



Frontier IP Group plc

Annual Report & Financial Statements 2010

Specialising in the commercialisation
of intellectual property

FRONTIER IP GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2010

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FRONTIER IP GROUP PLC

Neil Crabb, Chairman, said:

"We have made encouraging progress during the past year, both with the launch of dedicated funds for our university partners and with the growth of our equity portfolio. Since the start of the new financial year, we have continued to build on this position, with the ongoing development of the pipeline of spin-outs with both university partners and the potential for other IP commercialisation funds.

The Group is also well placed to benefit from the opportunities to secure additional university partners. As research institutions across the UK seek to capitalise on their intellectual property, we are seeing growing demand for our services and we are in active discussions with a number of institutions. We remain very positive about growth prospects for the business."

Key Points

- Encouraging progress over the year:
 - Successful launch of two dedicated venture funds to invest in spin-out opportunities from Robert Gordon University and the University of Dundee
 - Equity received in three spin-out companies from university partnerships – two from the University of Dundee and one from Robert Gordon University
 - In active discussions with potential new university partners
- Revenue from services of £142,000 *
- Loss before tax of £326,000 *
- Loss per share of 0.07p *
- Net assets per share as at 30 June 2010 of 0.48p *
- Cash balances as at 30 June 2010 of £330,000 *
- Team to be strengthened by appointment of two new board directors to support growth plans
- Positive growth prospects

* prior year comparatives are not provided above since the Group was not formed until May 2009 when the Company acquired Frontier IP Limited by way of a reverse takeover.

FRONTIER IP GROUP PLC

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report that the Group has made good progress during the year. We have developed both of our existing university partnerships, with Robert Gordon University and the University of Dundee, by establishing dedicated venture funds for both university partners. We have also received equity in three spin-out companies from these partnerships during the year.

As we seek to grow our revenue streams, we have been and remain in discussions with a number of potential new university partners. We have developed a strong pipeline of opportunities to further our aim of securing additional long-term partnerships.

In addition, we are pleased to announce separately today the appointment of two new executive board directors, Jackie McKay and David Cairns, with immediate effect to strengthen our management team and support our growth ambitions. Furthermore, I have assumed the role of Executive Chairman with immediate effect. We have also announced today that Alister Minty steps down from the Board and from his role as Managing Director, with immediate effect. I would like to thank Alister for his contribution and wish him well for the future.

We are also very pleased to announce today the appointment of Arbuthnot Securities Limited as PLUS Corporate Adviser to the Company with immediate effect.

Results

Revenue from services was £142,000 and, after an unrealised loss of £48,000 on the revaluation of investments, total revenue was £94,000. The loss before tax was £326,000 and the loss per share was 0.07p. Cash balances stood at £330,000 as at 30 June 2010. Net assets per share as at 30 June 2010 were 0.48p.

Business Model

The Frontier business model is low cost and offers the potential for high quality earnings and capital appreciation.

Our model is based on assisting universities and research organisations in the commercialisation of the intellectual property ("IP") produced from their substantial research budgets. In return for this service, Frontier receives a share of the founder equity and license revenue which the universities receive from the commercialisation of this research. In addition, Frontier generates revenue from board retainers and fees for bespoke advisory work. Also, where required, Frontier 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 Frontier. Our intention is also to participate as a limited partner in these funds.

Our objective is to increase the number of Frontier's commercialisation relationships and thereby generate value both from recurring revenue and from the capital appreciation of equity in spin-out companies and of direct investment in the dedicated funds.

Operational Review

In July 2009, Frontier announced the establishment and first closing of the first dedicated venture fund for investment in intellectual property developed by Robert Gordon University, the RGU Ventures Investment Fund, and, in August 2009, this fund completed its first fundraising for a portfolio client. In September 2009, we were involved in the launch of a similar fund dedicated to spin-outs from University of Dundee, the University of Dundee Venture Fund. Both funds achieved partnership status with Scottish Enterprise's Scottish Co-investment Fund. This potentially doubles the amount available to invest in each fund to £2.2m and £1.5m respectively.

FRONTIER IP GROUP PLC

CHAIRMAN'S STATEMENT

During the year, we received equity in three spin-out companies, one from Robert Gordon University and two from the University of Dundee. This takes the number of spin-out companies in which we have received equity from our university partnerships to five.

In January 2010, as anticipated when we joined PLUS, we granted warrants over 10,000,000 0.1 penny ordinary shares in the Company to Robert Gordon University with which the Company has a 25-year partnership agreement for supporting the commercialisation of IP. Each warrant is convertible to one ordinary share in the Company at a price of 1 penny per share for a period of up to five years from 12 May 2009.

We continue to make progress towards expanding our portfolio of university partnerships and are in active discussions with a number of institutions regarding partnerships. We are also looking to expand our existing funds and are exploring the potential for further IP commercialisation funds.

Board changes

In order to position the business for growth, we have made a number of appointments to strengthen the team. As announced separately today, I have assumed the role of Executive Chairman, having previously held the Chairman's role on a non-executive basis and we have also appointed two new directors to the board. Jackie McKay has been appointed Partnership Director for the Group. Jackie brings substantial experience in private equity and of the university IP sector in particular, including structuring and executing university partnership agreements and venture funds. I am also pleased to welcome David Cairns to the Group board as Executive Director. David has 25 years' experience in developing technology from concept through to commercialisation. David 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. Alister Minty steps down from the Board and from his role as Managing Director. In addition, Michael Brennand will be appointed as Regional Director North West to assist Frontier with its regional development. Michael has extensive experience of IP commercialisation in the food sector and related industries.

Outlook

We have made encouraging progress during the first year since the reverse takeover, both with the launch of dedicated funds for our university partners and with the growth of our equity portfolio. Since the start of the new financial year, we have continued to build on this. The pipeline for spin-outs with both university partners continues to develop and we are exploring the potential for other IP commercialisation funds.

With the strengthening of our team, the Group is also well placed to benefit from the opportunities to secure additional university partners. As research institutions across the UK seek to capitalise on their intellectual property, we are seeing growing demand for our services. We continue to pursue further partnership agreements and are in constructive discussions with a number of institutions. We remain very positive about growth prospects for the business.

Neil Crabb

Chairman

29 September 2010

FRONTIER IP GROUP PLC

BUSINESS REVIEW

Review of 2009/10 and strategy for 2010/11

The Group has made good progress in building on both of its existing university partnerships, with RGU and Dundee. In July 2009, we announced the establishment and First Closing of the first dedicated venture fund for investment in intellectual property developed by RGU, the RGU Fund, and in August this fund completed its first fundraising for a portfolio client. In September 2009, we launched a similar fund dedicated to spin-outs from Dundee, the Dundee Fund. Both funds achieved partnership status with Scottish Enterprise's Scottish Co-investment Fund, potentially doubling the amount available to invest in each fund to £2.2m and £1.5m respectively. Frontier IP Investments Ltd is a limited partner in both of these funds.

During the year, Frontier received equity in three spin-out companies, one from RGU and two from Dundee. This takes the number of spin-out companies in which Frontier has received equity from these university partnerships to five.

Frontier IP is in the process of applying for authorisation by the Financial Services Authority to conduct investment business. Once this is obtained, Frontier IP will be appointed the manager of both the RGU Fund and the Dundee Fund. In the meantime, these funds are managed by Sigma Technology Management Ltd, a fellow subsidiary of Sigma Capital Group plc although Frontier IP receives the benefit of the fund management fees generated through a reduction in the retainer paid to Sigma Capital Group plc for support services.

Going forward, Frontier's strategy is to grow its revenue streams by increasing the number of university partnerships and the number of portfolio companies for which it will provide commercial and strategic advice, and by managing IP commercialisation funds. The team is currently in active discussions with a number of institutions with a view to adding new university partnerships. Frontier is also looking to expand the RGU Fund and the Dundee Fund further, as they remain open to new investors for two years from First Closing, and is exploring the potential for further IP commercialisation funds.

The key performance indicators for the Group are:

- Number of university partnerships
- Number of portfolio companies and value of those companies
- Size and value of funds under management
- Number of portfolio companies which retain the services of Frontier for an annual fee

In the medium term, the aim is to generate sufficient revenue to cover operational costs and to be cash neutral before taking account of any investment realisations.

FRONTIER IP GROUP PLC

BUSINESS REVIEW

Current portfolio

At 30 June 2010 the Group had direct equity stakes in six companies (2009: two companies), brief details of which are given below.

Aridhia Informatics Limited (“Aridhia”)

Aridhia is a joint venture between Dundee, Sumerian Europe Limited and Scottish Health Equities Limited. Aridhia develops an intelligent data analysis service for the medical and life sciences sector which represents key performance indicators for both management and clinical purposes. Aridhia completed a further funding round in the period.

At 30 June 2010 the Group held 1.52% of the issued share capital of Aridhia.

Advanced Underwater Systems Limited (“ADUS”)

ADUS was spun out from Dundee and the University of St Andrews. It delivers high resolution multibeam sonar surveys and systems for the inspection of underwater assets. ADUS sonargrams offer photographic like detail of vessels, underwater structures and wrecks. The results provide a tool for those engaged in the management, development and research of the marine environment. The company has made progress over the past 15 months in securing new commercial customers.

At 30 June 2010 the Group held 5% of the issued share capital of ADUS.

Rapid Quality Systems Limited (“RQS”)

Spun out from Dundee, RQS is a software developer which launched its first software product, Code Rocket, during the period. Code Rocket is a software tool which simplifies and supports the design of software systems.

At 30 June 2010 the Group held 5% of the issued share capital of RQS.

Counterweight Limited (“Counterweight”)

Spun out from RGU, Counterweight develops and sells a low-cost, clinician-led, weight management programme which provides general practitioners and practice nurses an evidence-based approach to weight loss management.

At 30 June 2010 the Group held 10% of the issued share capital of Counterweight.

Living in the Moment Limited (“LIM”)

LIM has been set up by Dundee and the University of St Andrews to develop tools to support carers of people suffering from Alzheimers.

At 30 June 2010 the Group held 4.55% of the issued share capital of LIM.

FRONTIER IP GROUP PLC

BUSINESS REVIEW

Nandi Proteins Limited (“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.

At 30 June 2010 the Group held 3% of the issued share capital of Nandi.

Limited partner interests

During the year the Group became a limited partner in two funds, the RGU Fund and the Dundee Fund.

RGU Ventures Investment Fund

The RGU Fund reached first closing in July 2009, since when it has made one investment in B1 Medical Ltd, details of which are given below. In accordance with Frontier’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 2010, the carrying value is £39,000 which is £16,000 below cost.

B1 Medical Ltd (“B1 Medical”)

Held 9.48% ordinary shares fully diluted

The company is focusing on the commercialisation of technology in the field of medical devices for orthopaedics emerging from the University of Aberdeen, RGU and NHS Grampian.

In addition to an initial portfolio of eight designs, B1 Medical has a ten-year exclusive right to commercialise intellectual property in the field of orthopaedics as it is developed by the three institutions. B1 Medical is currently developing products in the areas of soft tissue monitoring, fracture fixation, IM Nail alignment, tissue repair and small joint prosthesis.

The RGU Fund invested £120,000 in B1 Medical in August 2009 as part of a funding round of £1.1 million and a further £45,000 as part of a follow on round of £0.2 million in June 2010.

University of Dundee Venture Fund

The Dundee Fund reached first closing in September 2009 and has made no investments to date. In accordance with Frontier’s accounting policies, the Group’s 66.7% investment in the Dundee Fund is included in the financial statements at fair value. At 30 June 2010, the carrying value is nil which is £23,000 below cost.

FRONTIER IP GROUP PLC

DIRECTORS

Neil Crabb, Executive Chairman (Age 43) Appointed 13 May 2009

Neil Crabb co-founded Sigma Capital Group plc with Graham Barnet. Neil has considerable investment management experience, particularly in technology and smaller companies. Prior to co-founding Sigma, Neil spent two years, from 1995 to 1996, with Duncan Lawrie Limited where he was an investment manager with responsibility for a range of managed portfolios. These portfolios invested primarily in UK smaller companies. Whilst at Duncan Lawrie Limited, Neil was responsible for investment activity in unquoted technology 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, as well as larger stocks in the electronics sector.

Alister Minty, Managing Director (Age 52) Appointed 13 May 2009

Alister Minty is Managing Director of Frontier IP. Alister has worked with university spin out companies for more than 15 years. He has been a member of Scottish Enterprise's National High Growth Unit since its inception in 2002, mentoring over 20 university spin-outs as well as start-ups across a range of industries. He is Chairman of Dimensional Imaging Limited, a spin-out company from the Universities of Glasgow and Edinburgh, and a non-executive director of DEM Solutions Limited, a spin-out from the University of Edinburgh. He was previously a founding director and Vice President Sales of IndigoVision Limited, and before that a Business Group Manager at VLSI Vision Limited, the CMOS camera spin-out from University of Edinburgh

Marilyn Cole, FCA, Finance Director and Company Secretary (Age 56) Appointed 13 May 2009

Marilyn Cole qualified as a chartered accountant with Deloitte Haskins & Sells. She moved to Pannell Kerr Forster in 1985 and spent eight years in its corporate finance department assisting clients on a variety of transactions including flotations, acquisitions, disposals and fundraisings. In 1993 Marilyn set up her own business advisory practice working with local businesses and also undertaking work for the DTI and The Competition Commission. During this period she undertook consultancy work for Northamber plc, a company listed on the London Stock Exchange, and subsequently joined that company, being appointed finance director in 1997. Marilyn joined Sigma Capital Group plc in January 2000 and was appointed finance director in April 2000.

Graham Barnet, Non-executive Director (Age 47) Appointed 13 May 2009

Graham Barnet is Chief Executive Officer and co-founder of Sigma Capital Group plc. Graham is a qualified lawyer, having worked at Shepherd & Wedderburn, Noble Grossart Limited and Edinburgh Financial Trust Limited prior to forming his own company, Merchant Investments Limited, in 1994. This company was a specialist consultancy involved in the management of businesses both in the traditional and technology sectors. In 1996, Graham co-founded Sigma Capital Group plc with Neil Crabb. Graham is also non-executive director of one of Scotland's leading IFAs, Dunedin Independent plc.

Tim Cockroft, Non –executive Director (Age 43) Appointed 13 May 2009

Tim Cockroft is a Non-Executive Director of Frontier IP. Tim is Chief Executive of Singer Capital Markets Limited, the independent stockbroking business. He was previously CEO of KBC Peel Hunt Limited, having been a founding member of Peel Hunt Limited in 1989.

Neil Crabb, Tim Cockroft and Graham Barnet are members of the audit and remuneration committees.

FRONTIER IP GROUP PLC

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Registered number 06262177

FRONTIER IP GROUP PLC

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 2010.

Principal activities

Frontier IP Group Plc ("the Company") is a limited liability company incorporated in England. It acts as a holding company and has two principal wholly owned subsidiaries, Frontier IP Limited ("Frontier IP") and Frontier IP Investments Limited ("Frontier IP Inv"). The principal activity of the Group is the commercialisation of intellectual property ("IP") within the university sector.

During the year Frontier IP Inv became a limited partner in the first two dedicated venture funds for investment in spin-out opportunities from Robert Gordon University ("RGU") and the University of Dundee ("Dundee").

Results and dividends

The Group made a loss for the year of £326,000 (2009: £120,000). The Directors do not recommend the payment of a dividend (2009: nil). The Directors are confident of the prospects for the current year.

Review of the business and future developments

A review of the business and future developments is presented in the Chairman's Statement and the Business Review.

Directors

The Directors who held office during the year and the current Directors of the Company are listed on page 8. Details of Directors' shareholdings are given in the Directors' Remuneration Report on page 12.

Supplier payment policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment. Creditors of the Company at 30 June 2010 were equivalent to 80 days' purchases (2009: 190 days), based on the average daily amount invoiced by suppliers during the year.

Employees

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

Charitable and political donations

No charitable or political contributions were made during the year (2009: nil).

Risk factors

Information on the Group's financial risk management objectives and policies relating to market risk, credit risk and liquidity risk is provided in note 1 to the financial statements.

FRONTIER IP GROUP PLC

DIRECTORS' REPORT

Treasury activities and financial instruments

The Group's financial instruments comprise cash, equity investments, non-equity share capital plus other items such as trade debtors and trade creditors that arise directly from its operations. The Group has no borrowings. At 30 June 2010, the Group had positive cash balances of £330,000 (2009: £710,000). 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 in place throughout the year.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

Corporate governance

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

Awareness of relevant audit information

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

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

Auditor

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

By order of the Board

Marilyn Cole, FCA
Company Secretary

29 September 2010

FRONTIER IP GROUP PLC

DIRECTORS' REMUNERATION REPORT

Directors' remuneration

The members of the Remuneration Committee are Neil Crabb, Tim Cockroft and Graham Barnet. The Remuneration Committee decides the remuneration policy that applies to the Executive Chairman and Managing Director.

Salaries and benefits

The Remuneration Committee meets at least once a year in order to consider and set the remuneration packages. The remuneration packages are benchmarked to ensure comparability with companies of a similar size and complexity. Remuneration comprises basic salary, pension contributions to the Managing Director's personal pension scheme and benefits in kind.

Contract of service

Alister Minty and Neil Crabb's service agreements are subject to a three-month notice period.

Share options

The Company is not currently eligible to grant Enterprise Management Incentive (EMI) options on the basis that it does not satisfy the independence test set out in the relevant legislation. At this stage, there is no intention to introduce any HM Revenue & Customs approved share option scheme, such as a Company Share Option Plan.

The following unapproved share options have been granted:

| | Number of Ordinary Shares | Exercise Price | Grant Date | Option Period | Expiry Date |
|---------------|---------------------------------|-------------------|---------------|------------------|----------------|
| Alister Minty | 14,916,495 | £0.01 | 13.5.09 | 13.5.12-12.5.19 | 12.5.19 |
| Neil Crabb | 19,888,660 | £0.01 | 13.5.09 | 13.5.12-12.5.19 | 12.5.19 |

Directors' interests in shares

The Directors in office at 30 June 2010 had the following interests in the ordinary shares of 0.1p each of the Company.

| | 2010 Number | 2009 Number |
|---------------|----------------|----------------|
| Neil Crabb | 12,500,000 | 12,500,000 |
| Alister Minty | 1,000,000 | 1,000,000 |

Graham Barnet and Marilyn Cole are both directors and shareholders of Sigma Capital Group plc, which held 385,000,000 ordinary shares in the Company at 30 June 2010 (2009: 385,000,000). Neil Crabb is also a significant shareholder of Sigma Capital Group plc, holding 15.6% of its share capital.

Marilyn Cole, FCA
By order of the Board

29 September 2010

FRONTIER IP GROUP PLC

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 income statement and cash flows of the Company and 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.

FRONTIER IP GROUP PLC

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 2010 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 Flow, 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 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.

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 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

FRONTIER IP GROUP PLC

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

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.

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 Company 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.

IAN STAUNTON
Senior Statutory Auditor
for and on behalf of:

CHANTREY VELLACOTT DFK LLP
Chartered Accountants
Statutory Auditor

29 September 2010

FRONTIER IP GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|--|-------|---------------------|---------------------|
| Revenue | | | |
| Revenue from services | | 142 | 23 |
| Other operating income | | | |
| Unrealised (loss)/profit on the revaluation of investments | 9 | (48) | 30 |
| Total revenue | | <u>94</u> | <u>53</u> |
| Administrative expenses (net) | 3 | (422) | (173) |
| Loss from operations | | <u>(328)</u> | <u>(120)</u> |
| Finance income | 4 | 2 | - |
| Loss before tax | | <u>(326)</u> | <u>(120)</u> |
| Taxation | 6 | - | - |
| Loss/total comprehensive expense for the year | | <u><u>(326)</u></u> | <u><u>(120)</u></u> |
| Loss per share attributable to the equity holders of the Company: | | | |
| Basic and diluted loss per share | 7 | 0.07p | 0.10p |

All of the Group's activities are classed as continuing and there were no comprehensive gains or losses in either year other than those included in the statement of comprehensive income.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company statement of comprehensive income. The total comprehensive expense of the Company for the year was £192,000 (2009: £101,000).

FRONTIER IP GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|--|-------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Goodwill | | 1,966 | 1,966 |
| Financial assets at fair value through profit and loss | 9 | 179 | 39 |
| | | <u>2,145</u> | <u>2,005</u> |
| Current assets | | | |
| Trade receivables | 10 | 13 | 9 |
| Other current assets | 10 | 13 | 8 |
| Cash and cash equivalents | | 330 | 710 |
| | | <u>356</u> | <u>727</u> |
| Total assets | | <u>2,501</u> | <u>2,732</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | (107) | (46) |
| | | <u>(107)</u> | <u>(46)</u> |
| Net assets | | <u>2,394</u> | <u>2,686</u> |
| Equity | | | |
| Called up share capital | 12 | 497 | 497 |
| Share premium account | 12 | 3,898 | 3,898 |
| Reverse acquisition reserve | 13 | (1,667) | (1,667) |
| Share based payment reserve | 13 | 112 | 78 |
| Retained earnings | 13 | (446) | (120) |
| Total equity | | <u>2,394</u> | <u>2,686</u> |

The financial statements on pages 16 to 29 were approved by the Board of Directors and authorised for issue on 29 September 2010 and were signed on its behalf by:

Marilyn Cole, FCA
Director

29 September 2010

Registered number: 06262177

FRONTIER IP GROUP PLC

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 June 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|---|-------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Investment in subsidiaries | 8 | <u>3,563</u> | <u>3,563</u> |
| Current assets | | | |
| Other current assets | 10 | 623 | 787 |
| Cash and cash equivalents | | <u>50</u> | <u>20</u> |
| | | <u>673</u> | <u>807</u> |
| Total assets | | <u>4,236</u> | <u>4,370</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | <u>(38)</u> | <u>(14)</u> |
| Net assets | | <u>4,198</u> | <u>4,356</u> |
| Equity attributable to equity holders of the Company | | | |
| Called up share capital | 12 | 497 | 497 |
| Share premium account | 12 | 3,898 | 3,898 |
| Share-based payment reserve | 13 | 112 | 78 |
| Retained earnings | 13 | <u>(309)</u> | <u>(117)</u> |
| Total equity | | <u>4,198</u> | <u>4,356</u> |

The financial statements on pages 16 to 29 were approved by the Board of Directors and authorised for issue on 29 September 2010 and were signed on its behalf by:

Marilyn Cole, FCA
Director

29 September 2010

Registered number: 06262177

FRONTIER IP GROUP PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the two years ended 30 June 2010

Group

| | Share capital £'000 | Share premium account £'000 | Reverse acquisition reserve £'000 | Share-based payment reserve £'000 | Retained earnings £'000 | Total equity attributable to equity holders of the Company £'000 |
|--|------------------------|--------------------------------|--------------------------------------|--------------------------------------|----------------------------|---|
| At 1 July 2008 | - | - | - | - | - | - |
| Reserves of Frontier IP Group Plc on acquisition | 69 | 296 | - | 15 | - | 380 |
| Reserve arising on reverse | - | - | (1,667) | - | - | (1,667) |
| Issue of shares | 428 | 3,720 | - | 31 | - | 4,179 |
| Costs of issue | - | (118) | - | - | - | (118) |
| Loss/total comprehensive expense for the year | - | - | - | - | (120) | (120) |
| Share-based payments | - | - | - | 32 | - | 32 |
| At 30 June 2009 | 497 | 3,898 | (1,667) | 78 | (120) | 2,686 |
| Loss/total comprehensive expense for the year | - | - | - | - | (326) | (326) |
| Share-based payments | - | - | - | 34 | - | 34 |
| At 30 June 2010 | 497 | 3,898 | (1,667) | 112 | (446) | 2,394 |

Company

| | Share capital £'000 | Share premium account £'000 | Share-based payment reserve £'000 | Retained earnings £'000 | Total equity attributable to equity holders of the Company £'000 |
|---|------------------------|--------------------------------|--------------------------------------|----------------------------|---|
| At 30 June 2008 | 69 | 296 | 15 | (16) | 364 |
| Issue of shares | 428 | 3,720 | 31 | - | 4,179 |
| Costs of issue | - | (118) | - | - | (118) |
| Share-based payments | - | - | 32 | - | 32 |
| Loss/total comprehensive expense for the year | - | - | - | (101) | (101) |
| At 30 June 2009 | 497 | 3,898 | 78 | (117) | 4,356 |
| Share-based payments | - | - | 34 | - | 34 |
| Loss for the year | - | - | - | (192) | (192) |
| At 30 June 2010 | 497 | 3,898 | 112 | (309) | 4,198 |

FRONTIER IP GROUP PLC

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 30 June 2010

| | Notes | Group 2010 £'000 | Group 2009 £'000 | Company 2010 £'000 | Company 2009 £'000 |
|--|-------|------------------------|------------------------|--------------------------|--------------------------|
| Cash flows from operating activities | | | | | |
| Cash (used in)/generated from operations | 15 | (194) | (89) | 28 | (839) |
| Taxation paid | 5 | - | - | - | - |
| Net cash (used in)/generated from operating activities | | (194) | (89) | 28 | (839) |
| Cash flows from investing activities | | | | | |
| Investment in subsidiary | | - | (17) | - | (17) |
| Cash acquired on reverse takeover | | - | 345 | - | - |
| Net working capital acquired | | - | (35) | - | - |
| Purchase of financial assets at fair value through profit and loss | 9 | (188) | (9) | - | - |
| Interest received | 4 | 2 | - | 2 | - |
| Net cash (used in)/generated from investing activities | | (186) | 284 | 2 | (17) |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of equity shares | | - | 633 | - | 633 |
| Costs of share issue | | - | (118) | - | (118) |
| Net cash generated from financing activities | | - | 515 | - | 515 |
| Net (decrease)/increase in cash and cash equivalents | | (380) | 710 | 30 | (341) |
| Cash and cash equivalents at beginning of year | | 710 | - | 20 | 361 |
| Cash and cash equivalents at end of year | | 330 | 710 | 50 | 20 |

ACCOUNTING POLICIES for the year ended 30 June 2010

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of the method of estimating fair value for university spin-outs and the application of International Private Equity and Venture Capital Valuation Guidelines ("IPEV Guidelines") as detailed under the accounting policy for investments below.

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 for use in the European Union.

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

Basis of consolidation

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

Segmental reporting

The Group operates in one market sector, the commercialisation of university intellectual property, and wholly within the UK. Therefore the segmental analysis of turnover, profit/(loss) on ordinary activities before tax and net assets do not need to be separately analysed.

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. Any impairment is recognised immediately in the statement of comprehensive income and is not subsequently reversed.

Financial instruments

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

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash

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

Investments

Investments are recognised and derecognised on the trade date. Investments are classified as either trade investments or financial assets at fair value through profit and loss. Investments classified as held for trading are initially measured at cost. Investments classified as financial assets at fair value through profit and loss are initially measured at cost, including transaction costs.

Where the Group receives equity in companies when they are spun out by a university and there is no associated funding round, the Group applies an initial standard valuation amount as a means of estimating fair value. Subsequently the fair value of these investments and the Group's other unlisted investments is established using IPEV Guidelines.

FRONTIER IP GROUP PLC

ACCOUNTING POLICIES for the year ended 31 December 2009

The following considerations are used when calculating the fair value using these guidelines:

- Where the investment being valued was itself made recently, its cost will generally be a good indication of fair value.
- Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation.
- If there is no readily ascertainable value from following the “price of recent investment” methodology, the Group considers alternative methodologies as set out in the IPEV Guidelines being principally multiples, net assets, discounted cash flows and industry valuation benchmarks.

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

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

Investments classified as financial assets at fair value through profit and loss are recognized as non-current assets. Investments classified as trade investments are recognised as current assets.

Financial liabilities and equity

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

Trade payables

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

Equity instruments

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

Current and deferred tax

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

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

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

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

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

FRONTIER IP GROUP PLC

ACCOUNTING POLICIES for the year ended 30 June 2010

Warrants and options

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.

Share based payments

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

Fair value is measured in the same way as warrants.

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.

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.

Impairment

At the end of each financial year, the Group reviews the carrying amounts of its intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

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

Where an impairment loss 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 been recognised for the asset (cash-generating unit) in prior years. However, impairment losses relating to goodwill may not be reversed.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2010

1. Financial risk management

Financial risk factors

The Group's business activities are set out in the Business Review. 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.

The Group has sufficient financial resources for the size of its business and has no borrowings. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

(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. From time to time, certain of the Group's cash resources are placed on short term fixed deposit (one month to three months) to take advantage of preferential rates. Otherwise, cash resources are held in current, 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 £179,000.

(b) Credit risk

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

The concentration of credit risk from trade receivables and other current assets varies throughout the year depending on the timing of transactions and invoicing of fees.

Other exposures of the Group are spread over a number of customers and counterparties with little concentration on any one entity.

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

(c) Liquidity risk

The Group seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews available cash to ensure there are sufficient resources for working capital requirements. At 30 June 2010 and 30 June 2009 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2010

2. Significant accounting estimates

Sources of estimation uncertainty

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

Significant judgments

The Group believes that the most significant judgment area in the application of its accounting policies is establishing the fair value of its unlisted investments. The matters taken into account when assessing the fair value of the unlisted investments are detailed in the accounting policy on Investments above.

3. Expenses by nature

Expenses included in administrative expenses are analysed below.

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Employee costs | 290 | 68 |
| Travel and entertainment | 22 | 9 |
| Audit services: | | |
| - for the audit of the parent company and consolidated accounts | 8 | 6 |
| - the audit of the Company's subsidiaries pursuant to legislation | 17 | 4 |
| Non-audit services: | | |
| - tax services | 3 | 2 |
| Legal, professional and financial costs | 78 | 50 |
| Fund management fees remitted by Sigma | (32) | - |
| Warrants issued to universities | 31 | 31 |
| Administration costs | 5 | 3 |
| | <u>422</u> | <u>173</u> |

4. Finance income

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Interest income on short-term deposits and loans | 2 | - |
| | <u>2</u> | <u>-</u> |

5. Directors and employees

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

| | 2010 Number | 2009 Number |
|------------------------------------|----------------|----------------|
| Business and corporate development | <u>2</u> | <u>1</u> |

FRONTIER IP GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2010
5. Directors and employees (cont.)

The aggregate remuneration is in respect of the Managing Director and Executive Chairman and was as follows:

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Wages and salaries | 178 | 45 |
| Social security | 21 | 6 |
| Pension costs – defined contribution plans | 11 | 1 |
| Directors' fees | 74 | 15 |
| Share option expense | 4 | 1 |
| | <u>288</u> | <u>68</u> |

The key management of the Group comprises the Frontier IP Group Plc Board of directors. The remuneration of the Managing Director and Executive Chairman are shown above. Fees in respect of Tim Cockroft, totalling £24,000, were paid to Singers Capital Markets Ltd. Payments made to Sigma Capital Group plc for the services of Graham Barnet and Marilyn Cole are disclosed in note 16.

Highest paid Director

| | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| Total amount of emoluments including pension contributions | <u>82</u> | <u>18</u> |

6. Taxation

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

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Loss before tax | <u>(326)</u> | <u>(120)</u> |
| Loss before tax at the effective rate of corporation tax in the UK of 21% (2009: 21%) | (68) | (25) |
| Effects of: | | |
| Trading losses carried forward | <u>68</u> | <u>25</u> |
| Tax charge for the year | <u>-</u> | <u>-</u> |

The tax asset relating to the Group losses are not recognised in accordance with Group policy.

7. Loss per share

The calculation of the basic loss per share for the year ended 30 June 2010 and 30 June 2009 is based on the losses attributable to the shareholders of Frontier IP Group Plc divided by the weighted average number of shares in issue during the year.

| | Loss attributable to shareholders £'000 | Weighted average number of shares | Basic loss per share amount in pence |
|--------------------------------|--|--|---|
| Year ended 30 June 2010 | <u>326</u> | <u>497,216,495</u> | <u>0.07</u> |
| Year ended 30 June 2009 | <u>120</u> | <u>125,313,402</u> | <u>0.10</u> |

No warrant or option is potentially dilutive as the average market price of the ordinary shares during the year and the previous year was less than the exercise price of the warrants and options, hence basic and diluted loss per share are the same.

FRONTIER IP GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2010

8. Investment in subsidiaries

| | Company 2010 £'000 | Company 2009 £'000 |
|-----------------------------------|--------------------------|--------------------------|
| At 1 July 2009 | 3,563 | - |
| Investment in Frontier IP Limited | - | 3,563 |
| At 30 June 2010 | <u>3,563</u> | <u>3,563</u> |

Group investments

The Company has investments in the following subsidiary undertakings.

| | Country of incorporation | Class of capital | % |
|---|-----------------------------|---------------------|-------|
| Frontier IP Limited – Principal activity is commercialisation of intellectual property. | Scotland | Ordinary | 100.0 |
| Frontier IP Investments Limited – Principal activity is investment. | Scotland | Ordinary | 100.0 |

9. Financial assets at fair value through profit and loss

| | Group 2010 £'000 | Group 2009 £'000 | Company 2010 £'000 | Company 2009 £'000 |
|---------------------|------------------------|------------------------|--------------------------|--------------------------|
| At 1 July 2009 | 39 | - | - | - |
| Additions | 188 | 9 | - | - |
| Provision | (83) | - | - | - |
| Fair value increase | 35 | 30 | - | - |
| At 30 June 2010 | <u>179</u> | <u>39</u> | <u>-</u> | <u>-</u> |

10. Trade receivables and other current assets

| | Group 2010 £'000 | Group 2009 £'000 | Company 2010 £'000 | Company 2009 £'000 |
|-------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade receivables | 13 | 9 | - | - |
| Receivables from Group undertakings | - | - | 616 | 779 |
| VAT | - | 3 | 4 | 3 |
| Prepayments and accrued income | 13 | 5 | 3 | 5 |
| | <u>26</u> | <u>17</u> | <u>623</u> | <u>787</u> |

11. Trade and other payables

| | Group 2010 £'000 | Group 2009 £'000 | Company 2010 £'000 | Company 2009 £'000 |
|-----------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Trade payables | 49 | 21 | 19 | 6 |
| Amount owed to Group undertakings | 2 | 4 | - | - |
| Amounts due to subsidiaries | - | - | - | 2 |
| Social security and other taxes | 8 | 6 | - | - |
| Accruals and deferred income | 48 | 15 | 19 | 6 |
| | <u>107</u> | <u>46</u> | <u>38</u> | <u>14</u> |

NOTES TO THE FINANCIAL STATEMENTS for the year 30 June 2010

12. Share capital and premium

| | Number of shares in issue | Ordinary shares £'000 | Share premium £'000 | Total £'000 |
|------------------------|---------------------------------|-----------------------------|---------------------------|----------------|
| At 30 June 2009 | 497,216,495 | 497 | 3,898 | 4,395 |
| At 30 June 2010 | 497,216,495 | 497 | 3,898 | 4,395 |

The total authorised number of redeemable ordinary shares of 1p each is 2,000,000 (2009: 2,000,000). The total authorised number of ordinary shares is 1,980,000,000 (2009: 1,980,000,000) with a par value of 0.1p per share (2009: 0.1p). All issued shares are fully paid.

Warrants

During the year, the Company issued warrants over 10,000,000 ordinary shares to the Robert Gordon University. Movements in the number of warrants outstanding and their related weighted average exercise prices were as follows:

| | 2010 Average exercise price in pence per warrant | Number | 2009 Average exercise price in pence per warrant | Number |
|-----------------|--|------------|--|------------|
| At 1 July 2009 | 1.0 | 26,844,330 | 1.0 | 6,900,000 |
| Granted | 1.0 | 10,000,000 | 1.0 | 19,944,330 |
| At 30 June 2010 | 1.0 | 36,844,330 | 1.0 | 26,844,330 |

Warrants outstanding at the end of the year have the following expiry dates. All warrants have an exercise price of 1p per share.

| | 2010 | 2009 |
|--------------|------------|------------|
| 25 June 2012 | 6,900,000 | 6,900,000 |
| 12 May 2014 | 29,944,330 | 19,944,330 |

The weighted average fair value of the warrants issued during the period determined using the Black-Scholes-Merton valuation model was 0.31p (2009: 0.31p). The significant inputs into the model were exercise price as above, volatility of 30% (2009: 30%), dividend yield of 0 % (2009: 0%), expected life of 5 years (2009: 5 years) and an annual risk free interest rate of 2.59 % (2009: 2.59%).

13. Reserves

The reverse acquisition reserve was created on the reverse takeover of Frontier IP Group Plc. The movement in reserves for the years ended 30 June 2010 and 2009 is set out in the Consolidated and Company Statement of Changes in Equity on page 19.

14. Share options

On 13 May 2009, options over 19,888,660 shares were granted to Neil Crabb, Executive Chairman and options over 14,916,495 shares were granted to Alister Minty, Managing Director, at an exercise price of 1p. The exercise of the options is conditional on the director completing three years service following grant (the vesting period). No other share options have been granted.

The weighted average fair value of these options, determined using the Black-Scholes-Merton valuation model was, 0.03p per option.

FRONTIER IP GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS for the year 30 June 2010

15. Cash used in operations

| | Group 2010 £'000 | Group 2009 £'000 | Company 2010 £'000 | Company 2009 £'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Loss before tax | (326) | (120) | (192) | (101) |
| Adjustments for: | | | | |
| Share-based payments | 34 | 32 | 34 | 32 |
| Adjustment for finance income | (2) | - | (2) | - |
| Fair value loss/(gain) on financial assets through profit and loss | 48 | (30) | - | - |
| Changes in working capital: | | | | |
| Trade and other receivables | (9) | (17) | 164 | (781) |
| Trade and other payables | 61 | 46 | 24 | 11 |
| Cash flows from operating activities | (194) | (89) | 28 | (839) |

16. Related party transactions

During the year the Company had transactions with a significant shareholder, Sigma Capital Group plc ("Sigma").

Sigma charged fees of £50,000 (2009: £10,000) for work done for the Company and recharged administration expenses of £nil (2009: £2,000). The fees are for the services of Graham Barnet and Marilyn Cole as Directors of the Company and for administration support.

At 30 June 2010, the Company owed Sigma £nil (2009: £17,000).

17. Ultimate controlling party

The directors regard Sigma Capital Group plc, a company incorporated in England, as the ultimate parent company and the ultimate controlling party.

Copies of the financial statements are available from the Company's trading office at 41 Charlotte Square, Edinburgh EH2 4HQ.