nandi, £8,000 (2013: £27,000) by Counterweight and £10,000 (2013: £10,000) by Intelligent Flow Solutions.

Andrew Richmond, a director of the Company, is a lay member of the Court of the University of Dundee. The Group has a partnership agreement with the University of Dundee to assist that university in commercialising its IP. At 30 June 2014, the Group was owed £5,000 (2013: £5,000) by the University of Dundee for advisory fees charged in 2012. During the year the Group received £12,000 from the University of Dundee as a contribution towards the marketing costs of establishing a vehicle which funds the exploitation of commercial drug development opportunities arising from the Drug Discovery Unit at the University. At 30 June 2014, the Group had deferred income of £8,000 from the University of Dundee. During the year the Group received fund management income from the Dundee Fund of £15,000 (2013: £15,000).

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

During the year the following directors purchased ordinary shares of 10p each in the Company.

	Number
Andrew Richmond	400,000
David Cairns	375,000
Michael Bourne	175,000
James Fish	100,000

20. POST BALANCE SHEET EVENT

In October 2014 the Group's portfolio company, Nandi Proteins Limited, completed a capital restructuring and fundraising. The valuation implication of this transaction is a £382,000 increase in the value of the Group's investment in Nandi at 30 June 2014.

FIVE YEAR RECORD

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Total revenue	786	117	223	307	94
Profit/(loss) from operations	27	(368)	(380)	(269)	(328)
Net finance income	-	-	-	-	2
Profit/(loss) before tax	27	(368)	(380)	(269)	(326)
Attributable to:					
Equity holders of the Company	27	(368)	(380)	(269)	(326)
Net assets employed	4,069	2,751	2,507	2,886	2,394
Basic earnings/(loss) per ordinary share (pence)*	0.13	(3.51)	(5.45)	(3.86)	(6.55)

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

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