

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

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Cover image:

Clockwise from top left:

Nandi Proteins engineered particles; Molendotech testing kit

Exscientia logo

Ebola virus

Alusid tiles

Fieldwork Robotics raspberry harvester

Highlights

a year of outstanding progress



Fair value of our portfolio increased by 47%

£13,252,000 2019

£9,041,000 2018



Profit before tax increased by 160%

£2,350,000 2019

£902,000 2018



Total revenue increased by 81%

£4,268,000 2019

£2,363,000 2018



Basic earnings per share

5.77p 2019

2.36p 2018



Unrealised profit on the revaluation of investments

£3,850,000 2019

£2,064,000 2018



Cash balances at 30 June 2019

£1,466,000 2019

£1,111,000 2018



Revenue from services increased by 40%

£418,000 2019

£299,000 2018



Net assets per share

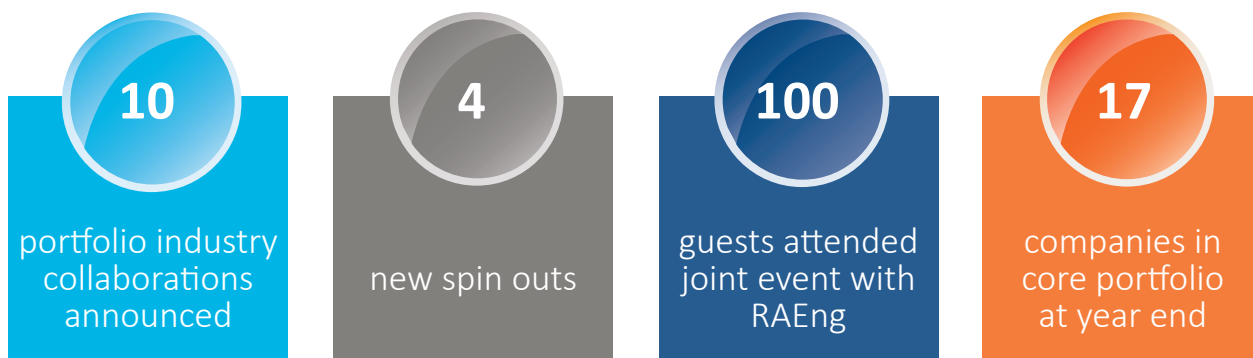
41.4p 2019

33.2p 2018

“The year to June 2019 saw Frontier IP and its portfolio companies make strong progress despite the uncertain political, economic and market environments in which we operate. We materially increased the value of our portfolio, gained four new spin outs, including the first three from our partnerships in Portugal, and further strengthened our relationships with industry, universities and academics.”

Andrew Richmond | Chairman

Highlights: continued



Corporate

- Team strengthened with the appointment of Matthew White, former Head of Innovation at AB Sugar, as Chief Commercialisation Officer with a seat on the board, and Alex Pugh as analyst. Post period end, Lucy Rowbotham, former Director of the Medical Technology Division at Cambridge Consultants, joined as Technology Commercialisation Director. Expanded funded intern programme
- John Price, who has had a long and distinguished career at Mars, Incorporated and Air Vice-Marshal Gary Waterfall CBE appointed post year end as senior advisers. Their roles are to deepen and expand industrial partnerships for the Group and its portfolio companies. They will focus respectively on food and agritech, and defence
- Strategic partnership agreed with UK Department for International Trade to support growth in Portugal. The Group was also selected as partner in Emporia4KT, major project to maximise value of academic research to Europe's marine and coastal economies
- Collaboration agreement signed with Royal Academy of Engineering, resulting in successful joint event at the Academy's headquarters in April 2019
- Post year end, we announced N+1 Singer as the Group's sole broker. Allenby Capital remains our Nominated Adviser
- The Vaccine Group and its partners party to more than US\$9 million grant funding from the US, UK and Chinese governments
- Alusid raised £1.34 million; Parkside Architectural Tiles, the commercial arm of Topps Tiles, launched Alusid-made Sequel range
- Pulsiv Solar won Innovate UK grant and entered into an agreement with Bosch UK to optimise the design of its solar-microinverter
- Amprologix announced strategic relationship with Ingenza and won £1.2 million Department of Health and Social Care funding to accelerate development of new antibiotics
- Fieldwork Robotics signed collaboration agreement with Hall Hunter Partnership, won Innovate UK grant to accelerate development of raspberry harvester; prototype completed initial field trials
- Nandi Proteins-led project won Coeliac UK and Innovate UK grant to improve taste and texture of gluten-free bread; partners include AB Mauri, part of AB Foods, and Agrii, part of Origin Enterprises
- Tarsis Technology entered collaboration agreement with a world-leading crop protection company
- Core portfolio additions in the year include first three from Portugal: NTPE, Des Solutio and Insignals Neurotech. In the UK, we announced the addition of Amprologix and incorporated CamGraPhIC

Portfolio

- Good commercial progress and strong industry engagement within the portfolio overall, reflected by the increase in fair value
- Exscientia secured US\$26 million in Series B funding, announced drug-discovery collaboration agreements with Roche, Celgene and GT Apeiron; achieved first milestone for GSK and, post period end, first for Sanofi

Post period end

- Post year end announced a new portfolio company- Elute Intelligence Holdings- which has been formed from CFL Software, an existing UK software business

Our business why we are different

We create value by taking a different approach to commercialising intellectual property

Our Key Strengths

- Portfolio offers potential for strong ongoing growth in equity valuation
- Innovative and capital efficient business model
- Proactive sourcing of potential spin outs; steady flow of new portfolio companies
- Founder equity in return for hands-on commercialisation support before capital raising
- Deep relationships with academics, universities and industry partners

Our business model



Our business

why we are different

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

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

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

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

To build on our existing knowledge and contacts within clusters, we recently announced the appointment of two senior advisers. John Price, a former Vice President Operations Europe for global food and petcare group Mars, Incorporated and current chairman of Mars pension fund trustees is now our senior food and agritech adviser. Air Vice-Marshal Gary Waterfall CBE joined as senior defence adviser after a 34-year career in the Royal Air Force, latterly as Chief of Staff at The Permanent Joint Headquarters, where he was responsible for planning and executing joint operations involving all three services around the world.

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

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

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

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

We are building an extensive network of capital sources ranging from institutions, industry investors through to private individuals. The Group's fundraising activity for our spin-out companies both enhances value in its portfolio and may also generate revenues for the Group. During the year, in order to provide corporate finance support and capital raising for our portfolio, Group subsidiary Frontier IP Management Limited became an Appointed Representative of Privium Fund Management (UK) Limited, which is authorised and regulated by the FCA.

Our business: continued

Fieldwork Robotics: an example of our clusters approach



AI, big data,
robotics



Food and
Agritech

Fieldwork Robotics is developing robots to harvest soft fruit and vegetables. The initial product will be a raspberry picking robot system.

The robot uses sophisticated software and artificial intelligence, including machine learning image recognition techniques to identify and pick ripe raspberries which meet stringent supermarket specifications on size and colour. At the same time, the robot is gathering data on things such as the health of the plants and noting the exact location of unripe raspberries, so it can return to them later.

Fieldwork Robotics fits into at least two clusters, one technological, the other industrial. The technology underpinning the robots correlates with fellow portfolio companies such as Exscientia, a leader in artificial intelligence-driven drug discovery, Cambridge Simulation Solutions, whose software models discontinuous processes, and logistics software firm Celerum. Frontier IP also provides selective technology development support.

The company is also part of our food and agritech cluster where it sits alongside companies such as Molendotech, Nandi Proteins and Tarsis Technology, which address opportunities throughout the food production and supply chain.

A prototype of Fieldwork Robotics raspberry-harvesting robot technology successfully completed initial field trials in May 2019. The data gathered was invaluable in further refining the hardware and software as work progresses well on developing a robot capable of harvesting more than 25,000 raspberries a day.

The trials were held at a farm owned and operated by Hall Hunter Partnership, one of the UK's biggest soft-fruit growers, and were the result of a collaboration agreement between the grower and Fieldwork Robotics announced in August 2018. In April 2019, the University of Plymouth spin out unveiled further validation for the technology with the announcement of a £547,250 Innovate UK Industrial Strategy grant to accelerate development of the system.

Frontier IP stake: 27.5 per cent



Our portfolio companies some spin outs to watch



Alusid

Frontier IP stake: 35.6 per cent

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

Alusid took significant strides during the year to June 2019. In September 2018, it raised £1.34 million to support development work on scaling up. Following this, in May, Parkside Architectural Tiles, the commercial arm of Topps Tiles, launched Sequel, an exclusive range of tiles made by Alusid.

"Our strategy has always been that customers will not buy a product because it is greener, but because it is of premium quality as well as being sustainable."

Alusid CEO Alasdair Bremner



Exscientia

Frontier IP stake: 3.25 per cent

Exscientia, a spin out from the University of Dundee, now based in Oxford, is a world leader in artificial intelligence-driven drug discovery, a reputation reflected in the number of collaboration agreements struck during the year, bringing upfront and potential milestone payments to more than £300 million.

New partners included Roche, Celgene Corporation and, post-period end, Rallybio, an early-stage company seeking to combat rare diseases. During the year, Exscientia also signed a partnership agreement with GT Apeiron Therapeutics, a Shanghai-headquartered drug-discovery platform launched with backing from specialist investor GT Healthcare Capital Partners.

The company raised \$26 million in a Series B funding round in January, attracting new investors in the form of Celgene and GT Healthcare Capital Partners, as well as further investment from existing investor Evotec AG. And further validation for Exscientia's approach to drug discovery came when the company achieved its first commercial milestones in its partnerships with GSK and, post period end, Sanofi.

"We have been developing our AI platform on the principle that AI combined with human creativity can significantly accelerate the drug discovery process."

Exscientia CEO Professor Andrew Hopkins



Our portfolio companies: continued



The Vaccine Group

Frontier IP stake: 19.2 per cent

The Vaccine Group is developing novel vaccine technologies to combat a wide range of diseases, including those which jump from species to species and into humans.

The University of Plymouth spin out won major backing for its work, winning grants from the US, UK and Chinese governments. This included its involvement as a key partner in a major \$9.67 million project to protect the US military and homeland from Ebola, Lassa fever and other zoonotic diseases.

Other projects underway including work to tackle Streptococcus suis, an emerging antibiotic-resistant disease that can leap from pigs to humans, causing meningitis, septicaemia and other diseases. This work is funded by the Department of Health and Social Care and the Chinese government.

“Antimicrobial resistance and emerging infectious diseases are global problems. TVG has a novel approach to creating new vaccines.”

Associate Professor Michael Jarvis, TVG founder and director



Nandi Proteins

Frontier IP stake: 20.1 per cent

Nandi Proteins develops processes and process control technology to create new ingredients from whey, collagen and vegetable proteins to replace chemical E-number additives, fat and gluten in processed food.

The technology is now in the process of being scaled up following successful small-scale trials in collaboration with industry partners, including Devro and Kerry Foods Group. Coeliac UK and Innovate UK awarded a Nandi-led project a £180,697 grant to improve the taste and texture of gluten-free bread. Other partners include AB Mauri, the ingredients division of AB Foods, and Agrii, part of agri-services group Origin Enterprises.

Meat-free protein products is an area of burgeoning interest in the food industry; we believe Nandi Proteins is well placed to benefit.

“The Coeliac UK and Innovate UK grant to a project involving three major industry partners represents very strong validation for Nandi’s novel technology.”

Frontier IP CEO Neil Crabb



Our portfolio companies: continued



Molendotech

Frontier IP stake: 14.1 per cent

Palintest, a subsidiary of FTSE 100 group Halma plc, started commercial roll out of Siren_{BW}, a kit to test bathing water for faecal matter based on Molendotech's patented bacterial detection technology.

Typical water testing involves sending samples to a laboratory, a process which can take up to two days to produce a result. The Molendotech kit can be used on location, cutting testing times to 30 minutes or under.

Molendotech is now developing specific water tests to detect E.coli after signing a collaboration agreement with G's Group, one of Europe's leading fresh produce growers and supplier to major retailers such as Aldi, Asda, Co-op, Lidl, M&S and Sainsbury's. Quicker testing times could help to lengthen the shelf life of G's products.

"It's a great achievement for our research to be commercialised. Molendotech is working on further developments that will have many applications."

Molendotech CEO Professor Simon Jackson



Pulsiv Solar

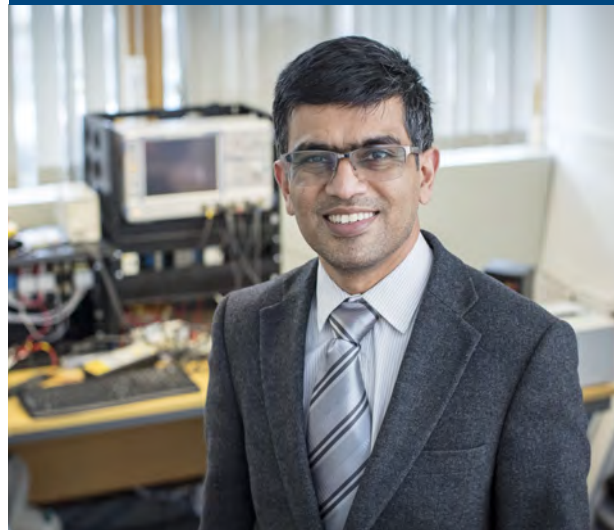
Frontier IP stake: 18.9 per cent

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

The company enjoyed a year of strong progress. In April, it struck a collaboration agreement with Bosch UK to optimise the cost and design of its patented solar micro-inverter for manufacture. As a result, Pulsiv will be able to market the devices as "Engineered by Bosch" when it moves into commercial production. It also won a £129,929 Innovate UK grant in July last year to fund work to complete technological development of the micro-inverter.

"We are very excited to have Bosch's collaboration and support on the industrialisation of our microinverter and potentially other products."

Pulsiv technical director Dr Zaki Ahmed



Chairman's Statement



Andrew Richmond | Chairman

The year to June 2019 saw Frontier IP and its portfolio companies make strong progress despite the uncertain political, economic and market environments in which we operate.

Performance

The year to June 2019 saw Frontier IP and its portfolio companies make strong progress despite the uncertain political, economic and market environments in which we operate. We materially increased the value of our portfolio, announced four new spin outs, including the first three from our partnerships in Portugal, and further strengthened our relationships with industry, universities and academics.

Importantly, the increase in our portfolio valuations has been underpinned by the achievement of commercial milestones and grant funding. Valuations are a topic our Chief Executive Neil Crabb takes up in his Chief Executive Officer's Statement.

On the portfolio side, Exscientia continues to perform strongly. It is establishing itself as one of the world's leading artificial intelligence-driven drug discovery companies. It raised \$26 million through a Series B funding round, signed new drug discovery collaboration agreements with Roche, Celgene and, after the year end, with an exciting early-stage biopharmaceutical company Rallybio. Alongside existing collaborations with GSK, Sanofi and Evotec, the company now has upfront and potential milestone payments of significantly more than £300 million.

Among the other highlights for the year, we were delighted to become one of the 14 partners in Emporia4KT, a pan-European project to ensure academic research is put to better use in boosting Europe's Atlantic marine economy. We were also named as a strategic partner of the UK Department for International Trade in Portugal and entered into a collaboration agreement with the Royal Academy of Engineering. The latter resulted in a highly-successful joint event, attended by more than 100 people, at its central London headquarters in April 2019.

New technologies can help us address some of the toughest issues we are facing today from tackling disease to meeting the challenges posed by environmental changes. Our portfolio companies have the potential to make important contributions.

Chairman's statement: continued

The Vaccine Group's novel technology, for example, could prevent devastating diseases jump from animals to animals and then to humans. Amprologix is developing new antibiotics to overcome the threat from antimicrobial-resistant superbugs, while Nandi Proteins helps to address consumer desires for fewer E-number additives, less fat and less animal proteins in foods. The recent press coverage afforded to Beyond Meat and Impossible Foods shows how relevant these issues are. They are something all major food companies are looking at.

Des Solutio is working on green chemistry to replace the use of toxic solvents in manufacturing a host of everyday pharmaceuticals, household goods and beauty products; Alusid recycles industrial waste, most of which ends in landfill, to create top-quality tiles and other surfaces. Finally, Pulsiv Solar's technology promises to make significant improvements to the energy efficiency of photovoltaic cells and power converters.

The number of our portfolio companies at the heart of these major trends is reflected in the support of our shareholders. During the year, we were delighted to raise £2.49 million in November 2018 through an oversubscribed placing with new and existing shareholders. We remain optimistic about prospects of generating further value over the coming year and beyond.

Our governance

Good governance is vital for long-term sustainable growth, and we strive to achieve the highest standards for a company of our size. We adhere to the Quoted Companies Alliance Corporate Governance Code, introduced in April 2018. To see more details about how we apply the principles of the Code, see the Our Governance section of our website: <http://www.frontierip.co.uk/investors/corporate-governance/Our%20Governance> or page 29 of this report.

Results

I was very pleased with the Group's strong performance for the year, which was ahead of management expectations. Pre-tax profits increased by 160% and the fair value of our portfolio rose to £13,252,000.

For the year to 30 June 2019, total revenue increased by 81% to £4,268,000 (2018: £2,363,000) as a result of an unrealised profit on the revaluation of investments of £3,850,000 (2018: £2,064,000), principally due to the movement in fair value of Exscientia and The Vaccine Group. Revenue from services, principally board retainers, technical development services and licence income, increased by 40% to £418,000 (2018: £299,000).

Outlook

We have an excellent team in Frontier IP, and I would very much like to thank our people for their hard work this year. It is thanks to their efforts and those of our university, academic and other partners that the Group is well placed to benefit from a portfolio increasing in maturity and breadth. We are confident our portfolio will continue to grow in value.

Andrew Richmond | Chairman

05 November 2019



Strategic Report

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

The Group does so by:

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

We are pleased to report the Group achieved significant increases in all five of its performance indicators. The value of the Group's equity investments increased to £13,252,000 (2018: £9,060,000) with net assets increasing to £17,591,000 (2018: £12,717,000). Profit after tax for the Group for the year to 30 June 2019 was £2,350,000 (2018: £902,000). This result includes a net unrealised profit on the revaluation of investments of £3,850,000 (2018: £2,064,000) and reflects an increase in services revenue to £418,000 (2018: £299,000) and greater administrative expenses of £1,932,000 (2018: £1,465,000) as the Group invested in people and premises. The additional administrative expenses were offset by growth in unrealised profit on revaluation of investments.

Chief Executive Officer's Statement



Neil Crabb | Chief Executive Officer

Frontier IP Group saw another strong year for the period to June 2019.

The fair value of our portfolio rose 47% to £13,252,000. We continued to adhere to our capital efficient business model with profit before tax increasing by 160% to £2,350,000. These numbers were significantly ahead of our management expectations.

The reasons for our encouraging progress are explained in more detail in the operational and portfolio reviews elsewhere. However, if I were to highlight one factor it would be the increasing rate at which we and our portfolio companies engage with industry. Industry engagement is a central part of what we do. It helps us validate the technology, understand how it can be scaled up and address real-world market needs and demands. Growing portfolio value is driven by external markers such as third-party investment and commercial milestones which also show we are consistently and successfully identifying strong, commercialisable intellectual property.

During the year, our portfolio companies entered into partnerships with a host of blue chip or market-leading companies including: Roche and Celgene (Exscientia); AB Foods and Agrii, part of Origin Enterprises (Nandi); Bosch UK (Pulsiv Solar); Parkside Architectural Tiles, the commercial arm of Topps Tiles, (Alusid); Hall Hunter Partnership (Fieldwork Robotics); G's Group (Molendotech); and Ingenza (Amprologix).

We strongly believe public grants play an important role in the funding mix for our portfolio companies. Data shows grants are a strong indicator of improved business performance in time and greater likelihood of a successful future exit. They also provide further validation for the technology being developed and, from a shareholder's perspective, there is the added advantage that such funding is non-dilutive.

Our portfolio companies enjoyed considerable success in winning grant funding to support commercialisation over the year. This included UK government backing for Fieldwork, Pulsiv, Amprologix and Nandi, while The Vaccine Group and its partners are party to more than \$9 million in grants from the US, UK and Chinese governments.

Valuations in the wider marketplace have become a source of increasing concern and potential risk, so it is worth reiterating our approach. There are two aspects to the issue. First is the global market perspective, where we are seeing companies yet to justify their business model valued at extraordinary sums, in markets stoked by cheap money and the hunt for returns. There are bubbles in certain areas; the only questions are when and whether they will burst dramatically or deflate slowly.

The second aspect is the question about how to value smaller, illiquid companies still at a relatively early development stage. In too many instances, investors have been prepared to put their money in before the technology is fully proven, encouraging businesses to ramp up cash burn as they strive to justify their new-found valuation. Particularly invidious is the hype around unicorns and the way it skews investor behaviour through the desire to create companies valued at a \$1 billion or more. But there's a reason why unicorns are creatures of myth – they do not exist in the real world.

Many valuations reflect the sums a company is able to raise, rather than bearing any relation to technology or business fundamentals.

Chief Executive Officer's Statement: continued

Our approach is different and is designed to ensure valuations are based on reality. It also reflects our view that the best way to develop spin outs is by working in partnership with universities, academics and industry, and managing for the long term. These businesses do not always need significant sums to prosper. What they do need is time to overcome the inevitable scientific, technological and commercial obstacles that arise.

Our valuation policy is explained under the heading "Equity investments" on page 49, but to summarise: when we first incorporate a spin out, the whole company is valued at between £50,000 and £1 million, depending on whether IP has been transferred or not, additionally taking into account the level of any grant funding that might have been received. At the next stage, valuations are then set through third-party funding rounds or the trading progress of the business following the industry-standard IPEV guidelines. As the business matures a combination of valuation techniques may be applied including discounted cash flow, industry specific valuation models and comparable company valuation multiples.

It is important to remember that we do not typically invest directly ourselves. Price is determined by external investors and achieving commercial milestones, so we are not under pressure to "follow our money". In this way, we hope to mitigate the risks of overvaluation.

The outcome of Brexit is unknown and therefore a potential risk to the Group. The impact on us is softened to an extent by the fact the exposure of the Group and its portfolio companies to physical cross-border trading with the EU is low, and the government has stated it will support existing grant programmes. Ideas remain free to travel unhindered; they know no borders.

Where it might have a more disruptive effect is if it leads to significant cuts to research funding. This may in time reduce the flow of quality IP available for commercialisation. Our portfolio companies may also be affected if there are cuts to grant funding.

However, we see potential opportunities arising from Brexit should it crystallise existing pressures on universities to make more of their research as they tackle problems caused by uncertainty over funding and a downturn in student numbers. Sterling weakness might also create opportunities. British science and technology has long been a magnet for foreign investors and the fall in the pound has enticed them to put a record £5.5 billion so far this year into UK technology companies, according to recent government figures.

Within the Group, we continue to build a platform for future growth, key to which is finding the right people. To this end, I am very pleased with the appointments of Matthew White, a former head of innovation at AB Sugar who is now our Chief Commercialisation Officer and a director of the Group, and analyst Alex Pugh during the year. Post period end, Lucy Rowbotham, former Director, Medical Technology Division, at Cambridge Consultants, joined us as Technology Commercialisation Director in a non-board role. We've also expanded our funded intern programme.

We were also very pleased after the year end to announce the appointments of John Price, who has had a long and distinguished career at Mars, Incorporated and Air Vice-Marshall Gary Waterfall CBE as senior advisers to deepen and expand industrial partnerships for the Group and its portfolio companies. They will focus respectively on food and agritech, and defence.

There was one departure. Portfolio Director David Cairns decided to leave the company after more than a decade. I would like to thank David for the important contribution he has made over the years to our growth and success, and to wish him all the very best for the future.

I would also very much like to thank our investors and other stakeholders for their continued support. We are well positioned despite the possible market and political headwinds and are confident that the year to come will be as successful as the one that has passed.

Neil Crabb | Chief Executive Officer

05 November 2019

Operational Review

Corporate

Frontier IP made strong progress during the year as it continued to pave the way for future growth and value, reflected in the significant technological and commercial advances made by a number of portfolio companies. These are outlined in the portfolio review on pages 15 to 18.

People are the biggest constraint on our ability to scale the business. It is also vital we hire the right people, with the skills to take a proactive approach to identifying IP and making our portfolio companies successful. During the year we were delighted to appoint Matthew White as Chief Commercialisation Officer and a director of the Group. His role before joining us was Head of Innovation for AB Sugar, one of the world's biggest sugar producers and a wholly-owned subsidiary of FTSE 100 multinational Associated British Foods. We were also pleased to appoint analyst Alex Pugh, an economics graduate and qualified chartered account with strong experience in financial markets.

Post year end, Lucy Rowbotham joined as Technology Commercialisation Director. She is a former Director, Medical Technology Division, at Cambridge Consultants, and has extensive experience of technology commercialisation. We have also extended our funded intern programme to contribute technical expertise on a project-by-project basis.

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

The Group extended its existing networks of industry, academic and financial relationships through three important partnerships. In August 2018, we entered into a strategic partnership with the UK Department for International Trade ("DIT") in Portugal. The move means we will be able to build our position as a leading university IP commercialisation partner in the country by opening access to potential industry collaborators and key decision makers in the Portuguese government and economy. The DIT also presented us with the New to Market Award. During the year, we announced our first three spin outs in the country.

In April 2019, we announced a collaboration agreement with the Royal Academy of Engineering, based in London, reflecting our shared aims in supporting new engineering and technology companies. As a result, we held a successful joint event at the Academy's headquarters. More than 100 guests were able to see demonstrations of technology developed by our portfolio

companies and from businesses supported by the Academy's Enterprise Hub.

We also announced our involvement as a partner in Emporia4KT, a major project to maximise the value of academic research to Europe's marine and coastal economies on the Atlantic seaboard. Emporia4KT brings together 14 partners from Portugal, Ireland, France, Spain and the UK to develop ways to transfer academic knowledge and innovation to boost activities such as fishing, shipbuilding, tourism and ocean energy. Our role is to develop tools to help partners assess risks, judge cost effectiveness and understand the most appropriate routes for commercialising their IP.

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

Sources of IP

In line with our business model, our strategy is to identify strong, commercialisable IP and earn sizeable equity stakes in spin out companies through the support we provide to validate technology, drive industrial engagement and scaling up.

As part of this, we seek to forge long-term partnerships with sources of IP, both formal and informal, although we keep them under continual review for quality of deal flow and economic viability. This approach ensures that effort is focused where it is most effective and there is most potential value.

We continue to see good flow of intellectual property with strong commercial potential from the University of Plymouth, including announcing our stake in Amprologix during the year. The Group continues to build on its relationships with academics and departments at the University of Cambridge. It incorporated its second graphene spin out from Cambridge alongside Italian research institute CNIT.

Our partnerships in Portugal with NOVA University Lisbon, NOVA School of Science and Technology and INESC TEC also bore fruit, with the incorporation of NTPE, Des Solutio and Insignals Neurotech announced during the year. Portugal is a market underserved by university IP commercialisation specialists, and, alongside our partnership with the UK Department for International Trade in the country, we believe we are well placed to take advantage of opportunities as they arise.

Portfolio Review

Core portfolio

Frontier IP strives to develop and maximise value from its core portfolio, which numbered 17 at the year end. We do so by taking founding stakes in companies at incorporation and then working in long-term partnerships with shareholders, academia and industry partners. Core portfolio companies must meet two out of three criteria:

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

The core portfolio made strong progress across a number of fronts during the year. Between them, our spin outs announced 10 agreements with commercial partners. Many of those are leaders in their sectors, a clear indication of our success in driving industry engagement. We incorporated four new spin outs including the first three from our operations in Portugal and core portfolio companies completed two fund raisings and secured seven grant awards.

Alusid

Frontier IP stake: 35.6 per cent

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

Alusid took significant strides during the year to June 2019. In September 2018, it raised £1.34 million to support development work on scaling up. Following this, in May, Parkside Architectural Tiles, the commercial arm of Topps Tiles, launched Sequel, an exclusive range of tiles made by Alusid. It also successfully completed trials for volume production using industry-standard equipment and is now looking to move up to volume production through Spanish subcontractors.

Amprologix

Frontier IP stake: 10 per cent

Amprologix is the latest spin out stemming from our formal partnership with the University of Plymouth. The company was incorporated to commercialise the work of Mathew Upton, Professor of Medical Microbiology at Plymouth's Institute of Translational and Stratified Medicine.

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

In February, Amprologix won a £1.2 million UK Department of Health and Social Care contract to accelerate development and scale up of its lead antibiotic candidate, epidermicin NI01.

Cambridge Raman Imaging

Frontier IP stake: 33.3 per cent

Cambridge Raman Imaging was the Group's first graphene spin out, the result of a partnership between the University of Cambridge and the Politecnico di Milano, in Italy. It has been incorporated to commercialise research undertaken into graphene-based ultra-fast lasers, initially for use in Raman-imaging microscopes to diagnose and monitor tumours.

CamGraPhIC

Frontier IP stake: 33.3 per cent

A second graphene spin out, this time from the University of Cambridge and Italian research institute CNIT, CamGraPhIC was incorporated this year to develop graphene-based photonics for high-speed data and telecommunications. Graphene photonics are seen as a key enabler for 5G technologies by the company's industrial partners.

Portfolio Review: continued

Cambridge Simulation Solutions

Frontier IP stake: 40 per cent

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

Celerum Limited

Frontier IP stake: 10 per cent

Celerum was formed to commercialise research know-how and IP arising from the work of the Computational Intelligence research group at Robert Gordon University. The company has expertise in translating complex business logic into software models which, when combined with data, can be used for automated fleet scheduling.

Des Solutio

Frontier IP stake: 25 per cent

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

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

Exscientia

Frontier IP stake: 3.25 per cent

Exscientia, a spin out from the University of Dundee, now based in Oxford, is a world leader in artificial intelligence-driven drug discovery, a reputation reflected in the number of collaboration agreements struck during the year, bringing upfront and potential milestone payments totalling more than £300 million.

New partners included Roche, Celgene Corporation and, post-period end, Rallybio, an early-stage company seeking to combat rare diseases. During the year, Exscientia also signed a partnership agreement with GT Apeiron Therapeutics, a Shanghai-headquartered drug-discovery platform launched with backing from specialist investor GT Healthcare Capital Partners.

In other developments, the company achieved its first milestone payment resulting from its collaboration with GSK, and completed a \$26 million Series B financing round. New investors included Celgene Corporation and GT Healthcare Capital Partners. Existing investor Evotec AG also participated.

Fieldwork Robotics

Frontier IP stake: 27.5 per cent

A prototype of Fieldwork Robotics raspberry-harvesting robot technology successfully completed initial field trials in May 2019. The data gathered was invaluable in further refining the hardware and software as work progresses well on developing a robot capable of harvesting more than 25,000 raspberries a day.

The trials were held at a farm owned and operated by Hall Hunter Partnership, one of the UK's biggest soft-fruit growers, and were the result of a collaboration agreement between the grower and Fieldwork Robotics announced in August 2018. In April 2019, the University of Plymouth spin out unveiled further validation for the technology with the announcement of a £547,250 Innovate UK Industrial Strategy grant to accelerate development of the system.

The academic behind the technology, Dr Martin Stoelen, has also trialled technology to harvest cauliflowers and tomatoes. .

Insignals Neurotech

Frontier IP stake: 33 per cent

Insignals Neurotech, incorporated as the Group's third Portuguese spin out in February 2019, is developing wearable devices supporting deep brain surgery to alleviate the symptoms of Parkinson's disease and other neurological disorders. The company was spun out of the Portuguese Institute for Systems and Computer Engineering, Technology and Science ("INESC TEC"), with the support of São João University Hospital, part of the University of Porto. It is commercialising the work of João Paulo Cunha, Associate Professor with Agregação at the University of Porto and senior researcher at INESC TEC.

Molendotech

Frontier IP stake: 14.1 per cent

Palintest, a subsidiary of FTSE 100 group Halma plc, started commercial roll out of SirenBW, a kit to test bathing water for faecal matter based on Molendotech's proprietary bacterial detection technology. The kit, which can be used on site, cuts testing times from up to two days to under 30 minutes because samples do not need to be sent to a laboratory. Molendotech is now developing water tests to specifically detect E.coli after signing a collaboration agreement with G's Group, one of Europe's leading fresh produce suppliers, as announced in October 2018.

Portfolio Review: continued

Nandi Proteins

Frontier IP stake: 20.1 per cent

Nandi Proteins develops processes and process control technology to create new ingredients from whey, collagen and vegetable proteins to replace chemical E-number additives, fat and gluten in processed food. The technology is now in the process of being scaled up following successful small-scale trials in collaboration with industry partners, which include Devro and Kerry Foods Group. Coeliac UK and Innovate UK awarded a Nandi-led project a £180,697 grant to improve the taste and texture of gluten-free bread. Other partners include AB Mauri, the ingredients division of AB Foods, and Agrii, part of agri-services group Origin Enterprises.

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

NTPE LDA

Frontier IP stake: 31.6 per cent

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

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

PoreXpert

Frontier IP stake: 15 per cent

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

Pulsiv Solar

Frontier IP stake: 18.9 per cent

Pulsiv Solar's technology improves the energy efficiency of photovoltaic cells and the power converters used by a host of everyday devices, such as laptops, televisions and mobile phones. The company enjoyed a year of solid progress, winning a £129,929 Innovate UK grant in July 2018 towards a £288,732 project to complete technological development of its solar micro-inverter. Pulsiv is now working with Bosch UK to optimise the design, cost and manufacturability of the product; the company will be able to market the devices as "Engineered by Bosch" when it moves into commercial production. There is strong industry and government interest in the technology.

Tarsis Technology

Frontier IP stake: 18 per cent

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

The Vaccine Group

Frontier IP stake: 19.2 per cent

The Vaccine Group develops novel vaccine technologies to combat zoonotic diseases, which jump from species to species, including humans, and other diseases. The University of Plymouth spin out won major backing for its work, winning grants from the US, UK and Chinese governments. This included its involvement as a key partner in a \$9.67 million project to protect the US military and homeland from Ebola, Lassa fever and other zoonotic diseases. Other grant-funded projects are underway including work to tackle *Streptococcus suis*, an emerging antibiotic-resistant disease that can leap from pigs to humans.

Limited Partnership Funds

RGU Ventures Investment Fund LP ("RGU Fund")

The ten-year term of the RGU Fund expired on 27 July 2019 and prior to 30 June 2019 the assets were distributed to the limited partners.

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 2019, the carrying value was £Nil (2018: £19,000), which is £166,000 below cost (2018: £147,000 below cost).

Portfolio Review: continued

Portfolio Company	% Share Capital	About	Source
Alusid Limited	35.6%	Recycled materials	University of Central Lancashire
Amprologix Limited	10.0%	Novel antibiotics to tackle antimicrobial resistance	Universities of Plymouth and Manchester
Cambridge Raman Imaging Limited	33.3%	Medical imaging using ultra-fast lasers	University of Cambridge and Politecnico di Milano
Cambridge Simulation Solutions Limited	40.0%	Methods to simulate and control complex chemical processes	University of Cambridge
CamGraPhIC Limited	33.3%	Graphene-based photonics	University of Cambridge and CNIT
Celerum Limited	10.0%	Near real-time automated fleet scheduling	Robert Gordon University
Des Solutio LDA	25.0%	Green alternatives to industrial toxic solvents	FCT Nova
Exscientia Limited	3.3%	Novel informatics and experimental methods for drug discovery	University of Dundee
Fieldwork Robotics Limited	27.5%	Robotic harvesting technology for challenging horticultural applications	University of Plymouth
Insignals Neurotech Lda	33.0%	Wearable medical devices supporting deep brain surgery	INESC TEC
Molendotech Limited	14.1%	Rapid detection of water borne bacteria	University of Plymouth
Nandi Proteins Limited	20.1%	Food protein technology	Heriot-Watt University, Edinburgh
NTPE LDA	31.6%	Novel technology to print electronic circuits, sensors and semiconductors onto paper	FCT Nova
PoreXpert Limited	15.0%	Analysis and modelling of porous materials	University of Plymouth
PulsiV Solar Limited	18.9%	High efficiency power conversion and solar power generation	University of Plymouth
Tarsis Technology Limited	18.0%	Controlled delivery of agrochemicals using metal-organic frameworks	University of Cambridge
The Vaccine Group Limited	19.2%	Herpesvirus-based vaccines for the control of bacterial and viral diseases	University of Plymouth

The Group holds equity stakes in a further six portfolio companies which do not meet the test for inclusion in its core portfolio. At 30 June 2019, the aggregate value of these holdings was £13,500, equivalent to 0.1% of the fair value of the Group's portfolio at 30 June 2019.

After the year end, in October 2019, the Group announced it had taken a 43% equity stake in Elute Intelligence Holdings Limited. Elute develops novel software tools to intelligently search complex documents, such as patents and contracts, and to detect evidence of plagiarism, collusion and copyright infringement.

Financial Review

Key Highlights

The value of the Group's equity investments increased to £13,252,000 (2018: £9,060,000) with net assets increasing to £17,591,000 (2018: £12,717,000).

Profit after tax for the Group for the year to 30 June 2019 was £2,350,000 (2018: £902,000). This result includes a net unrealised profit on the revaluation of investments of £3,850,000 (2018: £2,064,000) and reflects an increase in services revenue to £418,000 (2018: £299,000) and greater administrative expenses of £1,932,000 (2018: £1,465,000) as the Group invested in people and premises. The additional administrative expenses were offset by growth in unrealised profit on revaluation of investments.

Revenue

Total revenue for the year to 30 June 2019, which is the aggregate of services revenue and unrealized gain on the revaluation of investments, increased 81% to £4,268,000 (2018: £2,363,000). Revenue from services increased 40% to £418,000 (2018: £299,000). The Group's net unrealised profit on the revaluation of investments increased 86% to £3,850,000 (2018: £2,064,000). Unrealised gains on revaluation of investments of £3,885,000 (2018: £2,396,000) were marginally offset by impairments of £35,000 (2018: £332,000). £1,850,000 of the gain relates to Exscientia Limited and £1,613,000 to The Vaccine Group Limited.

Administrative Expenses

Administrative expenses increased by 32% to £1,932,000 (2018: £1,465,000). The increase is primarily due to increased staff, salaries and associated costs.

Earnings Per Share

Basic earnings per share were 5.77p (2018: 2.36p). Diluted earnings per share were 5.51p (2018: 2.25p).

Statement of Financial Position

The principal items in the statement of financial position at 30 June 2019 are goodwill £1,966,000 (2018: £1,966,000) and financial assets at fair value through profit and loss, principally equity holdings of £13,252,000 (2018: £9,060,000) and debt investments £437,000 (2018: £0) in portfolio companies. The carrying value of these items is determined by the Directors using their judgement when applying the Group's accounting policies. The considerations taken into account by the Directors when reviewing the carrying value of goodwill are detailed in Note 9. The matters taken into account when assessing the fair value of the portfolio companies are detailed in the accounting policy on investments.

The Group had net current assets at 30 June 2019 of £2,212,000 (2018: £1,523,000). The current assets at 30 June 2019 include trade receivables of £258,000 which are more than 90 days overdue, of which £204,000 is due from Nandi and £43,000 is due from Fieldwork Robotics. The non-current trade receivables of £114,000 are due from Nandi. Other debtors include unsecured interest free loans to Nandi and Alusid of £80,000 and £31,000 respectively. The directors are confident that Nandi, Alusid and Fieldwork Robotics will be able to raise sufficient funds to finance their respective business plans and commence payment of the trade debt and unsecured loans.

Net assets of the Group increased to £17,591,000 at 30 June 2019 (30 June 2018: £12,717,000) resulting in net assets per share of 41.4p (2018: 33.2p).

Cash

The Group's cash balances increased during the year by £355,000 to £1,466,000 at 30 June 2019. Operating activities consumed £1,270,000 (2018: £970,000) and financial assets at fair value were purchased at £779,000 (2018: £245,000). The group raised cash of £2,333,000 net of costs through a placing in November 2018.

Key Risks and Challenges affecting the Group

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

There is a risk of certain portfolio companies being unable to repay outstanding loans or trade debt owed to the Group. The Group aims to mitigate this risk by helping ensure that these portfolio companies meet planned milestones and are in a position to finance their business plans, typically through fundraising, and repay the debt when due. The directors are confident that Nandi, Alusid and Fieldwork Robotics will be able to raise sufficient funds to finance their business plans and commence payment of the debt.

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

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

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

Brexit presents potential risks for the business: the unknown impact on funding for research and development in both the higher education sector as discussed above and for our portfolio companies; the uncertain economic conditions could impact the ability of our portfolio companies to grow, in particular potentially increased difficulty recruiting and retaining appropriately skilled staff. There may also be risks to certain portfolio companies of potential tariffs, shipping delays and large foreign currency fluctuations. The continuing uncertainty surrounding Brexit makes it difficult to take any mitigating steps currently, but the Group will work closely with our portfolio companies to mitigate the impact of issues arising from Brexit when these are known.

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

The Group is dependent on its executive team for its success and there can be no assurance that it will be able to retain the services of key personnel. This risk is mitigated by the Group through recruiting additional skilled personnel and ensuring that the Group's reward and incentive framework aids our ability to recruit and retain key personnel. The Executive Directors are encouraged to hold direct interests in shares in the Company.

By order of the Board

Neil Crabb | Director | 05 November 2019



Governance

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

Board of Directors

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



K Andrew Richmond

Non-Executive Chairman
and Independent Director (Age 53)

Appointment Date:

December 2011

Experience:

Andrew Richmond has substantial experience of the healthcare, stockbroking and private equity industries. He is Chairman of Hub North Scotland and a Non-Executive Director of Scotland's Charity Air Ambulance.

Skills:

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

Role:

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

Committees:

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

Scheduled Board Meetings attended:

6 out of 6



Neil Crabb

Chief Executive Officer
(Age 51)

Appointment Date:

May 2009

Experience:

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

Skills:

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

Role:

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

Scheduled Board Meetings attended:

6 out of 6

Board of Directors continued

**Jacqueline McKay**

Chief Operating Officer
(Age 59)

Appointment Date:

September 2010

Experience:

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

Skills:

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

Role:

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

Scheduled Board Meetings attended:

6 out of 6

**James Fish**

Chief Finance Officer
and Company Secretary (Age 61)

Appointment Date:

March 2014

Experience:

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

Skills:

Qualified CA and company growth expertise.

Role:

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

Scheduled Board Meetings attended:

6 out of 6

Board of Directors continued

**David Cairns**

Portfolio Director
(Age 55) (Resigned 27 August 2019)

Appointment Date:

September 2010

Resignation Date:

August 2019

Experience:

David has experience of bringing technology to market.

Skills:

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

Role:

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

Scheduled Board Meetings attended:

6 out of 6

**Michael Bourne**

Non-Executive Director
and Independent Director (Age 60)

Appointment Date:

March 2014

Experience:

Mike has a background in investment management and expertise in technology, life sciences and clean technology. He is currently Partner of Accretion Capital LLP.

Skills:

Investment Management and venture.

Role:

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

Committees:

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

Scheduled Board Meetings attended:

6 out of 6

Board of Directors continued

**Dr. Campbell Wilson**

Non-Executive Director
(Age 64)

Appointment Date:

May 2014

Experience:

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

Skills:

Deep knowledge of the pharmaceutical industry and licensing.

Role:

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

Committees:

Member of the Remuneration Committee and the Audit Committee.

Scheduled Board Meetings attended:

6 out of 6

**Matthew White**

Chief Commercialisation Officer
(Age 45)

Appointment Date:

March 2019

Experience:

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

Skills:

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

Role:

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

Scheduled Board Meetings attended:

2 out of 2

Committees of the Board

Remuneration Committee Report

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

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

- > determine and agree with the Board the remuneration of the Group's Chief Executive, Executive Directors and senior members of the executive team;
- > review the on-going appropriateness and relevance of the remuneration policy;
- > approve any performance related pay schemes and approve the total annual payments made under such schemes; and
- > review share incentive plans and determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives and the performance targets to be used.

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

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

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

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

Directors' remuneration

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

Contracts of service

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

Share options

The Company has one share option scheme, the Frontier IP Group plc Employee Share Option Scheme 2011, as adopted by the Board of Directors of the Company on 30 November 2012 and amended by the Board of Directors of the Company on 26 March 2018. The scheme is able to grant both options which are Enterprise Management Incentive (EMI) approved and options which are unapproved. 138,845 unapproved options have been granted in the year and 138,845 are held at 30 June 2019. 692,155 EMI share options were granted in the year and 3,173,155 are held at 30 June 2019. 325,000 EMI options were exercised during the year.

Committees of the Board continued

Details of share options held by Directors who were in office at 30 June 2019 are set out below:

Director	Grant date	Number of options	Exercise price	Exercise date	Expiry date
Neil Crabb	15.01.2013	456,825	15.00p	15.01.2016 – 14.01.2023	14.01.2023
Neil Crabb	01.04.2014	128,175	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Neil Crabb	07.04.2016	350,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
Neil Crabb	11.05.2017	124,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
Neil Crabb	15.11.2018	50,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Neil Crabb	15.11.2018	95,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
Jacqueline McKay	15.01.2013	195,782	15.00p	15.01.2016 – 14.01.2023	14.01.2023
Jacqueline McKay	01.04.2014	54,218	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Jacqueline McKay	07.04.2016	150,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
Jacqueline McKay	11.05.2017	95,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
Jacqueline McKay	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Jacqueline McKay	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
David Cairns	11.05.2017	40,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
David Cairns	15.11.2018	14,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
David Cairns	15.11.2018	26,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
James Fish	01.04.2014	250,000	26.88p	01.04.2017 – 31.03.2024	31.03.2024
James Fish	07.04.2016	150,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
James Fish	11.05.2016	95,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
James Fish	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
James Fish	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
Matthew White	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Matthew White	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028

The market price of the Company's shares at 30 June 2019 was 71.00p. The range of prices during the year was 54.00p to 88.00p.

Directors' interests in shares

The Directors in office at 30 June 2019 had the following interests in the ordinary shares of 10p each in the Company at the year end.

	2019 Number	2018 Number
Neil Crabb	2,834,168	2,834,168
David Cairns	1,165,238	840,238
Jacqueline McKay	12,855	12,855
Andrew Richmond	1,000,000	1,000,000
Michael Bourne	303,170	270,238
James Fish	100,000	100,000

All of the above interests are beneficial.

Audit Committee Report

Key Responsibilities

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

- > monitor the integrity of the financial statements of the Group, reviewing significant financial reporting issues and the judgements they contain;
- > review and challenge where necessary the accounting policies used, the application of accounting standards and the clarity of disclosure in the financial statements;
- > keep under review the effectiveness of the Group's internal controls and risk management systems;
- > oversee the relationship with the external auditor, reviewing their performance and advising the Board on their appointment and remuneration.

Committee Governance

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

Activities of the Audit Committee during the year

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

Internal controls and risk management

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

Significant estimates and judgements

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

External audit

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

Andrew Richmond | Chairman of the Audit Committee

05 November 2019

Corporate Governance

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

Delivering Growth

Strategy and Business Model

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

Communicating with our Shareholders

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

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

We maintain regular contact and dialogue through regular meetings with key shareholders, the annual general meeting, roadshows, correspondence and digital channels, including our website www.frontierip.co.uk, social media and email. Earlier this year we held our first event with our partner the Royal Academy of Engineering, investors were among the more than 100 guests.

Information about the Company is also disclosed in a timely manner through the RNS and RNS Reach services of the London Stock Exchange and our website. Our brokers are also in regular contact with institutional investors. Our Notice of AGM is sent to all shareholders with our published accounts.

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

Our Stakeholders

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

At 30 June 2019 the Group employed 15 people across offices in Cambridge, Edinburgh and London. They are actively encouraged to provide feedback and express their needs, interests and expectations through frequent formal and informal conversations.

We believe in treating our people well and keeping their interests aligned with the business through share options awards. Interns are engaged through the European Student Placement Agency (ESPA). We pay ESPA to cover the interns' cost of accommodation and travel to work. The intern receives a grant for living expenses.

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

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

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

- > Pulsiv Solar: developing micro-inverters to make photovoltaic solar cells and power converters much more energy efficient
- > The Vaccine Group: novel vaccine technology to create more effective vaccines to treat a wide range of animal ailments and reduce the risk of a catastrophic pandemic resulting from a disease which has jumped from animals to humans

Corporate Governance continued

- > Nandi Proteins: striving to tackle the obesity crisis through technology reducing the amount of animal protein, fat and additives in processed food
- > Alusid: recycling industrial waste ceramics and glass otherwise destined for landfill to create high-quality tiles, table tops and other surfaces
- > Tarsis Technology: working with a world-leading crop protection company on novel ways to deliver pesticides and fungicides in a more precise and controlled way, reducing environmental run off
- > Molendotech: tests for faecal matter in water already commercially available to allow the speedier assessment of bathing water – potential applications also include tests for drinking water
- > Fieldwork Robotics: its unique robot technology could support Britain's farmers struggling to recruit seasonal labour to pick soft fruit and vegetables
- > Amprologix: new antibiotics to overcome the threat from antimicrobial-resistant superbugs
- > Des Solutio: replacing the use of toxic solvents in manufacturing
- > Celerum: software to assign logistical resource more efficiently

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

Effective Risk Management

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

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

Financial controls:

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

- > The Board receives and reviews detailed reports on financial performance and position against budget and forecast, use of cash, cash forecasts and detailed analysis of portfolio movements. Any material capital or unbudgeted overhead expenditure must be approved by the Board
- > The Board approves treasury and dividend policies and significant changes in accounting policies
- > The Annual Report and Financial Statements, the half-yearly report, interim management statements and any other reporting required by the AIM Rules for Companies ("AIM Rules") is approved by the Board
- > The Audit Committee supports the board in discharging its financial control duties

Non-financial controls

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

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

- > Close management of the everyday activities of the Group by the Executive Directors
- > Established processes in place, overseen by the Chief Executive Officer, to rigorously assess university intellectual property and its commercial potential
- > Executive Directors approving entry into strategic partnerships and collaborations with universities, other research institutions, and industry, and other material contracts
- > Board review and approval of the Group's risk appetite, the effectiveness of its risk and control processes, and procedures for preventing fraud and bribery in line with the Group's policies
- > Board review and approval of the Group's clearly-defined key performance indicators to ensure adherence to strategic aims and objectives

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

Corporate Governance continued

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

Maintaining a Dynamic Management Framework

Our Board

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

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

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

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

Board activities typically include:

- > Discussing and reviewing the Group's business model, strategy, objectives and key performance indicators
- > Reviewing the Group's portfolio companies and their performance, including plans, partnerships and forecasts
- > Continuing to communicate regularly with existing and potential investors in the Group and its portfolio businesses
- > Reviewing financial and non-financial policies, controls and stock market statements
- > Attending the Group's Capital Markets Day
- > Discussing the Group's capital structure and financial structure, including loans and investments

- > Approving the recommendations of the Audit, Remuneration and Nominations committees
- > Approval and monitoring of the Group's annual budget and approving extraordinary capital expenditure
- > Governance
- > Directors' interests, share dealings and related party matters

Details of matters reserved for the board are available on our website: <http://www.frontierip.co.uk/investors/corporate-governance/board-and-committees>

Conflicts of interest:

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

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

Our Directors

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

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

Corporate Governance continued

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

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

Board Performance

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

- > Fair value of the portfolio: movement in the equity value in the portfolio
- > Total revenue: growth in the aggregate of revenue from services and change in the fair value of the portfolio
- > Profit: profit before tax for the year
- > Net assets per share: value of the group's assets less the value of its liabilities per share outstanding
- > Total initial equity in new portfolio companies: aggregate percentage equity earned from new portfolio companies during the year

How we performed in terms of these metrics is set out in our Strategic Report at Key Performance Indicators.

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

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

Our Culture

Frontier IP is a small company with a very flat structure. The Board is expected to set an example and act in the best interests of the Group and its stakeholders – shareholders, employees, universities, industry partners, suppliers and

our portfolio companies. The corporate culture aims to be open and fair in dealings with all stakeholders, working in partnerships to ensure mutual benefit. Ethical values and behaviours are recognised and respected.

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

Governance Framework

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

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

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

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

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

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

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

Corporate Governance continued

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

Good Communication with shareholders and other relevant stakeholders

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

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

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

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

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

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

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

The result of voting in the 2019 annual general meeting will be presented on the Company website after the AGM has been completed.

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

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Solicitors

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Secretary & Registered office

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EH2 3ES

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year ended 30 June 2019.

Strategic report

The Group's Strategic Report on pages 11 to 20 covers the business review, key risks and outlook.

Results and dividends

The Group made a profit for the year of £2,350,000 (2018: £902,000). The Directors do not recommend the payment of a dividend (2018: nil). The Directors are confident of the prospects for the Group for the current year.

Directors

The Directors who held office during the year and the current Directors of the Company are listed on pages 22 to 25. Details of Directors' interests in share options and in shares are given in the Remuneration Committee 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.

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 2019, the Group had positive cash balances of £1,466,000 (2018: £1,111,000). The Group's policy is to keep surplus funds on instant access and short-term deposit to earn the prevailing market rate of interest. It is the Group's policy not to speculate in derivative financial instruments. The Group's exposure to foreign exchange risks

is minimal due to the low value of its transactions in foreign currency during the year and at the year-end.

Directors' indemnity insurance

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

Going concern

The Group's strategy is to develop a growing portfolio of spin-out companies that will provide cash inflows through realisation of investments and in the meantime will make use of the Group's services in return for cash fees. However, based on forecast income and expenditure for the next 12 months, the Group's cash income will be insufficient to cover the Group's expenditure. Consequently, the Group will need to raise additional capital in order to continue in operational existence for at least the next 12 months and the Directors anticipate undertaking an equity placing in 2019. The Directors do not expect that the Group's services to its portfolio companies will generate sufficient cash income to cover its non-discretionary outgoings and it will be necessary to continue to raise capital periodically until such time as the Group's costs and other liabilities can be met from income and realisations. This therefore presents a material uncertainty as regards going concern. However, taking into account the Group's trading position and the past support received from shareholders, the Directors expect that the Group will be able to raise sufficient capital to continue in operational existence for at least the next 12 months. Consequently the Directors continue to adopt the going concern basis in preparing the group's financial statements.

Subsequent events

Subsequent events are disclosed in Note 21 to the Financial Statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and as regards the parent, as applied by the Companies Act 2006. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

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

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

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

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

Awareness of relevant audit information

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

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

Auditor

Moore Stephens LLP were originally appointed as auditors. On 2 February 2019 Moore Stephens LLP merged its practice with BDO LLP and resigned as auditors with effect from that date. BDO LLP were appointed as auditors with effect from that date and a resolution to re-appoint BDO LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

James Fish | Company Secretary
05 November 2019

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

Opinion

We have audited the financial statements of Frontier IP Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- > The financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 June 2019 and of the Group's profit for the year then ended;
- > the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- > the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements which indicates that the Group will need to raise further equity finance in the coming 12 months to be able to continue as a going concern. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and material uncertainty noted above we considered going concern to be a Key Audit Matter. We have performed the following work as part of our audit:

- > Critically assessed management's financial forecast models. In doing so we considered key assumptions including the Group's unavoidable cost base
- > Undertook sensitivity analysis in respect of the key assumptions underpinning the forecasts including the level of non-discretionary expenditure
- > Reviewed management's assumptions in relation to anticipated fund raising activities, corroborating commentary in relation to success previous fund raises to the fund raises themselves
- > Review of the adequacy of the Directors' disclosures in the Directors Report and notes the financial statements in relation to the material uncertainty.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Key audit matter	How we addressed the key audit matter in the audit
<p>Valuation of unquoted equity investments (Note 12 and accounting policies)</p> <p>75% of the Group's total assets (by value) is held in investments where no quoted market price is available. Unquoted investments are measured at fair value, which is determined by management with reference to the International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines") and by using a valuation matrix to categorise the investments within the portfolio.</p> <p>For 40% of investments (by value), the measurement of fair value is based on the price of recent investment.</p> <p>Due to the relatively low number of investors partaking in funding rounds, there is a risk that recent investments on which fair value is based are not sufficiently at arm's length to ensure an independent market valuation representative of fair value. Whether it remains appropriate to use the price of the recent funding rounds depends on the specific circumstances of the investment, the stability of the external environment and the period since the last funding round.</p> <p>For one specific investment which represents 39% of investments (by value), the value is based on a discounted cash flow (DCF) model using a "sum of the parts" approach.</p> <p>For the remainder of investments, the valuation approach reflects the stage of development of the investee entity. When IP is transferred into the investee the valuation, is adjusted by between £50,000 and £1million, depending on the value attributed to the IP using a comparable company approach and this is reassessed when the investee commences trading. The valuation matrix stages is described in the accounting policies.</p> <p>Given the need for judgment in determining the investment values this is considered to be an area of significant risk and this is one of the key areas that our audit focused on.</p>	<p>In this area our audit procedures included:</p> <ul style="list-style-type: none"> > For a selection of relevant investments, assessing whether the price of recent investment is an appropriate basis for the measurement of the fair value at the time, by evaluating the independence of the funding rounds on which this valuation is based. This assessment included consideration of whether new investors were allowed to take up significant investments at the same rates and the number of external investors included within the funding round. > For the "sum of the parts" DCF model, assessing the appropriateness of the key inputs such as discount rate, duration and success rate and assumptions used in the model by reference to supporting documentation such as public announcements and industry benchmarks. > Conducting independent research into publicly available information for indicators of fair value changes, for example since the last funding round or since the last milestone used as a basis for assessing valuation. > Assessing the valuation techniques applied by management against IPEV Guidelines and for a selection of investments agreeing key elements of management's valuation assessment to appropriate support including evidence of contractual agreements and grants awarded, and assessing the reasonableness of management's assessment of comparable stage company values by evaluating impact of progression and milestone achieved. <p>Key observation</p> <p>Based on the procedures performed, we identified no material misstatements in the valuation of unquoted equity investments.</p>

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

Our application of materiality

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

We determined the materiality for the Group financial statements as a whole to be £265,000 (2018: £137,000), calculated with reference to a benchmark of Group total assets, of which it represents 1.5%. Total assets is considered an appropriate benchmark as the Groups' primary activity is that of investment value appreciation. The Parent Company's materiality was calculated at £212,000 (2018: £104,000).

Whilst materiality for the financial statements of a whole was £265,000 (2018: £137,000), each component of the Group was audited to a lower level of materiality. Significant component materiality ranged from £212,000 to £114,000.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. The Group's performance materiality was determined as 75% percentage of materiality for the financial statement as a whole based on our assessment of risk.

We reported to the Audit Committee all potential adjustments in excess of £5,000 (2018: £4,300). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying

legislation or standards. We then directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

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

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the AIM Rules, the principles of the QCA Corporate Governance Code and IFRS as adopted by the European Union.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Group financial statements. Our tests included, but were not limited to:

- > agreement of the financial statement disclosures to underlying supporting documentation;
- > enquiries of management;
- > review of minutes of board meetings throughout the period; and
- > obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the

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

financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- > the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- > adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the Parent Company financial statements are not in agreement with the accounting records and returns; or

- > certain disclosures of Directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Use of our report

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

Timothy West | Senior Statutory Auditor

for and on behalf of BDO LLP, Statutory Auditor

London, UK

05 November 2019

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



Financials

“I was very pleased with the Group’s strong performance for the year, which was ahead of management expectations.” Frontier IP Chairman Andrew Richmond

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Revenue			
Revenue from services		418	299
Other operating income			
Unrealised profit on the revaluation of investments	12	3,850	2,064
		4,268	2,363
Administrative expenses	4	(1,932)	(1,465)
Dividend income on financial assets at fair value through profit or loss		2	-
Profit from operations		2,338	898
Interest income on short term deposits		12	4
Profit from operations and before tax		2,350	902
Taxation	6	-	-
Profit and total comprehensive income attributable to the equity holders of the Company		2,350	902
Profit per share attributable to the equity holders of the Company:			
Basic earnings per share	7	5.77p	2.36p
Diluted earnings per share	7	5.51p	2.25p

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

There is no other comprehensive income in the year (2018: nil).

Consolidated Statement of Financial Position

At 30 June 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	7	7
Goodwill	9	1,966	1,966
Financial assets at fair value through profit and loss			
Equity investments	12	13,252	9,060
Debt investments	12	40	-
Trade receivables	13	114	161
		15,379	11,194
Current assets			
Financial assets at fair value through profit and loss			
Debt investments	12	397	-
Trade receivables and other current assets	13	488	617
Cash and cash equivalents		1,466	1,111
		2,351	1,728
Total assets		17,730	12,922
Liabilities			
Current liabilities			
Trade and other payables	14	(139)	(205)
		(139)	(205)
Net assets		17,591	12,717
Equity			
Called up share capital	15	4,243	3,828
Share premium account	15	9,791	7,789
Reverse acquisition reserve	16	(1,667)	(1,667)
Share based payment reserve	16	293	186
Retained earnings	16	4,931	2,581
Total equity		17,591	12,717

Company Statement of Financial Position

At 30 June 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investment in subsidiaries	11	2,383	2,383
Financial assets at fair value through profit and loss			
Equity investments	12	5,777	3,441
Debt investments	12	40	-
Trade receivables and other non-current assets	13	3,854	3,270
		12,054	9,094
Current assets			
Financial assets at fair value through profit and loss			
Debt investments	12	376	-
Trade receivables and other current assets	13	292	489
Cash and cash equivalents		1,407	1,070
		2,075	1,559
Total assets		14,129	10,653
Liabilities			
Current liabilities			
Trade and other payables	14	(56)	(71)
		(56)	(71)
Net assets		14,073	10,582
Equity attributable to equity holders of the Company			
Called up share capital	15	4,243	3,828
Share premium account	15	9,791	7,789
Share-based payment reserve	16	293	186
Retained earnings	16	(254)	(1,221)
Total equity		14,073	10,582

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company statement of comprehensive income. The total profit of the Company for the year was £967,000 (2018: £1,499,000).

The financial statements on pages 43 to 66 were approved by the Board of Directors and authorised for issue on 05 November 2019 and were signed on its behalf by:

James Fish | Chief Financial Officer
05 November 2019

Registered number: 06262177

Consolidated and Company Statements of Changes in Equity

For the year ended 30 June 2019

Group

	Share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity attributable to equity holders of the Company £'000
At 1 July 2017	3,828	7,789	(1,667)	130	1,679	11,759
Share-based payments	-	-	-	56	-	56
Profit/total comprehensive income for the year	-	-	-	-	902	902
At 30 June 2018	3,828	7,789	(1,667)	186	2,581	12,717
Issue of shares	415	2,002	-	(20)	-	2,397
Share-based payments	-	-	-	127	-	127
Profit/total comprehensive income for the year	-	-	-	-	2,350	2,350
At 30 June 2019	4,243	9,791	(1,667)	293	4,931	17,591

Company

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity attributable to equity holders of the Company £'000
At 1 July 2017	3,828	7,789	130	(2,720)	9,027
Share-based payments	-	-	56	-	56
Profit/total comprehensive expense for the year	-	-	-	1,499	1,499
At 30 June 2018	3,828	7,789	186	(1,221)	10,582
Issue of shares	415	2,002	(20)	-	2,397
Share-based payments	-	-	127	-	127
Profit/total comprehensive income for the year	-	-	-	967	967
At 30 June 2019	4,243	9,791	293	(254)	14,073

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flows from operating activities					
Cash used in operations	19	(1,270)	(970)	(1,392)	(1,282)
Taxation paid	6	-	-	-	-
Net cash used in operating activities		(1,270)	(970)	(1,392)	(1,282)
Cash flows from investing activities					
Purchase of tangible fixed assets	8	(7)	(7)	-	-
Purchase of financial assets at fair value through profit and loss	12	(779)	(245)	(776)	(41)
Interest received		12	4	108	77
Dividend income on financial assets at fair value through profit or loss		2	-	-	-
Net cash used in investing activities		(772)	(248)	(668)	36
Cash flows from financing activities					
Proceeds from issue of equity shares		2,552	-	2,552	-
Costs of share issue		(155)	-	(155)	-
Net cash generated from financing activities		2,397	-	2,397	-
Net increase / (decrease) in cash and cash equivalents		355	(1,218)	337	(1,246)
Cash and cash equivalents at beginning of year		1,111	2,329	1,070	2,316
Cash and cash equivalents at end of year		1,466	1,111	1,407	1,070

Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Companies Act 2006.

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

Changes in accounting policies

(a) New standards, interpretations and amendments effective 1 July 2018

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

IFRS 15 – Revenue from contracts with customers

This standard replaces existing revenue recognition guidance including IAS 18 'Revenue', IAS 11 'Construction Contracts' and revenue related IFRCs. The standard introduces a revenue recognition model based on a five-step analysis of transactions to recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services provided. Revenue is recognized when a performance obligation is satisfied by transferring promised goods or services to the customer and the amount recognized is the amount allocated to the satisfied performance obligation. The performance obligation may be satisfied at a point in time or over a period of time. The Group has assessed the application of this standard to these financial statements and concludes that it does not change the timing of revenue recognition and there is therefore no need to restate comparative information. The Group's revenue recognition policy is outlined on page 51 below.

IFRS 9 – Financial instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The process has been divided into three main components being classification and measurement, impairment and hedge accounting. Financial assets are classified and measured at fair value, with changes in fair value being recognised through profit or loss or fair value through other comprehensive income only. As the Group's investments in portfolio companies are already held at fair value through profit or loss the adoption of IFRS 9 has not impacted the Group's financial statements.

The second component is the application of the 'expected credit loss' model to debt instruments and receivables. This calculates the allowance for credit losses by discounting the probability adjusted cash shortfalls incurred in various default scenarios. The application of this standard has not impacted the Group's financial statements.

The third component of hedge accounting is not applicable as the Group has no derivatives and does not apply hedge accounting.

(b) New standards, interpretations and amendments not yet effective

The following new standard has been published and is mandatory, but is not effective for the year ended 30 June 2019. The Directors do not anticipate that the adoption of this standard will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 16 – Leases

The standard is effective for periods beginning on or after 1 January 2019, (and can be applied before that date if the company also applies IFRS 15 revenue from Contracts with Customers). IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the typical straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for lease assets (included within operating costs) and an interest expense on lease liabilities (included within finance costs).

We have carried out an impact assessment and concluded that there is no significant impact on the financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of Frontier IP Group Plc and its subsidiary undertakings. Subsidiary undertakings are consolidated using acquisition accounting from the date of control. An entity is classed as under the control of the Group when all three of the following elements are present: power over the entity, exposure, or rights to, variable returns from its involvement with the entity and the ability of the Group to use its power over the entity to affect the amount of those variable returns.

The Group acts as general partner to the limited partnership RGU Ventures Investment Fund LP in which it holds a 27% interest. The Directors consider that the minority limited partnership interest does not create an exposure of such significance to the variability of returns from those interests that it indicates that the Group acts as anything other than an agent for the other limited partner in the arrangement. This is further supported by the inability of the general partner to change the terms of the investment policy other than with agreement of the other limited partner. The ten-year term of the RGU Ventures Investment Fund expired on 27 July 2019 and prior to 30 June 2019 the assets were distributed to the limited partners.

Segmental reporting

The Group operates in one market sector, the commercialisation of university Intellectual Property, and primarily within the UK. The Group has commenced developing business in Portugal, but transactions during the year were immaterial. Therefore, revenue, profit on ordinary activities before tax and net assets do not need to be analysed by segment.

Accounting Policies continued

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment annually.

Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Property and equipment

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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The rates of depreciation are as follows:

Fixtures and office equipment	50% per annum
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Financial instruments

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

IFRS 9 divides all financial assets that were in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains or losses are either recognised entirely in profit or loss or in other comprehensive income. The impact is that impairments are recognised on an expected loss basis instead of the previous incurred loss approach. As such where there are expected to be credit losses these are recognised in the profit and loss. The Group's assessment of this new standard does not give rise to any significant adjustments.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment and appropriate allowances for credit losses over the expected life of the asset. A provision for impairment is established when there is expectation that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the comprehensive income statement.

Cash

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

Equity Investments

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

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

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

1. When the Group has received its initial equity prior to transfer of IP to the portfolio company, the company is valued at a notional £50,000 derived from the transaction price at which the Group has recently received equity stakes from its university partnerships and which the Group considers to be a materially correct representation of fair value. This notional value may therefore change over time.

Accounting Policies continued

2. Once the IP is transferred to the company, the valuation is increased by between £50,000 and £950,000 depending on the value attributed to the IP. The valuation technique used is the comparable company valuation, specifically comparing the entry price at which investors would typically invest in investor-ready pre-revenue companies with IP and adjusting for management's assessment of the company's IP. The range of values may therefore change over time. In addition, where grant funding is awarded in relation to its product development costs the value of the grants is included in the company valuation to the extent that management is satisfied that the company will derive commensurate economic benefit.
3. When the company commences trading, the Group considers if this indicates a change in fair value. If there is evidence of value creation the Group may consider increasing the value and would seek comparable company valuations to estimate fair value.
4. If the company receives third party funding, the price of that investment will provide the basis for the valuation, the valuation technique being the transaction price paid for an identical instrument. The period of time for which it remains appropriate to continue to use the price of the third-party funding round depends on the specific circumstances of the investment. The Group considers whether any changes or events subsequent to the investment would indicate a change in fair value. Any adjustment made is, whenever possible, based on objective data from the company in addition to management's judgement.
5. As the company develops and generates predictable cash flows a combination of valuation techniques are applied as appropriate, such as discounted cash flow, industry specific valuation models and comparable company valuation multiples.

Investment in subsidiary companies is stated at cost less provision for any impairment in value. If the recoverable amount of an investment in a subsidiary is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately through profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the investment in subsidiary is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Debt investments

Debt investments are unquoted debt instruments held to collect the contractual cash flows from the instrument rather than with a view to selling the instruments to realise a profit or loss. Instruments with basic contractual terms giving rise to solely payments of principal and interest are measured at amortised cost. Instruments which are convertible to equity at a future point in time or which carry warrants to purchase equity at a future point in time are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group does not separate the embedded derivative from the host contract and the entire instrument is measured at fair value through profit or loss.

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 fair value.

Equity instruments

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

Current and deferred tax

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

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

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, the Group intends to settle its current tax assets and liabilities on a net basis and there is a legally enforceable right to set off.

Share options

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares or options that will eventually vest. 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

Accounting Policies continued

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.

Business support services and fund management fees are recognised when the service is provided. Fees for corporate finance work are recognised when the service is provided and the respective transaction has completed.

Where the consideration for services is equity in companies spun out by a university, the Group values the portfolio company on initial spin out at £50,000. When the consideration for services is a share in licencing income the revenue is recognized on an accruals basis in accordance with the terms of the licensing agreements.

Based on their impact assessment, the directors are of the opinion that there are no material changes to revenue recognition as a result of adopting IFRS 15.

Retirement benefit costs

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

Net assets per share

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

Notes to the Financial Statements

For the year ended 30 June 2019

1. Financial risk management

Financial risk factors

Going concern

As described in the Directors' Report the Group's strategy is to develop a growing portfolio of spin-out companies that will provide cash inflows through realisation of investments and in the meantime will make use of the Group's services in return for cash fees. However, based on forecast income and expenditure for the next 12 months, the Group's cash income will be insufficient to cover the Group's expenditure. Consequently, the Group will need to raise additional capital in order to continue in operational existence for at least the next 12 months and the Directors anticipate undertaking an equity placing in 2019. The Directors do not expect that the Group's services to its portfolio companies will generate sufficient cash income to cover its non-discretionary outgoings and it will be necessary to continue to raise capital periodically until such time as the Group's costs and other liabilities can be met from income and realisations. This therefore presents a material uncertainty as regard going concern. However, taking into account the Group's trading position and the past support received from shareholders, the Directors expect that the Group will be able to raise sufficient capital to continue in operational existence for at least the next 12 months. Consequently the Directors 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 operates primarily in the UK and although it has started to develop business in Portugal, transactions in foreign currency were minimal during the year and at the year-end. It has therefore not been exposed to any material foreign exchange risk.

(a) Market risk

Interest rate risk

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

Price risk

The Group is exposed to equity securities price risk because of equity investments classified on the consolidated statement of financial position as financial assets at fair value through profit and loss. The maximum exposure is the fair value of these assets which is £13,252,000 (2018: £9,060,000).

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, other debtors and cash equivalents. The Group's current cash and cash equivalents are held with two UK financial institution, the Bank of Scotland plc and Barclays Bank plc, both of which have a credit rating of "P1" from credit agency Moody's, indicating that Moody's consider that these banks have a "superior" ability to repay short-term debt obligations. The concentration of credit risk from trade receivables and other debtors varies throughout the year depending on the timing of transactions and invoicing of fees. Details of major customers to the Group are set out in Note 3. Details of trade receivables and other current assets are set out in Note 13. The Group's customers are primarily early stage and start-up companies and Group management determine impairment of trade receivables and other debtors through taking into account both trading and fundraising prospects in addition to the financial position and other factors. Management's assessment of impairment is aided through representation on the Board and/or through providing advisory services.

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 is funded by equity finance only. Total capital is calculated as 'total equity' as shown in the consolidated statement of financial position. The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to manage the cost of capital. In order to maintain the capital structure the Group may issue new shares as required. The Group currently has no debt. There were no changes in the Group's approach to capital management during the year.

(d) Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business in the context of a continuing planned net cash outflow 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 2019 and 30 June 2018 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year.

Notes to the Financial Statements

For the year ended 30 June 2019

2. Critical accounting estimates and assumptions

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

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

(i) Valuation of unquoted equity investments

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

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the stated accounting policy. The recoverable amount is determined using value in use models which require a number of estimations and assumptions about the timing

and amount of future cash flows. As future cash inflows relate primarily to capital gains on the sale of unquoted equity investments, these estimates and assumptions are subject to a high degree of uncertainty. Note 9 describes the key assumptions and sensitivity applied.

(iii) Consideration of credit losses

The matters taken into account in the recognition of credit losses include historic current and forward-looking information.

Critical accounting judgements

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

The considerations taken into account by the Directors when reviewing goodwill are detailed in Note 9. In addition, the Directors judge that the Group is exempt from applying the equity method of accounting for associates in which it has interests of over 20% as they consider the Group to be similar to a venture capital organization and elects to hold such investments at fair value in the statement of financial position.

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

3. Major customers

During the year the Group had five major customers that accounted for 81% of its revenue from services (2018: four customers accounted for 80%). The revenues generated from each customer were as follows:

	2019 £'000	2018 £'000
Customer 1	102	102
Customer 2	77	48
Customer 3	65	48
Customer 4	48	42
Customer 5	48	-
	340	240

Notes to the Financial Statements

For the year ended 30 June 2019

4. Administration expenses

Expenses included in administrative expenses are analysed below.

	2019 £'000	2018 £'000
Employee costs	1,276	879
Share-based payments	127	56
Consultant	16	29
Travel and entertainment	56	54
Depreciation	6	5
Bad and doubtful debts	(9)	16
Audit services:		
- audit of the Company and consolidated accounts	35	32
- audit of the Company's subsidiaries pursuant to legislation	7	5
Non-audit services:		
- tax services	7	6
- consultancy services	16	5
Legal, professional and financial costs	218	253
Premises operating lease	133	89
Administration costs	44	36
	1,932	1,465

5. Directors and employees

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

	2019 Number	2018 Number
Business and corporate development	14	9

	2019 £'000	2018 £'000
Wages and salaries	961	632
Social security	124	87
Pension costs – defined contribution plans	71	49
Non-executive directors' fees	92	89
Other benefits	28	23
Share option expense	127	55
	1,403	935

Notes to the Financial Statements

For the year ended 30 June 2019

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.

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

The total remuneration for each director is shown below.

	Salary		Other benefits		Pension		Share option		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Executive										
N Crabb	133	123	3	4	11	12	29	17	176	156
J McKay	99	92	4	4	10	9	21	9	134	114
D Cairns	74	69	-	-	7	7	8	4	89	80
J Fish	104	97	3	2	10	10	21	9	138	118
M White	99	-	2	-	10	-	14	-	39	-
Non-executive										
A Richmond	42	41	-	-	-	-	-	-	42	41
M Bourne	25	24	-	-	-	-	-	-	25	24
C Wilson	25	24	-	-	-	-	-	-	25	24
	601	470	12	10	48	38	93	39	668	557

6. Taxation

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

	2019 £'000	2018 £'000
Profit before tax	2,350	902
Profit before tax at the effective rate of corporation tax in the UK of 19% (2018: 19%)	446	171
Effects of:		
Non-taxable income	(733)	(392)
Expenses not deductible for tax purposes	26	13
Trading losses carried forward	269	207
Other adjustments	(8)	1
Tax charge for the year	-	-

The tax asset relating to the Group losses is not recognised, in accordance with Group policy. The Group has a tax asset for cumulative unrelieved management expenses and other tax losses of £1,152,000 (2018: £940,000) available for use to offset future profits. These amounts are stated using a corporation tax rate of 17% of total losses of £6,779,000 (2018: 17% of total losses of £5,527,000).

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

Notes to the Financial Statements

For the year ended 30 June 2019

7. Earnings per share

a) Basic

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

	Profit attributable to shareholders £'000	Weighted average number of shares	Basic earnings per share amount in pence
Year ended 30 June 2019	2,350	40,700,979	5.77
Year ended 30 June 2018	902	38,278,520	2.36

b) Diluted

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

	Profit attributable to shareholders £'000	Weighted average number of shares adjusted for share options	Diluted earnings per share amount in pence
Year ended 30 June 2019	2,350	42,632,932	5.51
Year ended 30 June 2018	902	40,114,559	2.25

Notes to the Financial Statements

For the year ended 30 June 2019

8. Tangible fixed assets

	Fixtures and equipment £'000
Cost	
At 1 July 2017	10
Additions	7
Disposals	-
At 30 June 2018	17
Additions	7
Disposals	(1)
At 30 June 2019	23
Depreciation	
Accumulated depreciation at 1 July 2017	5
Charge for the year to 30 June 2018	5
Disposals	-
Accumulated depreciation at 30 June 2018	10
Charge for the year to 30 June 2019	6
Disposals	-
Accumulated depreciation at 30 June 2019	16
Net book value	
At 30 June 2019	7
At 30 June 2018	7

9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 July 2017, 30 June 2018 and at 30 June 2019	1,966	-
Impairment		
At 1 July 2017, 30 June 2018 and at 30 June 2019	-	-
Carrying value		
At 30 June 2019	1,966	-
At 30 June 2018	1,966	-

The Group conducts an annual impairment test on the carrying value of goodwill based on the recoverable amount of the Group as one cash generating operating unit. The net present value of projected cash flows is compared with the carrying value of the Group's investments and goodwill. In arriving at a net present value of projected cash flows, two value-in-use models were considered – a weighted distribution of outcomes and values and an individual company dilution model – and within each model assumptions were used for future spin outs and for the existing portfolio.

Notes to the Financial Statements

For the year ended 30 June 2019

The assumptions used in the models are set out below:

	2019		2018	
	Future Spin Outs	Existing Portfolio	Future Spin Outs	Existing Portfolio
Initial spin out equity, being the product of the number of spin outs and initial equity acquired	75%- 175%	-	75%- 125%	-
Equity in existing portfolio	-	3%- 40%*	-	4%- 40% *
Failure rate	40%	Average of 36%	40%	Average of 35%
Dilution	35%	Average of 33%	35%	Average of 30%
Years to exit	6	6 (minimum of 2 years from measurement date)	6	6 (minimum of 2 years from measurement date)
Rate of return	23%	23%	23%	23%
Discount rate (pre-tax)	12%	12%	12%	12%
Range of exit values applied to low, medium, high outcomes	£6m- £30m	£6m- £1,100m**	£6m- £30m	£6m- £628m**
Weighted exit values	£5.7m	Range of £5m- £283m**	£5.7m	Range of £5m- £132m**
Value at first/next funding round in individual company dilution model	£1.5m	Carrying values of individual companies at 30 June 2019. Average of £13.3m	£1.5m	Carrying values of individual companies at 30 June 2018. Average of £9.2m

* Actual range of equity at 30 June 2019.

** The range of exit values applied is £6m- £30m for all but three of the existing portfolio companies. The value of these three companies at 30 June 2019 exceeded the weighted exit value and therefore high outcomes of £53m, £66m and £1,100m were applied, resulting in weighted exit values of £11m, £16m and £283m respectively.

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

The percentage change required in each assumption in order to cause the recoverable amount to equal the carrying amount in at least one of the models is shown below:

Assumption	Change Required
Initial spin out equity, being the product of the number of spin outs and initial equity acquired	-20%
Failure rate	+17%
Dilution	+23%
Years to exit	+33%
Rate of return	-33%
Discount rate (pre-tax)	+14%
Range of exit values applied to low, medium, high outcomes	-18%
Value at first funding round in individual company dilution mode	-45%

Notes to the Financial Statements

For the year ended 30 June 2019

The Board considers that a reasonably possible change in initial spin out equity, failure rate, discount rate or range of exit values would cause the carrying amount of the cash generating unit to exceed its recoverable amount. The amount by which the recoverable amount exceeds the carrying amount in the portfolio model is £4.8m and a 20% decrease in initial equity from 125% to 100%, a 17% increase in the failure rate from 40% to 47%, a 14% increase in the discount rate from 12% to 14% or a 18% decrease in the range of exit values would cause the recoverable amount to equal the carrying amount. The amount by which the recoverable amount exceeds the carrying amount in the individual company dilution model is £15.9m.

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

10. Categorisation of Financial Instruments

	At fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets			
At 30 June 2019			
Equity investments	13,252	-	13,252
Debt investments	382	55	437
Limited partnership interests	-	-	-
Trade and other receivables	-	602	602
Cash and cash equivalents	-	1,466	1,466
Total	13,634	2,123	15,757
At 30 June 2018			
Equity investments	9,041	-	9,041
Debt investments	-	-	-
Limited partnership interests	19	-	19
Trade and other receivables	-	778	778
Cash and cash equivalents	-	1,111	1,111
Total	9,060	1,889	10,949

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

The Group does not consider that any change in fair value of financial assets in the year is attributable to credit risk. (2018: Nil)

All net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss. (2018: all net fair value gains were attributable to financial assets designated at fair value through profit or loss.)

11. Investment in subsidiaries

	Company 2019 £'000	Company 2018 £'000
At 1 July	2,383	2,383
Provision for impairment	-	-
At 30 June	2,383	2,383

Notes to the Financial Statements

For the year ended 30 June 2019

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 RGU Ventures Investment Fund	Scotland	100%	
Frontier IP Founder Partners Limited - principal activity is founder partner in RGU Ventures Investment Fund	Scotland	100%	
Frontier IP Management Limited - principal activity is investment advisory and marketing services	Scotland	100%	
Frontier IP GP RG Limited - principal activity is the general partner of the RGU Ventures Investment Fund	Scotland		100%

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

12. Financial assets at fair value through profit and loss

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 July	9,060	6,751	3,441	2,347
Additions	779	245	776	41
Fair value increase	3,850	2,064	1,976	1,053
At 30 June	13,689	9,060	6,193	3,441

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

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

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Limited partnership interests	-	19	-	-
Unquoted equity investments	13,252	9,041	5,777	3,441
Debt investments	437	-	416	-
	13,689	9,060	6,193	3,441

The movement during the year is set out below:

Limited Partnership Interests

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 July	19	22	-	-
Additions during the year	4	4	-	-
Disposals during the year	-	-	-	-
Fair value decreases during the year	(23)	(7)	-	-
At 30 June	-	19	-	-

Notes to the Financial Statements

For the year ended 30 June 2019

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

Unquoted Equity Investments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 July	9,041	6,729	3,441	2,347
Additions during the year	359	241	360	41
Fair value increases during the year	3,864	2,396	1,988	1,353
Fair value decreases during the year	(12)	325	(12)	(300)
At 30 June	13,252	9,041	5,777	3,441

Debt Investments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 1 July	-	-	-	-
Additions during the year	416	-	416	-
Fair value increases during the year	21	-	-	-
Fair value decreases during the year	-	-	-	-
At 30 June	437	-	416	-
Less debt investment non-current	(40)	-	(40)	-
Current portion	397	-	376	-

Debt investments are loans to portfolio companies to fund early stage costs, provide funding alongside grants and bridge to an equity fundraising. Loans made during the period were principally to Pulsiv Solar (£164,000) and to Fieldwork Robotics (£121,000).

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

Unquoted Equity Investments

	Valuation matrix stage					
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 4 £'000	Stage 5 £'000	Total £'000
1 July 2018	50	595	3,467	4,929	-	9,041
Transfers between stages	(21)	16	(3,312)	-	3,317	-
Fair value increase through other operating income	49	1,914	25	14	1,850	3,852
Additions	-	12	-	347	-	359
30 June 2019	78	2,537	180	5,290	5,167	13,252

Notes to the Financial Statements

For the year ended 30 June 2019

The table below provides information about unquoted equity investment fair value measurements. See the accounting policy on equity investments, page 49, for description of the valuation matrix stages.

Unquoted Equity Investments

Valuation matrix stage	No of Investments	Fair value £'000	Unobservable inputs	Reasonable possible shift	
				%	+/- £000
Stage 1	5	78	Initial valuation of new spin outs at £50,000	20%	16
Stage 2	5	2,537	Management's assessment of the value of IP transferred and the value of grants from which economic benefit is derived.	25%	634
Stage 3	7	180	Management's assessment of performance against milestones and discussions of likely imminent fundraising.	30%	54
Stage 4	5	5,290	The price of latest funding round provides unobservable input into the valuation of any individual investment. However, subsequent to the funding round, management are required to re-assess the carrying value of investments at each period end which result in unobservable inputs into the valuation methodology.	10%	529
Stage 5	1	5,167	Discounted comparable public company valuation. Unobservable inputs into discounted cash flow are forecasts of future cash flows, probabilities of project failure and evaluation of the time cost of money.	30%	1,550
30 June 2019		13,252			2,783

Significant unobservable inputs

The valuation of the Group's investment in Exscientia at 30 June 2019 was £5,167,000, 39% of the Group's total equity investments and 29% of its net assets at 30 June 2019. The increase in the value of the Group's holding in Exscientia over the year to 30 June 2019 was £1,850,000, 48% of the Group's unrealised profit on the revaluation of investments and 79% of profit for the year to 30 June 2019. The significant inputs into the valuation of the Group's holding in Exscientia included the price of the latest funding round, assessment of performance during the period from the pricing of the latest funding round to 30 June 2019 and estimated, risk adjusted forecasts of future cash flows. Management's view is that Exscientia is continuing to make significant progress, as evidenced in the strong news flow from the company, but management does not have full information on Exscientia's contracts in existence at 30 June 2019 and on its future prospects and therefore the sum of the parts that comprise the valuation include varying degrees of significant estimation and assumption. Given this, management has exercised a degree of caution. The estimated fair value of new contracts since the last funding round includes discounted estimated cash flows which have been risk adjusted for probability of success. A 20% reduction in the probabilities of success would reduce the valuation of the Group's investment in Exscientia by 22% while a 50% increase in the 12% discount rate applied by Group's management would reduce the valuation by 13%.

The value of grants from which The Vaccine Group will derive commensurate economic benefit provided significant unobservable input into the valuation of the Group's investment in The Vaccine Group at 30 June 2019 of £1,624,000.

Notes to the Financial Statements

For the year ended 30 June 2019

13. Trade receivables and other current assets

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables	392	318	151	179
Receivables from Group undertakings	-	-	3,854	3,180
VAT	3	8	-	2
Prepayments and accrued income	34	46	11	15
Other debtors	173	406	130	383
	602	778	4,146	3,759
Less trade receivables – non current	(114)	(161)	-	(90)
Less receivables from Group undertakings – non current				
Current portion	-	-	(3,854)	(3,180)
	488	617	292	489

Trade receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables not past due	68	33	59	22
Trade receivables past due 1–30 days	26	23	16	13
Trade receivables past due 31–60 days	27	21	18	11
Trade receivables past due 61–90 days	13	26	4	15
Trade receivables past due over 90 days	258	224	54	118
Gross trade receivables at 30 June	392	327	151	179
Allowance for doubtful debt at 1 July	9	14	-	-
Debts provided for in the year	(9)	5	-	-
Debts written off in the year	-	(10)	-	-
Allowance for doubtful debt at 30 June	-	9	-	-
Net trade receivables at 30 June	392	318	151	179

£241,000 of trade receivables are due from Nandi of which £114,000 is non-current. The directors are confident that Nandi will be able to raise sufficient funds to finance its business plan and continue to pay its debt.

Receivables from Group undertakings carries interest of 2.5% (2018: 2.5%).

Based on historical evidence and forward looking information, the Group does not expect any significant credit losses.

14. Trade and other payables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade payables	33	57	12	26
Social security and other taxes	41	33	-	-
VAT	-	-	7	-
Accruals and deferred income	65	115	37	45
At 30 June	139	205	56	71

Notes to the Financial Statements

For the year ended 30 June 2019

15. Share capital and share premium

	Number of shares issued and fully paid	Ordinary shares of 10p	Share premium £'000	Total £'000
At 30 June 2018	38,278,520	38,278,520	7,789	11,617
Issue of shares on exercise of share options	325,000	325,000	52	84
Issue of shares through a placing	3,827,852	3,827,852	1,950	2,333
At 30 June 2019	42,431,372	42,431,372	9,791	14,034

On 15 November 2018, the Company conducted a placing of 3,827,852 new ordinary shares of 10p for cash at a price of 65p per share raising £2,488,000 before expenses of £155,000. The Company has one class of ordinary shares which carry equal voting rights, equal rights to income and distribution of assets on a winding-up. The allotted share capital of the Company at 30 June 2019 is 42,106,372 ordinary shares of 10p each.

16. 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 2019 and 2018 is set out in the Consolidated and Company Statement of Changes in Equity on page 46.

17. Share options

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

	2019 Weighted average exercise price Pence per share	2019 Options	2018 Weighted average exercise price Pence per share	2018 Options
At 1 July	25.52	2,806,000	25.52	2,806,000
Granted	29.33	831,000	-	-
Exercised	19.67	(325,000)	-	-
At 30 June	27.05	3,312,000	25.52	2,806,000

Of the 3,312,000 outstanding options (2018: 2,806,000) 1,985,000 had vested at 30 June 2018 (2018: 1,335,000). The vested options have a weighted average exercise price of 22.86p

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

	Exercise price Pence per share	2019 Number	2018 Number
2023	15.00	652,607	848,389
2024	26.88	432,393	486,611
2026	26.63	900,000	975,000
2027	40.00	496,000	496,000
2028	65.00	292,000	-
2028	10.00	539,000	-

Notes to the Financial Statements

For the year ended 30 June 2019

The weighted average remaining contractual life of the outstanding options is 6.7 years.

The weighted average fair value of options granted to executive Directors and employees during the year determined using the Black-Scholes-Merton valuation model was 47.4p per option. The significant inputs into the model were the exercise price shown above, weighted average share price of 67.0p, volatility of 44%, dividend yield of 0%, expected life of 5 years and annual risk-free interest rate of 1.00%. Future volatility has been estimated based on 5 years' historical monthly data.

18. Operating Lease Commitments

	2019 Land & Buildings £'000	2018 Land & Buildings £'000
Commitments under non-cancellable operating leases expiring:		
Within one year	123	123
Within two to five years	58	44
After five years	-	-
	181	167

19. Cash used in operations

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Profit/(Loss) before tax	2,350	902	967	1,499
Adjustments for:				
Share-based payments	127	56	127	56
Depreciation	6	5	-	-
Interest received	(12)	(4)	(108)	(77)
Dividends received	(2)	-	-	-
Fair value (gain) on financial assets through profit and loss				
Changes in working capital:	(3,850)	(2,064)	(1,976)	(1,053)
Trade and other receivables				
Trade and other payables	176	80	(388)	(1,721)
Cash flows from operating activities	(65)	55	(14)	14
	(1,270)	(970)	(1,392)	(1,282)

The movements in liabilities from financing cashflows are nil.

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20. Related party transactions

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

By the Group

	Fees charged 2019 £'000	Fees charged 2018 £'000	Amounts owed 2019 £'000	Amounts owed 2018 £'000
By the Group				
Nandi Proteins Limited	102	122	241	147
Hatton House Distribution Limited (formerly Counterweight Limited)	0	15	0	-
Pulsiv Solar Limited	48	58	19	10
Alusid Limited	66	42	22	496
Tarsis Technology Limited	36	-	24	1
The Vaccine Group Limited	5	0	1	0
By Related Parties				
Wilson Biopharma Consulting	11	0	0	0

On 15 November 2018 the Group announced a placing to raise £2.49 million (before expenses) through the issue of 3,827,852 new ordinary shares at 65 pence per share. Mike Bourne, a Non-Executive Director, subscribed for 32,932 Placing Shares. In addition, 710,067 Placing Shares were subscribed for by Canaccord Genuity Group Inc. ("Canaccord"), 1,283,052 Placing Shares were subscribed for by Miton Group plc ("Miton") and 972,691 Placing Shares were subscribed for by Quilter Cheviot Limited ("Quilter"). Canaccord, Miton and Quilter are substantial shareholders in the Group, as defined in the AIM Rules and accordingly their participations in the Placing were deemed to be a related party transaction under the AIM Rules. In addition, as Mike Bourne is a Director of the Group, his participation was deemed to be a related party transaction under the AIM Rules.

21. Subsequent events

There are no subsequent events to report.

Company Information

Five Year Record

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Total revenue	4,268	2,363	2,309	2,030	1,591
Profit from operations	2,338	898	1,227	1,130	646
Net finance income	12	4	2	1	1
Profit from operations and before tax	2,350	902	1,229	1,131	647
Taxation	-	-	-	-	-
Profit after tax	2,350	902	1,229	1,131	647
Attributable to:					
Equity holders of the Company	2,350	902	1,229	1,131	647
Net assets employed	17,591	12,717	11,759	7,668	5,557
Basic earnings/(loss) per ordinary share (pence)	5.77	2.36	3.73	4.08	2.76



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