

FRONTIER IP GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2015



Registered number 06262177

WELCOME TO FRONTIER IP

Frontier IP develops and manages a portfolio of equity stakes in companies founded on strong, commercially-focused Intellectual Property.

Our current portfolio contains companies based on IP from a range of sources including the University of Cambridge, University of Central Lancashire, University of Dundee, Heriot Watt University - Edinburgh, Plymouth University, Robert Gordon University - Aberdeen and University of St Andrews. We actively seek out potential portfolio companies and fresh sources of exceptional IP.

The Group earns its equity and revenue by helping businesses to grow in value, providing downstream attractive returns for Frontier IP's stakeholders and shareholders. Equity stakes are earned through providing practical support ahead of applying capital.

Since our inception in 2009, our portfolio has grown to 17 companies. The Group will continue to grow its portfolio by:

Establishing formal and informal relationships with universities as sources of IP and deal flow

Identifying strong IP and helping to create and grow companies built around this IP

Earning equity in return for strategic and commercial support

Growing a reputation for active, hands-on support

Building a wide network of sources of capital

Our approach is to grow value in our portfolio companies by not just *advising* but *doing*. In addition to providing strategic direction, our experienced team helps companies with a range of activities, usually those which are common points of failure in early-stage businesses. We help companies to adopt a more business-like approach, in particular encouraging early engagement with the potential market through Frontier IP's established industry networks. Our support includes strategic and commercial expertise, corporate finance and capital raising, and a range of administrative services.

Our Key Strengths

Portfolio offers strong capital growth potential

Experienced management team

Proactive in sourcing potential spin-outs

Founder equity in return for support, before capital raised

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STRATEGIC REPORT

The Directors have pleasure in presenting their Strategic Report for the year ended 30 June 2015.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Total revenue increased by 102% to £1,591,000 (2014: £786,000) – reflecting an unrealised profit on the revaluation of investments of £1,421,000 (2014: £608,000)
- Fair value of portfolio companies increased by 118% to £2,812,000 (2014: £1,291,000)
- Profit before tax of £647,000 (2014: £27,000)
- Basic earnings per share of 2.76p (2014: 0.13p)
- Cash balances at 30 June 2015 of £636,000 (2014: £587,000)
- Net assets per share as at 30 June 2015 of 20.9p (2014: 18.1p)

OPERATIONAL HIGHLIGHTS

- Placing raised £854,000 (gross)
- Two new portfolio companies added, both from the University of Cambridge
- Portfolio companies Nandi Proteins Ltd and Alusid Ltd secured funding
- Post year-end, portfolio company Pulsiv Solar Ltd secured funding

“The Group is making good progress in line with its strategy. I am particularly pleased to report the growth in value of our portfolio, as evidenced by the recent fundraisings. We continue to see strong commercial progress in our Core Portfolio building the potential for further uplift in value.”

Neil Crabb, Chief Executive Officer

OUR BUSINESS AND STRATEGY

CHAIRMAN'S STATEMENT

PERFORMANCE

I am pleased to report that Frontier IP has made good progress during the year with a significant increase in the value of its portfolio and in extending its access to the highest quality IP.

Frontier IP's core strategy is to generate value by providing best practice IP commercialisation services to institutions and start-ups, to develop a portfolio of companies capable of commercial success and by providing access to capital for these portfolio companies. The Group has made progress in each of these areas over the year.

During the period we extended our sources of deal flow with the addition of two new start-up companies to our portfolio, both based on the work of academics at the Department of Chemical Engineering and Biotechnology at the University of Cambridge.

We have seen excellent progress in our Core Portfolio and we are pleased to report a 118% increase in the value of our portfolio overall.

We provided access to capital for three of our Core Portfolio companies. Nandi Proteins Limited and Alusid Limited both completed successful fundraisings during the period as did, after the year end, Pulsiv Solar Limited. All three fundraisings were achieved at significantly higher valuations, with the latter two driving increased total revenue for the year. Alusid Limited has since commissioned a pilot plant facility to commence manufacture of construction products from waste materials. Nandi continues to make good commercial progress receiving a high level of support from the Frontier IP team and anticipates a further fundraising at a price which would represent a substantial uplift to the last round.

PORTFOLIO

In line with our move towards earning more significant equity holdings in spin-out companies, we received a 40% stake in each of our two most recent portfolio additions, Cambridge Sensor Innovation Limited (formerly Cambridge Sensor Technologies Limited) and Cambridge Simulation Solutions Limited. Both companies were formed to exploit technologies developed by academics at the Department of Chemical Engineering and Biotechnology at the University of Cambridge.

Our portfolio now comprises 17 companies and we look forward to increasing the number and size of our portfolio stakes as we continue to engage with a wide range of potential sources of commercialisable IP.

RESULTS

For the year to 30 June 2015, total revenue increased by 102% to £1,591,000 (2014: £786,000) as a result of booking an unrealised profit of £1,421,000 (2014: £608,000) on the revaluation of investments, principally due to the movement in fair value of two portfolio companies - Alusid Limited and Pulsiv Solar Limited - following successful fundraisings, with Pulsiv Solar's fundraising completing post year end. Revenue from services, principally board retainers, fund management fees and license income, decreased by 4% to £170,000 (2014: £178,000).

The fair value of our portfolio increased by 118% to £2,812,000 (2014: £1,291,000)

Profit before tax increased to £647,000 (2014: £27,000) reflecting the increased revenue offset by the cost of additional resources. The profit per share was 2.76p (2014: 0.13p).

OUTLOOK

Looking ahead, we are working on a number of new opportunities and intend to continue to grow our portfolio by taking more significant stakes and extending our sources of deal flow. In line with our

strategy of broadening the range of capital available to our portfolio companies, we expect to see further portfolio fundraisings during the current financial year. We look forward to seeing further progress in these areas over the new financial year.

Andrew Richmond
Chairman

A handwritten signature in black ink, appearing to read 'A. Richmond', written over a horizontal line.

18 November 2015

BUSINESS MODEL

Frontier IP's business activity is focused on the commercialisation of intellectual property ("IP"). The Group's principal focus is on building a portfolio of companies through:

- Establishing formal and informal relationships with universities as sources of IP and deal flow
- Identifying strong IP and helping to create and grow companies built around this IP
- Earning equity in return for strategic and commercial support
- Providing active, hands-on support
- Building a wide network of sources of capital

The Group earns its equity and revenue by helping businesses to grow in value, providing downstream attractive returns for Frontier IP's shareholders and stakeholders. Equity stakes are earned through providing practical support ahead of arranging capital.

The team works with a range of universities and sources of deal flow and continues to develop new sources of IP from both formal and informal relationships. The source of our portfolio companies, by value, is reasonably evenly balanced between formal and informal relationships and, in line with our strategy to increase the start-up equity share, the Group plans to add new companies to its portfolio where there is clear scope for it to add value and receive a greater equity share in return.

The Group aims to be selective in its engagement with portfolio companies during their life cycle. Effort is focused on and resource applied to those companies where the Group holds a significant equity stake and where Frontier's expertise and access to capital can be applied to accelerate delivery and growth – the Group's current Core Portfolio. The make-up of this Core Portfolio will change over time as need and demand changes.

At the year end, the Group held equity in 17 spin-out companies. Frontier IP's executive team works closely with its Core Portfolio companies helping them to build their business and deliver on milestones. The Group's approach is to generate additional revenue from its portfolio through board retainers, fees for fundraising and bespoke business development and corporate and strategic advisory work.

In particular, the Group recognises the importance of access to sources of capital to finance early stage businesses as they develop. Frontier IP has built an extensive network of sources of capital ranging from institutions, industry investors through to private individuals and the Group's fundraising activity both enhances value in its portfolio and may also generate revenue for the Group.

STRATEGY

Frontier IP's principal strategic objectives are to achieve revenue growth and create long-term value for its stakeholders.

Frontier IP's strategy is to pursue growth by:

- Generating value from its relationships through new spin-outs, significant equity holdings, licensing income and realisations from existing spin-outs
- Building a portfolio capable of commercial success
- Reviewing and extending its portfolio pipeline for sources of high-quality IP
- Using its expertise to assist portfolio companies to grow and achieve realisations

OUR PERFORMANCE**CHIEF EXECUTIVE OFFICER'S STATEMENT**

"The Group is making good progress in line with its strategy. I am particularly pleased to report the growth in value of our portfolio, as evidenced by the recent fundraisings. We continue to see strong commercial progress in our Core Portfolio building the potential for further uplift in value."

Neil Crabb, Chief Executive Officer

KEY PERFORMANCE INDICATORS

The key performance indicators for the Group are:

KPI	Description	2015 Performance
Change in fair value of the portfolio	Movement in the value of equity in the portfolio	£2,812,000 (2014: £1,291,000)
Growth in total revenue	Growth in the aggregate of revenue from services and change in fair value of the portfolio	£1,591,000 (2014: £786,000)
Profit	Profit before tax for the year	£647,000 (2014: £27,000)
Net Assets	Value of the Group's assets less the value of its liabilities	£5,557,000 (2014: £4,069,000)
Total initial equity in new portfolio companies	Aggregate percentage equity earned from new portfolio companies during the year	80% (2014: 31%)

The Chairman's Statement and Operational Review contains information on progress in the business during the year.

The Group's services revenue for the year to 30 June 2015 decreased to £170,000 (2014: £178,000) and, with administrative expenses of £945,000 (2014: £769,000), the Group continues to consume significant cash from operating activities, however the Directors continue to pursue opportunities that will assist in closing the gap.

OPERATIONAL REVIEW**CORPORATE**

Frontier IP completed a placing in April 2015 to support the development and growth of its relationships, advisory roles and portfolio companies. The placing comprised 4,066,667 new ordinary shares of 10p at a price of 21p per share, raising £854,000 before expenses.

PORTFOLIO

The Group added two new spin-out companies to its portfolio during the year. These were Cambridge

Simulation Solutions Limited and Cambridge Sensor Innovation Limited (formerly Cambridge Sensor Technologies Limited).

The Group received a 40% equity stake in Cambridge Simulation Solutions Limited, a spin-out from the University of Cambridge. Cambridge Simulation was established to exploit the technology developed by Dr. Vassilios Vassiliadis, a Senior Lecturer at the Department of Chemical Engineering and Biotechnology. Dr. Vassiliadis has developed a method to simulate and control complex chemical processes, which potentially has a wide range of commercial applications in industry, including the food and pharmaceutical sectors.

The Group more recently received a 40% equity stake in Cambridge Sensor Innovation Limited, established to exploit a number of technologies developed by Dr. Mark Williamson, a lecturer and researcher at the Department of Chemical Engineering and Biotechnology at the University of Cambridge. Dr. Williamson develops temperature and humidity sensors and control strategies for industrial processes in which the composition of the processing atmosphere is important.

During the year two of our portfolio companies Nandi Proteins Limited and Alusid Limited completed successful fundraisings, as did Pulsiv Solar Limited after the year end. Alusid Limited has since commissioned a pilot plant facility to commence manufacture of construction products from waste materials. Nandi continues to make good commercial progress receiving a high level of support from the Frontier IP team and anticipates a further fundraising at a price which would represent a substantial uplift to the last round.

SOURCES OF IP

In line with reviewing and extending our portfolio pipeline for sources of high-quality IP we have this year added to our portfolio with two companies based on IP developed within the Department of Chemical Engineering and Biotechnology at the University of Cambridge.

ACCESS TO FUNDING

We continue to extend and make use of our network in managing funding rounds for our portfolio companies, with a particular focus on our Core Portfolio. The recent investments in Nandi Proteins, Pulsiv Solar and Alusid were a successful demonstration of this approach. Frontier IP is building an extensive network of funders ranging from institutions, industry investors through to private individuals.

PORTFOLIO REVIEW

CORE PORTFOLIO

ALUSID LTD ("ALUSID")

Alusid is a spin-out from the Silicate Research Unit of the University of Central Lancashire and was formed to license and commercialise the process to transform waste materials into a highly durable and functional material with applications in the construction industry. The new material has a wide range of uses including interior and exterior wall cladding, flooring, bricks and work surfaces and is also itself wholly recyclable. Alusid successfully completed its first fundraising during the year, has secured a supply agreement and commissioned its pilot plant to commence manufacturing.

At 30 June 2015, the Group held 42% of the issued share capital of Alusid.

CAMBRIDGE SENSOR INNOVATION LIMITED ("CSI")

CSI was formed to exploit the technology developed by Dr. Mark Williamson, a lecturer and researcher at the Department of Chemical Engineering and Biotechnology at the University of Cambridge. Frontier IP has entered into an agreement with CSI in which it provides advisory and business development services in return for a 40% equity stake in the new company. CSI develops sensors and control strategies for industrial processes in which the composition of the processing atmosphere is important. The benefits of the technology include reduction in energy consumption and greenhouse gases, and optimisation of the quality and consistency of oven manufactured goods. A program of industrial trials is already underway, in collaboration with major multinational companies in the food and speciality chemicals sectors.

At 30 June 2015, the Group held 40% of the issued share capital of CSI.

CAMBRIDGE SIMULATION SOLUTIONS LIMITED ("CSS")

Cambridge Simulation was created to exploit the technology developed by Dr. Vassilios Vassiliadis, a Senior Lecturer at the Department. Dr. Vassiliadis has developed a method to simulate and control complex chemical processes, exploiting existing and new IP. Frontier IP's role will be to support the licensing and commercialisation of this technology, which potentially has a wide range of commercial applications in industry, including the food and pharmaceutical sectors.

At 30 June 2015, the Group held 40% of the issued share capital of CSS.

NANDI PROTEINS LTD ("NANDI")

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

At 30 June 2015, the Group held 21.5% of the issued share capital of Nandi.

POREXPert LTD ("POREXPert")

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

At 30 June 2015, the Group held 15% of the issued share capital of PoreXpert.

PULSIV SOLAR LTD ("PULSIV")

Pulsiv Solar, which spun-out from Plymouth University, has developed new technology which significantly improves the energy efficiency of photovoltaic solar panels. It does this by maximising the energy generated by the system's inverters, which convert the energy harvested for supply to the grid. The global solar inverter market is forecast to be valued at approximately \$7 billion in 2015, according to GTM Research. Results from Pulsiv Solar's first prototype show a typical increase of up to 30% in energy generation when compared with conventional inverter technology. The technology can be integrated into new systems or retrofitted to existing solar panels. Post period-end, Pulsiv Solar completed its first fundraising, raising £0.5 million, which will allow it to accelerate product development, enabling further prototyping and testing in preparation for the initial production of micro-inverters containing its technologies.

At 30 June 2015, the Group held 21% of the issued share capital of Pulsiv Solar.

PORTFOLIO SUMMARY AT 30TH JUNE 2015

Portfolio Company	% Issued Share Capital	About	Source	Sector
ADUS DeepOcean Ltd	3%	High resolution sonar imaging for inspecting underwater assets	University of Dundee	Energy
Alusid Ltd	42%	Recycled glass and ceramics	University of Central Lancashire	Materials
Aridhia Informatics Ltd	1%	Biomedical informatics	University of Dundee	Life Sciences / IT / Healthcare
Cambridge Sensor Innovation Ltd	40%	Sensors for optimising heating processes in industry	University of Cambridge	IT/Life Sciences
Cambridge Simulation Solutions Ltd	40%	Method to simulate and control complex chemical processes	University of Cambridge	IT/Life Sciences
Celerum Ltd	10%	Planning and scheduling software, targeting the offshore oil and gas industry	Robert Gordon University	IT
Circa Connect Ltd	5%	Support systems for dementia sufferers	Universities of Dundee & St Andrews	Healthcare
Counterweight Ltd	3%	Obesity management programme	Robert Gordon University	Healthcare
ExScientia Ltd	5%	Novel informatics and experimental methods for drug discovery	University of Dundee	Life Sciences
Glycobiochem Ltd	5%	Molecular and chemical tool software in the treatment of human disease	University of Dundee	Life Sciences
Intelligent Flow Solutions Ltd	10%	Real time engineering/software solutions for the oil & gas industry	Robert Gordon University	Energy
Kinetic Discovery Ltd	5%	Biosensor-based drug discovery screening	University of Dundee	Life Sciences
Nandi Proteins Ltd	22%	Food technology to replace fats, sugars and additives in foods	Heriot Watt University, Edinburgh	Life Sciences
Rapid Quality Systems Ltd	5%	Software development support application	University of Dundee	IT
PoreXpert Ltd	15%	Analysis and modelling of porous materials	University of Plymouth	IT
Pulsiv Solar Ltd	21% (Note 1)	Improved PV solar panel efficiency	University of Plymouth	IT - Energy
Tissue Repair Technologies Ltd	5%	Wound healing	University of Dundee	Life Sciences

LIMITED PARTNERSHIP FUNDS

RGU Ventures Investment Fund LP ("RGU Fund")

The RGU Fund reached first closing in July 2009. In accordance with Frontier IP's accounting policies, the Group's 27.3% investment in the RGU Fund is included in the financial statements at fair value. At 30 June 2015, the carrying value was £47,000 (2014: £34,000), which is £118,000 below cost (2014: £112,000 below cost).

The RGU Fund has one investment in Counterweight Limited, holding 8.5% of the ordinary shares fully diluted, and granted a convertible loan of £80,000 to Celerum Limited.

University of Dundee Venture Fund ("Dundee Fund")

The Dundee Fund terminated on 15 June 2015. The investment period ended on 15 June 2015 and, as no investments have been made, the fund terminated automatically. In accordance with Frontier IP's accounting policies, the Group's 66.7% investment in the Dundee Fund is included in the financial statements at fair value. At 15 June 2015 the carrying value of the Group's 66.7% investment in the Dundee Fund was £nil (30 June 2014: £nil), which was £77,000 below cost (30 June 2014: £63,000 below cost).

FINANCIAL REVIEW

KEY HIGHLIGHTS

Profit after tax for the Group for the year to 30 June 2015 was £647,000 (2014: £27,000). This result includes a net unrealised profit on the revaluation of investments of £1,421,000 (2014: £608,000) and reflects an increase in administrative expenses to £945,000 (2014: £769,000).

The value of the Group's investments increased to £2,859,000 (2014: £1,325,000). Net assets increased to £5,557,000 (2014: £4,069,000) reflecting the proceeds of the £854,000 (gross) placing and the profit for the year.

In April 2015, the Company conducted a placing of 4,066,667 new ordinary shares of 10p for cash at a price of 21p per share raising £854,000 before expenses.

REVENUE

Total revenue for the year to 30 June 2015 increased by 102% to £1,591,000 (2014: £786,000). Revenue from services decreased by 4% to £170,000 (2014: £178,000). The Group's net unrealised profit on the revaluation of investments increased by 134% to £1,421,000 (2014: £608,000). Unrealised gains on revaluation of investments of £1,531,000 (2014: £633,000) were offset by impairments of £110,000 (2014: £25,000). £681,000 of the gain relates to Alusid Ltd which completed its first fundraising in April 2015 and £541,000 of the gain relates to Pulsiv Solar Ltd which completed its first fundraising after the year end.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 23% to £945,000 (2014: £769,000). The increase is primarily due to additional personnel resource taken on during the prior year and reflected for a full year in 2015. In the prior year, the Group appointed a new executive board member, James Fish, as Finance Director and Company Secretary and expanded the team by adding business development resource.

EARNINGS PER SHARE

Basic earnings per share was 2.76p (2014: 0.13p). Diluted earnings per share was 2.71p (2014: 0.13p)

STATEMENT OF FINANCIAL POSITION

The principal items in the statement of financial position at 30 June 2015 are goodwill £1,966,000 (2014: £1,966,000) and financial assets at fair value through profit and loss, principally holdings in portfolio companies, £2,859,000 (2014: £1,325,000). The carrying value of these items is determined by the Directors using their judgement when applying the Group's accounting policies. The considerations taken into account by the Directors when reviewing the 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 2015 of £701,000 (2014: £690,000). The current assets at 30 June 2015 include debtors of £112,000 which are more than 90 days overdue, of which £105,000 is due from Nandi. The non-current trade receivables of £29,000 are also due from Nandi. Following a fundraising by Nandi in October 2014 Nandi commenced a debt repayment plan to repay the debt in equal monthly instalments over a period of twenty four months. It was agreed to suspend this plan following six months of repayment while Nandi sought additional funding. Nandi has made good progress with commercial partners since then and the Directors anticipate a further fundraising for Nandi at a price which would represent a substantial uplift to the previous round. The Directors are confident that Nandi will be able to raise sufficient funds to finance both Nandi's business plan and to re-commence payment of the debt in 2016.

Net assets of the Group increased to £5,557,000 at 30 June 2015 (30 June 2014: £4,069,000). The number of issued ordinary shares also increased to 26,601,020 at 30 June 2015 (2014: 22,534,353)

resulting in net assets per share of 20.9p (2014: 18.1p).

CASH

The Group's cash balances increased during the year by £49,000 to £636,000 at 30 June 2015. This was as a result of a placing of new shares which raised £813,000 net of expenses. The cash generated by the share placing was used to fund the operation of the business.

RISK MANAGEMENT

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

The principal financial risks of the business are the impairment of the value of goodwill, a fall in the value of the Group's portfolio and recovery of the overdue debt from Nandi. The value of goodwill is linked to the progress of the existing portfolio and to the growth in equity stakes in new portfolio companies. As regards the value of the portfolio itself, the risk is mitigated as the size of the portfolio increases. A debt payment plan agreed with Nandi in October 2014 has since been suspended as Nandi sought additional funding. The Directors are confident based on recent commercial progress and discussions with new and existing shareholders that Nandi will raise sufficient funds to finance both Nandi's business plan and to re-commence payment of the debt in 2016.

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 and 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 funding 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 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 commercialisation activity and a reduced focus on commercialisation or consolidation affecting the Group's contracted partnerships. The Group seeks to minimise these risks through its success-based reward mechanism and seeking to ensure that its university partners receive an appropriate level of service.

The main cash flow uncertainty of the business centres on the ability of management to increase its cash generating revenue streams thereby reducing the Group's reliance on raising money from capital markets. In order to manage this risk the Group continues to pursue its aim of generating sufficient revenue to at least cover operational costs and to be cash neutral before taking account of any investment realisations.

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 these key personnel. Incentives for senior staff include share options and the Executive Directors hold direct interests in shares in the Company.

By order of the Board



Neil Crabb
Director

OUR GOVERNANCE

BOARD OF DIRECTORS

K ANDREW RICHMOND, NON-EXECUTIVE CHAIRMAN (AGE 49)

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

NEIL CRABB, CHIEF EXECUTIVE OFFICER (AGE 48)

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

JACQUELINE MCKAY, CHIEF OPERATING OFFICER (AGE 56)

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

DAVID CAIRNS, PORTFOLIO DIRECTOR (AGE 51)

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

JAMES FISH, FINANCE DIRECTOR AND COMPANY SECRETARY (AGE 58)

James Fish is a chartered accountant with over 25 years' experience in senior financial positions and a wide range of commercial experience including venture capital funded small/medium-sized enterprises and start-up companies. He was latterly interim Finance Director at The One Place Capital Limited, an online technology start-up. He qualified as a chartered accountant with KPMG and holds a degree in Accounting and Finance from Heriot Watt University, Edinburgh.

MICHAEL BOURNE, NON-EXECUTIVE DIRECTOR (AGE 57)

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

DR. CAMPBELL WILSON, NON-EXECUTIVE DIRECTOR (AGE 61)

Campbell Wilson is Chair of the UK Pharmaceutical Licensing Group and has worked in the UK pharmaceutical industry for approximately 35 years. The last 17 years of his career were in business development at AstraZeneca, the global research-based biopharmaceutical company, latterly as Executive Business Development Director within the company's central Business Development

function. He led strategic collaboration and licensing activities at the unit, driving multiple technology and oncology therapy area collaborations and product licensing deals, including high profile and innovative agreements. Before his involvement in business development, Campbell worked in senior level scientific roles in cardiovascular drug discovery at AstraZeneca, and earlier at Beecham Pharmaceuticals (now GSK). Campbell holds a PhD in Cardiovascular Pharmacology and has lectured and published extensively over his career. As well as chairing the UK Pharmaceutical Licensing Group, he participates in the European Pharma Licensing Council and is a consultant to Medius Associates Limited, the pharmaceutical and healthcare consultancy.

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

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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 2015.

RESULTS AND DIVIDENDS

The Group made a profit for the year of £647,000 (2014: £27,000). The Directors do not recommend the payment of a dividend (2014: 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 page [15]. Details of Directors' interests in share options and in shares are given in the Directors' Remuneration Report.

EMPLOYEES

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

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 2015, the Group had positive cash balances of £636,000 (2014: £587,000). The Group's policy is to keep surplus funds on instant access and short-term deposit to earn the prevailing market rate of interest. It is the Group's policy not to speculate in derivative financial instruments. The Group is not exposed to any foreign exchange risks as it has no transactions in foreign currency.

DIRECTORS' INDEMNITY INSURANCE

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

GOING CONCERN

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 require to raise additional capital in order to continue in operational existence for at least the next 12 months. The Directors anticipate undertaking an equity placing by early 2016 and also intend to seek authority to allot securities at the forthcoming Annual General Meeting in December 2015. The Directors have concluded that the necessity to raise additional capital represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that should it be unable to raise further funds, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, considering the success of previous fundraisings and the current performance of the business, the Directors have a reasonable expectation of raising sufficient additional capital to continue in operational existence for the foreseeable future. For this reason, they

continue to adopt the going concern basis in preparing the Group's financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in note 20 to the Financial Statements.

CORPORATE GOVERNANCE

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

AWARENESS OF RELEVANT AUDIT INFORMATION

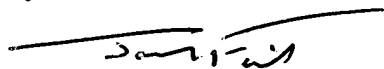
At the date of signing of this report and insofar as each of the Directors is aware:

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

AUDITOR

Chantrey Vellacott DFK LLP merged its practice with Moore Stephens LLP with effect from 1 May 2015 and now practices under the name of Moore Stephens LLP. A resolution to appoint Moore Stephens LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'James Fish', is written over a horizontal line.

James Fish
Company Secretary

18 November 2015

DIRECTORS' REMUNERATION REPORT**DIRECTORS' REMUNERATION**

The Remuneration Committee decides the remuneration policy that applies to the Executive Directors. The current members of the Remuneration Committee are Andrew Richmond, Michael Bourne and Campbell Wilson.

SALARIES AND BENEFITS

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

CONTRACT OF SERVICE

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

SHARE OPTIONS

The Company has two share option schemes, the Frontier IP Group plc Employee Share Option Scheme 2011 which is an Enterprise Management Incentive (EMI) share option scheme, and the Frontier IP Group plc Unapproved Share Option Scheme 2011. No unapproved options have been granted in the year and none are held at 30 June 2015. No EMI share options were granted in the year.

Details of EMI share options held by Directors who were in office at 30 June 2015 are set out below:

Director	Grant date	Number of options	Exercise price	Exercise date	Expiry date
Neil Crabb	15.01.2013	456,825	15.00p	15.01.2016 – 14.01.2023	14.01.2023
Neil Crabb	01.04.2014	128,175	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Jacqueline McKay	15.01.2013	195,782	15.00p	15.01.2016 – 14.01.2023	14.01.2023
Jacqueline McKay	01.04.2014	54,218	26.88p	01.04.2017 – 31.03.2024	31.03.2024
David Cairns	15.01.2013	195,782	15.00p	15.01.2016 – 14.01.2023	14.01.2023
David Cairns	01.04.2014	54,218	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Jim Fish	01.04.2014	250,000	26.88p	01.04.2017 – 31.03.2024	31.03.2024

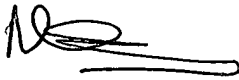
The market price of the Company's shares at 30 June 2015 was 23p. The range of prices during the year was 19.12p to 38.25p.

DIRECTORS' INTERESTS IN SHARES

The Directors in office at 30 June 2015 had the following interests in the ordinary shares of 10p each in the Company at the year end.

	2015 Number	2014 Number
Neil Crabb	2,834,168	2,715,120
David Cairns	840,238	745,000
Jacqueline McKay	12,855	12,855
Andrew Richmond	1,000,000	900,000
Michael Bourne	270,238	175,000
James Fish	100,000	100,000

All of the above interests are beneficial.



Michael Bourne
Non-executive Director

18 November 2015

OUR FINANCIALS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FRONTIER IP GROUP PLC

We have audited the financial statements of Frontier IP Group Plc for the year ended 30 June 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER – GOING CONCERN

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

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Moore Stephens LLP

Neil Tustian
Senior Statutory Auditor
for and on behalf of Moore Stephens LLP
Chartered Accountants and Statutory Auditor

Moore Stephens
Prospect House
58 Queens Street
Reading
Berkshire RG1 4RP

18 November 2015

GROUP STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
Revenue			
Revenue from services		170	178
Other operating income			
Unrealised profit on the revaluation of investments	11	1,421	608
Total revenue		<u>1,591</u>	<u>786</u>
Administrative expenses	4	(945)	(769)
Dividend income on financial assets at fair value through profit or loss		-	10
Profit from operations		<u>646</u>	<u>27</u>
Interest income on short term deposits		1	-
Profit from operations and before tax		<u>647</u>	<u>27</u>
Taxation	6	-	-
Profit and total comprehensive income attributable to the equity holders of the parent		<u>647</u>	<u>27</u>
Profit per share attributable to the equity holders of the Company:			
Basic earnings per share	7	2.76p	0.13p
Diluted earnings per share	7	2.71p	0.13p

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company statement of comprehensive income. The total comprehensive income of the Company for the year was £1,150,000 (2014: loss £94,000).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	2	2
Goodwill	9	1,966	1,966
Financial assets at fair value through profit and loss	11	2,859	1,325
Trade receivables	12	29	86
		<u>4,856</u>	<u>3,379</u>
Current assets			
Trade receivables and other current assets	12	188	213
Cash and cash equivalents		636	587
		<u>824</u>	<u>800</u>
Total assets		<u>5,680</u>	<u>4,179</u>
Liabilities			
Current liabilities			
Trade and other payables	13	(123)	(110)
		<u>(123)</u>	<u>(110)</u>
Net assets		<u>5,557</u>	<u>4,069</u>
Equity			
Called up share capital	14	2,660	2,253
Share premium account	14	5,200	4,794
Reverse acquisition reserve	15	(1,667)	(1,667)
Share based payment reserve	15	45	125
Retained earnings	15	(681)	(1,436)
Total equity		<u>5,557</u>	<u>4,069</u>

FRONTIER IP GROUP PLC

COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	-	-
Investment in subsidiaries	10	2,383	2,383
Financial assets at fair value through profit and loss	11	1,545	134
Trade receivables	12	<u>1,460</u>	<u>954</u>
		5,388	3,471
Current assets			
Trade receivables and other current assets	12	32	28
Cash and cash equivalents		<u>611</u>	<u>530</u>
		643	558
Total assets		<u>6,031</u>	<u>4,029</u>
Liabilities			
Current liabilities			
Trade and other payables	13	<u>(48)</u>	<u>(37)</u>
Net assets		<u>5,983</u>	<u>3,992</u>
 Equity attributable to equity holders of the Company			
Called up share capital	14	2,660	2,253
Share premium account	14	5,200	4,794
Share-based payment reserve	15	45	125
Retained earnings	15	<u>(1,922)</u>	<u>(3,180)</u>
Total equity		<u>5,983</u>	<u>3,992</u>

The financial statements on pages 26 to 28 were approved by the Board of Directors and authorised for issue on 18 November 2015 and were signed on its behalf by:



Neil Crabb
Chief Executive Officer

18 November 2015

Company registration number: 06262177

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

Group

	Share capital	Share premium account	Reverse acquisition reserve	Share-based payment reserve	Retained earnings	Total equity attributable to equity holders of the Company
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2013	1,305	4,457	(1,667)	119	(1,463)	2,751
Issue of shares	948	337	-	-	-	1,285
Share-based payments	-	-	-	6	-	6
Profit/total comprehensive income for the year	-	-	-	-	27	27
At 30 June 2014	2,253	4,794	(1,667)	125	(1,436)	4,069
Issue of shares	407	406	-	-	-	813
Share-based payments	-	-	-	28	-	28
Transfer on expiry of warrants in prior year	-	-	-	(108)	108	-
Profit/total comprehensive income for the year	-	-	-	-	647	647
At 30 June 2015	2,660	5,200	(1,667)	45	(681)	5,557

Company

	Share capital	Share premium account	Share-based payment reserve	Retained earnings	Total equity attributable to equity holders of the Company
	£'000	£'000	£'000	£'000	£'000
At 1 July 2013	1,305	4,457	119	(3,086)	2,795
Issue of shares	948	337	-	-	1,285
Share-based payments	-	-	6	-	6
Loss/comprehensive expense for the year	-	-	-	(94)	(94)
At 30 June 2013	2,253	4,794	125	(3,180)	3,992
Issue of shares	407	406	-	-	813
Share-based payments	-	-	28	-	28
Transfer on expiry of warrants in prior year	-	-	(108)	108	-
Profit/total comprehensive income for the year	-	-	-	1,150	1,150
At 30 June 2015	2,660	5,200	45	(1,922)	5,983

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Cash flows from operating activities					
Cash used in operations	18	(730)	(617)	(732)	(560)
Taxation paid	6	-	-	-	-
Net cash used in operating activities		(730)	(617)	(732)	(560)
Cash flows from investing activities					
Purchase of tangible fixed assets	8	(1)	(3)	-	-
Purchase of financial assets at fair value through profit and loss		(33)	(26)	-	(10)
Net cash used in investing activities		(34)	(29)	-	(10)
Cash flows from financing activities					
Proceeds from issue of equity shares		854	1,142	854	1,142
Costs of share issue		(41)	(64)	(41)	(64)
Net cash generated from financing activities		813	1,078	813	1,078
Net increase in cash and cash equivalents		49	432	81	508
Cash and cash equivalents at beginning of year		587	155	530	22
Cash and cash equivalents at end of year		636	587	611	530

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.

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.

During the year the Group acted as general partner to the limited partnership University of Dundee Venture Fund LP in which it held a 67% interest. As the Fund has made no investments and was terminated on 15 June 2015 the Directors do not consider it material to consolidate.

SEGMENTAL REPORTING

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

GOODWILL

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

TRADE RECEIVABLES

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost less an allowance for doubtful debts.

CASH

Cash and cash equivalents comprise cash at bank and in hand and short term deposits.

INVESTMENTS

Investments are held with a view to the ultimate realization 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 in the statement of comprehensive income in the period in which they arise. 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. 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.

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 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.
2. Once the IP is transferred to the company, the valuation is increased by between £50,000 and £300,000 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.
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 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 in the statement of comprehensive income. 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 recognized in prior years.

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 the effects of non-transferability, exercise restrictions, and behavioural considerations.

REVENUE RECOGNITION

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

Fund management fees, directors' fees and retainers are recognised when the service is provided. Fees for corporate finance work are recognised when the service is provided and the respective transaction has completed.

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

RETIREMENT BENEFIT COSTS

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

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.

NEW STANDARDS

The financial statements comply with IFRS as adopted by the European Union. At the date of authorisation of these financial statements the following Standards and Interpretations affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective. The company does not plan to adopt these standards early.

		Effective for accounting periods beginning on or after:
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018

The directors have not yet evaluated the effect of these standards on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

Going concern

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

The Group's business activities are set out in the Strategic Report. These activities expose the Group to a number of financial risks. The following describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them. The Group only operates in the UK and transacts in sterling. It is therefore not exposed to any foreign exchange risk.

(a) Market risk

Interest rate risk

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

Price risk

The Group is exposed to equity securities price risk because of equity investments classified on the consolidated statement of financial position as financial assets at fair value through profit and loss. The maximum exposure is the fair value of these assets which is £2,859,000 (2014: £1,325,000).

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and cash equivalents. The Group's current cash and cash equivalents are held with one UK financial institution, the Bank of Scotland plc, which has a credit rating of "P1" from credit agency Moody's, indicating that Moody's consider that the bank has a "superior" ability to repay short-term debt obligations. The concentration of credit risk from trade receivables varies throughout the year depending on the timing of transactions and invoicing of fees. Details of major customers to the Group are set out in Note 3. The Group's customers are primarily early stage and start-up companies and Group management determine impairment of trade receivables through taking into account both trading and fund raising 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 2015 and 30 June 2014 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature

for payment within one year except where stated in Note 12.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 make reliable forecasts. 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 11.
- (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) **Allowance for doubtful debts**
The Group estimates an allowance for doubtful debts when the collectability of trade receivables is in doubt. As the Group's trade receivables arise from services to a concentrated number of seed, start-up and early stage businesses the estimates made are subject to a high degree of uncertainty. The allowance for doubtful debts is disclosed in Note 12.

CRITICAL ACCOUNTING JUDGMENTS

The Group believes that the most significant judgment areas in the application of its accounting policies are establishing the fair value of its 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 four major customers that accounted for 85% of its revenue from services (2014: three customers accounted for 77%). The revenues generated from each customer were as follows:

	2015	2014
	£'000	£'000
Customer 1	99	90
Customer 2	15	28

Customer 3	15	19
Customer 4	14	-
	<u>143</u>	<u>137</u>

4. ADMINISTRATION EXPENSES

Expenses included in administrative expenses are analysed below.

	2015	2014
	£'000	£'000
Employee costs	583	464
Share-based payments	28	6
Consultant	53	62
Travel and entertainment	25	25
Depreciation	2	1
Bad debts written off	3	1
Allowance for doubtful debts	10	6
Audit services:		
- for the audit of the Company and consolidated accounts	26	28
- the audit of the Company's subsidiaries pursuant to legislation	3	3
Non-audit services:		
- tax services	7	5
- consultancy services	7	-
Legal, professional and financial costs	168	122
Premises operating lease	11	10
Administration costs	19	10
Placing costs	-	26
	<u>945</u>	<u>769</u>

5. DIRECTORS AND EMPLOYEES

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

	2015 Number	2014 Number
Business and corporate development	5	3
	2015 £'000	2014 £'000
Wages and salaries	392	290
Social security	56	40
Pension costs – defined contribution plans	35	27
Non-executive directors' fees	88	98
Other benefits	12	9
Share option expense	28	6
	611	470

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		Total		Pension	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Executive								
N Crabb	100	100	2	2	102	102	10	10
J McKay	73	69	3	5	76	75	7	7
D Cairns	55	55	-	-	55	55	5	5
J Fish	85	35	2	-	87	35	8	3
Non-executive								
A Richmond	40	40	-	-	40	40	-	-
M Bourne	24	6	-	-	24	6	-	-
C Wilson	24	4	-	-	24	4	-	-
M. Yeoman (resigned May 2014)	-	26	-	-	-	26	-	-
	401	335	7	7	408	343	30	25

6 TAXATION

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

	2015 £'000	2014 £'000
Profit before tax	<u>647</u>	<u>27</u>
Profit before tax at the effective rate of corporation tax in the UK of 20.75% (2014: 22.5%)	134	6
Effects of:		
Non-taxable income	(297)	(145)
Expenses not deductible for tax purposes	12	16
Trading losses carried forward	157	126
Other adjustments	<u>(6)</u>	<u>(3)</u>
Tax charge for the year	<u>-</u>	<u>-</u>

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 £612,000 (2014: £484,000) available for use to offset future profits. These amounts are stated using a corporation tax rate of 20% of total losses of £3,060,000 (2014: 20% of total losses of £2,420,000).

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 through substantial shareholder exemption. There are excess management expenses carried forward in the Company and there is the ability to transfer gains arising in the Group to the Company which would be offset by excess management expenses and no tax liability would be expected to arise.

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit 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 2015	<u>647</u>	<u>23,414,536</u>	<u>2.76</u>
Year ended 30 June 2014	<u>27</u>	<u>20,091,931</u>	<u>0.13</u>

(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 2015	647	23,854,707	2.71
Year ended 30 June 2014	27	20,376,926	0.13

8 TANGIBLE FIXED ASSETS

	Fixtures and equipment £'000
GROUP	
Cost	
At 1 July 2013	1
Additions	3
Disposals	(1)
At 30 June 2014	3
Additions	1
Disposals	-
At 30 June 2015	4
DEPRECIATION	
Accumulated depreciation at 1 July 2013	1
Charge for the year to 30 June 2014	1
Disposals	(1)
Accumulated depreciation at 30 June 2014	1
Charge for the year to 30 June 2015	1
Disposals	-
Accumulated depreciation at 30 June 2014	2
NET BOOK VALUE	
At 30 June 2015	2
At 30 June 2014	2

9 GOODWILL

	Group £'000	Company £'000
Cost		
At 1 July 2013, 30 June 2014 and at 30 June 2015	1,966	-
Impairment		
At 1 July 2013, 30 June 2014 and at 30 June 2015	-	-
Carrying value		
At 30 June 2015	1,966	-
At 30 June 2014	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 first time this year, for the existing portfolio now that there is greater visibility over the progress of the existing portfolio.

The assumptions used in the models are set out below:

	2015		2014	
	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%	-	75%	-
Equity in existing portfolio	-	1% - 40% **	-	-
Failure rate	40%	Average of 34%	40%	-
Dilution	35%	Average of 30%	55%	-
Years to exit	5	5 (minimum of 3 years from measurement date)	5	-
Rate of return	20%	20%	7.9%	-
Discount rate (pre tax)	12%	12%	5%	-
Range of exit values applied to low, medium, high outcomes	£6m - £30m	£5.4m - £30m	£2m - £10m	-
Value at first/next funding round in individual company dilution model	£1.2m	Carrying values of individual companies at 30 June 2015. Average of £2.1m	£0.5m	-

* Assumptions specific to the existing portfolio did not form part of the models used in 2014.

** Actual range of equity at 30 June 2015.

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 due to the early stage profile of the Group's portfolio. 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	-27%
Failure rate	+71%
Dilution	+130%
Years to exit	+60%
Rate of return	-30%
Discount rate (pre tax)	+28%
Range of exit values applied to low, medium, high outcomes	-53%
Value at first funding round in individual company dilution mode	-32%

The board considers that a reasonably possible change in the initial spin-out equity assumption, the rate of return assumption or the discount rate assumption 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 individual company dilution model is £2.4m and a 27% decrease in the initial spin-out equity from 75% to 55%, a 30% decrease in the rate of return assumption from 20% to 14% or a 28% increase in the discount rate from 12% to 15% would cause the recoverable amount to equal the carrying amount.

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

10 INVESTMENT IN SUBSIDIARIES

	Company 2015 £'000	Company 2014 £'000
At 1 July 2014	2,383	2,383
Provision for impairment	-	-
At 30 June 2015	<u>2,383</u>	<u>2,383</u>

GROUP INVESTMENTS

The Company has investments in the following subsidiary undertakings.

	Country of incorporation	Proportion of ordinary Shares directly held by the Company	Proportion of ordinary Shares held by the Group
Frontier IP Limited - principal activity is commercialisation of IP	Scotland	100%	
Frontier IP Investments Limited - principal activity is investment in University of Dundee Venture Fund and RGU Ventures Investment Fund	Scotland	100%	
Frontier IP Founder Partners Limited - principal activity is founder partner in University of Dundee Venture Fund and RGU Ventures Investment Fund	Scotland		100%
Frontier IP Management Limited - principal activity is an intermediate holding company	Scotland	100%	

Frontier IP GP RG Limited	Scotland	100%
- principal activity is the general partner of the RGU Ventures Investment Fund		
Frontier IP GP Dundee Limited	Scotland	100%
- principal activity is the general partner of the University of Dundee Venture Fund.		

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
At 1 July 2014	1,325	494	134	8
Additions	113	223	-	10
Fair value increase	1,421	608	1,411	116
At 30 June 2015	<u>2,859</u>	<u>1,325</u>	<u>1,545</u>	<u>134</u>

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 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Limited liability partnership interests	47	34	-	-
Unquoted equity investments	2,812	1,291	1,545	134
	<u>2,859</u>	<u>1,325</u>	<u>1,545</u>	<u>134</u>

The movement during the year is set out below:

Limited Liability Partnership Interests		Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
At 1 July 2014		34	26	-	-
Additions during the year		33	25	-	-
Fair value decreases during the year		(20)	(17)	-	-
At 30 June 2015		<u>47</u>	<u>34</u>	<u>-</u>	<u>-</u>

Unquoted Equity Investments		Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
At 1 July 2014		1,291	468	134	8
Additions during the year		80	198	10	10
Fair value increases during the year		1,531	633	1,401	116
Fair value decreases during the year		(90)	(8)	-	-
At 30 June 2015		<u>2,812</u>	<u>1,291</u>	<u>1,545</u>	<u>134</u>

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

	Valuation matrix stage					Total £'000
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 4 £'000	Stage 5 £'000	
30 June 2014	16	76	265	934	-	1,291
Initial recognition of fair value	-	-	-	-	-	-

through revenue						
Fair value increase/(decrease) through other operating income	-	180	40	1,221	-	1,441
Transfers between stages	(11)	(73)	-	84	-	-
Additions	-	-	-	80	-	80
Disposals	-	-	-	-	-	-
30 June 2015	5	183	305	2,319	-	2,812

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

Valuation matrix stage	No of Investments	Fair value £'000	Unobservable inputs	Reasonable possible shift	
				%	+/- £000
Stage 1	1	5	Initial valuation of new spin-outs at £50,000	20%	1
Stage 2	3	183	Management's assessment of the value of IP transferred.	25%	46
Stage 3	7	305	Management's assessment of performance against milestones, discussions of likely imminent fund raising and considerations of impairment.	30%	92
Stage 4	6	2,319	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, including assessment of any impairment indicators, which result in unobservable inputs into the valuation methodology. The main unobservable input relates to the assessment of impairment.	10%	232
Stage 5	-	-	Discount for lack of marketability.	20%	-
30 June 2015		2,812			371

Significant unobservable inputs:

The price of funding rounds for Nandi in October 2014, Alusid in April 2015 and Pulsiv Solar in October 2015 provided significant unobservable inputs into the valuation of these investments at 30 June 2015 of £786,000, £691,000 and £614,000 respectively.

12 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade receivables	184	237	6	-
Receivables from Group undertakings	-	-	1,460	954
VAT	1	16	-	9
Prepayments and accrued income	29	37	20	19
Other debtors	3	9	6	-
	217	299	1,492	982
Less trade receivables – non current	(29)	(86)	-	-

Less receivables from Group undertakings – non current	-	(1,460)	(954)
Current portion	188	213	32
			28

TRADE RECEIVABLES

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade receivables not due	18	10	6	-
Trade receivables past due 1–30 days	12	10	-	-
Trade receivables past due 31–60 days	12	10	-	-
Trade receivables past due 61–90 days	1	12	-	-
Trade receivables past due over 90 days	160	205	-	-
Gross trade receivables at 30 June 2015	203	247	6	-
Allowance for doubtful debt at 1 July 2014	10	4	-	-
Debts provided for in the year	14	6	-	-
Debts written off in the year	(5)	-	-	-
Allowance for doubtful debt at 30 June 2015	19	10	-	-
Net trade receivables at 30 June 2015	184	237	6	-

The allowance for doubtful debt relates entirely to trade receivables which are past due. £165,000 of trade receivables are due from Nandi. Following a fundraising by Nandi in October 2014 Nandi commenced a debt repayment plan whereby Nandi would pay £175,000 of the debt in equal monthly instalments over a period of twenty four months. The debt repayment plan was suspended following six months of repayment while Nandi sought additional funding. The Directors are confident based on recent commercial progress and discussions with new and existing shareholders that Nandi will raise sufficient funds to finance both Nandi's business plan and to re-commence payment of the debt in 2016.

13 TRADE AND OTHER PAYABLES

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade payables	34	35	19	15
Social security and other taxes	18	19	-	-
Accruals and deferred income	71	56	29	22
	123	110	48	37

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares issued and fully paid	Ordinary shares of 10p £'000	Share premium £'000	Total £'000
At 30 June 2014	22,534,353	2,253	4,794	7,047
Issue of shares in the year	4,066,667	407	406	813
At 30 June 2015	26,601,020	2,660	5,200	7,860

On 9 April 2015, the Company conducted a placing of 4,066,667 new ordinary shares of 10p for cash at a price of 21p per share raising £854,000 before expenses of £41,000. 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 authorised share capital of the company at 30 June 2015 is 30,213,093 ordinary shares of 10p each.

15 RESERVES

The reverse acquisition reserve was created on the reverse takeover of Frontier IP Group Plc. The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period and the amount expensed in each year is transferred to the share-based payment reserve. The movement in reserves for the years ended 30 June 2015 and 2014 is set out in the Consolidated and Company Statement of Changes in Equity on page [29].

16 SHARE OPTIONS

Frontier IP has two option schemes, the Frontier IP Group Plc Employee Share Option Scheme 2011 and the Frontier IP Group Plc Unapproved Share Option Scheme 2011. The first is an enterprise management incentive scheme and the second an unapproved share scheme. Under the schemes, options are granted at no less than market value of the shares at the date of grant. No payment is required from option holders on the grant of an option. The 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:

	2015	2015	2014	2014
	Weighted average	Options	Weighted average	Options
	exercise price	('000s)	exercise price	('000s)
	Pence per share		Pence per share	
At 1 July	19.33	1,335,000	15.00	848,389
Granted	-	-	26.88	486,611
At 30 June	19.33	<u>1,335,000</u>	19.33	<u>1,335,000</u>

Of the 1,335,000 outstanding options (2014: 1,335,000) none had vested at 30 June 2015 (2014: Nil).

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

	Exercise price	2015	2014
	Pence per share	Number	Number
2023	15.00	848,389	848,389
2024	26.88	486,611	486,611

No options were granted during the year.

17 OPERATING LEASE COMMITMENTS

	2015	2014
	Land & Buildings	Land & Buildings
	£	£
Commitments under non-cancellable operating leases expiring:		
Within one year	3,520	3,420
Within two to five years	-	-
After five years	-	-
	<u>3,520</u>	<u>3,420</u>

18 CASH USED IN OPERATIONS

	Group	Group	Company	Company
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Profit/(Loss) before tax	647	27	1,150	(94)
Adjustments for:				
Share-based payments	28	6	28	6
Depreciation	2	1	-	-

Fair value (gain) on financial assets through profit and loss	(1,421)	(608)	(1,411)	(116)
Cost of share issue	-	26	-	26
<i>Changes in working capital:</i>				
Trade and other receivables	1	(93)	(512)	(390)
Trade and other payables	13	24	13	8
Cash flows from operating activities	<u>(730)</u>	<u>(617)</u>	<u>(732)</u>	<u>(560)</u>

19 RELATED PARTY TRANSACTIONS

Jacqueline McKay was a director of Nandi Proteins Ltd during the year and Neil Crabb is a director of Counterweight Ltd, Intelligent Flow Solutions Ltd, PoreXpert Ltd, Pulsiv Solar Ltd, Celerum Ltd and Nandi Proteins Ltd, all of which are portfolio companies of the Group. The Group charged fees to these companies and was owed amounts from these companies as follows:

	Fees charged 2015 £'000	Fees charged 2014 £'000	Amounts owed 2015 £'000	Amounts owed 2014 £'000
Nandi Proteins Ltd	99	90	165	224
Counterweight Ltd	15	15	14	8
Intelligent Flow Ltd	8	12	19	10
Pulsiv Solar Ltd	2	10	-	-
Celerum Ltd	-	5	-	-

£80,000 owed by Nandi at 30 June 2014 was converted into ordinary shares of Nandi at Nandi's fundraising in October 2014. The £19,000 owed by Intelligent Flow Solutions has been fully provided for with £12,000 having been provided for during the year.

Andrew Richmond, a director of the Company, is a lay member of the Court of the University of Dundee. The Group has a partnership agreement with the University of Dundee to assist that university in commercialising its IP. At 30 June 2015, the Group had deferred income of £5,000 (2014:£8,000) from the University of Dundee. During the year the Group received fund management income from the Dundee Fund of £14,000 (2014: £15,000). £3,000 owed by the University Dundee and which was fully provided for at 30 June 2014 was written off during the year and at 30 June 2015 the Group had £nil (2014: £5,000) due from the University of Dundee.

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

	Number
Neil Crabb	119,048
Andrew Richmond	100,000
David Cairns	95,238
Michael Bourne	95,238

20 SUBSEQUENT EVENTS

In October 2015 the Group's portfolio company, Pulsiv Solar Limited, completed a fundraising. The price of the fundraising was consistent with the valuation of the Group's investment in the company at 30 June 2015 and supports the valuation uplift recognised in the year of £541,000.

COMPANY INFORMATION

FIVE YEAR RECORD

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Total revenue	1,591	786	117	223	307
Profit/(loss) from operations	646	27	(368)	(380)	(269)
Net finance income	1	-	-	-	-
Profit/(loss) before tax	647	27	(368)	(380)	(269)
Attributable to:					
Equity holders of the Company	647	27	(368)	(380)	(269)
Net assets employed	5,557	4,069	2,751	2,507	2,886
Basic earnings/(loss) per ordinary share (pence)	2.76	0.13	(3.51)	(5.45)	(3.86)