

Company registered in Scotland
SC335992

FRONTIER IP LIMITED
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR YEAR ENDED
30 JUNE 2012

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FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N Crabb
M Cole
J McKay

SECRETARY

M Briselden (appointed 26 July 2012)
S Glass (resigned 26 July 2012)

REGISTERED OFFICE

41 Charlotte Square
Edinburgh
EH2 4HQ

AUDITOR

Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London WC1B 5LF

REGISTERED NUMBER

SC335992

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

DIRECTORS' REPORT

The directors present their report together with the financial statements and auditor's report, for the year ended 30 June 2012.

Principal activities and business review

The company's business model is based on assisting universities and research organisations in the commercialisation of the intellectual property ("IP") arising from their research activity. In return for this support, the company receives a share of the founder equity and licence revenue which the universities receive from the commercialisation of research.

In addition, the company generates revenue from board retainers and fees for fundraising and bespoke advisory work. Where required, the company seeks to establish a dedicated fund for each university relationship, which helps to accelerate the commercialisation process and to create recurring fund management income for the company. As the company is not regulated by the Financial Services Authority, the regulated fund management activity is carried out on its behalf by an associated company, Sigma Technology Management Ltd.

The company continued to make good progress in developing the business during the financial year ended 30 June 2012. The directors are confident of prospects for the current year.

Results and dividends

The company made a loss for the year of £318,101 (2011: £308,740). The directors do not recommend the payment of a dividend (2011: £nil).

Enhanced business review

In the year revenue was generated from advisory fees from the universities, fund management fees from the two university funds and retainers and deal fees from investee companies.

The company currently has three university partnerships with University of Dundee, Plymouth University and Robert Gordon University, Aberdeen. At the year end, the company directly held equity in ten spinout companies (2011: seven). The company has also continued to develop new opportunities including a fund management agreement with Narec Capital Limited ("Narec Capital") signed in June 2012 and a collaboration with the University of Central Lancashire ("UCLan").

The increase in operating expenses is mainly due to higher personnel costs (£24,062 out of total increase of £31,390) as the increased salary for Neil Crabb impacted the full year.

The key performance indicators of the company are:

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

The company is working towards improving its performance in all of its key performance indicators.

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

DIRECTORS' REPORT (continued)

The main risk for the business going forward is cash flow. The company does generate cash from its operations but there remains a shortfall from recurring revenue to meet overheads. This shortfall is met by cash reserves.

Employees

The company has three employees.

Directors

The directors who served during the year are set out on page 2.

Going concern

The holding company of the company raised £608,000 (gross of expenses) by way of a placing of 6,080,000 of its ordinary shares of 10p at 10p per share on 3 December 2012. Based on forecast income and expenditure for the next 12 months and applying sensitivities the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months. It is expected that the existing university partnerships will continue to deliver a growing portfolio of spinout companies that in turn will make use of the company's services in return for cash fees, while over the medium term an increasing contribution is expected from sharing in license income. There is also potential to grow fees from fund management. Costs are tightly controlled. The Directors therefore continue to adopt the going concern basis in preparing the company's financial statements.

Awareness of relevant audit information

At the date of signing this report and in so far as each of the directors is aware:

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

Auditor

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

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



Malcolm Briselden
Company Secretary

6 December 2012

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FRONTIER IP LIMITED

We have audited the financial statements of Frontier IP Limited for the year ended 30 June 2012 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement, 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 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FRONTIER IP LIMITED

Matters on which we are required to report by exception

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

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

 CHANTREY VELLACOTT DFK LLP

IAN STAUNTON (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London

6 December 2012

FRONTIER IP LIMITED**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	2012 £	2011 £
Turnover		162,138	140,333
Operating expenses	2	(480,488)	(449,098)
Operating loss		(318,350)	(308,765)
Interest receivable and other income		<u>249</u>	<u>25</u>
Loss on ordinary activities before taxation		(318,101)	(308,740)
Taxation	4	-	-
Loss for the financial year		(318,101)	(308,740)

All the company's activities are classed as continuing and there were no recognised gains or losses in the year other than those included in the profit and loss account.

The accompanying notes form an integral part of these financial statements.

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

BALANCE SHEET AS AT 30 JUNE 2012

	Notes	2012 £	2011 £
Fixed Assets			
Tangible fixed assets	5	47	118
Investments	6	<u>127,417</u>	<u>114,167</u>
		127,464	114,285
Current assets			
Debtors	7	217,311	134,918
Cash at bank		<u>42,579</u>	<u>558,147</u>
		259,890	693,065
Creditors: amounts falling due within one year	8	<u>(1,248,433)</u>	<u>(1,350,328)</u>
Net current liabilities		<u>(988,543)</u>	<u>(657,263)</u>
Net liabilities		<u>(861,079)</u>	<u>(542,978)</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	<u>(861,080)</u>	<u>(542,979)</u>
Shareholders' funds		<u>(861,079)</u>	<u>(542,978)</u>

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 8 to 13 were approved and authorised for issue by the Board of Directors on 6 December 2012 and signed on behalf of the Board by:



Marilyn Cole
Director

Registered no: SC335992

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. Accounting policies

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

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The company has taken advantage of the exemption not to prepare a cash flow statement under FRS 1 (revised).

Turnover

Turnover represents amounts invoiced for the provision of services, net of Value Added Tax.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Computer equipment	33% - 50% per annum
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Investments

Fixed asset investments are shown at cost less provision for impairment. The carrying value is considered annually by the directors in comparison against the potential net realisable value.

Impairments

When there is an indication of impairment, the company reviews the carrying value of its intangible assets to determine whether those assets have suffered an impairment loss. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to determine the recoverable amount of an individual asset the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Operating expenses

Loss on ordinary activities before taxation is stated after charging:

	2012 £	2011 £
Auditor's remuneration		
- Audit services	6,000	6,000
- Non-audit services: tax	2,650	1,500
Depreciation	71	24

3. Information regarding directors and employees

The average number of employees during the year, including those directors employed by Frontier IP Group Plc, their aggregate emoluments and charges for services were as follows:

	Average number of employees Number	Wages and salaries £	Social security £	Pension £
Year to 30 June 2012	3	227,727	29,660	22,373
Year to 30 June 2011	3	214,530	24,934	16,234

4. Taxation

	2012 £	2011 £
Loss on ordinary activities before tax	(318,101)	(308,740)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 25.5% (2011: 20%)	(81,116)	(84,908)
Expenses not deductible for tax purposes	3,983	208
Capital allowances in excess of depreciation	-	(32)
Unrelieved tax losses and other deductions arising in the period	77,133	84,732
	-	-

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

5. Tangible fixed assets

	Computer equipment & software £	Total £
Cost		
At 1 July 2010	-	-
Additions	142	142
At 30 June 2011 and at 30 June 2012	142	142
Depreciation		
At 1 July 2010	-	-
Charge for the year	24	24
At 30 June 2011	24	24
Charge for the year	71	71
At 30 June 2012	95	95
Net book value		
At 30 June 2012	47	47
At 30 June 2011	118	118

6. Fixed asset investments

	2012 £	2011 £
At 1 July 2011	114,167	74,167
Additions	13,250	40,000
At 30 June 2012	127,417	114,167

Unquoted equity investments consist of unquoted shares at cost in ten (2011: five) companies.

7. Debtors

	2012 £	2011 £
Trade debtors	36,166	20,725
Amounts owed by group undertakings	168,326	109,773
Prepayments and accrued income	12,818	4,225
Other debtors	1	195
	217,311	134,918

8. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	31,503	15,556
Amounts due to group undertakings	1,136,033	1,290,113
Social security and other taxes	36,708	10,677
Other creditors and accruals	44,189	33,982
	1,248,433	1,350,328

FRONTIER IP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9. Called up share capital

	2012 and 2011	
	Number	£
Authorised		
Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	1	1

10. Reserves

	Profit and loss account £
At 1 July 2011	(542,979)
Retained loss for the year	(318,101)
At 30 June 2012	<u>(861,080)</u>

11. Reconciliation of movement in shareholders' funds

	2012	2011
	£	£
Opening shareholders' funds	(542,978)	(234,238)
Retained loss for the year	(318,101)	(308,740)
Closing shareholders' funds	<u>(861,079)</u>	<u>(542,978)</u>

12. Ultimate controlling party

The directors regard Frontier IP Group Plc, a company incorporated in England, as the ultimate parent company and the ultimate controlling party.

Frontier IP Group Plc is the parent company of the smallest and largest group of which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from the company's registered office at 41 Charlotte Square, Edinburgh EH2 4HQ.

13. Related party transactions

As a subsidiary undertaking of Frontier IP Group Plc, the company has taken advantage of the exemption in FRS8 'Related Party Disclosure' from disclosing transactions with other members of the group headed by Frontier IP Group plc.