

Frontier IP aims to create high value businesses from intellectual property developed by universities, academics, scientists and engineers.

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Highlights Financial



Fair value of our equity portfolio increased by 64% to

£31,982,000 2021

£19,444,000 2020



Profit before tax increased by 145% to

£10,242,000 2021

£4,184,000 2020



Total revenue and other operating income increased by 99% to

£12,668,000 2021

£6,377,000 2020



Basic earnings per share increased to

17.47p 2021

8.76p 2020



Reflecting the net unrealised profit on the revaluation of investments of

£12,306,000 2021

£5,973,000 2020



Cash balances at 30 June 2021 of

£1,992,000 2021

£2,968,000 2020



Revenue from services decreased by 10% to

£362,000 2021

£404,000 2020



Net assets per share as at 30 June 2021 of

69.8p 2021

51.0p 2020

“Frontier IP and its portfolio companies made excellent progress during the year to June 2021. The results are exceptional.”

Andrew Richmond | Chairman

Highlights: continued

Corporate

- Raised £2.3 million via an oversubscribed placing and retail offer to support additional investment in the Group and to enable increased capacity for bridge financing and investment in portfolio companies
- The fundraising was firmly supported by existing shareholders and a significant number of new investors
- Team strengthened with three key appointments
- Post period end, first portfolio company IPO – Exscientia listed on Nasdaq Global Select Market raising gross proceeds of approximately \$304.7 million through a public offer and a further \$160 million through private placements with SoftBank and the Bill & Melinda Gates Foundation, with a value of \$2.9 billion
- Post period end, Professor Dame Julia King, Baroness Brown of Cambridge DBE FREng FRS, joined the Board of Directors as an independent Non-Executive Director
- Nandi Proteins raised £720,000 through a convertible loan, including £360,000 from the UK government's Future Fund, matched by Frontier IP and Shackleton Finance
- Alusid raised £250,000 in a convertible loan, including £125,000 from the UK government's Future Fund, matched by Frontier IP and a private investor
- InSignals Neurotech gained €100,000 investment from Portugal Ventures
- Post period end, CamGraPhIC raised £1.6 million
- Strong commercial and technical progress made by a number of portfolio companies, including developing new and existing industry partnerships:
 - Exscientia expanded its collaboration with Bristol Myers Squibb. Agreement includes upfront and commercial milestone payments potentially worth more than \$1.2 billion. Post period end, Exscientia entered a \$70 million collaboration with the Bill & Melinda Gates Foundation.
 - The Vaccine Group entered into first commercial agreement, with The Pirbright Institute and ECO Animal Health, and made good progress on developing its novel vaccine platform
 - Fieldwork Robotics secured collaboration agreements with Bosch and Bonduelle, one of the world's leading vegetable producers
 - Cambridge Raman Imaging signed a licence with Motic, a leading manufacturer of medical imaging devices
 - Elute Intelligence launched its Patent Reader product following successful pilot with dedicated user group comprising multinationals, high-tech SMEs and professional intellectual property service providers

Portfolio

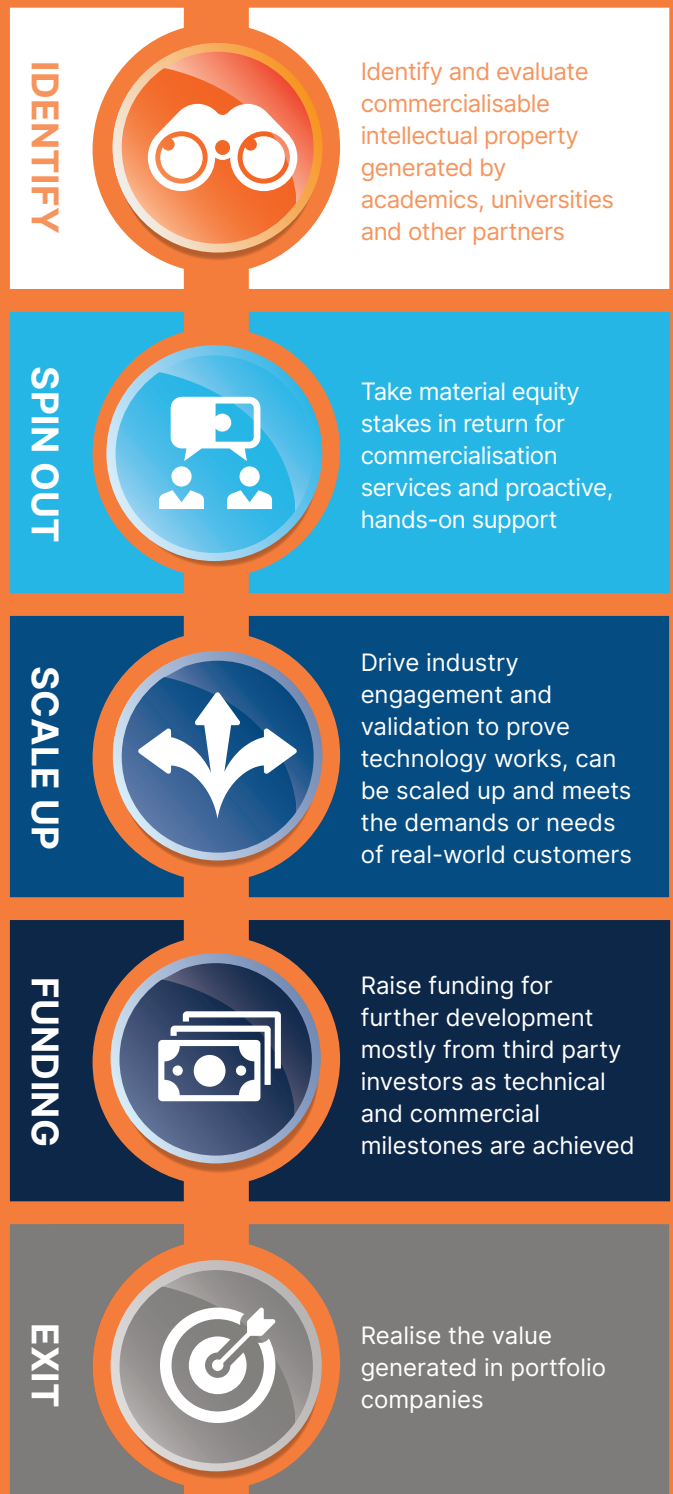
- Robust commercial and technical progress, including industry engagement and increased pace of fundraisings across the portfolio, reflected by the increase in fair value
- Growing maturity of the portfolio with a number of companies reaching inflection points, reflected by increased pace of funding rounds, strengthening of management teams, and industry engagement. Fundraisings and grant awards included:
 - Exscientia closing a Series C funding round at \$100 million and raising a further \$225 million in a Series D round, led by new investor SoftBank. Post period end, the company raised total gross proceeds of \$464.7 million through listing on the Nasdaq Global Select Market with a value of \$2.9 billion
 - Cambridge Raman Imaging raised £250,000 through an equity funding round and involvement in €5 million pan-European project to develop new medical imaging technologies
 - Pulsiv completed £1.5 million equity funding round. In addition, the company converted £500,000 of debt plus accrued interest into equity, including a £250,000 loan from the UK government's Future Fund scheme
 - AquaInSilico was selected to receive \$250,000 after being named as an Ocean Innovator by the United Nations Development Programme's Ocean Innovation Challenge. The company also received a €60,000 EIT RawMaterials grant
 - Fieldwork Robotics raised £675,000 through an equity funding round and received £229,000 in grants from schemes managed by Innovate UK
 - Elute Intelligence raised £250,000 in its first equity funding round
- Steps taken to strengthen leadership and teams across portfolio to oversee scale up of companies:
 - Pulsiv appointed former Aixtron and Arm executive Darrel Kingham as Chief Executive Officer, Dr Zaki Ahmed as Chief Strategy Officer, and announced appointment of Adam Westcott as Chief Financial Officer
 - The Vaccine Group appointed GALVmed Chief Scientific Officer Jeremy Salt as Chief Executive Officer. He is a former senior director for the world's biggest animal health group Zoetis
 - Nandi Proteins appointed David Flower, a former senior director with Boon Rawd Brewing Company and Kerry Foods, as Chief Executive Officer
 - Alusid appointed David Taylor, founding chief executive for both English Partnerships and Amec Developments, property entrepreneur and Pro-Chancellor of the University of Central Lancashire to its board of directors as the University's representative

Our business

Our Key Strengths

- Strategy based on proving the commercial value of IP before significant financial commitment is made
- Portfolio offers opportunity for ongoing growth in equity valuation
- Innovative and capital efficient business model
- Proactive sourcing of potential spin outs
- Founder equity in return for hands-on commercialisation support before capital raising
- Strong relationships with academics, universities and industry partners

Our approach



Our business: continued

Business Model

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

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

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

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

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

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

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

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

We continue to grow our network of sources of capital ranging from institutions, industry investors through to private individuals. The Group's fundraising activity for our spin out companies both enhances value in its portfolio and may also generate revenue for the Group. To enable us to provide fundraising support and raise capital for our portfolio, Group subsidiary Frontier IP Management Limited is an Appointed Representative of Privium Fund Management (UK) Limited which is authorised and regulated by the Financial Conduct Authority in the UK.

Our clusters approach

Frontier IP's portfolio falls into four broad clusters. These are:

- AI, Big Data, Sparse Data and Robotics
- Engineered Particles and Materials
- Pathogens and Cell Imaging
- Food and Agritech

How our portfolio companies fall into each cluster

- AI, Big Data, Sparse Data and Robotics: AquaInSilico, Cambridge Raman Imaging, Celerum, Elute Intelligence, Exscientia, Fieldwork Robotics, PoreXpert, Pulsiv Solar, and The Vaccine Group



- Engineered Particles and Materials: Alusid, CamGraPhIC, Cambridge Raman Imaging, Nandi Proteins and NTPE



- Pathogens and Cell Imaging: Amprologix, Cambridge Raman Imaging, InSignals Neurotech, Molendotech and The Vaccine Group

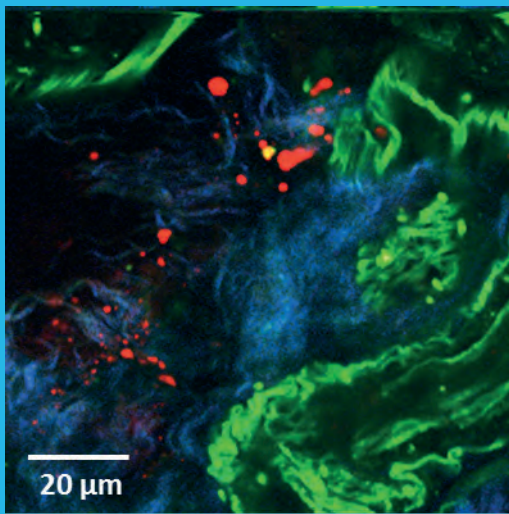


- Food and Agritech: AquaInSilico, Des Solutio, Fieldwork Robotics, Molendotech, Nandi Proteins, and The Vaccine Group



Our business: continued

Cambridge Raman Imaging: an example of our clusters approach



Cambridge Raman Imaging (CRI): CRI is developing novel Raman imaging technology using ultra-fast lasers based on graphene and graphene-like materials. The technology employs Artificial Intelligence (AI) based analysis of chemical signatures, for accurately differentiating between healthy tissue and diseased tissue in patient samples, augmenting or replacing subjective diagnosis of samples by histopathologists.

This will remove the need for chemical staining - eliminating a major contributor to sample variation seen between one lab and the next. The company is also part of a €5 million project, Crimson, to develop new imaging technologies to enable researchers to investigate diseases unfolding in cells in near real time. This will lead to a greater understanding of diseases and their origins, opening up possibilities for new treatments.



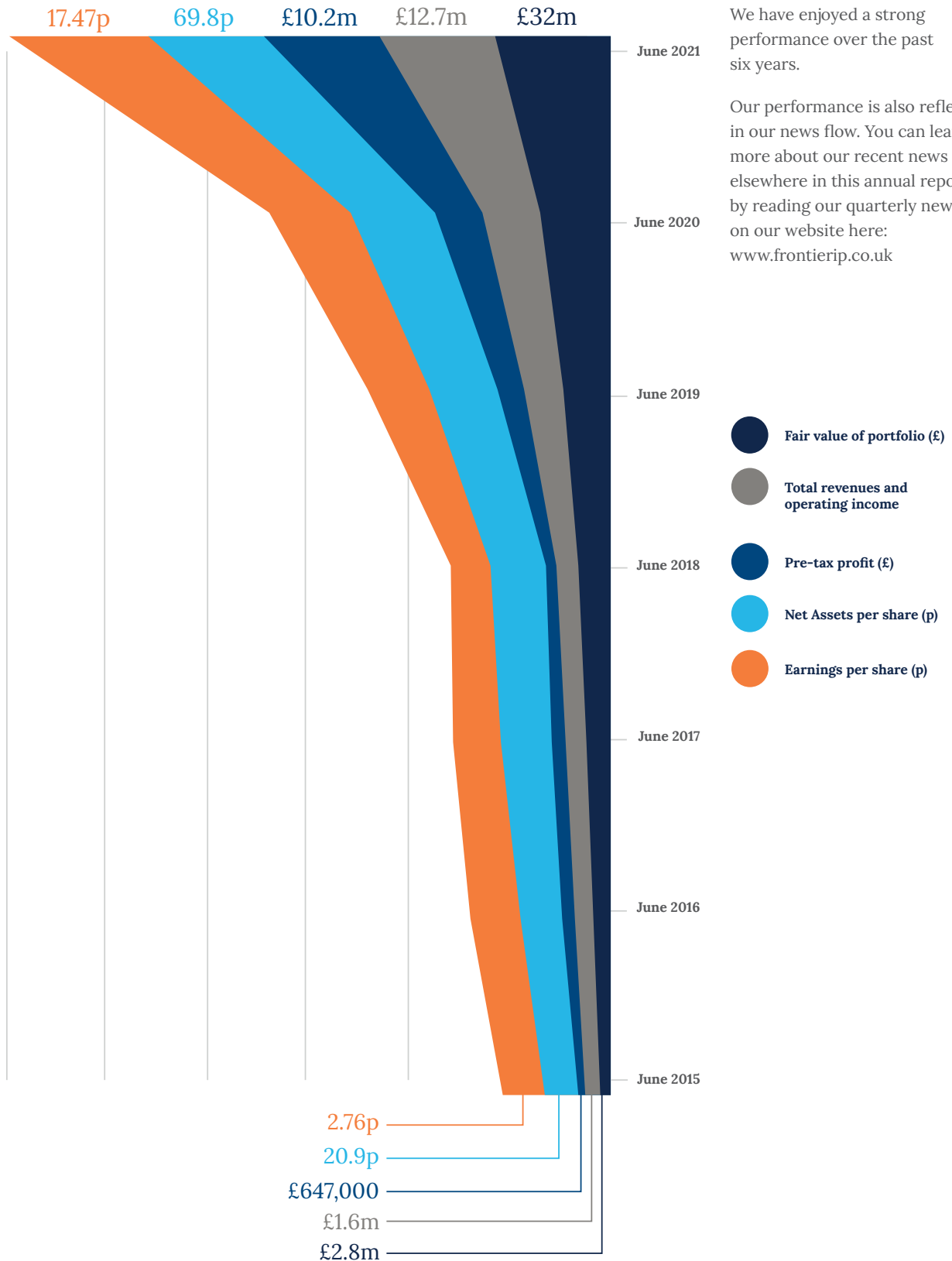
Initial applications are for use in devices to detect and monitor cancerous tumours in cells, and the company is collaborating with Motic, a leading manufacturer of medical imaging devices to commercialise the technology. More accurate imaging of tumours helps surgeons remove cancerous tissue more precisely, helping to improve the outcomes of surgery.

Demand is beginning to overtake supply for histopathology services. Supply is under pressure due to difficulties with recruitment and retention of histopathologists and demand for histopathology diagnosis is increasing as cancers rates increase and the trend towards personalised medicine gains traction. CRI's technology will help to address this issue.

Cambridge Raman Imaging fits into three of our four clusters:

- **Engineered Particles and Materials:** the company is working with graphene and other 2D materials for use in its ultra-fast imaging lasers
- **Pathogens and Cell Imaging:** Cambridge Raman is developing Raman imaging technologies to diagnose and monitor tumours, and to help understanding of the cellular origins of disease
- **Artificial Intelligence, Big Data, Sparse Data and Robotics:** artificial intelligence is used to support analysis of the images produced by the technology

Our story: delivering growth over the last six years



We have enjoyed a strong performance over the past six years.

Our performance is also reflected in our news flow. You can learn more about our recent news elsewhere in this annual report, or by reading our quarterly newsletter on our website here: www.frontierip.co.uk

Our Portfolio: five companies and a project to watch

Our portfolio is a mix of companies with the potential to have significant environmental and global impacts, as well as generating sustainable returns for investors – you can learn more in the Strategic Report: Frontier IP and the UN Sustainable Development Goals. They are at varying stages of development. Here are some highlights:



Pulsiv

Frontier IP stake: 18.3 per cent

Pulsiv: about half the electricity used by devices is wasted because of inefficient power conversion – that's why the power converters used by a huge range of everyday devices heat up when in operation. Pulsiv's patented technology converts electricity much more efficiently. In tests, it improves efficiency from a factor of about 50 per cent to 90 per cent or more.

The company's fundamentally new power conversion techniques can also be incorporated in smaller, lighter and more cost-effective designs. So the technology has the potential to reduce strains on power grids because it reduces the energy consumed by appliances and devices, and cut costs for manufacturers and bills for consumers.

It can be used in most mains-powered products, battery chargers, lighting applications, electric vehicles, portable power tools and DC motors. Not only does it convert electricity from mains to device more efficiently, it also works from device to mains, significantly improving the efficiency of renewable sources. The company is working on a solar microinverter to maximise the output from photovoltaic solar cells.

During the year, the company completed a £1.5 million equity funding round and significantly strengthened its management team. Darrel Kingham, formerly of Aixtron and Arm, joined as chief executive officer. He is now overseeing scale up of the technology. Pulsiv is attracting industry interest and has the potential to become a major green technology company.



AquaInSilico

Frontier IP stake: 29.0 per cent

AquaInSilico: AquaInSilico, the Group's fourth spin out in Portugal, is developing sophisticated software tools able to understand and predict how biological and chemical processes unfold in different operating conditions.

These can be used to optimise wastewater treatment across many industries, including municipal wastewater treatment plants, oil groups, brewers, pulp, paper and steel makers, food processing and waste recovery businesses. They also support the improved recovery of harmful, yet valuable and recyclable products, such as phosphorus, nutrients, biogas, and volatile fatty acids that can be used in biofertilisers and biofuels.

The potential for the company to have a significant environmental impact was recognised during the year by the United Nations Development Programme (UNDP). AquaInSilico was selected to receive \$250,000 after being selected as an Ocean Innovator as part of the UNDP's Ocean Innovation Challenge. This will see AquaInSilico apply its tools to helping protect and conserve one of the world's most diverse marine environments around the Cape Verde archipelago in the Atlantic. The two-year project will see AquaInSilico reduce the amount of harmful nutrients entering the sea and improve water quality for the local population.

During the year, AquaInSilico was also awarded a €60,000 EIT RawMaterials grant from the European Union's European Institute of Innovation and Technology to commercialise tools to remove phosphorus from wastewater in a more environmentally friendly and effective way than existing technologies.



Our portfolio: continued



Nandi Proteins

Frontier IP stake: 20.1 per cent

Nandi Proteins: Nandi Proteins is now scaling up commercial products based on its technology to create a wide range of customised food ingredients based on vegetable and animal proteins. These functional proteins can be used to replace undesirable ingredients in processed foods, including fat, gluten, E-number additives, or those that people do not want to eat – for example, by replacing animal proteins with vegetable proteins.

The company has gained significant industrial traction and is now collaborating with major companies on several applications. These include projects to improve the taste and texture of gluten-free products, using vegetable proteins to replace egg whites in meat alternatives to turn a vegetarian product vegan, and proteins to replace chemical binders and emulsifiers in plant-based alternative meats and baked goods. The company is also developing animal proteins to replace fat.

To oversee scale up and further development of the technology, Nandi appointed David Flower, former managing director Europe for Singha beer maker the Boon Rawd Brewing Company as chief executive. He was previously managing director, home baking, for Kerry Foods. The company also raised £720,000 through a convertible loan backed by £360,000 from the UK government's Future Fund.

Nandi's technology has the potential to contribute to more sustainable agriculture and food production by supporting the plant-based alternative meat industry and by reducing chemical ingredients in processed food. Cutting fat in affordable processed foods will help to make them more nutritious.



The Vaccine Group

Frontier IP stake: 17.0 per cent

The Vaccine Group is creating a wide range of vaccines based on a novel herpesvirus-based platform. Its core focus is on preventing the spread of zoonotic and economically damaging diseases. Vaccines under development include those for COVID-19, African swine fever, bovine tuberculosis, bovine mastitis, streptococcus suis, Ebola and Lassa fever.

To date, the company and its international partners have been awarded more than £9 million in grant funding from the UK, US and Chinese governments.

Key events of the year included the company signing its first commercial collaboration agreement with ECO Animal Health Group and The Pirbright Institute to develop vaccines for porcine respiratory and reproductive syndrome.

To reflect the progress made by the company, Jeremy Salt was appointed chief executive officer to oversee the vaccine platform's continued development and commercialisation of the company's technology. Jeremy joined from GALVmed, a not-for-profit organisation that develops and makes available livestock vaccines, medicines and diagnostics for small-scale livestock producers, where he was chief scientific officer. He has previously been director of Biologicals Research & Development for Europe, Africa and Middle East of the world's biggest animal health group Zoetis.

TVG's vaccines have the potential to contribute to more sustainable animal agriculture and protect human health by preventing zoonotic diseases from leaping the species barrier.



Our portfolio: continued



CamGraPhIC

Frontier IP stake: 26.7 per cent

CamGraPhIC is our second graphene spin out and is commercialising technology resulting from a partnership between the University of Cambridge and Italian research institute CNIT.

It is developing graphene-based photonics for high-speed data and telecommunications. Graphene photonics have the potential to be a key enabling technology for 5G technologies and the company has already attracted keen industry interest from major companies in the sector.

Initial applications are high-speed optical transceivers. In laboratory conditions these have worked at 100Gb per second, around twice the speed of equivalent technologies, and consume at least 75 per cent less energy. They have the potential to play an important part in the smart cities of the future, which will require high transmission speeds to function efficiently, and to enable more effective remote working.



DNA Origami

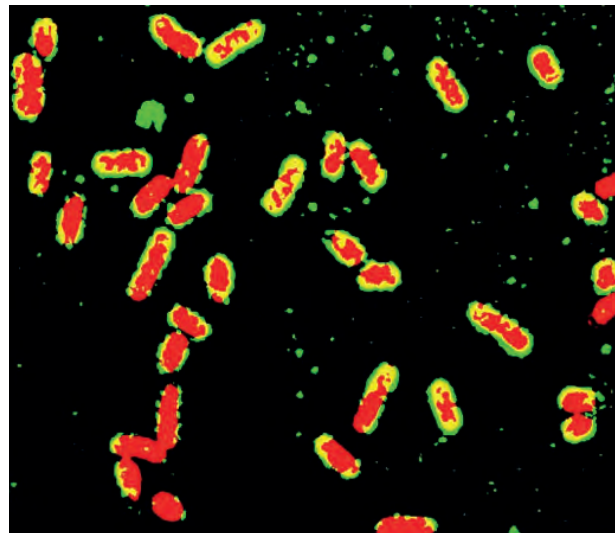
Frontier IP early stage collaboration project

DNA Origami: Frontier IP sometimes enters collaborations or partnerships before incorporating a company. One of these is DNA Origami, a project with Dr Ioanna Mela of the University of Cambridge to explore the potential of DNA nanostructures and their use as drug delivery vehicles to penetrate and disrupt biofilms.

Possible applications include the potential for origami-like DNA nanostructures to combat gum disease by developing more effective antibiotics and to increase the efficacy of existing anti-bacterials to help combat the threat from antimicrobial resistance, identified as one of the top 10 threats to global health by the World Health Organisation.

Large scale studies have identified a link between gum disease and Alzheimer's; other studies have linked gingivitis periodontitis with premature births and other chronic diseases such as rheumatoid arthritis and diabetes.

The technology is at a very early stage of development, but the gum disease work is supported by a grant from the UK National Biofilms Innovation Centre.



Chairman's Statement



Andrew Richmond | Chairman

The results to 30 June 2021, however, do not take account of Exscientia's successful IPO following the period end. Achievements and developments elsewhere in the portfolio also contributed to our results.

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Performance

Frontier IP and its portfolio companies made excellent progress during the year to June 2021. The results are exceptional. Exscientia was a major part of the uplift in the fair value of the portfolio and the significant increase in the profit before tax. The results to 30 June 2021 however do not take account of Exscientia's successful IPO following the period end. Achievements and developments elsewhere in the portfolio also contributed to our results. It is enough to say here that I am delighted the portfolio made progress across a broad front.

This is particularly so in the context of COVID-19. The response from the Frontier IP team and our portfolio companies continued to be exemplary. I would like once again to thank them for their continued efforts and the way they reacted to the opportunities and challenges arising from the pandemic.

Impacts from the virus on the Group and its portfolio have been broadly as expected, as Neil, our Chief Executive, outlined in our Annual Report last year. The pandemic highlighted the danger of zoonotic diseases and the need for effective vaccines and therapeutics, providing direct opportunities for companies such as The Vaccine Group (TVG), Exscientia and Amprologix. Other companies are well placed to seize the opportunities provided by new ways of working or tackling other issues brought into focus by the pandemic, such as CamGraPhIC and Fieldwork Robotics.

In most other cases, impact was neutral. The main negative impacts were delays, either because decision making from industrial partners was affected, or labs and other facilities remained closed. The few companies which have suffered, we believe, are still fundamentally good and we remain confident about their futures. Several took advantage of the UK government's furlough scheme and the Future Fund, raising money through convertible loans, and we are grateful for the support.

We continued to strengthen our team with the appointments of Mark Rosten as Software Commercialisation Director, Darren Winter as Director of Corporate Relationships and Harry Ayton as Chemical Process Engineer. They all provide good examples of how we provide hands-on support for our portfolio companies beyond the financial. Mark has over 30 years of experience in product development with 15

Chairman's statement: continued

years leading and managing software development teams in health, fintech and transport, while Harry has a PhD in Chemical Engineering from the University of Cambridge.

We also raised a further £2.3 million to give us the firepower and flexibility to take advantage of opportunities as they arise. The value of this approach was demonstrated when we were able to provide a loan to CamGraPhIC, a company whose graphene-based photonics have significant potential in telecoms. We were also able to match funding provided by the UK government through its Future Fund scheme to support innovative companies through the pandemic.

Industry partnerships and collaboration are a vital part of what we do. They help us to validate technology and understand potential applications, market needs and demands. So it was pleasing to see Fieldwork Robotics enter relationships with two major multinationals, Bosch and Bonduelle, and Cambridge Raman Imaging with Motic. The Vaccine Group also signed its first commercial agreement with ECO Animal Health Group and The Pirbright Institute – strong backing for its novel vaccine platform technology.

It's also worth mentioning a couple of projects we are involved with outside the portfolio. DNA Origami is a collaboration with Dr Ioanna Mela of the University of Cambridge, exploring the possible application of origami-like DNA nanostructures and their use as drug delivery vehicles. Early work to date is promising.

Frontier IP is also a partner in Emporia4KT, a pan-European project bringing together government, academia and business to support innovation and economic growth across Atlantic coastal economies. Our role is to help identify technology which can be commercialised. Teams from five countries are now developing 13 early-stage technologies.

There were no additions to our portfolio this year, as we focused on supporting the commercial development and scale up of existing companies in the portfolio as they approached inflection points. However, our pipeline of intellectual property opportunities looks good, and we would expect to incorporate new companies in the coming year.

Our governance

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

Board Changes

I am pleased to report that in line with our commitment to maintaining a dynamic management framework we are making some changes to the makeup of our Board. We have appointed Professor Dame Julia King, Baroness Brown of Cambridge DBE FREng FRS, as an independent Non-Executive Director effective from 28 October 2021.

Baroness Brown is an engineer with immense experience across industry and government. Following an academic career at Cambridge University, Julia held senior engineering and business roles at Rolls-Royce between 1994 and 2002, before returning to academia as Principal of Engineering at Imperial College and then as Vice Chancellor and Chief Executive of Aston University from 2006-2016. She is currently Chair of The Carbon Trust, a non-executive director of Ørsted, Chair of the Adaptation Committee of the Climate Change Committee, a member of the BEIS Hydrogen Advisory Council and a Non-Executive Director of AIM quoted Ceres Power Holdings plc.

Julia is passionate about education and engineering and contributed to the Browne report on university funding and to Lord Stern's review on the research excellence framework. She Chairs STEM Learning Limited and is the Chair of the Governing Board at the Henry Royce Institute for Advanced Materials.

Julia is a Fellow of the Royal Academy of Engineering, a Fellow of the Royal Society and was awarded a DBE for services to higher education and technology. In 2015 she was elevated to her Peerage as the Baroness Brown of Cambridge and sits as a Crossbench Peer in the House of Lords where she is a member of the Science and Technology Select Committee.

Chairman's statement: continued

In addition, Michael Bourne, currently an independent Non-Executive Director, has notified the Company that, having served on the Board for more than seven years, he has decided to step down from his non-executive role at Frontier IP. Michael will remain on the board until the Company's forthcoming annual general meeting to be held on 9 December 2021 where he will not seek re-election as a director. I would like to take this first opportunity to thank Mike for his service on the Board and his valued contribution during his time in office.

Results

I am delighted with how the Group performed in the year. An increase of 145% in pre-tax profits and an increase in the fair value of our equity portfolio to £31,982,000 vindicate the strength of our business model.

For the year to 30 June 2021, total revenue and other operating income increased by 99% to £12,668,000 (2020: £6,377,000) as a result of a net unrealised profit on the revaluation of investments of £12,306,000 (2020: £5,973,000), principally due to the increase in fair value of Exscientia. Revenue from services, principally board retainers and licence income decreased by 10% to £362,000 (2020: £404,000) as some services were assigned to companies' own management.

Outlook

The results and the pipeline of companies now scaling up and starting to achieve their commercial potential shows our innovative business model is delivering. We are confident Exscientia's successful IPO is a foretaste of future success. We have built a strong platform for growth, and so we are confident about our prospects for the coming year and beyond.

Andrew Richmond | Chairman

27 October 2021



Strategic Report

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

The Group does so by:

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

This Strategic Report should be read with reference to the strategy and business model outlined on pages three to five.

"These pleasing numbers are significantly ahead of our expectations. They reflect the excellent commercial and technical progress made across the portfolio despite the difficulties posed by the COVID-19 outbreak."

Neil Crabb, Chief Executive Officer

Chief Executive Officer's Statement



Neil Crabb | Chief Executive Officer

Frontier IP enjoyed a highly successful year to 30 June 2021. The fair value of our equity portfolio rose 64% to £31,982,000, with profit before tax increasing by 145% to £10,242,000. Profit after tax increased by 129% to £9,566,000.

These pleasing numbers are significantly ahead of our expectations. They reflect the excellent commercial and technical progress made across the portfolio despite the difficulties posed by the ongoing COVID-19 pandemic.

Exscientia made the most significant contribution. The company enjoyed a stellar year and is now firmly established as one of the world's leading companies using artificial intelligence (AI) to drive discovery of new drugs. Three of its AI-designed candidates have now entered human clinical trials – the first in the world to do so – with the technology knocking years off the time taken to discover new drug candidates by traditional methods.

This has been accompanied by burgeoning interest and commitment from industry collaborators and investors. One of the world's biggest pharmaceutical companies Bristol Myers Squibb expanded its collaboration agreement, adding further upfront payments and milestones potentially worth more than \$1.2 billion. And the company successfully closed a Series C funding round at \$100 million after investment from funds managed by BlackRock, followed by a SoftBank-led Series D round raising \$225 million and an option to draw a further \$300 million if needed.

Its progress over the last year was cemented by a successful \$2.9 billion IPO on the Nasdaq Global Select Market, raising gross proceeds of \$304.7 million through a public offer and a

further \$160 million in private placements at the top end of the price range. The private placements with SoftBank and the Bill & Melinda Gates Foundation, which is supporting the company's work on discovering new therapeutics for COVID-19 and other viruses with pandemic potential, provide further validation for the company's technology.

Exscientia is the first company in our portfolio to IPO. We are confident it will continue to grow and prosper. But we are equally excited by the prospects for our other portfolio companies. Our pipeline is strong, developing in depth and maturity. Significant potential is now emerging.

A number of our companies made impressive progress. They have reached, or are approaching, inflection points, which mark important and favourable changes in their technical, industrial or financial progress. In response, it is vital that we at Frontier IP ensure they are in the best possible position to take advantage of these opportunities. Part of this is to ensure they are properly funded. We were pleased the pace of fundraisings increased across the portfolio over the year.

Further testament to the quality and technological potential of the portfolio companies are the individuals they attract. During the year, we strengthened the management teams across the portfolio, putting in place the right leaders to push companies towards commercial success. We are very happy with the high calibre of the individuals we have been able to recruit.

I would first draw attention to Pulsiv. We believe the company will become a major green technology business. Its unique technology improves the efficiency of electricity conversion meaning devices waste much less energy than conventional techniques. If widely adopted, it means electricity grids can generate less electricity to meet the demand from devices and appliances. It can be used in virtually all mains-powered devices and has a host of other applications. The technology can be fitted into smaller form factors and can manage energy consumption more intelligently, cutting costs for manufacturers and bills for consumers. The company raised £1.5 million during the year.

To ensure it can achieve its full potential, the company appointed Darrel Kingham, formerly of Aixtron and Arm, as Chief Executive Officer. Since joining Pulsiv, Darrel has

Chief Executive Officer's Statement: continued

transformed the company's approach to scaling up its technology and is now in advanced discussions with a number of major companies about integrating it into their devices.

The Vaccine Group (TVG) and Nandi Proteins also appointed new Chief Executive Officers. Jeremy Salt joined TVG from GALVmed, where he was Chief Scientific Officer. Before GALVmed, he was a senior director for the world's largest animal health group Zoetis. His extensive experience at senior levels means he is the right person to oversee the next phase of TVG's development after a year when it continued to progress well, including its first commercial agreement with ECO Animal Health Group and The Pirbright Institute.

David Flower joined Nandi Proteins from the Boon Rawd Brewing Company, maker of Singha beer. He has also been Managing Director Home Baking for Kerry Foods. Nandi is well placed to exploit opportunities across the food sector, including in the fast-growing alternative meat markets, as well as in processed foods and baking.

I am also excited about the prospects for CamGraPhIC, which is developing high-speed, low-energy, graphene-based photonics for the telecoms industry. In laboratory tests, the technology has performed at about twice the speed of equivalent technologies while consuming much less energy. There is considerable interest from leading multinationals in the industry. And telecoms are only one set of potential applications for the company. It is already exploring possibilities in quantum computing.

These are only four of the companies in our portfolio with the potential to become sizeable businesses. Others are also developing well. Topps Tiles has already announced its intention to launch a range of Alusid-made tiles; Fieldwork's robot soft-fruit and harvesting technology has been improved significantly in collaboration with Bosch; AquaInSilico is now part of a prestigious United Nations Development Programme project to help protect and conserve one of the world's most diverse marine environments.

Sustainability is attracting heightened interest. It is a natural consequence of what we do and how we work. Science and technology are vital to ensuring we can tackle the social and environmental challenges we all face, from improving health to cutting carbon emissions. There is a strong commercial incentive for identifying IP which helps to solve these problems – and these are opportunities our industry collaborators are keen to explore.

As a result, over the years, we have developed expertise which lies across four clusters – AI and robotics, food and agritech, engineered particles and materials, and pathogens and cell imaging – all of which offer clear benefits to society and the environment.

There has been some debate around sustainability metrics and their value to investors and other stakeholders. Much of the talk concerns the costs and the effect on returns as companies seek to mitigate negative impacts – for example by offsetting carbon emissions or managing water waste. Mitigation is necessary but will only take us so far. It is a reactive approach which, we believe, does not give enough weight to the role of new technologies in solving the problems we face. All companies in our portfolio have the potential to make positive societal and environmental impacts – and some, such as Pulsiv, could be transformative.

This year we are introducing a more formal framework for evaluating sustainability by aligning ourselves to the United Nations Sustainable Development Goals. They provide a framework and a set of targets for 2030 which suit the forward-looking nature of our business. You can learn more in the Portfolio Review section of this report.

Finally, I would very much like to thank you, our shareholders, and other stakeholders, for your continued support. We remain confident about our future prospects.

Neil Crabb | Chief Executive Officer

27 October 2021

Key Performance Indicators

The Key Performance Indicators for the Group are:

KPI	Description	2021 Performance
Fair value of the portfolio	Value of equity in the portfolio	£31,982,000 (2020: £19,444,000)
Total revenue and other operating income	Growth in the aggregate of revenue from services and change in fair value of the portfolio	£12,668,000 (2020: £6,377,000)
Profit	Profit before tax for the year	£10,242,000 (2020: £4,184,000)
Net assets per share	Value of the Group's assets less the value of its liabilities per share outstanding	69.8p (2020: 51.0p)
Total initial equity in new portfolio companies	Aggregate percentage equity earned from new portfolio companies during the year	0% (2020: 72%)

We are pleased to report that the Group achieved significant increases in four of its five Key Performance Indicators, despite the issues raised by the COVID-19 pandemic. Since the COVID-19 outbreak, we have focused more on the existing portfolio and did not take on any new portfolio companies during the year.

The value of the Group's equity investments increased to £31,982,000 (2020: £19,444,000) with net assets increasing to £38,421,000 (2020: £25,866,000). Profit after tax for the Group for the year to 30 June 2021 was £9,566,000 (2020: £4,184,000) after a deferred tax charge of £676,000 (2020: nil). This result includes a net unrealised profit on the revaluation of investments of £12,306,000 (2020: £5,973,000) and reflects a decrease in services revenue to £362,000 (2020: £404,000), greater administrative expenses of £2,171,000 (2020: £2,011,000) primarily due to an increase in personnel and an increase in share-based payments to £368,000 (2020: £230,000).

Frontier IP and the United Nations Sustainable Development Goals



Frontier IP's purpose is to create high value businesses from intellectual property developed by universities, academics, scientists and engineers.

Science and technology are vital to solving some of the most pressing problems the world faces today. There is global focus by governments and industry on issues such as climate change – in particular, the move to net zero – health, the environment and making the most efficient use of resources. Opportunities lie for technology companies in contributing to addressing these issues for the benefit of all.

Our strengths are to identify promising intellectual property and to oversee its commercial development with direct, hands-on support with validation and scale up. Most often we work in collaboration with industrial partners who understand market needs and demands, and who have stated their commitments to sustainability.

Our portfolio is a mix of pioneering companies with the potential to have big societal and environmental impacts. Many are at an early stage, however, and the extent and success of these impacts will only become evident over time.

There are two approaches to current environmental, social and governance reporting. There is the reactive, where the focus is on mitigating existing impacts, such as offsetting carbon emissions, and the proactive, where the emphasis is on opportunity for investment in new technologies for the future. We are very much focused on the latter. Frontier IP Group itself has minimal impact. We employ 16 people working from serviced offices in London, Cambridge, Edinburgh, and Lisbon. Our primary office supplier Regus has been rated a strong “B” by the Carbon Disclosure Programme for its management of energy, carbon and water emissions, according to its latest sustainability report here: [Regus Annual Report](#).

To reflect the forward-looking nature of our business, we have decided to screen, evaluate and monitor portfolio companies by aligning them to the United Nations Sustainable Development Goals (UN SDGs). The UN developed the 17 goals to form the core of its 2030 Agenda for Sustainable Development, adopted by all UN member states, including the United Kingdom, in 2015. They are designed to provide a blueprint for a sustainable future and balance social, environmental and economic concerns.

We have conducted a mapping exercise of the Group and its portfolio companies against the goals. There are two aspects to the mapping: first at a Group level, representing the cumulative impact of activity across our portfolio; second at the level of each portfolio company. We expect this to evolve over time, as our companies mature.



Frontier IP and the United Nations Sustainable Development Goals: continued

At the Group level we align to six goals, reflecting a focus on health, infrastructure and green technologies:



SDG 3

ensure healthy lives and promote well-being for all at all ages. Five companies within our portfolio are developing technologies directly designed to prevent or treat a wide range of communicable and non-communicable diseases, while others have an indirect impact through their efforts to improve nutrition, sanitation and water treatment.



SDG 5

achieve gender equality and empower all women and girls. We continue to be committed to equal opportunities when it comes to recruitment, appointing and development. At the year-end, 50 per cent of our team were women and women were represented at all levels within the Group.



SDG 12

ensure sustainable production and consumption patterns. Seven of our portfolio companies are developing technologies directly involved in this goal, which maps to our engineered particles and materials, food and agritech, and artificial intelligence clusters.



SDG 8

promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Within the Group, our success strongly depends on attracting and retaining skilled people. Our employee turnover is extremely low, and our incentives and rewards are available at all levels within the business. Looking outward, we aim to encourage such behaviour in our portfolio and our business model is designed to support productive activities, high value job creation, entrepreneurship, creativity and innovation, and encourage the formation and growth of successful companies.



SDG 9

build resilient infrastructure, promote sustainable industrialisation and foster innovation. This is at the heart of what we do. We are currently working with 17 portfolio companies and across two projects with the potential for significant growth and positive societal or environmental impact.



SDG 13

take urgent action to combat climate change and its impact. Pulsiv is developing technology that reduces the energy consumed by a very wide range of devices by 80 per cent or more, reducing stress on electricity grids and improving the viability of renewable sources. Other companies in the portfolio are working on technologies to reduce the energy consumed by telecoms networks, improve agricultural efficiency (and, potentially, meat dependency), and improve logistics and industrial process efficiency. Eight of our portfolio companies and projects directly contribute to this goal and aligned to the Group's focus on artificial intelligence, new materials, and food and agritech.

To find out how individual portfolio companies align to the goals, please see the relevant company in the following portfolio overview.

Operational Review

Corporate

Frontier IP made robust progress during the year, despite the impact of COVID-19. A number of portfolio companies are now moving rapidly towards achieving their potential. They have made significant technical and commercial advances during the year, and the Group has moved to strengthen them further by supporting fund raisings and appointing senior leadership to their teams.

To flex our business model and ensure we were in a good position to take advantage of the opportunities we saw arising, we raised a further £2.3 million (before expenses) through an oversubscribed placing and PrimaryBid offer. This was in addition to the £3.8 million (net of expenses) we raised in November 2019. The money allowed us to provide more direct financing to portfolio companies, in particular by helping us to match convertible loans from the UK government's Future Fund.

People are vital to our success. Our different business model, which is based on providing direct, hands-on support for technology from a very early stage of development means we look to recruit those with relevant commercial and technical experience, as well as financial.

During the year, we appointed Mark Rosten as Software Commercialisation Director, a non-board role. Mark has more than 30 years' experience leading software teams across the health, fintech and transport sectors. Before Frontier IP, he was Senior Vice President Product Development at mobile payments group Bango plc. Harry Ayton joined as a Chemical Process Engineer. He has a doctorate in Chemical Engineering from the University of Cambridge. Finally, Darren Winter, who has held a number of senior sales positions in the City of London, was appointed Director of Commercial Relationships.

Portfolio Review

Frontier IP strives to develop and maximise value from its portfolio. We do so by taking founding stakes in companies at incorporation and then working in long-term partnerships with shareholders, academics and industry partners.

As part of our sustainability agenda, we have mapped our portfolio companies to relevant United Nations Sustainability Development Goals (UN SDGs). All equity holdings are as at 30 June 2021.

Core portfolio

Alusid



Frontier IP stake: 35.6 per cent

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

The company continued work to scale up its technology for mass production on industry-standard manufacturing equipment following a successful pilot the previous year. This culminated in a statement from Topps Tiles that it intended to launch the Alusid-made Principle range. It will be the world's first tile range mass manufactured from recycled materials. During the year, Alusid also raised £250,000 through a convertible loan, including a £125,000 investment from the UK government's Future Fund.

In March, David Taylor CBE, founding chief executive of both English Partnerships and Amec Developments and Pro Chancellor and chair of the University Board, joined Alusid's board of directors as representative of the University of Central Lancashire.

Alusid's sustainable process technology uses up to 29 per cent less energy than conventional tile manufacture while still running on the same equipment, reducing CO2 emissions. Its product is made from recycled waste, much of which would otherwise end in high-impact landfill.

Amprologix



Frontier IP stake: 10.0 per cent

Amprologix was created to commercialise the work of Mathew Upton, Professor of Medical Microbiology at Plymouth's Institute of Translational and Stratified Medicine.

The company continued to make progress with development of its new family of antibiotics based epidermicin, which is derived from bacteria found on human skin, to tackle antimicrobial-resistant MRSA and other superbugs. Ingenza, a leader in industrial biotechnology and synthetic biology, is also a shareholder and is working with Amprologix to develop and scale up the technology.

COVID-19 has heightened interest in other threats to human health globally. Among these is the danger from antimicrobial resistance, named as a top 10 threat to global health by the World Health Organisation.

Portfolio Review: continued

AquaInSilico

**Frontier IP stake: 29.0 per cent**

AquaInSilico, the Group's fourth spin out in Portugal, is developing sophisticated software tools able to understand and predict how biological and chemical processes unfold in different operating conditions.

These can be used to optimise wastewater treatment across many industries, including municipal wastewater treatment plants, oil groups, brewers, pulp, paper and steel makers, food processing and waste recovery businesses.

Highlights of the company's year included the award of a €60,000 EIT RawMaterials grant from the European Union's European Institute of Innovation and Technology to commercialise tools to remove phosphorus from wastewater in a more environmentally friendly and effective way than existing technologies.

AquaInSilico was also selected to receive \$250,000 as an Ocean Innovator through the United Nations Development Programme's Ocean Innovation Challenge. The company is now involved in a two-year project to help protect and conserve one of the world's most diverse marine environments around the Cape Verde archipelago in the Atlantic Ocean. Its tools will be used to reduce the amount of nutrients entering the sea and to improve water quality for the local population.

Cambridge Raman Imaging

**Frontier IP stake: 25.8 per cent**

Cambridge Raman Imaging, the Group's first graphene spin out, is developing Raman imaging technology based on graphene-based ultra-fast lasers, to detect and monitor tumours. The company was formed as a result of a partnership between the University of Cambridge and the Politecnico di Milano in Italy.

The key application employs Artificial Intelligence (AI) based analysis of chemical signatures, for accurately differentiating between healthy tissue and diseased tissue in patient samples, augmenting or replacing subjective diagnosis of samples by histopathologists. This will be without chemical staining – eliminating a major contributor to sample variation seen between one lab and the next.

During the year, the company raised £250,000 in its first equity funding round, appointed a Chief Technology Officer, and entered into a collaboration with Chinese manufacturer Motic. The company also announced its involvement in a €5 million project, Crimson, to develop new imaging technologies to enable researchers to investigate diseases unfolding in cells in near real time. This will promote greater understanding of disease, opening the way for the development of new treatments.

CamGraPhIC

**Frontier IP stake: 26.7 per cent**

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

Initial applications are high-speed optical transceivers. In laboratory conditions these have worked at 100Gb per second, around twice the speed of equivalent technologies, and consume at least 75 per cent less energy. The area is attracting increased interest, with COVID-19 and the subsequent rise in remote working underlining the need for very high broadband speeds.

Celerum

**Frontier IP stake: 33.8 per cent**

Celerum is developing novel artificial intelligence to improve the operational efficiency of logistics and supply chains. The technology also has the potential to address a host of other complex scientific, engineering and industrial challenges.

Celerum develops technology based on nature-inspired computing, which develops software and algorithms based on natural processes and behaviours, such as those exhibited by ant colonies and fish schools. This novel artificial intelligence can be used to improve the operational efficiency of logistics and supply chains and has the potential to address a host of other complex scientific, engineering and industrial challenges. During the year, the company announced it had been sub-contracted to support software development for Aberdeen-based company PlanSea Solutions.

Although the technology is at an early stage of development, a project conducted on behalf of Highlands and Islands Enterprise across food and drink supply chains in northern Scotland, showed it has the potential to cut carbon emissions by up to 40 per cent if suppliers and logistics firms are willing to work together to share loads.

Portfolio Review: continued

Des Solutio



Frontier IP stake: 25.0 per cent

Des Solutio is developing safer and greener alternatives to the toxic solvents currently used to extract active ingredients by the pharmaceutical, personal care, household goods and food industries.

It does this by creating new methods to use Natural Deep Eutectic Solvents, found in a huge array of plants, to replace toxic organic solvents, such as ethanol, employed currently. This means it is contributing to the environmentally sound management of chemicals, and reducing their release to air, water and soil. The company is still at an early stage but is already generating industry interest.

Elute Intelligence



Frontier IP stake: 41.2 per cent

Elute's software tools are designed to help users intelligently search, compare and analyse complex documents by mimicking the way people read. There are a huge range of potential applications, from searching patents and contracts, to detecting evidence of plagiarism, collusion and copyright infringement.

During the year, the company raised £250,000 through its first equity funding round and launched its innovative Patent Reader product commercially following a successful pilot with a dedicated user group. The Patent Reader allows users to identify relevant patents and understand why they are relevant within minutes. It is also developing an enterprise search tool and continued to provide its COVID-19 document reader free to researchers. The company's tools help to enhance research, support improved technological capabilities and innovation.

Exscientia



Frontier IP stake: 1.7 per cent

Exscientia, a spin out from the University of Dundee, now based in Oxford, is a world leader in artificial intelligence-driven drug discovery. It is the company behind the first three AI-created drugs to enter human clinical trials, taking years off traditional drug discovery processes.

Post period end, the company became the first in our portfolio to IPO, raising total gross proceeds of \$464.7 million through a public offer and private placements with SoftBank and the Bill & Melinda Gates Foundation. The IPO, priced at the top end of the estimated range, valued the company at \$2.9 billion.

It cemented a growing reputation globally, which had already been recognised by investors and the pharmaceutical industry. In March 2021, Exscientia completed a Series C funding round at \$100 million with an investment from funds managed by BlackRock; in April a Series D funding round led by SoftBank raised \$225 million with an option to raise a further \$300 million. The following month, Exscientia announced a collaboration with one of the world's biggest pharmaceutical companies Bristol Myers Squibb with upfront and potential milestones of more than \$1.2 billion.

The company also entered a strategic research and development agreement with EQRx, a company committed to developing and providing medicines at lower prices.

Although the company is primarily focused on non-communicable diseases, such as cancer, OCD, Alzheimer's and rare diseases, it announced the discovery of two potential therapeutics for COVID-19 earlier this year.

Fieldwork Robotics



Frontier IP stake: 22.2 per cent

Fieldwork Robotics made good progress in developing its robot soft fruit picking and vegetable harvesting technology, despite COVID-19 affecting necessary field trials.

During the year, the company entered into a collaboration with Bosch, which optimises the robot arm technology and software to increase speed and reduce costs. This has resulted in a number of improvements to the technology. It also started working with Bonduelle, a leading vegetable producer, on a three-year project to develop a cauliflower harvesting robot.

The company raised £675,000 through an equity funding round and received grants totalling £229,000 from schemes managed by Innovate UK.

Robotic fruit and vegetable harvesting technology has the potential to improve agricultural productivity, reduce food waste by more accurate picking and minimising human contact, and result in better quality jobs, with harvesting labour replaced by skilled robot operators. There is also potential for cutting carbon emissions through reduced need for migrant labour.

Portfolio Review: continued

InSignals Neurotech



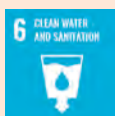
Frontier IP stake: 33.0 per cent

InSignals Neurotech, a spin out from the Portuguese Institute for Systems and Computer Engineering, Technology and Science ("INESC TEC"), with the support of São João University Hospital, part of the University of Porto, is developing wireless wearable devices to precisely measure wrist rigidity to help surgeons place brain implants more accurately. The first product is aimed at Parkinson's disease and has already undergone three clinical studies. During the year, the company received a €100,000 investment from leading Portuguese venture capital firm Portugal Ventures.

InSignals is also working on other applications in neurology.

Parkinson's is the fastest growing neurodegenerative disease worldwide – by 2040, 13 million people are expected to become sufferers.

Molendotech



Frontier IP stake: 12.6 per cent

Molendotech continued work on its innovative rapid pathogen detection technology. Siren_{BW}, a kit to test bathing water for faecal matter based on Molendotech's proprietary bacterial detection technology, is now commercially available. The kit, which can be used on site, cuts testing times from up to two days to under 30 minutes because samples do not need to be sent to a laboratory, enabling environmental agencies and other authorities to assess water quality swiftly.

The company has also developed a novel method to detect specific pathogenic bacteria, and the investment will enable further development of this technology for new markets, including the food industry, where it has the potential to extend shelf life and reduce food waste. This work is being undertaken in collaboration with industry partners.

Nandi Proteins



Frontier IP stake: 20.1 per cent

Nandi Proteins is now scaling up commercial products based on its technology to create a wide range of customised ingredients based on vegetable and animal proteins. These functional proteins can be used to replace undesirable ingredients, such as fat, gluten, E-number additives in processed foods, or those that people do not want to consume – for example, by replacing animal proteins with vegetable proteins.

The company has gained significant industrial traction and is now collaborating with major companies on several applications. These include projects to improve the taste and texture of gluten-free products, using vegetable proteins to replace egg whites in meat alternatives to turn a vegetarian product vegan, and proteins to replace chemical binders and emulsifiers in plant-based alternative meats and baked goods. The company is also developing animal proteins to replace fat.

To oversee scale up and further development of the technology, Nandi appointed David Flower, former managing director Europe for Singha beer maker the Boon Rawd Brewing Company as chief executive. He was previously managing director, home baking, for Kerry Foods. The company also raised £720,000 through a convertible loan backed by £360,000 from the UK government's future fund.

Nandi's technology has the potential to contribute to more sustainable agriculture and food production by supporting the plant-based alternative meat industry and by reducing chemical ingredients in processed food. Cutting fat in affordable processed foods will help to make them less harmful.

NTPE



Frontier IP stake: 31.6 per cent

NTPE is developing cellulose-based eco-friendly, low-cost, low-power paper-based electronics to replace silicon in some electronic applications. Called Paper-E, the novel technology means electronic circuits, sensors and semiconductors can be printed onto any cellulose-based paper. Paper-based energy harvesters, such as solar cells, can be included in the circuits.

The company is focusing on a range of potential applications, including a book-E concept to produce cheap and accessible educational tools to teach children about electronics. Longer-term health applications include diagnostic sensors for use in health and food, smart packaging and paper-based sensors for use in very remote environments.

Cellulose is natural, sustainable and recyclable material. Its use can help reduce the severe negative impact of silicon mining, use and disposal. The technology is still at an early stage of development.

Portfolio Review: continued

PoreXpert



Frontier IP stake: 15.0 per cent

PoreXpert, a software and consultancy firm, has developed novel software and methods to model the voids within porous materials and how gases, liquids and colloidal suspensions behave within them.

Applications include helping companies understand and exploit the nature of oil and gas reserves to improve the efficiency of exploration and extraction, supporting industry efforts to reduce their impact on the environment. It is also being used to help maximise the lifespan of the UK's Advanced Gas Cooled nuclear reactors, which generate 20 per cent of the national energy requirement, without greenhouse gas emissions.

Pulsiv



Frontier IP stake: 18.3 per cent

About half the electricity used by devices is wasted because of inefficient power conversion – that's why converters heat up in operation. Pulsiv's novel technology converts electricity much more efficiently – in tests it wastes only about 10 per cent of the energy. Furthermore, its fundamentally new power conversion techniques can be incorporated in smaller, lighter and more cost-effective designs. So the technology has the potential to reduce strains on power grids and cut costs for manufacturers and bills for consumers.

The technology can be used in nearly all mains-powered products, battery chargers, lighting applications, electric vehicles, portable power tools and DC motors. Not only does it convert electricity from mains to device more efficiently, it also works from device to mains, significantly improving the efficiency of renewable sources. The company is working on a solar microinverter to maximise the output from photovoltaic solar cells.

During the year, the company completed a £1.5 million equity funding round and significantly strengthened its management team. Darrel Kingham, formerly of Aixtron and Arm, joined as chief executive officer. Dr Zaki Ahmed, the man behind the technology, left his post at the University of Plymouth to join full time as chief strategy officer, and Tim Moore, executive vice president of Shark Robotics, Shark Ninja, became a non-executive director. Adam Westcott has been appointed as chief financial officer. These appointments reflect the fact the company is now pushing ahead with full commercial scale up of the technology.

The Vaccine Group



Frontier IP stake: 17.0 per cent

The Vaccine Group is creating a wide range of vaccines based on a novel herpesvirus-based platform. Its core focus is on preventing the spread of zoonotic and economically damaging diseases. Vaccines under development include those for COVID-19, African swine fever, bovine tuberculosis, bovine mastitis, streptococcus suis, Ebola and Lassa fever. To date, the company and its international partners have been awarded more than £9 million in grant funding from the UK, US and Chinese governments.

Key events of the year include the company signing its first commercial collaboration agreement with ECO Animal Health Group and The Pirbright Institute to develop vaccines for porcine respiratory and reproductive syndrome.

To reflect the progress made by the company, Jeremy Salt was appointed chief executive officer to oversee the vaccine platform's continued development and commercialisation of the technology. Jeremy joined from GALVmed, where he was chief scientific officer. He has previously directed Biologicals Research & Development for Europe, Africa and Middle East of the world's biggest animal health group Zoetis.

Portfolio Review: continued

Core Portfolio Summary at 30 June 2021

Portfolio Company	% Issued Share Capital	About	Source
Alusid Limited	35.6%	Recycled materials	University of Central Lancashire
Amprologix Limited	10.0%	Novel antibiotics to tackle antimicrobial resistance	Universities of Plymouth and Manchester
AquaInSilico Lda	29.0%	Digital tools to optimise wastewater treatment	FCT Nova
Cambridge Raman Imaging Limited	25.8%	Medical imaging using ultra-fast lasers	University of Cambridge and Politecnico di Milano
CamGraPhIC Limited	26.7%	Graphene-based photonics	University of Cambridge and CNIT
Celerum Limited	33.8%	Near real-time automated fleet scheduling	Robert Gordon University
Des Solutio Lda	25.0%	Green alternatives to industrial toxic solvents	FCT Nova
Elute Intelligence Holdings Limited	41.2%	Software tools able to intelligently search, compare and analyse unstructured data	Existing business
Exscientia Limited	1.7%	Novel informatics and experimental methods for drug discovery	University of Dundee
Fieldwork Robotics Limited	22.2%	Robotic harvesting technology for challenging horticultural applications	University of Plymouth
Insignals Neurotech Lda	33.0%	Wearable medical devices supporting deep brain surgery	INESC TEC
Molendotech Limited	12.6%	Rapid detection of water borne bacteria	University of Plymouth
Nandi Proteins Limited	20.1%	Food protein technology	Heriot-Watt University, Edinburgh
NTPE Lda	31.6%	Novel technology to print electronic circuits, sensors and semiconductors onto paper	FCT Nova
PoreXpert Limited	15.0%	Analysis and modelling of porous materials	University of Plymouth
Pulsiv Limited	18.3%	High efficiency power conversion and solar power generation	University of Plymouth
The Vaccine Group Limited	17.0%	Herpesvirus-based vaccines for the control of bacterial and viral diseases	University of Plymouth

The Group holds equity stakes in 8 further portfolio companies. The combined value of these holdings was £28,000, equivalent to 0.1% of the fair value of the Group's portfolio at 30 June 2021.

Financial Review

Key Highlights

The value of the Group's equity investments increased to £31,982,000 (2020: £19,444,000) with net assets increasing to £38,421,000 (2020: £25,866,000).

Profit after tax for the Group for the year to 30 June 2021 was £9,566,000 (2020: £4,184,000) after a deferred tax charge of £676,000 (2020: nil). This result includes a net unrealised profit on the revaluation of investments of £12,306,000 (2020: £5,973,000) and reflects a decrease in services revenue to £362,000 (2020: £404,000), greater administrative expenses of £2,171,000 (2020: £2,011,000) primarily due to an increase in personnel and an increase in share-based payments to £368,000 (2020: £230,000).

On 21 July 2020, the Company conducted a placing of 4,243,140 new ordinary shares of 10p for cash at a price of 55p per share raising £2,334,000 before expenses of £152,000.

Revenue

Total revenue and other operating income for the year to 30 June 2021, which is the aggregate of services revenue and unrealised gain on the revaluation of investments, increased 99% to £12,668,000 (2020: £6,377,000). Revenue from services decreased 10% to £362,000 (2020: £404,000). The Group's net unrealised profit on the revaluation of investments increased 106% to £12,306,000 (2020: £5,973,000). Unrealised gains on revaluation of equity investments of £12,603,000 (2020: £7,064,000) were offset by fair value decreases of £412,000 (2020: £1,051,000). £8,803,000 of the equity investment gain relates to Exscientia Limited which raised capital in April 2021 at an increased price and £1,494,000 to The Vaccine Group Limited. Unrealised gains included net unrealised profit on the revaluation of debt investments of £115,000 (2020: unrealised loss of £40,000).

Administrative Expenses

Administrative expenses increased 8% to £2,171,000 (2020: £2,011,000). The increase is primarily due to increased employee and consultant costs.

Share Based Payments

Share based payments increased 60% to £368,000 (2020: £230,000) reflecting the charge for options granted in November 2020 and a full year's charge for options granted in December 2019.

Earnings Per Share

Basic earnings per share were 17.47p (2020: 8.76p). Diluted earnings per share were 16.62p (2020: 8.41p).

Statement of Financial Position

The principal items in the statement of financial position at 30 June 2021 are financial assets at fair value through profit and loss £34,302,000 (2020: £20,307,000) and goodwill £1,966,000 (2020: £1,966,000). Financial assets at fair value through profit and loss comprise equity holdings of £31,982,000 (2020: £19,444,000) and debt investments of £2,320,000 (2020: £863,000) in portfolio companies. The carrying value of these items is determined by the Directors using their judgement when applying the Group's accounting policies. The matters taken into account when assessing the fair value of the portfolio companies are detailed in the accounting policy on investments. The considerations taken into account by the Directors when reviewing the carrying value of goodwill are detailed in Note 9 to the financial statements.

The Group had net current assets at 30 June 2021 of £2,379,000 (2020: £3,588,000). The current assets at 30 June 2021 include trade receivables of £172,000 which are more than 90 days overdue from portfolio companies Alusid, Elute Intelligence and Fieldwork Robotics. Other debtors also include an unsecured interest free loan to Alusid of £31,000. The directors are confident that Alusid, Elute Intelligence and Fieldwork Robotics will be able to raise sufficient funds to finance their business plans and pay the amounts due to the Group.

Net assets of the Group increased to £38,421,000 at 30 June 2021 (30 June 2020: £25,866,000) resulting in net assets per share of 69.8p (2020: 51.0p).

Cash

The Group's cash balances decreased during the year by £976,000 to £1,992,000 at 30 June 2021. Operating activities consumed £1,466,000 (2020: £1,758,000) and investing activities consumed £1,692,000 (2020: £600,000) reflecting the purchase of debt investments of £1,618,000 (2020: £588,000) which included a loan of £933,000 to CamGraPhIC Limited and £320,000 to Nandi Proteins Limited. The Group raised cash of £2,182,000 net of costs through a placing in July 2020.

Key Risks and Challenges affecting the Group

The specific financial risks of price risk, interest rate risk, credit risk and liquidity risk are discussed in note 1 to the financial statements. The key broader risks – financial, operational, cash flow and personnel – are considered below.

The key financial risk in our business model is the inability to realise sufficient income through the sale of our holdings in portfolio companies to cover operating costs and investment capital. This risk has been mitigated through the post-year end initial public offering of Exscientia, our most valuable holding at 30 June 2021, creating a significant, readily realisable asset to cover our cash requirements for the foreseeable future. The other principal financial risk of the business is a fall in the value of the Group's portfolio. With regards to the value of the portfolio itself, the fair value of each portfolio company represents the best estimate at a point in time and may be impaired if the business does not perform as well as expected, directly impacting the Group's value and profitability. This risk is mitigated as the number of companies in the portfolio increases. The Group continues to pursue its aim of actively seeking realisation opportunities within its portfolio to reduce the requirement for additional capital raising.

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

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

The remaining risks to the Group attributable to the COVID-19 pandemic on the Group are: Operational – Frontier and portfolio company employees may contract the virus

and be unavailable for work for extended periods of time; Valuation – the economic impact could delay the commercial progress and fundraisings of some portfolio companies; and general economic deterioration could impede the company's ability to raise funds when required. The Group seeks to mitigate these risks by maintaining a safe working environment, ensuring portfolio companies have considered and addressed risks and strengthening the Group's balance sheet.

Changes to the basis on which IP is licensed in the Higher Education sector might lead to reduced opportunity or a need to vary the business model. Any uncertainty in the sector may have an impact on the operation of the Group's commercialisation partnerships in terms of lower levels of intellectual property generation and therefore commercialisation activity. The Group seeks to mitigate these risks by continuing to seek new sources of IP from a wide range of institutions both within and outside of the UK.

The impact of Brexit is still to become fully apparent but could have a broad disruptive impact on the Group: reduced research funding impacting access to quality IP in the higher education sector; reduced grant funding for portfolio companies; disruption to the business of portfolio companies who trade with the EU or who are unable to recruit skilled labour. We believe the direct impact of Brexit on the Group's operations to be limited but will be kept under review. However, we will continue to work closely with our portfolio companies to mitigate the impact of any issues arising.

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

By order of the Board

Neil Crabb | Director | 27 October 2021



Our Governance

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

Board of Directors

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



K Andrew Richmond

Non-Executive Chairman
and Independent Director (Age 55)

Appointment Date:

December 2011

Experience:

Andrew Richmond has substantial experience of the healthcare, stockbroking and private equity industries. He is a member of the Management Board of the Caledonia Housing Association and is a Non-Executive Director of Scotland's Charity Air Ambulance, Sue Ryder and Sue Ryder Lottery Limited. He was previously a Lay Court Member of the University of Dundee.

Skills:

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

Role:

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

Committees:

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

Scheduled Board Meetings attended:

6 out of 6



Neil Crabb

Chief Executive Officer
(Age 53)

Appointment Date:

May 2009

Experience:

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

Skills:

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

Role:

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

Scheduled Board Meetings attended:

6 out of 6

Board of Directors: continued

**Jacqueline McKay**

Chief Operating Officer
(Age 61)

Appointment Date:

September 2010

Experience:

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

Skills:

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

Role:

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

Scheduled Board Meetings attended:

6 out of 6

**James Fish**

Chief Financial Officer and Company Secretary
(Age 63)

Appointment Date:

March 2014

Experience:

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

Skills:

Qualified CA and company growth expertise.

Role:

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

Scheduled Board Meetings attended:

6 out of 6

Board of Directors: continued

**Matthew White**

Chief Commercialisation Officer
(Age 47)

Appointment Date:

March 2019

Experience:

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

Skills:

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

Role:

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

Scheduled Board Meetings attended:

5 out of 6

**Michael Bourne**

Non-Executive Director
and Independent Director (Age 62)

Appointment Date:

March 2014

Experience:

Mike has a background in investment management and expertise in technology, life sciences and clean technology.

Skills:

Investment Management and Venture.

Role:

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

Committees:

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

Scheduled Board Meetings attended:

6 out of 6

Board of Directors: continued



Dr. Campbell Wilson

Non-Executive Director and Independent Director
(Age 66)

Appointment Date:

May 2014

Experience:

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

Skills:

Deep knowledge of pharmaceutical industry and licencing.

Role:

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

Committees:

Member of the Remuneration Committee and the Audit Committee.

Scheduled Board Meetings attended:

6 out of 6

Committees of the Board

Remuneration Committee Report

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

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

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

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

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

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

Directors' remuneration

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

Contracts of service

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

Share options

The Company currently has three share option schemes.

The Frontier IP Group plc Employee Share Option Scheme 2011, as adopted by the Board of Directors of the Company on 30 November 2012 and amended by the Board of Directors of the Company on 26 March 2018, is able to grant both options which are Enterprise Management Incentive (EMI) approved and options which are unapproved. 311,415 unapproved options have been granted in the year and 1,013,628 are held at 30 June 2021. 437,443 EMI share options were granted in the year and 4,016,553 are held at 30 June 2021. No options were exercised during the year and 54,353 EMI options lapsed during the year. This scheme remains in place, but no new options can be granted as the Group has ceased to be a qualifying company for EMI purposes.

During the year, the Group conducted a Remuneration Review and as a result, on 22 April 2021, the Group adopted two new schemes: the Frontier IP Group PLC Company Share Option Plan 2021 (CSOP) and the Frontier IP Group PLC Unapproved Share Option plan. The purpose of these plans is to retain and incentivise key employees and individuals in line with the commercial interests of the Company. No options were granted under these new schemes during the period.

Committees of the Board: continued

Details of share options held by Directors who were in office at 30 June 2021 are set out below:

Director	Grant date	Number of options	Exercise price	Exercise date	Expiry date
Neil Crabb	15.01.2013	456,825	15.00p	15.01.2016 – 14.01.2023	14.01.2023
Neil Crabb	01.04.2014	128,175	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Neil Crabb	07.04.2016	350,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
Neil Crabb	11.05.2017	124,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
Neil Crabb	15.11.2018	50,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Neil Crabb	15.11.2018	95,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
Neil Crabb	06.12.2019	38,185	66.00p	06.12.2022 – 05.12.2029	05.12.2029
Neil Crabb	06.12.2019	184,565	10.00p	06.12.2022 – 05.12.2029	05.12.2029
Neil Crabb	05.11.2020	28	65.00p	05.11.2023 – 04.11.2030	04.11.2030
Neil Crabb	05.11.2020	102,204	10.00p	05.11.2023 – 04.11.2030	04.11.2030
Jacqueline McKay	15.01.2013	195,782	15.00p	15.01.2016 – 14.01.2023	14.01.2023
Jacqueline McKay	01.04.2014	54,218	26.88p	01.04.2017 – 31.03.2024	31.03.2024
Jacqueline McKay	07.04.2016	150,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
Jacqueline McKay	11.05.2017	95,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
Jacqueline McKay	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Jacqueline McKay	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
Jacqueline McKay	06.12.2019	35,862	66.00p	06.12.2022 – 05.12.2029	05.12.2029
Jacqueline McKay	06.12.2019	173,333	10.00p	06.12.2022 – 05.12.2029	05.12.2029
Jacqueline McKay	05.11.2020	5,477	65.00p	05.11.2023 – 04.11.2030	04.11.2030
Jacqueline McKay	05.11.2020	78,542	10.00p	05.11.2023 – 04.11.2030	04.11.2030
James Fish	01.04.2014	250,000	26.88p	01.04.2017 – 31.03.2024	31.03.2024
James Fish	07.04.2016	150,000	26.63p	07.04.2019 – 06.04.2026	06.04.2026
James Fish	11.05.2017	95,000	40.00p	11.05.2020 – 10.05.2027	10.05.2027
James Fish	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
James Fish	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
James Fish	06.12.2019	35,862	66.00p	06.12.2022 – 05.12.2029	05.12.2029
James Fish	06.12.2019	173,333	10.00p	06.12.2022 – 05.12.2029	05.12.2029
James Fish	05.11.2020	2,268	65.00p	05.11.2023 – 04.11.2030	04.11.2030
James Fish	05.11.2020	81,751	10.00p	05.11.2023 – 04.11.2030	04.11.2030
Matthew White	15.11.2018	47,000	65.00p	15.11.2021 – 14.11.2028	14.11.2028
Matthew White	15.11.2018	89,000	10.00p	15.11.2021 – 14.11.2028	14.11.2028
Matthew White	06.12.2019	35,862	66.00p	06.12.2022 – 05.12.2029	05.12.2029
Matthew White	06.12.2019	173,333	10.00p	06.12.2022 – 05.12.2029	05.12.2029
Matthew White	05.11.2020	36,200	65.00p	05.11.2023 – 04.11.2030	04.11.2030
Matthew White	05.11.2020	47,819	10.00p	05.11.2023 – 04.11.2030	04.11.2030

The market price of the Company's shares at 30 June 2021 was 102.0p. The range of prices during the year was 58.5p to 114.00p.

Directors' interests in shares

The Directors in office at 30 June 2021 had the following interests in the ordinary shares of 10p each in the Company at the year end.

	2021 Number	2020 Number
Neil Crabb	2,988,713	2,934,168
Jacqueline McKay	12,855	12,855
Andrew Richmond	1,000,000	1,000,000
Michael Bourne	458,170	403,170
James Fish	100,000	100,000

All of the above interests are beneficial.

Michael Bourne | Chairman of the Remuneration Committee

27 October 2021

Audit Committee Report

Key Responsibilities

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

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

Committee Governance

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

Activities of the Audit Committee during the year

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

Internal controls and risk management

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

Significant estimates and judgements

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

External audit

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

Andrew Richmond | Chairman of the Audit Committee
27 October 2021

Corporate Governance

Stakeholder Engagement

Section 172 Statement

The following serves as our section 172 statement and should be read in conjunction with the Strategic Report of this document. Section 172 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to interests of the Group's employees, shareholders and other stakeholders, society, the environment and the Group's reputation when making decisions. Acting in good faith and fairly between stakeholders, the Directors consider what is most likely to promote the success of the Company and its stakeholders in the long term. The Directors are therefore fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

The Board regularly reviews our principal stakeholders and how we engage with them. Their views are brought into the boardroom through direct engagement with stakeholders either by management or Directors themselves. The relevance of each stakeholder group may vary depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and part of its decision making.

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

Frontier IP is focused on commercialising intellectual property generated by universities, academics and other sources by building successful portfolio companies. A key part of the Group's innovative business model is working closely with industry and other commercial and government partners to provide solid foundations for its portfolio businesses by validating the technology under development and ensuring real-world market needs and demands are being met.

As such, the Group and its portfolio companies work with a broad constituency of stakeholders including employees, shareholders individual academics, universities, industry and commercial partners, government agencies and regulators.

Effective engagement with stakeholders at Board and senior levels is vital to our continued progress and future success in building long-term value from commercialisable intellectual property. We have always engaged proactively with our

stakeholders listening and responding to their views and are delighted to explain how we do so.

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

Employees

We strive to attract, develop and retain high-quality talent with the right skills to drive our business forward. Our people play a critical role in delivering our strategy to create long-term value by commercialising intellectual property.

Employees are actively encouraged to provide feedback and express their needs, interests and expectations through frequent formal and informal conversations.

Shareholders

The Board is pleased to regularly engage with shareholders and with the capital markets more broadly.

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

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

We maintain regular contact and dialogue through regular meetings with key shareholders, the annual general meeting, roadshows, correspondence and digital channels, including our website www.frontierip.co.uk, social media and email. Because of the requirements imposed by COVID-19, we were unable to organise our usual capital markets event for shareholders and other stakeholders but will do so as normality returns.

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

Corporate Governance: continued

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

External Stakeholders

Universities

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

Portfolio Companies

Frontier IP's goal is to develop and maximise value from its portfolio, we do so by taking founding shareholdings in portfolio companies and then working with them in partnership.

Where and when appropriate, we provide support to our portfolio companies to generate value for all stakeholders by providing support services including board representation, fundraising support, market validation, strategic advice and administrative support.

Suppliers

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

Social and environment

Many of our portfolio companies have demonstrable social and environmental as well as potential economic, commercial and shareholder benefits. Sustainability is innate to what we do and how we work. This year we have put our sustainability reporting on a more formal basis by aligning the Group to the United Nations Sustainability Goals. For more information, please refer to the relevant sections of the Strategic Report and in particular the Portfolio Review where how individual companies contribute positively to society and the environment are explained.

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

Regulators

The Group is subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange. The Board has a balanced range of complementary skills and experience, with independent non-executive directors who provide oversight, and challenge decisions and policies as they see fit. The Board believe in robust and effective corporate governance structures and is committed to maintaining high standards and applying the principles of best practice. Compliance is maintained through the utilisation of recognised professional advisers, including the Company's nominated adviser, and the Board would not hesitate to seek input in this regard from external regulators if necessary.

To enable us to provide fundraising support and raise capital for our portfolio, Group subsidiary Frontier IP Management Limited is an Appointed Representative of Privium Fund Management (UK) Limited which is authorised and regulated by the Financial Conduct Authority in the UK.

Delivering Growth

Strategy and Business Model

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

Effective Risk Management

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

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

Financial controls:

- > As the Group is a small business with few personnel and limited opportunity for segregation of duties, Board oversight provides the main overriding control
- > The Board receives and reviews detailed reports on financial performance and position against budget and forecast, use of cash, cash forecasts and detailed analysis of portfolio movements. Any material capital or

Corporate Governance: continued

unbudgeted overhead expenditure must be approved by the Board

- > The Board approves treasury and dividend policies and significant changes in accounting policies
- > The Annual Report and Financial Statements, the half-yearly report, interim management statements and any other reporting required by the AIM Rules for Companies ("AIM Rules") is approved by the Board
- > The Audit Committee supports the board in discharging its financial control duties

Non-financial controls

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

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

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

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

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

Maintaining a Dynamic Management Framework

Our Board

At the year-end, the Group Board comprised the Non-Executive Chairman, two Non-Executive Directors and four Executive Directors – an appropriate balance for the Group's size and complexity. The Board considers, after careful review, that the Chairman and one Non-Executive Director are independent. They are considered to be independent in character and judgement and receive no additional remuneration from the Group apart from a director's fee.

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

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

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

Board activities typically include:

- > Discussing and reviewing the Group's business model, strategy, objectives and key performance indicators
- > Reviewing the Group's portfolio companies and their performance, including plans, partnerships and forecasts
- > Continuing to communicate regularly with existing and potential investors in the Group and its portfolio businesses
- > Reviewing financial and non-financial policies, controls and stock market statements
- > Discussing the Group's capital structure and financial structure, including loans and investments
- > Approving the recommendations of the Audit, Remuneration and Nominations committees
- > Approval and monitoring of the Group's annual budget and approving extraordinary capital expenditure
- > Governance
- > Directors' interests, share dealings and related party matters

Corporate Governance: continued

Details of matters reserved for the board are available on our website: <https://www.frontierip.co.uk/about/governance/#board>

Conflicts of interest:

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

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

Our Directors

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

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

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

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

Board Performance

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

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

The Board's performance is evaluated and reviewed against these metrics. How we performed during the year is set out in our Strategic Report at Key Performance Indicators.

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

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

Our Culture

Frontier IP is a small company with a very flat structure. The Board is expected to set an example and act in the best interests of the Group and its stakeholders – shareholders, employees, universities, industry partners, suppliers and our portfolio companies. The corporate culture aims to be open and fair in dealings with all stakeholders, working in partnerships to ensure mutual benefit. Ethical values and behaviours are recognised and respected.

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

Corporate Governance: continued

Governance Framework

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

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

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

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

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

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

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

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

Good Communication with shareholders and other relevant stakeholders

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

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

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

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

In addition, the Company uses several digital channels, including the website, social media and email. A regular quarterly newsletter is also available to all shareholders via the Group's internet site. The Chief Executive Officer, Neil Crabb, is regularly interviewed by specialist investor website Proactive Investors and we also hold events to which key stakeholders are invited.

Group corporate notices, including those for annual general meetings can be found here:

<http://www.frontierip.co.uk/investors/shareholder-information/notices-and-circulars>

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

The result of voting in the 2021 annual general meeting will be presented on the Company website after the AGM has been completed.

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

Advisers

Registrars

Share Registrars Limited

Molex House
Millennium Centre
Crosby Way
Farnham
Surrey GU9 7XX

Auditor

BDO LLP

55 Baker Street
London
W1U 7EU

Solicitors

CMS Cameron McKenna Nabarro Olswang LLP

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

Nominated Adviser

Allenby Capital Limited

5 St. Helen's Place
London EC3A 6AB

Broker

Singer Capital Markets

1 Bartholomew Lane
London EC2N 2AX

Secretary & Registered office

James Fish

Frontier IP Group plc
c/o CMS Cameron McKenna Nabarro Olswang LLP
78 Cannon Street
London EC4N 6AF

Main trading address

Frontier IP Group plc

93 George Street
Edinburgh
EH2 3ES

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year ended 30 June 2021.

Strategic report

The Group's Overview and Strategic Report sections of this report cover outlook, business review and key risks.

Results and dividends

The Group made a profit after tax for the year of £9,566,000 (2020: £4,184,000). The Directors do not recommend the payment of a dividend (2020: 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 in Our Governance, Board of Directors. Details of Directors' interests in share options and in shares are given in the Remuneration Committee Report.

Employees

At 30 June 2021 the Group employed 16 people across offices in Cambridge, Edinburgh, London and Lisbon.

We are an equal opportunities company and ensure we recruit, develop, promote, support and retain skilled and motivated people regardless of disability, race, religion or belief, sex, sexual orientation, gender identification, marital status or age.

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, debt 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 2021, the Group had positive cash balances of £1,992,000 (2020: £2,968,000). The Group's policy is to keep surplus funds on instant access and short-term deposit to earn the prevailing market rate of interest. It is the Group's policy not to speculate in derivative financial instruments. The Group's exposure to foreign exchange risks is minimal due to the low value of its transactions in foreign currency during the year and at the year-end.

Directors' indemnity insurance

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

Emissions

We believe that the impact of our operations on the environment is low. We are a people-based business with 16 employees, and work from serviced offices at three UK locations and one in Lisbon. However, we ensure that our office supplier is committed to promoting environmental sustainability. A main supplier Regus is rated a "strong B" by the Carbon Disclosure Project.

We have control over our business travel and have sought to minimise unnecessary travel. As a result of the COVID-19 pandemic, we moved to remote working for all personnel so both business travel and commuting levels have been very low.

We support our portfolio companies in ensuring that, where relevant, they are compliant with the appropriate environmental legislation in their operations.

Our portfolio has a number of companies whose technology actively helps to reduce or mitigate the impact of carbon emissions. Examples of companies making a positive contribution to sustainability can be found in the Corporate Governance section of this report.

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. In assessing going concern, the Directors considered the Group's cash requirements over the three years to 30 June 2024. The forecast included

Directors' Report: continued

operating activities and known near term purchase of investments. It did not include cash from the disposal of investments or for the purchase of unplanned investments. The analysis showed that at 30 June 2021 the Group had insufficient cash to cover its expenditure for the next 12 months. On 1 October 2021 one of the Group's portfolio companies Exscientia completed an initial public offering with the initial public offering price valuing the Group's holding at \$34.4 million – approximately £25 million. The Directors plan to realise sufficient cash from the Exscientia holding by the end of 2021 to cover expenditure for at least the next 12 months. For further operating and investment cash requirements over the three-year assessment period, the Directors intend to realise further cash from either the Exscientia holding or from other portfolio company exits. Consequently, the Directors continue to adopt the going concern basis in preparing the Group's financial statements.

Subsequent events

On 1 October 2021, Exscientia conducted an initial public offering details of which are disclosed in note 22 to the Financial Statements.

Statement of Directors' Responsibilities

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

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

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

- > Select suitable accounting policies and then apply them consistently;
- > Make judgements and estimates that are reasonable and prudent;
- > State that the financial statements comply with International Financial Reporting Standards in conformity with the Companies Act 2006; and
- > Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or Company will continue in business.

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

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

Awareness of relevant audit information

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

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

Auditor

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

By order of the Board

James Fish | Company Secretary

27 October 2021

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

Opinion on the financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- > the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- > the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Frontier IP Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

Assessment of the latest board approved cash flow forecasts for the Group, which covered a period of 3 years from the date of approval of these financial statements by:

- > Corroborating key input data such as cash inflows based on agreements in place to supporting documentation taking into account historical actuals and reviewing the current period and post year end results against forecasts; and
- > Assessing the board's plans for future actions. This included assessing the plan to liquidate part of the investment as described in the Going Concern note to the financial statements on page 63, including consideration of timing and any restrictions on selling of the shares following the IPO and the risk of a reduction in the share price of the investee company post IPO.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

Overview

Coverage	100% (2020: 100%) of Group profit before tax		
	100% (2020: 100%) of Group revenue		
	100% (2020: 100%) of Group total assets		
Key audit matters		2021	2020
	Valuation of unquoted investments	✓	✓
Materiality	Group financial statements as a whole		
	£560,000 (2020: £390,000) based on 1.5% (2020: 1.5%) of total assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of the valuation of investment properties which involves a high level of estimation uncertainty, as well as the Directors' assessment of going concern.

There are 2 (2020: 2) significant components in the Group, which are all registered and operate in the UK, each of which is subject to a full scope audit by the Group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter	How the scope of our audit addressed the key audit matter	
<p>Valuation of unquoted investments</p> <p>The Group's accounting policy for determining the fair value of investments is disclosed on pages 60 to 61 in Note 1 and disclosures regarding the fair value estimates are given on pages 71-75 in Notes 12 and 13.</p>	<p>The Group holds unlisted investments (equity and debt) at fair value with movements through Other Comprehensive Income. As at 30 June 2021, the portfolio was valued at £34,242,000 (2020: £20,307,000).</p> <p>The share price valuation of the Group is informed by the value of investments recognised in the Statement of Financial Position.</p> <p>We consider the valuation of unquoted investments to be the most significant audit area as there is a high level of estimation uncertainty involved in determining the valuations of unquoted investments, and hence a potential risk of misstatement.</p>	<p>Our sample for the testing of unquoted investments was stratified according to risk considering, inter alia, the value of individual investments, the nature of the investment, the extent of the fair value movement and the subjectivity of the valuation technique.</p> <p>For all investments in our sample we:</p> <ul style="list-style-type: none"> > considered whether the valuation methodology chosen is in accordance with the applicable accounting standards and is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines; > critically assessed the valuation technique adopted by Management and challenged significant judgements made by for e.g. evaluating post year end events to assess whether these provided evidence about the valuation at the year-end as set out below. <p>For investments where the carrying value is based on the price of recent investment (83% of equity portfolio), we:</p> <ul style="list-style-type: none"> > agreed the price of recent investment to supporting documentation and management information; > assessed whether the performance of the portfolio company has varied significantly from expectations by obtaining Management's evaluation of post transaction performance against relevant milestones and checked to supporting documentation as for contradictory evidence through media searches and latest financial information; > challenged Management in respect of the impact of COVID-19 on the prospects of investee companies; > assessed whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors of the investee company.

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

Key audit matter	How the scope of our audit addressed the key audit matter
	<p data-bbox="949 571 1420 918">> For investments where the carrying value is based on the price of a planned funding round that had not completed at the reporting date (7% of equity portfolio), we assessed the level of discount, taking into account the degree of progress and Management's assessment of the risk of non-completion at that date against our knowledge of the business, industry and publicly available information.</p> <p data-bbox="949 929 1420 1344">For scenario based Discounted Cash Flow ("DCF") valuations (14% of equity portfolio), we held discussions with Management to understand the performance of the portfolio company, the potential impact of the COVID-19 pandemic, and challenged assumptions used in the valuations of the investments with the use of our internal valuation experts. These included, but were not restricted to, a review of the appropriateness of the discount rate, the rationale for and consistency of discounts or premiums applied and the basis for budgeted revenue figures and probability of success used.</p> <p data-bbox="949 1355 1420 1713">For debt investment valuations, we agreed the terms of the instruments to the loan agreements and challenged the basis on which the valuation was assessed with the use of our internal valuation experts. As with the DCF valuation referred to above these included, but were not restricted to, a review of the appropriateness of the discount rate, the rationale for and consistency of discounts or premiums applied but also the weighted probability of the various scenarios.</p> <p data-bbox="949 1724 1420 1926">Key observations: Based on the procedures performed, we consider the unquoted investment valuations to be within a range we determined as appropriate, and the estimates made by management in valuing the unquoted investments to be reasonable.</p>

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materiality	560	390	397	348
Basis for determining materiality	1.5% (2020: 1.5%) of total assets			
Rationale for the benchmark applied	Total assets is considered an appropriate benchmark as the Group's and Parent Company's primary activity is that of investment value appreciation.			
Performance materiality	420	290	298	261
Basis for determining performance materiality	75% (2020: 75%) of overall materiality having considered a number of factors including the expected total value of known and likely misstatements based on previous assurance engagements and other factors such as management's attitude to adjustments.			

Specific materiality

We also determined that for those classes of transactions and balances which impact on the Group's earnings before tax, excluding investments valuation movements, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 7.5% (2020: 7.5%) of profit before tax adjusted for fair value movement on investments at £153,000 (2020: £132,000). We further applied a performance materiality level of 75% (2020: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for each component of the Group based on a percentage of between 44% (2020: 30%) and 71% (2020: 89%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £250,000 (2020: £118,000) to £397,000 (2020: £348,000). In the audit of each component, we further applied performance materiality levels of 75% (2020: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £11,200 (2020: £7,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> > the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and > the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> > adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or > the Parent Company financial statements are not in agreement with the accounting records and returns; or > certain disclosures of Directors' remuneration specified by law are not made; or > we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which the Company operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We considered the significant laws and regulation to be the Companies Act 2006, relevant accounting standards and UK tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We considered compliance with these laws and regulations through discussions with management and those charged with governance and performed audit procedures on these areas as considered necessary. Our procedures involved enquiries with Management and those charged with governance, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and discussed among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. We determined that the principal risks were related to management bias in accounting estimates including in relation to valuation of investments. The key audit matters section of our report explains this matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

We addressed the risk of management override of internal controls through testing journals, in particular any entries posted with unusual account combinations or posted by senior management. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates.

Furthermore, we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

Use of our report

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

Timothy West | (Senior Statutory Auditor)

for and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

Date: 27 October 2021

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



OUR FINANCIALS

“Frontier IP enjoyed a highly successful year to 30 June 2021. The fair value of our equity portfolio rose 64% to £31,982,000, with profit before tax increasing by 145% to £10,242,000. Profit after tax increased by 129% to £9,566,000.”

Frontier IP Chief Executive Officer
Neil Crabb

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 £'000	2020 £'000
Revenue			
Revenue from services		362	404
Other operating income			
Unrealised profit on the revaluation of investments	12,13	12,306	5,973
		12,668	6,377
Administrative expenses	4	(2,171)	(2,011)
Share based payments		(368)	(230)
Other income		104	27
Profit from operations		10,233	4,163
Interest income on short term deposits		9	21
Profit from operations and before tax		10,242	4,184
Taxation	6	(676)	-
Profit and total comprehensive income attributable to the equity holders of the Company		9,566	4,184
Profit per share attributable to the equity holders of the Company:			
Basic earnings per share	7	17.47p	8.76p
Diluted earnings per share	7	16.62p	8.41p

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

There is no other comprehensive income in the year (2020: nil).

Consolidated Statement of Financial Position

At 30 June 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Tangible fixed assets	8	11	5
Goodwill	9	1,966	1,966
Equity investments	12	31,982	19,444
Debt investments	13	2,320	863
		36,279	22,278
Current assets			
Trade receivables and other current assets	14	595	830
Cash and cash equivalents		1,992	2,968
		2,587	3,798
Total assets		38,866	26,076
Liabilities			
Non-current liabilities			
Deferred taxation	6	(237)	-
		(237)	-
Current liabilities			
Trade and other payables	15	(208)	(210)
		(208)	(210)
Total liabilities		(445)	(210)
Net assets		38,421	25,866
Equity			
Called up share capital	16	5,501	5,076
Share premium account	16	14,576	12,819
Reverse acquisition reserve	17	(1,667)	(1,667)
Share based payment reserve	17	1,276	477
Retained earnings	17	18,735	9,161
Total equity		38,421	25,866

Company Statement of Financial Position

At 30 June 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investment in subsidiaries	11	2,383	2,383
Equity investments	12	16,011	12,145
Debt investments	13	1,759	713
Amounts receivable from group undertakings	14	5,336	4,657
Deferred taxation	6	2,047	-
		27,536	19,898
Current assets			
Trade receivables and other current assets	14	446	385
Cash and cash equivalents		1,922	2,943
		2,368	3,328
Total assets		29,904	23,226
Liabilities			
Current liabilities			
Trade and other payables	15	(81)	(84)
		(81)	(84)
Net assets		29,823	23,142
Equity attributable to equity holders of the Company			
Called up share capital	16	5,501	5,076
Share premium account	16	14,576	12,819
Share-based payment reserve	17	1,276	477
Retained earnings	17	8,470	4,770
Total equity		29,823	23,142

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Company statement of comprehensive income. The total profit of the Company for the year was £3,692,000 (2020: £4,978,000)

The financial statements on pages 54 to 80 were approved by the Board of Directors and authorised for issue on 27 October 2021 and were signed on its behalf by:

James Fish | Chief Financial Officer

27 October 2021

Registered number: 06262177

Consolidated and Company Statements of Changes in Equity

For the year ended 30 June 2021

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 2019	4,243	9,791	(1,667)	293	4,931	17,591
Issue of shares	833	3,028	-	(46)	46	3,861
Share-based payments	-	-	-	230	-	230
Profit/total comprehensive income for the year	-	-	-	-	4,184	4,184
At 30 June 2020	5,076	12,819	(1,667)	477	9,161	25,866
Issue of shares	425	1,757	-	-	-	2,182
Share-based payments	-	-	-	799	8	807
Profit/total comprehensive income for the year	-	-	-	-	9,566	9,566
At 30 June 2021	5,501	14,576	(1,667)	1,276	18,735	38,421

Company

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity attributable to equity holders of the Company £'000
At 1 July 2019	4,243	9,791	293	(254)	14,073
Issue of shares	833	3,028	(46)	46	3,861
Share-based payments	-	-	230	-	230
Profit/total comprehensive expense for the year	-	-	-	4,978	4,978
At 30 June 2020	5,076	12,819	477	4,770	23,142
Issue of shares	425	1,757	-	-	2,182
Share-based payments	-	-	799	8	807
Profit/total comprehensive income for the year	-	-	-	3,692	3,692
At 30 June 2021	5,501	14,576	1,276	8,470	29,823

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2021

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash flows from operating activities	20	(1,466)	(1,758)	(1,263)	(1,248)
Cash flows from investing activities					
Purchase of tangible fixed assets	8	(12)	(3)	-	-
Purchase of equity investments	12	(71)	(97)	(71)	(23)
Purchase of debt investments	13	(1,618)	(588)	(1,298)	(425)
Disposal of debt investments	13	-	40	-	40
Amounts receivable from group undertakings		-	-	(679)	(803)
Interest income		9	21	108	130
Other income		-	27	-	5
Net cash used in investing activities		(1,692)	(600)	(1,940)	(1,076)
Cash flows from financing activities					
Proceeds from issue of equity shares		2,334	4,175	2,334	4,175
Costs of share issue		(152)	(315)	(152)	(315)
Net cash generated from financing activities		2,182	3,860	2,182	3,860
Net increase in cash and cash equivalents		(976)	1,502	(1,021)	1,536
Cash and cash equivalents at beginning of year		2,968	1,466	2,943	1,407
Cash and cash equivalents at end of year		1,992	2,968	1,922	2,943

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) in conformity with the requirements of the Companies Act 2006 and in the case of the Company financial statements, as applied 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.

Going Concern

As described in the Directors' Report, the Group's strategy is to develop a growing portfolio of spin out companies that will provide cash inflows through realisation of investments. In assessing going concern, the Directors considered the Group's cash requirements over the three years to 30 June 2024. The forecast included operating activities and known near term purchase of investments. It did not include cash from the disposal of investments or for the purchase of unplanned investments. The analysis showed that at 30 June 2021 the Group had insufficient cash to cover its expenditure for the next 12 months. On 1 October 2021 one of the Group's portfolio companies Exscientia completed an initial public offering with the initial public offering price valuing the Group's holding at \$34.4 million – approximately £25.5 million. The Directors plan to realise sufficient cash from the Exscientia holding in 2021 to cover expenditure for at least the next 12 months. For further operating and investment cash requirements over the three-year assessment period, the Directors intend to realise further cash from either the Exscientia holding or from other portfolio company exits. Consequently, the Directors continue to adopt the going concern basis in preparing the Group's financial statements.

Changes in accounting policies

a) New standards, interpretations and amendments effective 1 July 2020

There are no new standards, interpretations or amendments which have been applied in these financial statements.

b) New standards, interpretations and amendments not yet effective

There are no new standards, interpretations or amendments which would have a material impact on future financial statements.

Basis of consolidation

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

Segmental reporting

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment annually. Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Property and equipment

The Group does not own any property. Equipment is stated at cost less depreciation and any provision for impairment.

Accounting Policies: continued

Depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The rates of depreciation are as follows:

Fixtures and office equipment	50% per annum
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Financial instruments

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

IFRS 9 divides all financial assets into two classifications – those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains or losses are either recognised entirely in profit or loss or in other comprehensive income. Impairments are recognised on an expected loss basis. As such where there are expected to be credit losses these are recognised in the profit and loss.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for an appropriate allowance for credit losses over the expected life of the asset. An allowance for expected credit loss is established when there is expectation that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the comprehensive income statement. The Group applies the IFRS 9 simplified approach to measuring expected loss, details of which are provided in note 14.

Cash

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

Equity Investments

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

The Group has interests of over 20% but these are not accounted for as associates as the Group elects to hold such investments at fair value in the statement of financial position. IAS 28 Investments in Associates and Joint Ventures does not require investments held by entities which are similar to venture capital organisations to be accounted for under the equity method 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. The Group normally receives its initial equity prior to any third-party funding and some companies progress without third party funding. In selecting the most appropriate valuation technique in estimating fair value the Group uses a standard valuation matrix to categorise companies. The valuation matrix is as follows:

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

Accounting Policies: continued

2. Once the IP is transferred to the company, the valuation is increased to reflect the value attributable to the IP. In addition, where grant funding is awarded in relation to its product development costs the value of the grants is included in the company valuation to the extent that management is satisfied that the company will derive commensurate economic benefit. In valuing the IP, the Group uses the comparable company valuation technique, 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 and stage. There is often a lack of external value markers for these early-stage pre-revenue companies and, recognising the subjectivity and uncertainty in management's assessment of the IP, a degree of caution is applied in valuing these companies which are typically determined to be in a range up to £1m unless there is clear evidence for a valuation above this level.
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 starting point for the valuation. The Group considers whether any changes or events subsequent to the investment would indicate a change in fair value. Any adjustment made is, whenever possible, based on objective data from the company in addition to management's judgement.
5. As the company develops and generates predictable cash flows a combination of valuation techniques are applied as appropriate, such as discounted cash flow, industry specific valuation models and comparable company valuation multiples.

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

Debt investments

Debt investments are unquoted debt instruments, are loans to portfolio companies and are valued at fair value. None of the instruments are held with a view to selling the instrument to realise a profit or loss. Instruments which are convertible to equity at a future point in time or which carry warrants to purchase equity at a future point in time are considered to be hybrid instruments containing a fixed rate debt host contract with an embedded equity derivative. The Group does not separate the embedded derivative from the host contract and the entire instrument is measured at fair value through profit or loss. The price at which the debt investment was made may be a reliable indicator of fair value at that date depending on facts and circumstances. Any indications of changes in the credit risk of the portfolio company borrower are considered when valuing debt investments at subsequent measurement dates.

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 amortised cost.

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.

Accounting Policies: continued

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.

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. The corresponding credit is recognized in retained earnings within total equity. 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

The Group's revenue streams are recognised in accordance with IFRS 15. The Group applies IFRS 15 to each of its revenue streams analysing its nature, the timing of satisfaction of performance obligations and any significant payments terms.

Fees for services provided by the Group are measured at the fair value of the consideration received or receivable, net of value added tax. The Group's revenue is derived from the following streams:

Business support services are governed by engagement agreements which typically provide for a fixed monthly fee for services to be performed on an on-going monthly basis. The services are invoiced at the end of each month and the revenue recognised for that month.

Fees for corporate finance work are governed by separate engagement agreements where the fee is typically based on a percentage of funds raised and/or a fixed fee. Revenue is recognised when the service is provided and the respective transaction has completed.

Where the consideration for spin out services is equity in companies spun out by a university, the revenue recognized is the Group's percentage of equity received applied to the value attributed to the portfolio company on initial spin out. The percentage of equity received is governed by an agreement with the university and revenue is recognized upon spin out. When the consideration for services is a share in licencing income the revenue is recognised on an accruals basis in accordance with the terms of the licensing agreements.

Leases

As a lessee, the Group rents office premises. Under the terms of the rental agreements, the supplier has the right to terminate the agreement during the period of use, however at inception of the agreement this is not considered likely to occur. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term if the present value is materially different from the lease payments to be made. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the in-substance fixed lease payments. For short term leases and leases of low value assets, the Group recognises the expense on a straight-line basis as permitted by IFRS 16.

Retirement benefit costs

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

Net assets per share

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. Financial risk management

Financial risk factors

Going concern

The going concern risk is addressed in Accounting Policies.

(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 £31,982,000 (2020: £19,444,000).

(b) Credit risk

The Group's credit risk is primarily attributable to its debt investments, trade receivables, other debtors and cash equivalents. The Group's current cash and cash equivalents are held with two UK financial institutions, the Bank of Scotland plc and Barclays Bank plc, both of which have a credit rating of "P1" from credit agency Moody's, indicating that Moody's consider that these banks have a "superior" ability to repay short-term debt obligations. The concentration of credit risk from trade receivables and other debtors varies throughout the year depending on the timing of transactions and invoicing of fees. Details of major customers to the Group are set out in Note 3. Details of trade receivables and other current assets are set out in note 14. The Group's debt investments are loans to its portfolio companies and its customers are its portfolio companies. These are primarily early stage and start-up companies and Group management determine impairment and assess expected credit loss through taking into account both trading and fundraising prospects in addition to the financial position and other factors. Management's assessment is aided through representation on the Board and/or through providing advisory services to the companies.

The maximum exposure to credit risk for debt investments, trade receivables, other current asset and cash equivalents 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 and to invest cash assets safely and profitably. The Group's business model is to realise cash through the sale of investments in portfolio companies and in the absence of such realisations the Group would plan to raise additional capital. The Board reviews available cash to ensure there are sufficient resources for working capital requirements and investments. At 30 June 2021 and 30 June 2020 all amounts shown in the consolidated statement of financial position under current assets and current liabilities mature for payment within one year.

2. Critical accounting estimates and assumptions

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

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

(i) Valuation of 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

Notes to the Financial Statements

For the year ended 30 June 2021

outcome of their activities and to make reliable forecasts. Given the difficulty of producing reliable cash flow projections for use in discounted cash flow valuations, this technique is applied with caution. Adjustments made to fair value are, by their very nature, subjective and determining the fair value is a critical accounting estimate. Reasonable possible shifts, which themselves are estimates, are included in Note 12 and show a reasonable possible shift for the total unquoted equity investments of 29% being £9,249,000 from a total value of £31,982,000. In applying valuation techniques to determine the fair value of debt investments the Group makes estimates and assumptions regarding the time to repayment or conversion, discount rate and credit risk. Where warrants are attached to a debt instrument, the fair value is determined using the Black-Scholes-Merton valuation model. The significant inputs to the model are provided in note 13. The price at which debt investments were made is 95% of the fair value of debt investments at 30 June 2021.

(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 a value in use model which requires a number of estimations and assumptions about the timing and amount of future cash flows. As future cash inflows relate primarily to capital gains on the sale of unquoted equity investments, these estimates and assumptions are subject to a high degree of uncertainty. Note 9 describes the key assumptions and sensitivity applied.

(iii) Consideration of credit losses

The matters taken into account in the recognition of credit losses include historic current and forward-looking information. The Group applies the IFRS 9 simplified approach to measuring expected loss, details of which are provided in note 14.

Critical accounting judgements

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

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

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

3. Major customers

During the year the Group had five major customers that accounted for 76% of its revenue from services (2020: five customers accounted for 75%). The revenues generated from each customer were as follows:

	2021 £'000	2020 £'000
Customer 1	78	90
Customer 2	72	72
Customer 3	48	53
Customer 4	48	48
Customer 5	29	39
	275	302

Notes to the Financial Statements

For the year ended 30 June 2021

4. Administration expenses

Expenses included in administrative expenses are analysed below.

	2021 £'000	2020 £'000
Employee costs	1,534	1,446
Consultant	66	43
Travel and subsistence	1	22
Depreciation	6	6
Bad and doubtful debts	–	(1)
Audit services:		
– audit of the Company and consolidated accounts	54	65
– audit of the Company's subsidiaries pursuant to legislation	5	2
Non-audit services:		
– tax services	10	8
– consultancy services	3	9
Legal, professional and financial costs	290	217
Premises lease	133	142
Administration costs	69	52
	2,171	2,011

5. Directors and employees

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

	2021 Number	2020 Number
Business and corporate development	15	15

	2021 £'000	2020 £'000
Wages and salaries	1,125	1,081
Social security	146	146
Pension costs – defined contribution plans	98	73
Non-executive directors' fees	95	95
Other benefits	70	51
Total employee administration expenses	1,534	1,446
Share option expense	368	230
	1,902	1,676

All employees with the exception of Jacqueline McKay are employed by Frontier IP Group plc. Jacqueline McKay is employed by the subsidiary Frontier IP Limited and her costs are shown in the table of directors' remuneration below.

The key management of the Group and the Company comprise the Frontier IP Group Plc Board of Directors. The remuneration of the individual Board members is shown below.

Notes to the Financial Statements

For the year ended 30 June 2021

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

The total remuneration for each director is shown below.

	Salary		Other benefits		Pension		Share option		Total	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Executive										
N Crabb	138	138	4	3	12	15	72	21	226	177
J McKay	84	103	5	4	32	11	66	11	187	129
J Fish	108	108	3	3	11	11	66	20	188	142
M White	130	130	3	3	13	13	64	20	210	166
Non-executive										
A Richmond	43	43	-	-	-	-	-	-	43	43
M Bourne	26	26	-	-	-	-	-	-	26	26
C Wilson	26	26	-	-	-	-	-	-	26	26
	555	574	15	13	68	50	268	72	906	709

6. Taxation

	2021 £'000	2020 £'000
Current tax	-	-
Deferred tax	676	-
Tax charge for the year	676	-

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

	2021 £'000	2020 £'000
Profit before tax	10,242	4,184
Profit before tax at the effective rate of corporation tax in the UK of 19% (2020: 19%)	1,946	795
Effects of:		
Fair value movement in investments not recognised in deferred tax	159	(1,086)
Expenses not deductible for tax purposes	70	48
Movement in deferred tax asset of losses not recognised	(1,610)	295
Other adjustments	111	(52)
Tax charge for the year	676	-

The UK corporation tax rate was previously enacted to reduce to 17% from 1 April 2020. However, the Finance Act 2020, which was substantively enacted on 11 March 2020, repealed this rate reduction and the corporation tax rate has remained at 19% from 1 April 2020. The Finance Act 2021 received Royal Assent on 10 June 2021 which has enacted an increase in the UK corporation tax rate to 25% from 1 April 2023. The closing deferred tax assets and liabilities have been calculated at a blended rate of 21.75%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

Notes to the Financial Statements

For the year ended 30 June 2021

Deferred Tax

	Group	Company
Deferred tax liabilities at 30 June 2021		
Unrealised gains investments	(2,795)	(6)
	(2,795)	(6)
Deferred tax assets at 30 June 2021		
Tax losses	1,891	1,388
Short-term timing differences – pension	2	-
Short-term timing differences – outstanding share options	665	665
	2,558	2,053
Net deferred tax (liability) / asset	(237)	2,047
	Group	Company
Deferred tax movement		
At 1 July 2020	-	-
Debited / (credited) to profit and loss account	676	(1,608)
Credited to equity	(439)	(439)
At 30 June 2021	237	(2,047)

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 2021	9,566	54,761,420	17.47
Year ended 30 June 2020	4,184	47,753,569	8.76

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 2021	9,566	57,548,082	16.62
Year ended 30 June 2020	4,184	49,775,053	8.41

Notes to the Financial Statements

For the year ended 30 June 2021

8. Tangible fixed assets

	Fixtures and equipment £'000
Cost	
At 1 July 2019	23
Additions	3
Disposals	-
At 30 June 2020	26
Additions	12
Disposals	(2)
At 30 June 2021	36
Depreciation	
Accumulated depreciation at 1 July 2019	16
Charge for the year to 30 June 2020	5
Disposals	-
Accumulated depreciation at 30 June 2020	21
Charge for the year to 30 June 2021	6
Disposals	(2)
Accumulated depreciation at 30 June 2021	25
Net book value	
At 30 June 2021	11
At 30 June 2020	5

9. Goodwill

	Group £'000	Company £'000
Cost		
At 1 July 2019, 30 June 2020 and at 30 June 2021	1,966	-
Impairment		
At 1 July 2019, 30 June 2020 and at 30 June 2021	-	-
Carrying value		
At 30 June 2021	1,966	-
At 30 June 2020	1,966	-

Notes to the Financial Statements

For the year ended 30 June 2021

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, an individual company dilution value-in-use model was used within which assumptions were used for future spin outs and for the existing portfolio.

The assumptions used in the model are set out below:

	2021		2020	
	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% - 150%	-	75% - 150%	-
Equity in existing portfolio	-	1.65%-41.2%*	-	2.4% - 43.5%
Dilution	35%	Average of 28%	35%	Average of 31%
Years to exit	7	7 **	7	7
Rate of return	27%	27%	27%	27%
Discount rate (pre-tax)	12%	12%	12%	12%
Value at first/next funding round	£1.5m	£1.5m - carrying values of individual companies at 30 June 2021. Average of £49.4m***	£1.5m	£1.5m - carrying values of individual companies at 30 June 2020. Average of £13.5m

* Actual range of equity at 30 June 2021 excluding immaterial holdings.

** Minimum of 4 years for existing portfolio companies with the exception of Exscientia.

*** £5.1m excluding the value of Exscientia.

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

The percentage change required in an assumption to cause the recoverable amount to equal the carrying amount is shown below:

Assumption	Change Required
Initial spin out equity, being the product of the number of spin outs and initial equity acquired.	-57%
Dilution	+140%
Years to exit	+43%
Rate of return	-22%
Discount rate (pre-tax)	+51%
Value at first funding round	-50%

The Board considers that a reasonably possible change in the rate of return 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 is £9.9m and a 22% decrease in the rate of return from 27% to 21% 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.

Notes to the Financial Statements

For the year ended 30 June 2021

10. Categorisation of Financial Instruments

	At fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets			
At 30 June 2020			
Equity investments	19,444	-	19,444
Debt investments	863	-	863
Trade and other receivables	-	830	830
Cash and cash equivalents	-	2,968	2,968
Total	20,307	3,798	24,105
At 30 June 2021			
Equity investments	31,982	-	31,982
Debt investments	2,320	-	2,320
Trade and other receivables	-	595	595
Cash and cash equivalents	-	1,992	1,992
Total	34,302	2,587	36,889

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

All net fair value gains in the year are attributable to financial assets designated at fair value through profit or loss. (2020: all net fair value gains were attributable to financial assets designated at fair value through profit or loss.)

11. Investment in subsidiaries

	Company 2021 £'000	Company 2020 £'000
At 1 July	2,383	2,383
Provision for impairment	-	-
At 30 June	2,383	2,383

Notes to the Financial Statements

For the year ended 30 June 2021

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 Management Limited - principal activity is investment advisory and marketing services	Scotland	100%	
FIP Portugal, Unipessoal, Lda. - principal activity is commercialisation of IP	Portugal	100%	
Frontier IP GP RG Limited - dormant	Scotland		100%
Frontier IP Investments Limited - dormant	Scotland	100%	
Frontier IP Founder Partners Limited - dormant	Scotland	100%	

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

The registered office of FIP Portugal, Unipessoal, Lda is Rua Alfredo Guisado No 39, Sala 11, 1500-030 Lisboa, Portugal.

12. Equity investments

Equity investments are unquoted investments 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.

Unquoted Equity Investments

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
At 1 July	19,444	13,252	12,145	5,777
Additions	71	97	71	23
Conversion of debt investments	276	82	276	48
Fair value increases	12,603	7,064	3,800	6,617
Fair value decreases	(412)	(1,051)	(281)	(320)
At 30 June	31,982	19,444	16,011	12,145

Notes to the Financial Statements

For the year ended 30 June 2021

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

Unquoted Equity Investments

	Valuation matrix stage					
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 4 £'000	Stage 5 £'000	Total £'000
1 July 2020	75	914	3,245	15,210	-	19,444
Transfers between stages	(15)	(720)	338	397	-	-
Fair value (decrease) / increase through other operating income	(29)	38	1,495	10,687	-	12,191
Additions	-	-	-	347	-	347
30 June 2021	31	232	5,078	26,641	-	31,982

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	4	31	Initial valuation of new spin outs at £50,000	20%	6
Stage 2	2	232	Management's assessment of the value of IP transferred and the value of grants from which economic benefit is derived.	30%	70
Stage 3	7	5,078	Management's assessment of performance against milestones and discussions of likely imminent fundraising.	39%	1,980
Stage 4	10	26,641	The price of latest funding round provides unobservable input into the valuation of any individual investment. However, subsequent to the funding round, management are required to re-assess the carrying value of investments at each period end which result in unobservable inputs into the valuation methodology.	27%	7,193
Stage 5	0	-	Discounted comparable public company valuation. Unobservable inputs into discounted cash flow are forecasts of future cash flows, probabilities of project failure and evaluation of the time cost of money.	-	-
30 June 2021		31,982		29%	9,249

Notes to the Financial Statements

For the year ended 30 June 2021

Significant unobservable inputs:

The valuation of the Group's investment in Exscientia at 30 June 2021 was £13,210,000, 41% of the Group's total equity investments and 34% of its net assets at 30 June 2021. The increase in the value of the Group's holding in Exscientia over the year to 30 June 2021 was £8,803,000, 72% of the Group's net unrealised profit on the revaluation of investments and 86% of profit before tax for the year to 30 June 2021. The significant inputs into the valuation of the Group's holding in Exscientia included the price of an investment in April 2021 as well as progress from then until 30 June 2021.

The valuation of the Group's investment in Pulsiv Solar at 30 June 2021 was £4,087,000, 13% of the Group's total equity investments and 11% of its net assets at 30 June 2021. The increase in the value of the Group's holding in Pulsiv over the year to 30 June 2021 was £200,000, 2% of the Group's net unrealised profit on the revaluation of investments and 2% of profit before tax for the year to 30 June 2021. The significant inputs into the valuation of the Group's holding in Pulsiv included the price of an investment in May 2021 as well as progress from then until 30 June 2021.

The valuation of the Group's investment in The Vaccine Group (TVG) at 30 June 2021 was £4,546,000, 14% of the Group's total equity investments and 12% of its net assets at 30 June 2021. The increase in the value of the Group's holding in TVG over the year to 30 June 2021 was £1,494,000, 12% of the Group's net unrealised profit on the revaluation of investments and 15% of profit before tax for the year to 30 June 2021. The significant inputs into the valuation of the Group's holding in TVG included an assessment of the progress made in the five projects in progress at 30 June 2021 since the most recent funding round in January 2020, the growth in valuation of vaccine companies over the period and a discounted cash flow model. The company's activities on the projects funded by the US, UK and Chinese governments remain on track and have met the milestones agreed with the funders. Post-period end animal trials commenced on a transmissible Ebola vaccine, believed to be the first of its kind in the world; this demonstrates the progress made during the period.

TVG's projects are individually high risk but also potentially high reward for TVG. It is therefore challenging to accurately value TVG given the material impact of success or failure in any one of these projects. This remains particularly challenging at this point in time as the COVID-19 environment has seen a strong growth in the valuations of vaccine companies, particularly those that are specifically targeting COVID-19. The current valuation has been corroborated by discounted cash flows which have been risk adjusted for probability of success. A 25% reduction in the royalty rate or cost per dose would reduce the valuation of the Group's investment in TVG by 25% while a 25% increase in the success rate or a 25% reduction in the discount rate would increase the valuation by 23% and 24% respectively. The high risk/reward nature of TVG's projects, the difficulty in estimating future cash flows and the high level of judgement involved mean there is a risk of material adjustment to the valuation.

Equity investments are carried in the statement of financial position at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS28, Investments in Associates. At 30 June 2021 the Group held an economic interest of 20% or more in the following companies:

Notes to the Financial Statements

For the year ended 30 June 2021

Name of Undertaking	Registered Address	% Issued Share Capital	Share Class
AquaInSilico	Avenida Tenente Valadim, n°. 17, 2º F, 2560-275 Torres Vedras, Portugal	29.0%	Ordinary
Alusid Limited	Richard House, Winckley Square, Preston, Lancashire, PR1 3HP	35.6%	Ordinary
Cambridge Raman Imaging Limited	Wellington House, East Road, Cambridge, CB1 1BH	25.8%	Ordinary
Cambridge Simulation Solutions Limited	8 Cody Road, Waterbeach, Cambridge, CB25 9LS	40.0%	Ordinary
CamGraPhIC Limited	Wellington House, East Road, Cambridge, CB1 1BH	26.7%	Ordinary
Celerum Limited	School Of Computing Science & Digital Media Robert Gordon University, Garthdee Road, Aberdeen, AB10 7GJ	33.8%	Ordinary
Des Solutio LDA	Avenida Tenente Valadim, n°. 17, 2º F, 2560-275 Torres Vedras, Portugal	25.0%	Ordinary
Elute Intelligence Holdings Limited	21 Church Road, Tadley, RG26 3AX	41.2%	Ordinary
Fieldwork Robotics Limited	Research And Innovation Floor 2 Marine Building, Plymouth University, Plymouth, PL4 8AA	22.2%	Ordinary
Insignals Neurotech Lda	Rua Passeio Alegre, 20 Centro de Incubacyo e Aceleracyo Do Porto, Porto 4150-570, Portugal	33.0%	Ordinary
Nandi Proteins Limited	93 George Street, Edinburgh, EH2 3ES	20.1%	A Ordinary
NTPE LDA	Avenida Tenente Valadim, n°. 17, 2º F, 2560-275 Torres Vedras, Portugal	31.6%	Ordinary

The nature of these companies' business is provided in the Portfolio Review section of the Strategic Report where the holding carries a value.

13. Debt investments

Debt investments are loans to portfolio companies to fund early-stage costs, provide funding alongside grants and bridge to an equity fundraise. Loans ranging from £50,000 (Pulsiv) to £933,000 (CamGraPhIC) were made to five companies during the period. All debt investments are categorised as fair value through profit or loss and measured at fair value. 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. The price at which the debt investment was made may be a reliable indicator of fair value at that date but management consider the financial position and prospects for the portfolio company borrower when valuing debt investments at subsequent measurement dates.

Certain debt investments carry warrants granting the option to purchase shares. The exercise price is generally the price of shares issued at the first equity fundraising following the grant and the period of exercise is generally at any time from the first equity fundraising to an exit event. The fair value of the warrants is determined using the Black-Scholes-Merton valuation model. The significant inputs into the model for each warrant were the exercise price, the current share price valuation, volatility of 70%, expected life of between four and six years and an annual risk-free interest rate of 0.038%. The value of warrants included in debt investments at 30 June 2021 is £60,000 (2020: nil).

Notes to the Financial Statements

For the year ended 30 June 2021

The movement of debt investments during the year is set out below:

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
At 1 July	863	382	713	361
Additions	1,618	588	1,298	425
Disposals	-	(40)	-	(40)
Conversion to unquoted equity investments	(276)	(82)	(276)	(47)
Reclassification	-	55	-	55
Fair value increases	272	-	181	-
Fair value decreases	(157)	(40)	(157)	(40)
At 30 June	2,320	863	1,759	713

All debt investments are classed as non-current. Certain debt instruments have conversion or repayment terms dependent on the amount and timing of an equity fundraising by the portfolio company borrower. The exercise of a conversion right would reclass the debt investment as a non-current equity investment. The expectation is to exercise the right to repayment, however there is uncertainty over the timing and amount of equity fundraisings, particularly during the existing COVID-19 pandemic. Furthermore, notwithstanding the right to repayment being triggered, the Group may decide, depending on the circumstance at the time, to defer repayment or convert into equity for the benefit of the portfolio company borrower in which the Group also holds an equity stake.

14. Trade receivables and other current assets

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade receivables	336	614	302	280
Receivables from Group undertakings	-	-	5,336	4,612
VAT	13	3	4	-
Prepayments and accrued income	58	48	48	23
Other debtors	109	146	60	117
Accrued interest	79	19	32	10
	595	830	5,782	5,042
Less receivables from Group undertakings – non current	-	-	(5,336)	(4,657)
Current portion	595	830	446	385

Notes to the Financial Statements

For the year ended 30 June 2021

Trade receivables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade receivables not past due	54	62	43	56
Trade receivables past due 1-30 days	71	28	63	21
Trade receivables past due 31-60 days	25	29	17	22
Trade receivables past due 61-90 days	14	21	15	17
Trade receivables past due over 90 days	172	474	164	164
Gross trade receivables at 30 June	336	614	302	280
Expected credit loss at 1 July	-	-	-	-
Debts provided for in the year	-	-	-	-
Debts written off in the year	-	-	-	-
Expected credit loss at 30 June	-	-	-	-
Net trade receivables at 30 June	336	614	302	280

Trade receivables are amounts due from portfolio companies for services provided with net amounts recorded as revenue in the consolidated statement of comprehensive income. The expected credit losses are estimated by reference to the financial position and specific circumstances of the portfolio companies, by reference to past default experience and by assessment of the current and forecast economic conditions. The nature of the services provided to portfolio companies means the Group has in-depth knowledge of the companies' prospects both for trading and raising capital and the number of companies with past due receivables is small enabling a full assessment of recoverability by company. The Group also considers if a general provision for expected loss through applying the historical rate of portfolio company failures is material. £34,000 of trade receivables at 30 June 2021 have been recovered post year-end. Of the remaining £302,000, £104,000 is due from Fieldwork Robotics, £87,000 from Alusid and £76,000 from Elute Intelligence. The directors are confident that these companies will be able to raise sufficient funds to repay their debt and fund their business plan. If the directors considered it necessary to write off the equity investment in a portfolio company, they would also provide for a specific credit loss for any amounts due from the portfolio company, otherwise they do not consider it necessary to provide for any expected credit loss on a specific company or general basis.

Receivables from Group undertakings carry interest of 2.0% above base rate (2020: 2.0%).

15. Trade and other payables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade payables	36	36	19	14
Social security and other taxes	56	47	-	-
VAT	-	-	-	9
Other creditors	6	7	-	5
Accruals and deferred income	110	120	62	56
At 30 June	208	210	81	84

Notes to the Financial Statements

For the year ended 30 June 2021

16. 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 2020	50,762,406	5,076	12,819	17,895
Issue of shares through a placing	4,243,140	425	1,757	2,182
At 30 June 2021	55,005,546	5,501	14,576	20,077

On 21 July 2020, the Company conducted a placing of 4,243,140 new ordinary shares of 10p for cash at a price of 55p per share raising £2,334,000 before expenses of £152,000. The Company has one class of ordinary shares which carry equal voting rights, equal rights to income and distribution of assets on a winding-up. The allotted share capital of the Company at 30 June 2020 is 55,005,546 ordinary shares of 10p each.

17. 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 amount by which the deferred tax asset arising on the intrinsic value of the outstanding share options differs from the cumulative expense is also transferred to the share-based payment reserve. Included in retained earnings are unrealised profits amounting to £31,068,000. The movement in reserves for the years ended 30 June 2021 and 2020 is set out in the Consolidated and Company Statement of Changes in Equity.

18. Share options

Frontier IP has three option schemes. Under the Frontier IP Group Plc Employee Share Option Scheme 2011 – Amended 26 March 2018, both enterprise management incentive options and unapproved options are granted. No payment is required from option holders on the grant of an option. The options are exercisable starting three years from the date of the grant with no performance conditions. The scheme runs for a period of ten years but no new options can be granted as the Group has ceased to be a qualifying company for EMI purposes. During the year, the Group adopted two new schemes as outlined in the Remuneration Committee Report but no options were granted under these schemes during the year.

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

	2021 Weighted average exercise price Pence per share	2021 Options	2020 Weighted average exercise price Pence per share	2020 Options
At 1 July	30.48	4,335,676	27.05	3,312,000
Granted	42.21	748,858	40.74	1,663,376
Exercised	-	-	27.72	(331,034)
Lapsed	51.45	(54,353)	52.04	(308,666)
At 30 June	31.99	5,030,181	30.48	4,335,676

Of the 5,030,181 outstanding options (2020: 4,335,676) 2,134,000 had vested at 30 June 2021 (2020: 2,134,000). The vested options have a weighted average exercise price of 25.62p.

Notes to the Financial Statements

For the year ended 30 June 2021

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

	Exercise price Pence per share	2021 Number	2020 Number
2023	15.00	652,607	652,607
2024	26.88	432,393	432,393
2026	26.63	650,000	900,000
2027	40.00	399,000	496,000
2028	65.00	246,000	292,000
2028	10.00	456,000	539,000
2029	66.00	707,612	740,971
2029	10.00	737,711	739,705
2030	65.00	438,542	-
2030	10.00	310,316	-

The weighted average remaining contractual life of the outstanding options is 6.4 years.

The weighted average fair value of options granted to executive Directors and employees during the year determined using the Black-Scholes-Merton valuation model was 35.73p per option. The significant inputs into the model were the exercise price shown above, weighted average share price of 65.0p, volatility of 42%, dividend yield of 0%, expected life of 5 years and annual risk-free interest rate of 0.022%. Future volatility has been estimated based on 5 years' historical monthly data.

19. Leases

	2021 Land & Buildings £'000	2020 Land & Buildings £'000
Commitments under non-cancellable leases expiring:		
Within one year	72	90
Within two to five years	-	4
After five years	-	-
	72	94

The leases relate to rental of serviced offices. Under the terms of the rental agreements, the supplier has the right to terminate the agreement during the period of use, however at inception of the agreement this was not considered likely to occur. For short term leases (12 months or less) and leases of low value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16's transitional rules. Currently the longest lease ends in March 2022.

Notes to the Financial Statements

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20. Cash used in operations

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Profit before tax	10,242	4,184	2,084	4,978
<i>Adjustments for:</i>				
Share-based payments	368	230	368	230
Depreciation	6	6	-	-
Interest received	(9)	(21)	(108)	(130)
Other income	-	(27)	-	(5)
Fair value (gain) on financial assets through profit and loss	(12,306)	(5,973)	(3,543)	(6,257)
<i>Changes in working capital:</i>				
Trade and other receivables	235	(228)	(61)	(92)
Trade and other payables	(2)	71	(3)	28
Cash flows from operating activities	(1,466)	(1,758)	(1,263)	(1,248)

The movements in liabilities from financing cashflows are nil.

21. Related party transactions

Neil Crabb is a director of PoreXpert Limited, Pulsiv Limited, Celerum Limited and Alusid Limited. Campbell Wilson is a director of Tarsis Technology Limited and principal of Wilson Biopharma Consulting. Matthew White is a director of The Vaccine Group Limited, Nandi Proteins Limited and Elute Intelligence Holdings Limited. All these companies, with the exception of Wilson Biopharma, are portfolio companies of the Group. The Group charged fees to these companies and was owed amounts from these companies as follows:

	Fees charged 2021 £'000	Fees charged 2020 £'000	Amounts owed 2021 £'000	Amounts owed 2020 £'000
By the Group				
Nandi Proteins Limited	78	90	26	324
Pulsiv Solar Limited	48	48	19	59
Alusid Limited	72	72	87	118
Tarsis Technology Limited	-	-	-	-
The Vaccine Group Limited	48	28	15	15
Celerum Limited	30	21	-	10
Elute Intelligence Holdings Limited	30	21	85	3
By Related Parties				
Wilson Biopharma Consulting	12	12	-	-

On 21 July 2020, the Company conducted a capital raising through the issue of 4,243,410 new ordinary shares of 10p for cash at a price of 55p per share raising £2,334,000 before expenses of £152,000. Neil Crabb, CEO and Michael Bourne, a Non-Executive Director, subscribed for 54,545 and 55,000 Placing Shares respectively. In addition, 602,851 Placing Shares were subscribed for by Quilter Cheviot Investment Management ("Quilter"). Quilter is a substantial shareholder in the Group, as defined in the AIM Rules, and their participation in the Placing was deemed to be a related party transaction under the AIM Rules.

Notes to the Financial Statements

For the year ended 30 June 2021

22. Subsequent events

On 1 October 2021, Exscientia conducted an initial public offering. The initial public offering price valued the Group's holding at \$34.4 million – approximately £25 million, an increase of approximately £12 million from the value of the Group's holding at 30 June 2021.

Company Information

Five Year Record

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Total revenue and other operating income	12,668	6,377	4,268	2,363	2,309
Profit from operations	10,233	4,163	2,338	898	1,227
Net finance income	9	21	12	4	2
Profit from operations and before tax	10,242	4,184	2,350	902	1,229
Taxation	(676)	-	-	-	-
Profit after tax	9,566	4,184	2,350	902	1,229
Attributable to:					
Equity holders of the Company	9,566	4,184	2,350	902	1,229
Net assets employed	38,421	25,866	17,591	12,717	11,759
Basic earnings per ordinary share (pence)	17.47	8.76	5.77	2.36	3.73



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