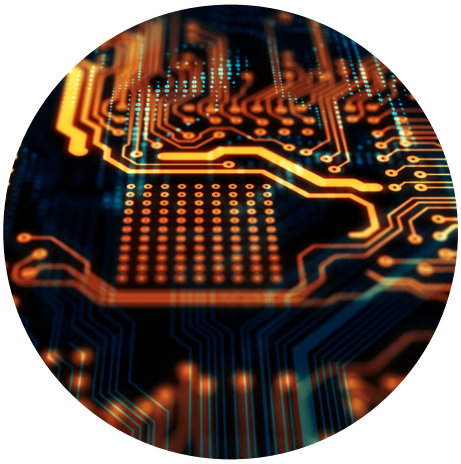
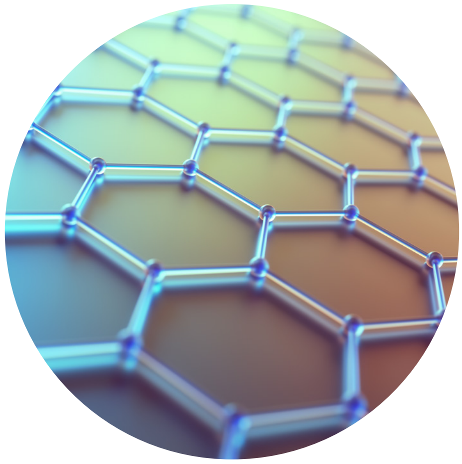
Frontier IP Group plc



Annual Report and Financial Statements 2023

Registered number 06262177

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

OVERVIEW

STRATEGIC REPORT

OUR GOVERNANCE

OUR FINANCIALS

COMPANY INFORMATION

Highlights
Financial

Net assets per share as at 30 June 2023 decreased 8% to

81.8p 2023

88.5p 2022

Basic (loss)/profit per share of

(5.85p) 2023

18.60p 2022

Part-disposal of holding in Exscientia generated cash of

£4,926,000[1] 2023

£6,525,000 2022

Unrealised (loss)/gain on the revaluation of investments of

(£966,000) 2023

£10,908,000 2022

Fair value of our equity portfolio decreased by 17% to

£32,964,000[2] 2023

£39,712,000 2022

(Loss)/profit before tax of

(£4,370,000) 2023

£10,879,000 2022

Cash balances at 30 June 2023 of

£4,603,000 2023

£4,368,000 2022

1. in the period under review (2022: £6,525,000) realising a loss of £786,000 (2022: profit of £2,867,000).
2. following disposals of £5,713,000 (2022: £3,659,000) and additions of £745,000 (2022: £1,378,000).

Highlights: continued

Corporate

- Generated cash proceeds of £4.93 million from selling shares in portfolio company Exscientia during the year. Following the Exscientia share sales, Frontier IP is interested in 493,550 Advanced Depositary Shares in Exscientia representing 0.4% of Exscientia's issued share capital. In total the Group has raised net proceeds of £11.45 million through selling Exscientia shares since January 2022. During the period a total of £2.4 million was invested in the portfolio by Frontier IP off its own balance sheet through debt and equity investments and through advances of which £1.08 million was invested into CamGraPhIC
- Appointed Nigel Grierson and Dr David Holbrook as independent Non-Executive Directors and Professor Dame Julia King, Baroness Brown of Cambridge DBE FREng FRS FMedSci became a Senior Independent Director in March 2023. All are members of the audit, remuneration and nomination committees. Campbell Wilson stepped down as a Non-Executive Director in April 2023, having served nine years on the board of directors
- Expanded our portfolio with the incorporation of two new portfolio companies during the year: Enfold Health and GraphEnergyTech. After the year end, the Group took an equity stake in early-stage company Deakin Bio-Hybrid Materials
- Post period end, the Group announced that Chairman Andrew Richmond would not be offering himself for re-election at the coming Annual General Meeting, having served for over eleven years as an independent Non-Executive Director, the majority of which time was as Chairman. Baroness Brown will become Group Chair following the AGM in December.

Portfolio

- The portfolio continues to mature. Several companies are generating revenues having achieved commercial traction. Others have made significant industrial and technical progress and are either at or reaching their inflection points. Chief Executive Officers were appointed at two companies during the year and one post-year end as we strengthened management teams. Two new portfolio companies were incorporated, and a further one joined the portfolio after the end of the year. Despite difficult market conditions, several portfolio companies raised funds.

Highlights included:

  - Alusid launched its first range of mass-produced wall tiles made from sustainable materials with Topps Tiles, the retail arm of Topps Tiles plc the UK's no.1 tile specialist. The company is now developing its first range of floor tiles following a collaboration with Imerys, a world leader in speciality minerals
  - CamGraPhIC raised £1.26 million to develop and scale up its graphene-based photonics and announced that Sir Michael Rake, the former chair of BT Group, is to join the board of directors. Post year end, the company secured a loan facility for up to a further £1.5 million
  - Pulsiv launched Pulsiv Osmium, a technology to improve the energy efficiency of nearly all mains-powered applications, including power supplies and battery chargers. The company raised £1.5 million, has built a global distribution network, sent reference designs to potential customers and is in talks with major manufacturers
  - Celerum appointed David Gladding as CEO during the year and successfully renewed its contract with Colin Lawson Transport, the first customer for its Truck Logistics System software. Post year end, the company added two more customers including Grampian Continental, its first operating internationally
  - Steve Cable was appointed CEO of Elute. He has a history of growing software companies as part of his 25 years' experience. The company is testing a beta version of an IP analysis product for investment professionals
  - Cambridge Raman Imaging made first sales of its graphene-based ultra-fast lasers for use in Raman imaging microscopes. In tests, its digital imaging technology helped histopathologists detect tumours ahead of traditional methods
  - The Vaccine Group successfully completed two government-backed projects to develop candidates for a transmissible Lassa fever vaccine and a Streptococcus suis vaccine. After the year end, the company announced plans to expand its vaccine portfolio.
- Other post period end developments included:
  - Pulsiv appointed serial technology entrepreneur Mark Gerhard as chair, and Tim Moore joined full time from his role at SharkNinja
  - Fieldwork Robotics announced a £1.5 million fundraise from Elbow Beach Capital, and appointed David Fulton as CEO.

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

IDENTIFY

Identify and evaluate commercialisable intellectual property generated by academics, universities and other partners

SPIN OUT

Take material equity stakes in return for commercialisation services and proactive, hands-on support

SCALE UP

Drive industry engagement and validation to prove technology works, can be scaled up and meets the demands or needs of real-world customers

FUNDING

Raise funding for further development mostly from third party investors as technical and commercial milestones are achieved

EXIT

Realise the value generated in portfolio companies

Our business: continued

Business Model

Science and technology are vital to solving some of the most pressing problems we face today.

Frontier IP's purpose is to create high value businesses from deep technology: intellectual property developed by scientists and engineers, based on significant advances, discoveries and innovation. Companies across our portfolio are looking to help tackle fundamental challenges around climate, energy, water, health and food.

Our approach is different, innovative and capital efficient. We are typically involved before a company is even formed. Through our partnerships with universities, academics and industry, we are able to identify IP with commercial potential, often when it is still under development. We then incorporate a company, taking a founding equity stake. This is sweat equity, earned for the commercialisation and other support services we offer. These range from ensuring the IP is properly protected and the business mechanics run smoothly to direct, hands-on support for technology. We invest time and expertise.

The next steps are to validate the technology and understand its market potential. Our industry partners provide insight into market needs and demands, and how best to scale up the technology. Such engagement means we listen to portfolio companies' potential customers, concentrate on what industry wants and avoid the pitfalls and uncertainties involved in targeting consumer markets.

The focus on industry partnerships and the hands-on work we do in supporting the portfolio means the composition of our board of directors and team is different to conventional IP commercialisation firms or venture capitalists focused on financial investments. Directors and employees are drawn from industry and have extensive business experience, many having developed and run major units in bigger corporations. We assess IP based on our expertise and knowledge of underlying technologies and industrial processes, in particular when looking at how IP might be scaled up. Often similar processes can be applied across different businesses: for example, how to handle powders is as relevant to the pharmaceutical industry in making pills as it is to a tile company. Because of this, we place portfolio companies into clusters where they might share common development and manufacturing problems and solutions based on the underlying processes required for scale up. This allows us to exploit synergies in expertise and develop networks to drive value in a better way than taking a siloed sector-based approach.

Traditionally, deep technology is seen as having high value potential but at the expense of consuming huge sums in capital. Our approach, based on expertise, means we are able to be more capital efficient.

Shareholder value is driven by the potential for realisations on exit, with the value of the portfolio representing potential deferred earnings. Our aim is to ensure the portfolio has companies at varying stages of development, with new IP identified and businesses incorporated as others approach exit opportunities. Two companies joined the portfolio during the year, plus a further one after the year end.

We continue to develop relationships with stakeholders 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 generates additional revenue from its portfolio through board retainers and fees for bespoke business development, corporate and strategic advisory work.

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

Our clusters approach

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

- AI and Advanced Computing
- Materials
- Enabling health
- Food and Agritech
- Energy
- Water

Our business: continued

How our portfolio companies and partnerships fall into each cluster

AI and Advanced Computing: AquaInSilico, Cambridge Raman Imaging, CamGraPhIC, Celerum, Elute Intelligence, Exscientia, Fieldwork Robotics, PoreXpert, Pulsiv, and The Vaccine Group

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

Materials: Alusid, AquaInSilico, CamGraPhIC, Cambridge Raman Imaging, DeakinBio, Des Solutio, GraphEnergyTech, PoreXpert and Nandi Proteins

Energy: Alusid, CamGraPhIC, DeakinBio, GraphEnergyTech, PoreXpert and Pulsiv

Enabling health: Amprologix, Cambridge Raman Imaging, Enfold Health, Exscientia, inSignals Neurotech, Molendotech, Proteic and The Vaccine Group

Water: AquaInSilico, Emporia 4KT and Molendotech

GraphEnergyTech: an example of our clusters approach

GraphEnergyTech develops advanced graphene technology for lower-cost and more environmentally-friendly solar cells – and we believe it could help save global silver reserves from exhaustion, currently projected for 2050.

The company, which was incorporated into our portfolio during the year, is developing high-conductivity graphene inks. Initial applications are for graphene electrodes to replace expensive silver electrodes in solar cells. Silver is the most commonly used material for solar cell electrodes, and the solar industry is currently using 100 million troy ounces a year at a cost of at least $2 billion.

Research by the University of New South Wales, Australia, states more than 85 per cent of current silver reserves could be consumed by solar by 2050, with the upper end of its estimates as high as 113 per cent.

At pilot stage, GraphEnergyTech's electrodes are 22 per cent cheaper than silver with further reductions expected as the technology is scaled up. The technology also enables high-efficiency perovskite solar cells by eliminating the risk of performance degradation caused by metal migration. Manufacturing is also easy – the graphene inks can be applied via a low-cost screen-printing process, compatible with existing equipment.

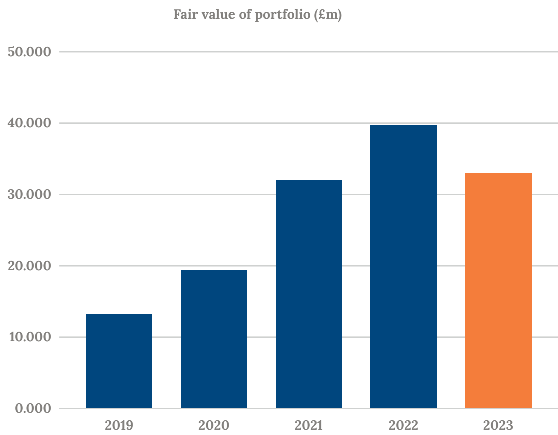
Using graphene inks will also reduce the environmentally damaging extraction of metals, including the use of mercury and cyanide.

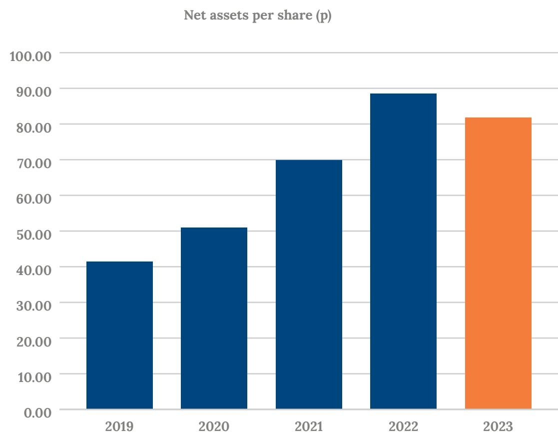
The company was co-founded by one of the world's most cited academics, Professor Michael Grätzel of the Ecole Polytechnique Federale de Lausanne (EPFL), and inventor of the dye sensitised solar cell. The CEO is Dr Thomas Baumeler, who earned his PhD at EPFL and is an expert in perovskite solar cells.

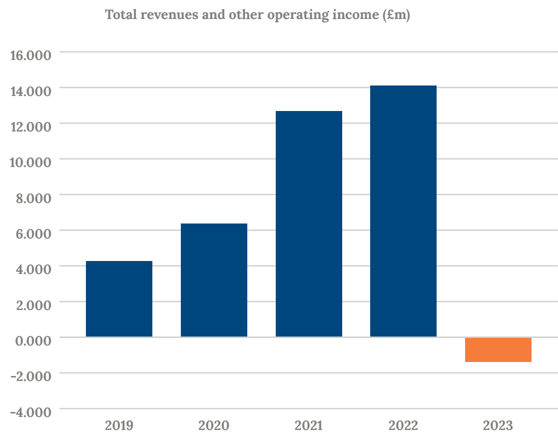
GraphEnergyTech fits into two of our clusters. The first is Materials because it is developing technology seeking to exploit graphene's electronic properties. Our other graphene spin outs, Cambridge Raman Imaging and CamGraPhIC, use graphene's opto-electronic properties. The second cluster is Energy, because the initial applications for GraphEnergyTech's inks will be in solar cells.

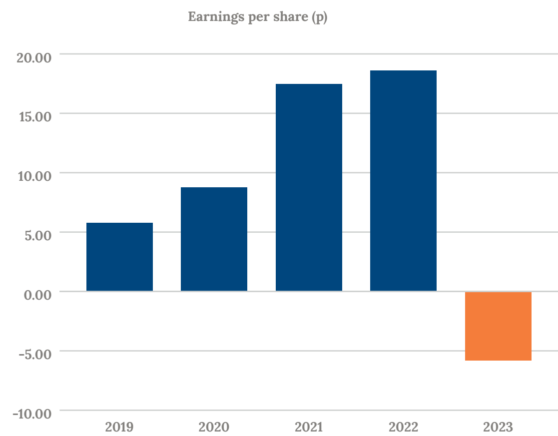
Our story:
how we have performed over the last five years

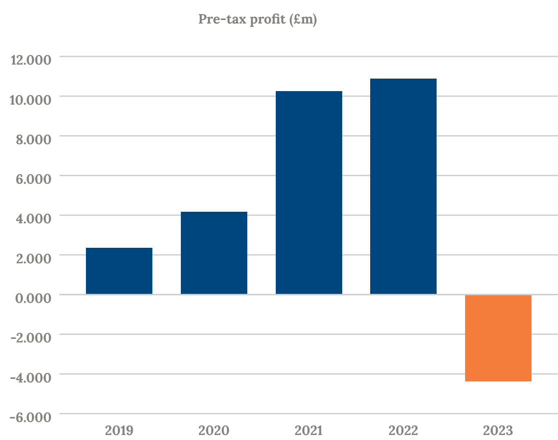
Despite the performance for the 12 months to June 2023, we have a strong record over the past five years.











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

Our Portfolio:
companies to watch

Our portfolio has the potential to have significant environmental and global impacts, as well as generating sustainable returns for investors – you can learn more in the section: Frontier IP and the UN Sustainable Development Goals. During the year and beyond, several companies made robust technical and commercial progress:

Alusid

Frontier IP stake: 37.4 per cent

Alusid creates beautiful, premium-quality tiles, tabletops and other surfaces from sustainable materials made by recycling industrial waste ceramics and glass, most of which would otherwise be sent to high-impact landfill.

The company launched its first range of mass-produced tiles with Topps Tiles, the UK's no.1 tile specialist. Called Principle, the range consists of four colours and is made from a minimum of 91 per cent recycled waste – one of the highest levels in the global tile industry. Alusid also strengthened its team during the year with the appointment of a Chief Finance Officer, Stuart Christie, initially on a part-time basis.

Ceramic tiles and surfaces are notoriously energy and water intensive. Alusid's patented recipes and methods mean Principle is made using 23 per cent less gas than equivalent tiles, while each square metre made saves 8Kg from landfill and 14Kg of raw material from extraction whilst still being produced on industry-standard equipment.

The company is now trialling mass production of hard-wearing floor tiles following a collaboration with Imerys, a world-leader in speciality minerals. Floor tiles are an important segment of the overall market.

As well as Topps Tiles, other customers of Alusid include Starbucks, H&M, Nando's, the BBC and the Stonehenge Visitor Centre, run by English Heritage. The Topps Tiles agreement builds on an existing relationship with Parkside, the commercial arm of Topps Group, which is selling Principle and a hand-made Alusid range called Sequel.

www.alusid.co.uk

CamGraPhIC

Frontier IP stake: 20.8 per cent

CamGraPhIC develops graphene-based photonics for ultra-high bandwidth, high efficiency transmission of digital data.

There are a large number of potential applications. Initial industrial engagement is with companies developing high-speed data and telecommunications technology where graphene photonics are seen as a core enabler to allow networks to cope with the enormous increase in data being transferred by 5G and 6G networks and beyond. However, there is a growing appreciation of the value provided by ultra-high bandwidth optical data transfer across applications, such as high-performance computing in AI and games, automotive computing and entertainment.

To date, CamGraPhIC has developed high-speed optical transceivers. These have worked at 100Gb per second per channel in laboratory conditions, around twice the speed of equivalent technologies, and across multiple wavebands. They are projected to consume at least 70 per cent less energy.

The company raised £1.26 million through an equity funding round during the year to accelerate development and scale up of the technology and announced that Sir Michael Rake, the former chair of BT Group and an investor in the company, will be joining its board of directors. After the year-end, the company put in place a loan facility worth up to £1.5 million, with Frontier IP subscribing to £1.32 million of the notes. CamGraPhIC has also started developing relationships with new governmental and industrial organisations.

www.camgraphic-technology.com

Our Portfolio: continued

Cambridge Raman Imaging

Frontier IP stake: 26.8 per cent

Our first graphene spin out, Cambridge Raman Imaging (CRI) made significant commercial and technical progress during the year.

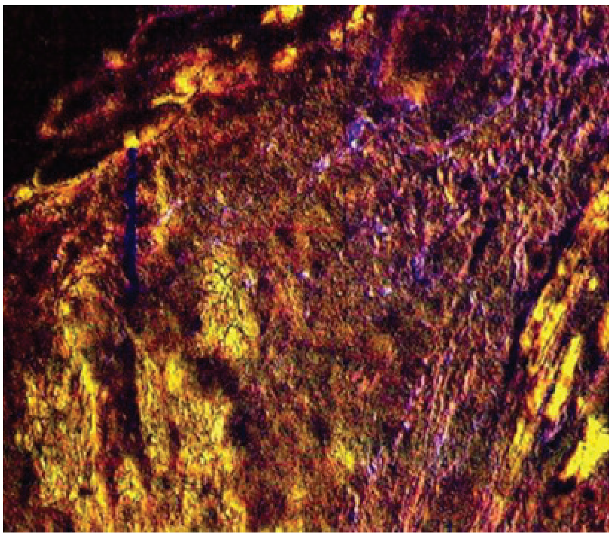
The company is developing Raman imaging technology based on graphene-enabled ultra-fast lasers to detect and monitor cancerous tumours and was formed as a result of a partnership between the University of Cambridge and the Politecnico di Milano in Italy. The main application creates high-quality digital images of patient tissue and cells, showing the different chemical signatures between healthy and diseased tissue. The technology removes the need for chemical staining - eliminating a major contributor to sample variation seen between one lab and the next.

Tests undertaken during the year showed the technology enabled tumours to be detected at a very early stage of development and before they could be detected by traditional methods. The company successfully integrated its lasers with a standard, mass-market medical microscope, and achieved its first commercial sales of a stand-alone ultra-fast laser system.

CRI is also progressing well with the development of artificial intelligence to analyse the digital images to automate tumour detection, augmenting or replacing the subjective diagnosis of samples by histopathologists.

The company is involved in two pan-European projects. CHARM, which is coordinated by CRI, aims to develop a high-speed, low-cost device with AI for cancer treatment and diagnosis and was supported by a €3.3 million grant from the European Innovation Council. The second project, CRIMSON, is a 10-strong consortium developing technology to monitor diseases unfolding at a molecular level in cells and tissues in real time and is backed by €5 million from the European Commission.

www.cambridgeramanimaging.com



Fieldwork Robotics

Frontier IP stake: 22.1 per cent

Fieldwork Robotics harvests soft fruits using selective and autonomous harvesting robots and is seeking to significantly improve productivity and reduce wastage for growers around the world initially focusing on raspberry harvesting. Its proprietary AI technology combined with its unique modular soft robotic arms bring together cutting-edge hardware and software to offer highly advanced harvesting robots. This technology is now picking fruit in Portugal at farms run by the Summer Berry Company, whose customers include Sainsbury's, Waitrose and M&S.

Fieldwork appointed a new CEO David Fulton during the year, who brings more than 30 years' business experience, including as CEO of WeSee, a company using advanced computer vision technology mimicking the human brain's ability to understand and process visual information. He has also held executive positions with Expedia, Adform and Microsoft.

The company successfully raised funds through equity fund raising rounds both during the period and post-period end. The Company will use the proceeds from the round to grow its team, outsource robot manufacture and attract more farmers to its harvesting-as-a-service offering. Fieldwork aims to increase the harvesting speed of its robots and have more than 100 robots available to farmers by 2025. Further enhancements to Fieldwork's senior team were also announced post period end with Joanne Filbin joining as CFO, bringing strong operational and fund-raising experience and Richard Bonn, previously COO at The Summer Berry Company, joining the team as an advisor.

www.fieldworkrobotics.com

Our Portfolio: continued

Nandi Proteins

Frontier IP stake: 19.8 per cent

A year of solid technical progress for Nandi Proteins is expected to yield positive commercial benefits in the coming year. Among key achievements, the company successfully worked with industrial partners to scale up its novel technology to produce a vegetable protein based egg white replacer using standard commercial processing equipment. This demonstrated the ability to produce commercial volumes of the product, with samples of the materials being trialled by potential customers. The egg-white replacer has a wide range of applications including use as a binder in meat alternatives to make a product aimed at vegetarians suitable for vegans.

Nandi is gaining industrial traction and making commercial progress with its collagen-based meat and fat replacers alongside the egg white replacement product. In addition, Nandi is also developing alternatives to chemical binders such as methylcellulose, in processed foods.

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 and ultra-processed foods.

www.nandiproteins.com

Pulsiv

Frontier IP stake: 18.2 per cent

Pulsiv has developed and patented innovative technology to intelligently manage electrical power wherever it is converted. It is dedicated to supporting a global transition towards renewable energy and reducing the long-term environmental impact of every electrical device. It has 52 patents granted worldwide and 31 pending in the United States, Europe, China, Taiwan and Japan.

During the period Pulsiv completed a £1.5 million equity fundraising with new and existing investors and established a global distribution network after signing agreements with partners across North America, Europe and Asia.

The company continues to evolve and post period-end significantly strengthened its board with two key appointments. Serial entrepreneur and technology pioneer Dr Mark Gerhard joined as Chairman. He has a long history of growing and exiting businesses. He is currently chairman of MarketWise, a Nasdaq-listed provider of investment research and investor services and was founder of investment firm Cambridge Ventures.

Dr Tim Moore, who was already a non-executive director of Pulsiv, was appointed full-time Chief Product Officer, leaving his post as Chief Technology Officer of Nasdaq-listed SharkNinja. He will take responsibility for the company's innovative Pulsiv Osmium power conversion technology that significantly improves efficiency in power electronics to reduce the energy wasted by billions of devices. In addition he will lead the forthcoming launch of Pulsiv Horizon, a new power architecture for maximising yields and overall efficiency in solar installations.

www.pulsiv.co.uk

Chairman's Statement

Andrew Richmond | Chairman

To attract such high-calibre and experienced directors to our board is, I believe, a very strong vindication of Frontier IP's innovative business model, the expertise and skill of our team, and the quality of companies within the portfolio.

Performance

The year to June 2023 was a period of excellent commercial and technical progress for Frontier IP's portfolio. Although it was disappointing to report our first pre-tax loss, the numbers in fact represented a resilient performance when placed in the context of exceptionally difficult markets, particularly for early-stage technology companies, and continued economic uncertainty, high inflation and interest rates. Neil addresses some of the issues in his statement, highlighting the success some companies have enjoyed in moving beyond inflection points to winning commercial contracts. Briefly, revenue generation within the portfolio is increasing as seen in Alusid, Celerum and Fieldwork Robotics. Pulsiv has put in place a global distribution network, and launched its first commercial product, Pulsiv Osmium to improve the power efficiency of almost all mains-powered devices.

Others are approaching inflection points, the stage at which potential starts to be realised, the technology validated and the route to scale up clear. The Vaccine Group successfully completed two government-funded projects; CamGraPhIC is now gaining industry traction from beyond the telecoms industry and Elute Intelligence is beta testing a product aimed at investment professionals. CamGraPhIC and Pulsiv completed funding rounds during the year.

It's important we maintain the pipeline of new companies joining the portfolio, so it was pleasing to see Enfold Health and GraphEnergyTech incorporated during the year with DeakinBio, an existing firm in which we took an equity stake, added after the year end.

A crucial element of our business model is to strengthen the management of our portfolio companies when they reach the point of achieving commercial viability. So, it is highly encouraging to see a number of important appointments made during the course of the year and beyond. Steve Cable and David Gladding became chief executives of Elute and Celerum respectively during the year, with David Fulton filling the same role at Fieldwork Robotics and significant appointments at Pulsiv after the year end. Alusid appointed Stuart Christie as Chief Financial Officer.

We've also enhanced our own board. Two new independent Non-Executive Directors were appointed to the Frontier IP Board of Directors during the year. Nigel Grierson and Dr David Holbrook have many years of experience in industry and finance at the highest levels.

Chairman's Statement: continued

Nigel has 20 years' experience in the IT industry with positions in product development, marketing, and senior management, and, as Managing Director of venture capital funds, managing investments of over $500 million in start-up companies across Europe. He was co-Managing Director of the Doughty Hanson Technology Fund and has held senior roles at Intel Corporation, including running strategic programmes working directly for Intel's then Chief Executive Officer Dr Andrew Grove and Chief Operating Officer Dr Craig Barrett.

David is a leading healthcare technology investment professional with 30 years' experience in the life sciences sector. He has sat on more than 20 boards of directors during his career. He is currently a non-executive director at AIM quoted Oxford BioDynamics plc, a senior advisor to digital health investor RYSE Asset Management and Chairman of The Liver Group Charity. Involved in healthcare for 40 years, David has been a physician, held senior business development roles with major multinationals, and spent the last 25 years specialising in the innovation space with much of that time in seed venture investing focused primarily on university spin outs.

They joined Dame Julia King, Baroness Brown of Cambridge, as part of the non-executive team on the Board. Julia was appointed our Senior Independent Director in March this year and will become Chair at our Annual Meeting in December 2023. I will not be standing for re-election having served for more than eleven years as an independent Non-Executive Director, the majority of which as Chair.

To attract such high-calibre and experienced directors to our board is, I believe, a very strong vindication of Frontier IP's innovative business model, the expertise and skill of our team, and the quality of companies within our portfolio.

The appointments of Nigel and David followed the decision of Campbell Wilson to step down from his role as a Non-Executive Director in April having served on the Board for nearly nine years. Campbell played a vital part in helping Frontier develop and grow. I am delighted to say he remains involved with the Group in an advisory role with several portfolio companies and would like to express my thanks to him for his work on behalf of the Group for the past nine years.

This is my final statement as your Chairman. Having served eleven years on the Board of Directors, it is time for me to leave, so I will not be standing for re-election as this year's Annual General Meeting. Replacing me is Professor Dame Julia King, Baroness Brown of Cambridge, DBE FREng FRS FMedSci. It has been an immense privilege to serve on the board of such an exciting company and to witness the Group's growth during my time here. Julia has already proved to be an invaluable member of the board. In the two years she has been with us, she has put her extensive experience and knowledge of industry, academic and the political world to Frontier IP's great benefit. The Group is in capable hands.

Our governance

Good governance is vital for long-term sustainable growth, and we strive to achieve the highest standards for a business 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/.

Results

The results represented a resilient performance in what continue to be challenging markets for technology companies and their investors. The fall in fair value of our equity portfolio to £32,964,000 reflected disposals of £5,713,000 and additions of £745,000. We made an unrealised loss on the revaluation of investments of £966,000, against an unrealised gain for the year to June 2022 of nearly £11 million.

The part-disposal of our holding in Exscientia, generated nearly £5 million cash during the year. Our cash balances at 30 June 2023 were £4.6 million.

Outlook

The markets and economic outlook remain difficult to predict given the high levels of global uncertainty. However, I am confident about the prospects for both the group and the portfolio, which is addressing some of the most critical global challenges we face today.

Andrew Richmond | Chairman
30 October 2023

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 are 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 3 to 5.

"Despite a difficult year financially, I am delighted with the significant commercial and technical progress made by companies across the portfolio this year and into the period beyond. Alusid, Nandi Proteins, Cambridge Raman Imaging, Celerum, and Fieldwork Robotics are all either generating revenues or are about to start, taking further strides forward to commercial viability. The day moves closer for a second portfolio company to follow Exscientia in launching an initial public offering or to execute a trade sale."

Neil Crabb, Chief Executive Officer

Chief Executive Officer's Statement

Neil Crabb | Chief Executive Officer

Despite a difficult year financially, I am delighted with the significant commercial and technical progress made by companies across the portfolio this year and into the period beyond. Alusid, Nandi Proteins, Cambridge Raman Imaging, Celerum, and Fieldwork Robotics are all either generating revenues or are about to start, taking further strides forward to commercial viability. The day moves closer for a second portfolio company to follow Exscientia in launching an initial public offering or to execute a trade sale.

Alusid has said it is exploring options for an IPO in 2024. The company enjoyed a breakthrough year after successfully completing a deal with Topps Tiles, the UK's no. 1 tile specialist, and Starbucks – Alusid is now selling to franchisees across Europe and the Middle East. The company also made good technical progress in developing a hard-wearing floor tile for which there is already keen industry interest.

Other companies to watch include Nandi Proteins, which successfully scaled up its technology to create functional food ingredients and is now looking forwards to making important commercial progress in the coming year. Industrial interest in the company's products is strong.

CamGraPhIC is another company making excellent technical and commercial progress with its graphene-based photonics technology. The company was already working closely with major multinationals in data and telecommunications but is now starting to gain traction from beyond the sector and from governmental organisations.

Celerum secured its first repeat customer and additional new customers for AI-driven Truck Logistics Software, and Cambridge Raman Imaging gained important validation for its technology with the first sales of its graphene-based ultra-fast lasers for medical imaging. Fieldwork Robotics continues to develop its raspberry-harvesting robots. These are already picking raspberries for supermarkets, and the company's new Chief Executive David Fulton is aiming to have more than a hundred robots commercially available by the end of 2025.

All this represents great progress in the context of an increasingly difficult economic and market backdrop of rising costs, rising inflation and rising interest rates. If there is not going to be an economic contraction in the UK, growth is still likely to be sluggish. Of course, it has taken companies several years to reach this point, perhaps longer than anticipated. But developing the kind of deep technologies, based on substantiative scientific or engineering advances, in which we specialise, takes time. It is not easy. This is a positive: competitors attempting to replicate the technologies successfully developed across our portfolio will find the task hard. The barriers to entry are high.

There are things that could be done to make deep technology commercialisation easier, however. The fear, uncertainty and doubt now stalking the markets are exposing and exacerbating long-term structural problems within the UK: the failure of the education and capital markets to connect properly.

Chief Executive Officer's Statement: continued

We are home to some of the world's best universities and researchers. There is not a shortage of scientific and engineering expertise, of ideas or innovation, or people to make them work. We are home to a globally important financial sector able to deploy deep and vast reserves of liquidity. Money is available.

However, the sources of innovation and the sources of capital are not linking efficiently together.

Part of the problem reflects the fact that public equity markets have struggled for some time. In 1966, there were comfortably more than 4,000 companies listed on London's main market; by the end of 2022, the number was about 1,100. Many factors have been put forward for this market failure, including the weightier burdens and greater costs of regulation. Alternative sources of finance, such as venture capital and private equity have grown and prospered in consequence. These changing trends accelerated post the financial crisis as central banks slashed interest rates and launched quantitative easing. Cheap money flooded the markets.

The unwillingness of the UK pension and investment industry to commit to equity investment especially in technology stocks, has compounded the problem. Much of the pension fund money has been switched into bonds as part of a broader move towards indexation to mitigate risks. You could argue that buying long-dated bonds at low yields guarantees only poor returns at best when held to maturity and substantial losses when interest rates go up. Yet it is the case that Arm is owned by Japanese group SoftBank and is listed on Nasdaq; and Oxford Nanopore and Exscientia received no money from traditional UK venture capital backers as they grew. One is now listed in London, the other in New York.

Other possible challenges are emerging. One is the National Security Investment Act. The Act introduces constraints on who can invest in areas defined as strategic by the government. It risks further costs and delays. The full impact has yet to be felt, but unintended consequences could be losing important technologies to foreign markets as companies seek capital abroad or technologies failing because there is no capital.

Therefore, it is good to see government persuading major pension funds to enter a voluntary agreement to commit 5 per cent of their investments to early-stage businesses by 2030, even though it is not mandated that this should be solely in UK companies. It is a small step, but a welcome one.

More can be done. To encourage pension funds to commit capital to technology, I would suggest linking the substantial tax benefits they enjoy to investing in venture capital. The regulatory framework should be tweaked to encourage more asset diversification and longer-term, strategic thinking. From our perspective, incorporating new companies and working with very young businesses, the Enterprise Investment Scheme (EIS) and Seed EIS are important. They were limited by European Union state aid rules, but post-Brexit there is the opportunity to take a more expansive approach.

Despite the challenges, I remain optimistic about the potential for our companies to achieve success.

Crises spur innovation. Wars are the most commonly cited example, but depressions have an impact too. The United States, for example, following the Wall Street crash, enjoyed a decade of then unprecedented technological progress in the run up to its entry into the Second World War in 1941. Important steps were made in areas such as electrical and chemical engineering, aeronautics, and power generation.

Today, the world is facing crises around climate, energy, food, water and health, as well as the uncertainty caused by the Ukraine war, the Middle East and around the direction of the economy and markets. Technology is at the heart of our efforts to meet these challenges and provide a path to prosperity.

And when times are tough, there is always a greater emphasis on costs. Our approach, driven by our industry expertise and partnerships with major companies is highly responsive to their requirements. And given the current economic climate, they are obviously concerned with costs and as swift a return on technology deployment as possible.

Pulsiv's novel technology cuts the amount of energy wasted in converting power from about half to less than 10 per cent. It has the potential to cut costs for manufacturers and energy bills for consumers and, if deployed at scale, it has the potential to reduce the strain on national power grids. The company has successfully built out a global distribution network and made two major board appointments after the year end. Mark Gerhard became Chairman. Mark is a serial entrepreneur with a very strong record of growing and exiting technology businesses. And Tim Moore, a Pulsiv Non-Executive Director, left his job as Chief Technology Officer of Nasdaq-listed consumer electronics group SharkNinja to join the company full time as Chief Product Officer. Both

Chief Executive Officer's Statement: continued

appointments support our belief that Pulsiv will become a significant green technology company. Mark said on his appointment that Pulsiv is "highly analogous" to Arm.

CamGraPhIC's graphene-based photonics run at higher speed and lower temperatures than equivalent technologies – therefore using less energy. Data centres, which are reckoned to consume about one per cent of global energy output, are one potential market for the company's optical transceivers.

Our pipeline of new companies is also in robust health. One, GraphEnergyTech, is developing graphene inks to replace silver electrodes in photovoltaic solar cells. This could prove to be a critically vital technology. A study from the University of New South Wales said on current rates of solar energy growth, the industry could consume all known global silver reserves within the next decade. Another new company, DeakinBio, is developing new materials for tiles and other surfaces, joining Alusid in developing technologies that reduce the energy consumed by manufacturing.

The impacts of ultra-processed foods and obesity and the mighty costs they impose on health services are subject to widespread concern. Nandi Proteins can help. Its technology uses natural ingredients such as fava beans and whey to replace fat, gluten and chemical, E-number additives in a wide range of different foods. The Vaccine Group is focused on using its novel herpesvirus-based vaccine platform to develop animal vaccines to combat economically harmful and zoonotic diseases. Fieldwork Robotics' fruit and vegetable harvesters address the global shortage of labour prepared to work in the fields. AquaInSilico and Molendotech are both striving towards better water quality: AquaInSilico through its novel software algorithms to improve wastewater treatment, Molendotech with faster tests for harmful bacteria in water, which cut the time needed from days into hours, or even quicker.

We took the decision during the year to strengthen our Board of Directors with two new independent Non-Executive directors, broadening the board's skills base and helping position us for the next phase of our evolution. More recently we announced that Andrew Richmond would not be offering himself for re-election at the coming Annual General Meeting and that Baroness Brown would replace Andrew as Group Chair following the AGM in December. I would like to take this opportunity to thank Andrew for his service, support and counsel over the years of our growth. I wish him every success for the future.

Our companies are striving towards creating technologies with the potential to make material impacts in the areas in which they operate. The pipeline of innovation remains fruitful, as shown by the three new companies added during the year and after. Our strong relationships with industry partners and their engagement with the portfolio gives us confidence that companies are meeting market needs and demands. For all the challenges, I remain upbeat about the Group's future prospects.

Neil Crabb | Chief Executive Officer
30 October 2023

Key Performance Indicators and Alternative Performance Measures

The Key Performance Indicators and Alternative Performance Measures for the Group are:

KPI / APM	Description	2023 Performance
Basic earnings per share (KPI)	Profit attributable to shareholders divided by the weighted average number of shares in issue during the year.	Loss of 5.8p (2022: profit of 18.6p)
Net assets per share (KPI)	Value of the Group's assets less the value of its liabilities per share outstanding	81.8p (2022: 88.5p)
Total revenue and other operating income (KPI)	Growth in the aggregate of revenue from services, change in fair value of investments and realised profit on disposal of investments	Negative income of £1,380,000 (2022: positive income of £14,104,000)
Profit (KPI)	Profit before tax for the year	Loss of £4,370,000 (2022: profit of £10,879,000)
Total initial equity in new portfolio companies (APM) Note 1	Aggregate percentage equity earned from new portfolio companies during the year	108% (2022:20%)

Note 1 – The total initial equity in portfolio companies is not an IFRS measure. It is used by Directors to measure the total percentage equity stakes received in all new spin-out companies during the year. It does not reflect holdings in individual spin-outs and does not include equity received through post spin-out investment. For 2023 it is the aggregate percentage holding from two new spin-out companies during the year.

The Group achieved its initial equity Alternative Performance Measure but failed to achieve its four Key Performance Indicators reflecting the difficult market conditions during the year.

Net assets per share decreased by 8% to 81.8p (2022: 88.5p) reflecting a loss after tax of £3,244,000. The value of the Group's investments decreased to £37,589,000 (2023: £42,693,000) reflecting the opening value of Exscientia shares sold of £5,713,000, purchase of investments of £1,576,000 and net unrealised losses on revaluation of £966,000. The Exscientia shares sold generated proceeds of £4,926,000. Loss after tax for the Group for the year to 30 June 2023 was £3,244,000 (2022: profit of £10,230,000) after a deferred tax credit of £1,126,000 (2022: charge of £649,000). This result includes a realised loss on disposal of investments of £786,000 (2022: gain of £2,867,000), an unrealised loss on the revaluation of investments of £966,000 (2022: gain of £10,908,000) and reflects an increase in services revenue to £372,000 (2022: £329,000) Administrative expenses of £3,130,000 (2022: £3,104,000) were flat primarily due to no bonuses being paid in 2023.

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 21 people working from serviced offices in London, Cambridge, Edinburgh, and Lisbon. IWG, owner of our Edinburgh 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: IWG Annual Report 2022.

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, around 50 per cent of our team were women and women were represented at all levels within the Group.

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 18 portfolio companies and across two projects with the potential for significant growth and positive societal or environmental impact.

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 Materials, Food and Agritech, and AI clusters.

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 AI, 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

During the year, we took the opportunity to refresh our Board of Directors with the appointments of Nigel Grierson and David Holbrook as independent Non-Executive Directors from 15th March 2023. Both Nigel and David have extensive experience in industry and finance.

Professor Dame Julia King, Baroness Brown of Cambridge DBE FREng FRS FMedSci, who joined the Board in October 2021, became Senior Independent Director on the same date. Campbell Wilson stepped down in April 2023 having served as a Non-Executive Director for nine years but continues to support the Group in an advisory capacity with selected portfolio companies.

Companies across the portfolio continued to make good technical and commercial progress, with several starting to generate revenues for the first time as longer-term industry engagement started to translate into contracts and sales.

We continued to strengthen management teams across the portfolio. Elute Intelligence and Celerum appointed Chief Executive Officers during the year, as did Fieldwork Robotics after the year end. Pulsiv and CamGraPhIC successfully raised funds during the year, with Fieldwork Robotics following after the year end.

As a people-focused business, we took steps to expand our team and to ensure we attract and retain the best people. We hired four full-time employees to the Frontier IP team during the year.

Our Remuneration Committee began to implement the changes to our remuneration arrangements recommended in last year's external review. Progress is set out in in detail in the Remuneration Committee Report.

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, academic 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 2023.

Core portfolio

Alusid

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Frontier IP stake: 37.4 per cent

Alusid creates beautiful, premium-quality tiles, tabletops and other surfaces by recycling industrial waste ceramics and glass, most of which would otherwise be sent to high-impact landfill.

The company has successfully scaled up its technology for mass production on industry-standard manufacturing equipment and during the year signed a contract to sell its first mass-manufactured tile range, Principle, through Topps Tiles, the UK's no.1 tile specialist.

Alusid also successfully completed a collaboration with one of the world's leading specialty minerals group, Imerys, which resulted in the company developing floor tiles, a missing product from its ranges. Pilot trials are now underway to see if the floor tiles can be mass produced, with high industry interest in the product.

The company is also selling products to Starbucks franchisees across Europe, Middle East and Africa. Other customers include H&M, Cos, Nando's, the BBC and the Stonehenge Visitor Centre, run by English Heritage.

Amprologix

3 GOOD HEALTH AND WELL-BEING

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 heightened interest in other threats to human health globally. During the year, the World Health Organisation reiterated its warnings about the threats from antimicrobial-resistant superbugs and called for a step up in efforts to create new antibiotics.

Portfolio Review: continued

AquaInSilico

Frontier IP stake: 29.0 per cent

AquaInSilico 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.

During the year, the company saw its digital tools implemented by a client in Cape Verde as part of the Phos-Value project to recycle environmentally harmful nutrients as biofertilisers and improve water quality in the islands. The project was supported by the United Nations Development Program. AquaInSilico was also selected to take part in a European PathFinder project to develop sustainable products and made good progress in gaining municipal and industrial interest in its UPWATER® technology.

Cambridge Raman Imaging

Frontier IP stake: 26.8 per cent

Our first graphene spin out, Cambridge Raman Imaging (CRI) 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 main application creates digital images of patient cells and tissue, and the company is developing FFAI based analysis of chemical signatures for accurately differentiating between healthy tissue and diseased tissue in the patient samples, augmenting or replacing subjective diagnosis of samples by histopathologists. The technology removes the need for chemical staining - eliminating a major contributor to sample variation seen between one lab and the next.

During the year, the company successfully integrated its laser with a widely available commercial microscope and sold its first lasers. Tests showed histopathologists could identify tumours at an earlier stage from digital images generated by CRI's technology than they could from other technologies.

CamGraPhIC

Frontier IP stake: 20.8 per cent

CamGraPhIC develops graphene-based photonics for high-speed data and telecommunications. Graphene photonics are seen as a key enabler for the massive data increases being demanded by 5G and 6G 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 across multiple wavebands. They are projected to consume at least 70 per cent less energy. Other uses include high-performance computing and in networks able to meet the demands of processor intensive artificial intelligence applications.

The company raised £1.26 million through an equity funding round during the year to accelerate development and scale up of the technology, and announced that Sir Michael Rake, the former BT Group Chairman would be joining its board of directors at an appropriate time. After the year end, CamGraPhIC put in place a loan facility worth up to £1.5 million, with Frontier IP subscribing to loan notes worth £1.32 million.

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 company's technology uses specialist algorithms based on nature-inspired computing, software and algorithms based on natural processes and behaviours.

During the year, the company appointed David Gladding as Chief Executive Officer. David has more than 30 years' experience in software and IT services companies, including those specialising in fleet management. The company is now winning customers for its first commercial product Truck Logistics System, launched during the year to June 2022. After the year end, the company announced it had won its first international customer, Grampian Continental, and was successfully developing more sophisticated versions of the software to meet the needs of further customers.

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 through the use of Natural Deep Eutectic Solvents. These are combinations of naturally occurring (often plant based) sugars, acids, alcohols and amino acids that can be used as safe solvents. These new green solvents can be used to replace toxic organic solvents used in conventional processing , 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.

During the year, the company was selected as one of 10 start-ups to take part in the UK hub of the European Institute of Innovation & Technology's Food Network and started validation trials of a natural food preservative.

Elute Intelligence

Frontier IP stake: 42.2 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. The company's tools help to enhance research, support improved technological capabilities and innovation. Existing customers for the company's CopyCatch plagiarism detection software include UCAS, The Open University, and Slicethepie, the largest paid review site on the internet.

During the year, Elute announced the appointment of Steve Cable as Chief Executive Officer and is developing Investor Insights, an IP analyst tool for investment firms, which is now in beta phase.

Enfold Health

Frontier IP stake 75.8 per cent

Enfold Health, incorporated during the year, is developing novel technology for attacking the pathogenic bacteria that drive gum disease (gingivitis and periodontitis). The incorporation resulted from a collaboration between Frontier IP and Dr Ioanna Mela, an Associate Professor in the Department of Pharmacology at the University of Cambridge.

Periodontitis increases the risk of developing many common chronic diseases, including cardiovascular disease, Type 2 diabetes, Alzheimer's, rheumatoid arthritis and pneumonia, and worsens associated symptoms.

Enfold's Board of Directors includes Gerard Majoor, the former Vice President, Innovation and Development, Business Group Health and Wellness, for Philips Oral Health Care and Mother and Child Care.

Exscientia

Frontier IP stake: 0.4 per cent

Exscientia, a spin out from the University of Dundee, was the first in our portfolio to IPO, raising total gross proceeds of $510 million through a public offer and private placements with SoftBank and the Bill & Melinda Gates Foundation. It is listed on Nasdaq.

Now based in Oxford, Exscientia is a world leader in artificial intelligence-driven drug discovery. It is the company behind the first AI-created drugs to enter human clinical trials, taking years off traditional drug discovery processes.

During the year, the company continued to expand its pipeline of drug candidates, with four new molecules advancing further into clinical trials during the first half of its financial year to 30 June 2023 alone. The company is also developing its capabilities: it is building its own hardware and software solutions to automate a wide range of laboratory processes.

Portfolio Review: continued

Fieldwork Robotics

Frontier IP stake: 22.1 per cent

Fieldwork Robotics is looking to have more than 100 robots available for farmers to hire by 2025 following a post-year end funding round to accelerate further development of the company's raspberry pickers.

The moves follow the start of commercial trials of the raspberry harvesters in Portugal, and the continued focus is on making the robots faster and scaling up the technology.

After the year end, the company also appointed David Fulton as Chief Executive Officer, replacing Rui Andres who is focusing full time on Molendotech as CEO. David has more than 30 years' business experience, most recently as co-founder and director of LAB+BONE, a service to protect dogs' identity by using DNA. Before starting LAB+BONE, he was Chief Executive Office of WeSee, a company using advanced computer vision technology mimicking the human brain's ability to understand and process visual information. He previously held executive positions with Expedia, Adform and Microsoft.

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.

GraphEnergyTech

Frontier IP stake 32.1 per cent

GraphEnergyTech is developing advanced graphene technology for lower-cost and more environmentally-friendly solar cells – and could help save global silver reserves from exhaustion by 2050.

The company, which was incorporated into our portfolio during the year, is developing high-conductivity graphene inks. Initial applications are for graphene electrodes to replace expensive silver electrodes in solar cells. Silver is the most commonly used material for solar cell electrodes, and the solar industry is currently using 100 million troy ounces a year at a cost of at least $2 billion.

Research by the University of New South Wales, Australia, states more than 85 per cent of current silver reserves could be consumed by solar by 2050, with the upper end of its estimates as high as 113 per cent.

GraphEnergyTech's electrodes are 22 per cent cheaper than silver at pilot stage with further reductions expected as the technology is scaled up. The technology also enables high-efficiency perovskite solar cells by eliminating the risk of performance degradation caused by metal migration. Manufacturing is also easy – the graphene inks can be applied a low-cost screen-printing process, compatible with existing equipment.

Using graphene inks will also reduce the environmentally damaging extraction of metals, including the use of mercury and cyanide.

InSignals Neurotech

Frontier IP stake: 32.9 per cent

InSignals Neurotech continues to make progress with its novel technology to analyse the motor symptoms of Parkinson's disease and other neurological disorders. The company is developing wireless devices to measure motor symptoms, such as wrist rigidity, in real time to help surgeons and neurologists assess the extent of the disease. Initial prototypes were designed to help identify the best locations to place implants in the brain. However, an improved version can now be used to monitor symptoms more broadly for disease tracking and to understand better how patients are responding to treatment. A multi-centred clinical trial has been established to test the devices and a collaboration with the University of Santiago de Compostela in Spain confirmed how object measurements could produce deeper insights into disease progression. A mobile application of the technology is now under development.

The 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.

Molendotech

Frontier IP stake: 10.4 per cent

Molendotech has developed Bacterisk+, a proprietary screening test for faecal contamination in water. The tests, 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. It has been used to screen marine bathing waters, inland recreational waters, irrigation water and food process water.

The company has also developed a test to detect specific bacterial strains, including pathogens, for use in the food industry, animal feeds, veterinary practices and ballast waters.

Portfolio Review: continued

Nandi Proteins

Frontier IP stake: 19.8 per cent

Nandi Proteins successfully demonstrated commercial scale up of its egg white replacer, further extending its range of customised ingredients based on vegetable and animal proteins. The company continued to develop industry relationships over the year, which is expected to result in significant commercial progress in the future.

The company's technology is able to create a wide range of customised ingredients based on naturally occurring vegetable and animal proteins. Nandi's functional proteins can be used to replace undesirable ingredients, such as fat, gluten and chemical E-number additives in processed foods, or to replace animal proteins with vegetable proteins.

Nandi's technology has the potential to contribute to more sustainable agriculture and food production by supporting the plant-based alternative meat industry, by reducing chemical ingredients in processed and ultra-processed foods and by reducing the amount of meat used in processed meat products.

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: 18.2 per cent

Pulsiv's progress during the year included the launch of its first commercial product, Pulsiv Osmium, building out a global distribution network and a funding round that raised £1.5 million. The fundraising valued the company at £50 million pre money.

The company also established a global distribution network after signing agreements with partners across North America, Europe and Asia. The company continues to evolve and post period-end significantly strengthened its board with two key appointments of serial entrepreneur Mark Gerhard as chair and Tim Moore, who joined full time as Chief Product Officer from his role at SharkNinja.

Pulsiv's technology has the potential to make a profound impact on the energy sector. It cuts the amount of energy consumed by devices, therefore reducing the strain on power grids, and can boost the output of photovoltaic solar cells. Pulsiv Osmium is initially aimed at improving the efficiency of power supplies, LED lighting and battery chargers, but it can be used across nearly all mains-powered devices.

Because the technology uses fewer components, its 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.

It also works from device to mains, significantly improving the efficiency of renewable sources. The company is also working on a solar microinverter to maximise the output from photovoltaic solar cells.

Portfolio Review: continued

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 economically damaging diseases in livestock.

During the year, the company successfully completed two government-funded projects. The first funded by the UK and Chinese governments, developed a vaccine candidate for Streptococcus suis, a bacterial disease carried by pigs that causes significant productivity losses in the global pig industry. It can also cause meningitis and other symptoms in humans. The disease is currently poorly served as there are no highly effective vaccines. Treatment uses antibiotics but Streptococcus suis is showing signs of resistance. A Chinese commercial collaborator, the Pulike Biological Engineering Company has demonstrated candidate vaccine production using commercial manufacturing techniques at pilot scale.

The second project involved developing a transmissible candidate vaccine against a virus, Lassa fever, for use in the rats that spread the disease. A small-scale trial showed the candidate could be transmitted between rats, significantly improve their immunity to Lassa fever and reduce its spread between them. Technology to scale up for commercial production was also developed as part of the project, and the company is now in discussion with potential partners about further development. The work was funded by the US Defense Advanced Research Projects Agency, led by the University of California Davis, and involved TVG collaborating with academic partners from around the world.

TVG now has eight vaccine candidates approaching proof of principle. Its most advanced projects are for pigs: in addition to Streptococcus suis, the company is also developing vaccines for porcine reproductive and respiratory syndrome virus, porcine circovirus and African swine fever. It is adding more candidates to its pipeline to target diseases affecting horses, cattle, cats and dogs.

Portfolio Review: continued

Core Portfolio Summary at 30 June 2023

Portfolio Company	% Issued Share Capital	About	Source
Alusid Limited	37.39%	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	26.8%	Medical imaging using ultra-fast lasers	University of Cambridge and Politecnico di Milano
CamGraPhIC Limited	20.8%	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	42.2%	Software tools able to intelligently search, compare and analyse unstructured data	Existing business
Enfold Health Limited	75.8%	Improved oral health	University of Cambridge
Exscientia Limited	0.4%	Novel informatics and experimental methods for drug discovery	University of Dundee
Fieldwork Robotics Limited	22.1%	Robotic harvesting technology for challenging horticultural applications	University of Plymouth
GraphEnergyTech Limited	32.1%	High conductivity graphene inks	University of Cambridge/ École Polytechnique Fédérale de Lausanne
Insignals Neurotech Lda	32.9%	Wearable medical devices supporting deep brain surgery	INESC TEC
Molendotech Limited	10.4%	Rapid detection of water borne bacteria	University of Plymouth
Nandi Proteins Limited	19.8%	Food protein technology	Heriot-Watt University, Edinburgh
PoreXpert Limited	15.0%	Analysis and modelling of porous materials	University of Plymouth
Pulsiv Limited	18.2%	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 6 further portfolio companies. The combined value of these holdings was £575,000, equivalent to 1.7% of the fair value of the Group's equity investments at 30 June 2023.

Financial Review

Key Highlights

Net assets per share decreased by 8% to 81.8p (2022: 88.5p) reflecting a loss after tax of £3,244,000. The loss was driven by a net decrease on revaluation of investments of £966,000 and a realised loss on part disposal of the Group's holding in Exscientia of £786,000.

Loss after tax for the Group for the year to 30 June 2023 was £3,244,000 (2022: profit of £10,230,000) after a deferred tax credit of £1,126,000 (2022: charge of £649,000). This result includes a realised loss on disposal of investments of £786,000 (2022: gain of £2,867,000), an unrealised loss on the revaluation of investments of £966,000 (2022: gain of £10,908,000) and reflects an increase in services revenue to £372,000 (2022: £329,000) and flat administrative expenses of £3,130,000 (2022: £3,104,000) primarily due to no bonuses being paid in 2023.

Revenue and Other Operating Income

Services revenue increased by 13% to £372,000 (2022: £329,000) but other operating income, comprising realised and unrealised gains and losses on investments decreased to a loss of £1,752,000 (2022: gain of £13,775,000). The realised loss on disposal of investments was £786,000 (2022: gain of £2,867,000) and the unrealised loss on the revaluation of investments was £966,000 (2022: gain of £10,908,000). The fall during the year in the value of Exscientia, the Group's only quoted company holding, was a significant contributor to these losses. During the year, the Group sold a further part of its holding in Exscientia for £4,926,000 realising a loss of £786,000 on the value of the holding at 30 June 2022, 100% of the realised loss for the year to 30 June 2023. The decrease in the value of the Group's remaining holding in Exscientia over the year to 30 June 2023 was £2,123,000, 49% of loss before tax for the year to 30 June 2023. The unrealised loss on the revaluation of investments of £966,000 comprises losses on equity investments of £1,780,000 and gains on debt investments of £814,000. The significant contributors to the unrealised loss on equity investments were The Vaccine Group (decrease of £2,164,000), Exscientia (decrease of £2,123,000) and CamGraPhIC (increase of £1,430,000). An increase in the value of the Group's debt investment in CamGraPhIC of £724,000 was the primary contributor to the unrealised gain on debt investments.

Administrative Expenses

Administrative expenses increased by 1% to £3,130,000 (2022: £3,104,000). Prior year expenses included the payment of bonuses totalling £480,000 that were paid to employees of the Group. Excluding prior year bonuses, administrative expenses increased by 19%, primarily due to increased employee costs.

Share Based Payments

Share based payments decreased 53% to £155,000 (2022: £329,000) reflecting option grants during the year.

Earnings Per Share

Basic loss per share was 5.85p (2022: earnings per share of 18.60p). Diluted loss per share was 5.64p (2022: earnings per share 17.53p).

Statement of Financial Position

The principal items in the statement of financial position at 30 June 2023 are financial assets at fair value through profit and loss comprising equity investments of £32,964,000 (2022: £39,712,000) and debt investments of £4,625,000 (2022: £2,981,000). 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 movement during the year in equity and debt investments is detailed in notes 13 and 14 to the financial statement, respectively.

The Group had goodwill of £1,966,000 at 30 June 2023 (2022: £1,966,000). The considerations taken into account by the Directors when reviewing the carrying value of goodwill are detailed in Note 10 to the financial statements.

The Group had net current assets at 30 June 2023 of £6,181,000 (2022: £5,201,000) reflecting primarily advances of £793,000 (2022: nil) made to portfolio companies prior to formalising as loans. The current assets at 30 June 2023 include trade receivables of £604,000 which are more than 90 days overdue. The portfolio company debtors are in the process of raising funds and the directors are confident that the amounts due to the company will be paid.

Net assets per share

Net assets of the Group decreased to £45,538,000 at 30 June 2023 (30 June 2022: £48,699,000) resulting in net assets per share of 81.8p (30 June 2022: 88.5p).

Cash

The Group's cash balances increased during the year by £235,000 to £4,603,000 at 30 June 2023. Operating activities consumed £3,247,000 (2022: £3,006,000), the increase reflecting primarily advances made to portfolio companies prior to formalising as loans. Investing activities generated £3,384,000 (2022: £5,382,000). This reflected proceeds on disposal of part of our holding in Exscientia of £4,926,000 (2022: £6,525,000) and the purchase of equity and debt investments of £1,576,000 (2022: £1,141,000) across nine of our portfolio companies.

Principal 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 principal 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. £4.9 million of cash was generated during the year from selling shares in portfolio company Exscientia. The remaining holding in Exscientia was valued at £2.3 million at 30 June 2023. 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 companies are particularly sensitive to downturns in the economic environment. There are currently several areas of concern that could affect the UK and wider global markets and economy. Global risks include the continuing war in Ukraine and emerging conflict and instability in the middle east. The impact of both, particularly the dangers of escalation, on geopolitics, economically and on markets, are uncertain and difficult to predict. Inflation and interest rates are rising. Longer-term risks include uncertainties in the US, where economic growth continues to be slow and around next year's presidential elections, and in China, which is facing demographic challenges and pressures in its property sector.

Any economic downturn would mean considerable uncertainty in 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 a strong balance sheet, relationships with co-investors, industry partners and financial institutions, as well as controlling the cash burn rate in portfolio companies.

COVID-19 remains a risk with the possibility of new variants emerging. The likeliest impacts on the Group are operational: Frontier IP and portfolio company employees may contract the virus and be unavailable for work for extended periods of time. The Group seeks to mitigate these risks by maintaining a safe working environment and ensuring portfolio companies have considered and addressed risks.

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 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. We expanded our team during the year and, post period-end, commissioned an external review of our remuneration framework.

After making appropriate enquiries, the Directors consider that it remains appropriate to adopt the going concern basis in preparing the financial statements. However, the Directors intend to realise further cash from the Group's quoted investment in Exscientia valued at £2.3 million at 30 June 2023 which they reasonably expect will provide the Group with sufficient cash to cover its operating expenditure for this period. The Directors also expect that this realisation will, where appropriate, assist the Group in supporting portfolio companies during this period. The dependence on the amount realised from this one quoted technology company represents a material uncertainty. More detail is provided in the Directors' Report.

By order of the Board

Neil Crabb | Director | 30 October 2023

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 Director (Age 57)

Appointment Date:

December 2011

Experience:

Andrew Richmond has substantial experience of the healthcare, stockbroking and private equity industries. He is a Trustee of Sue Ryder, Scotland's Charity Air Ambulance, the six COIF charity funds managed by CCLA and The Church of Scotland Investors Trust. He is also a director of 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:

Member of the Remuneration Committee and the Audit Committee.

Scheduled Board Meetings attended:

6 out of 6

Neil Crabb

Chief Executive Officer
(Age 55)

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 63)

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:

5 out of 6

James Fish

Chief Financial Officer and Company Secretary
(Age 65)

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 49)

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:

6 out of 6

Professor Dame Julia King

Baroness Brown of Cambridge DBE FREng FRS, FMedSCI, Non-Executive Director and Senior Independent Director
(Age 68)

Appointment Date:

October 2021

Experience:

Julia has an engineering background with experience across academia, industry and government and a focus on climate change adaptation and mitigation and the low carbon economy.

Skills:

Strong knowledge of science, technology, business and government

Role:

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

Committees:

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

Scheduled Board Meetings attended:

5 out of 6

Board of Directors: continued

Nigel Grierson

Independent Non-Executive Director
(Age 67)

Appointment Date:

March 2023

Experience:

Nigel has a background in the IT, semiconductor and venture capital sectors. He ran strategic programmes for Intel Corporation, was co-director EMEA for Intel Capital Group and was a co-managing director of the Doughty Hanson Technology Fund. He has managed investments of more than $500 million in 70 technology start-up companies across Europe. Nigel is FCA qualified to run controlled functions and is an alumnus of the INSEAD Fontainbleau Advanced Management Program.

Skills:

Deep knowledge of the semiconductor, IT and venture capital industries.

Role:

Nigel's appointment requires at least 12 full days a year in his role as Non-Executive director.

Committees:

Member of the Remuneration Committee and the Audit Committee.

Scheduled Board Meetings attended:

2 out of 2

Dr David Holbrook

Independent Non-Executive Director
(Age 63)

Appointment Date:

March 2023

Experience:

David has experience in the healthcare technology and investment sectors. A qualified medical doctor, he was a physician before assuming senior roles at Glaxo and Roche. He was General Partner/Venture Partner for MTI Ventures LLP, and has sat on more than 20 boards. David is currently a Non-Executive Director at AIM-quoted Oxford BioDynamics plc and a senior advisor to digital health investor RYSE Asset management.

Skills:

Deep knowledge of healthcare, healthcare technology and investment industries.

Role:

David's appointment requires at least 12 full days a year in his role as Non-Executive director.

Committees:

Member of the Remuneration Committee and Chair of the Audit Committee.

Scheduled Board Meetings attended:

2 out of 2

Board of Directors: continued

Dr. Campbell Wilson

Non-Executive Director
(Age 68), resigned during the period

Appointment Date:

May 2014

Resignation Date:

21 April 2023

Role:

Campbell brought deep knowledge of the pharmaceutical and licencing industries and his duties included advising on the Group's life sciences portfolio

Committees:

Member of the Remuneration Committee and the Audit Committee

Scheduled Board Meetings attended:

5 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 such other members of the executive management as it is designated to consider;

> 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 Schemes.

Two additional members joined the Remuneration Committee during the year. Nigel Grierson and David Holbrook, both independent Non-Executive Directors, were appointed to the Remuneration Committee in March 2023.

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

Remuneration Review Implementation

Following the review of the Group's remuneration policy during FY 2022, the aim of which was to ensure that the policy continued to reinforce long-term value creation by enhancing the Group's ability to attract and retain the best people, the Group began the implementation of the key findings of the Remuneration Review during the year.

Salary

As recommended, Director's full-time equivalent salaries were raised to £200,000 for the CEO, and to £160,000 for each of the CFO, CCO, and COO in January 2023. The Committee is expecting to implement further increases in FY24 which are likely to be less than the increase in FY23 and will disclose these in the relevant directors' remuneration report.

All non-director staff also received salary increases in order to ease cost of living pressures during the year.

Annual Bonus

Our business model means that the availability of cash to pay bonuses will be dependent on cash being raised through asset realisations, and the bonus opportunity in any financial year is dependent on this activity and will only be paid where the Group determines there is a sufficient surplus to the medium-term operating cash requirement.

Following review, the Remuneration Committee concluded that no bonuses were to be paid, consequently no bonus payments were made during the period.

LTIP

In line with Remuneration Review recommendations, the Group implemented the 'LTIP' as set out in an advisory resolution, and supported by shareholders, at the Company's 2022 Annual General Meeting.

The first awards made under the LTIP were granted in March 2023, to all staff including directors. Details of share options held by Directors who were in office at 30 June 2023 are set out below.

Option awards were also granted to Group non-director employees under the Group's Company Share Option Plan.

Committees of the Board: continued

Directors' remuneration

An analysis of remuneration by director is given in Note 6 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 six-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, was able to grant both options which are Enterprise Management Incentive (EMI) approved. This scheme remains in place, but no new options will be granted as the Group has ceased to be a qualifying company for EMI purposes.

Two further schemes are in place: the Frontier IP Group PLC Company Share Option Plan 2021 ("CSOP") and the Frontier IP Group PLC Unapproved Share Option Plan 2021, as amended by Board of Directors Resolution on 7 March 2023 ("LTIP"). During the period, 191,496 share options were granted under the CSOP and 643,376 share options were granted under the LTIP.

Committees of the Board: continued

Details of share options held by Directors who were in office at 30 June 2023 are set out below:

Director	Grant date	Number of options	Exercise price	Exercise date	Expiry date
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
Neil Crabb	16.03.2023	156,485	10.00p	16.03.2026 - 15.03.2033	15.03.2033
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
Jacqueline McKay	16.03.2023	113,504	10.00p	16.03.2026 - 15.03.2033	15.03.2033
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
James Fish	16.03.2023	125,188	10.00p	16.03.2026 - 15.03.2033	15.03.2033
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
Matthew White	16.03.2023	125,188	10.00p	16.03.2026 - 15.03.2033	15.03.2033

The market price of the Company's shares at 30 June 2023 was 46.0p. The range of prices during the year was 46.0p to 89.0p.

Directors' interests in shares

The Directors in office at 30 June 2023 had the following interests in the ordinary shares of 10p each in the Company at the year end.

	2023 Number	2022 Number
Neil Crabb	**3,445,538**	2,988,713
Jacqueline McKay	**208,637**	12,855
Andrew Richmond	**850,000**	1,000,000
James Fish	**100,000**	100,000

All of the above interests are beneficial.

Professor Dame Julia King, Baroness Brown of Cambridge | Chair of the Remuneration Committee
30 October 2023

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 comprised three non-executive directors and was chaired by Andrew Richmond until 13 March 2023 following which the Committee comprised of four non-executive directors and David Holdbrook replaced Andrew Richmond as chair. 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. Chris Meyrick was appointed lead partner in FY22. 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 review of the interim results, and where these non-audit services are permitted under the Financial Reporting Council's ethical guidelines.

Basis for qualified audit opinion

As noted within the external auditor's report, the Directors were not able to provide the external auditor with sufficient and appropriate evidence in relation to the estimation of fair value for certain investments, specifically being those investments described as 'Stage 2' in the accounting policies, which have been valued at £1.2million (representing 3.6% of equity investments of £32.9 million and 2.6% of net assets) as at 30 June 2023. As a result, the external auditor was unable to conclude in respect of the valuation of these investments and was unable to perform alternative procedures. Consequently, this formed the basis for their qualified opinion on these Stage 2 investments.

David Holbrook | Chairman of the Audit Committee
30 October 2023

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 how we engage with our principal stakeholders. Stakeholders' views are brought into the boardroom through direct engagement with 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.

We periodically review our policies which relate to employees.

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. As the restrictions imposed by the pandemic ease, we are seeking to resume capital markets events for shareholders and other stakeholders.

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 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. Our sustainability reporting is aligned 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 unbudgeted overhead expenditure must be approved by the Board

Corporate Governance: continued

> 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 Chair, a Senior Independent Director, 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 Senior Independent Director and two Non-Executive Directors 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, small-to-medium-sized businesses, larger corporates, 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:

- Basic earnings per share: profit attributable to shareholders divided by the weighted average number of shares in issue during the year
- Net assets per share: value of the group's assets less the value of its liabilities per share outstanding
- Total revenue and other operating income: growth in the aggregate of revenue from services, change in fair value of investments and realised profit on disposal of investments
- Profit: profit before tax for the year
- 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 business of our size and complexity. However, as the business grows, we will continue to the adapt the process to ensure it is appropriate for the organisation and Board structure.

Our Culture

Frontier IP is a small company with a 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/#commitees

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 apprised 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 2023 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

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Auditor

BDO LLP

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Solicitors

CMS Cameron McKenna Nabarro Olswang LLP

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

Nominated Adviser

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Broker

Singer Capital Markets

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London EC2N 2AX

Secretary & Registered office

James Fish

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Main trading address

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EH2 3ES

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year ended 30 June 2023.

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 loss after tax for the year of £3,244,000 (2022: profit of £10,230,000). The Directors do not recommend the payment of a dividend (2022: 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 2023, the Group employed 21 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 2023, the Group had positive cash balances of £4,603,000 (2022: £4,368,000). 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 with the exception of realisations from its investment in Exscientia which is listed on the Nasdaq Global Select Market. US dollar proceeds are converted to sterling and foreign exchange cash balances at the year-end were £32,000.

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 21 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. IWG, which owns our 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 a combination of remote and office-based 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.

Directors' Report: continued

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 2026. The forecast included operating activities and known near term purchase of investments. It did not include cash from the purchase of unplanned investments. The analysis showed that at 30 June 2023 the Group had insufficient cash to cover its operating expenditure for the 12 months from the date of signing of these financial statements. However, the Directors intend to realise further cash from the Group's quoted investment in Exscientia valued at £2.3 million at 30 June 2023 which they reasonably expect will provide the Group with sufficient cash to cover its operating expenditure for this period. The Directors also expect that this realisation will, where appropriate, assist the Group in supporting portfolio companies during this period. The dependence on the amount realised from this one quoted technology company represents a material uncertainty. The Group also plans to realise cash through further portfolio company exits to cover operating expenditure and investment beyond the 12 month period. The timing and amount of exit proceeds is subject to uncertainty. However, the directors have a reasonable expectation that further exits will be achieved. Consequently, the Directors continue to adopt the going concern basis in preparing the Group's financial statements.

Subsequent events

There were no subsequent events to report.

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

30 October 2023

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

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

> 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 2023 and of the Group's loss for the year then ended;

> the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

> the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the 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 UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for qualified opinion

Equity investments are stated at £32.9 million in the Group's Consolidated Statement of Financial Position and £28.3 million in the Parent Company's Statement of Financial Position. The Directors were unable to obtain sufficient support to reliably perform year end valuations for certain investments, specifically being those investments described as 'Stage 2' by management in the accounting policies, which have been valued at £1.2 million as at 30 June 2023. Therefore, we were unable to obtain sufficient appropriate audit evidence in respect of the valuation of these investments as at 30 June 2023. We were also unable to perform alternative procedures to satisfy ourselves concerning the valuation of the £1.2 million Stage 2 investments held by the Group and Parent Company as at 30 June 2023. Consequently, we were unable to determine whether any adjustment was necessary to these amounts as at 30 June 2023 or whether there was any consequential effect on the Group and Parent Company's other comprehensive income for the year ended 30 June 2023.

In addition, were any adjustment to the stage 2 investments balance to be required, the Strategic report and Directors' report would also need to be amended.

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 qualified 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.

Material uncertainty related to going concern

We draw attention to the accounting policies in the financial statements, which indicates that the Group has insufficient cash to cover its operating expenditure for the 12 months from the date of the signing of these Group and Parent Company financial statements. However, the Directors intend to realise further cash from the Group's sole quoted investment in Exscientia, valued at £2.3 million, at 30 June 2023 which they expect will provide the Group and Parent Company with sufficient cash to cover its operating expenditure for this period. The timing and amount of exit proceeds is subject to uncertainty. This condition, and the other matters noted in the accounting policies, indicates the existence of a material uncertainty that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. The financial statements do not include any adjustments that may be necessary if the Group or Parent Company were not a going concern. Our opinion is not modified in respect of this matter.

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

We identified going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

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 assessing the latest board approved cash flow forecasts for the Group, which covered a period of at least 12 months 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 assessing the current period and post year end results against forecasts;

> Challenging the Directors' cash flow forecasts through additional sensitivity and stress testing, specifically including the ability to realise the investment in ExScientia, and the value and timing at which it is realised, as well as sensitising and stress testing operating expenses;

> Agreeing the cash balances to the latest available bank statements post year end; and

> Assessing the board's plans for future actions.

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

Overview

Coverage	100% (2022: 100%) of Group profit before tax 100% (2022: 100%) of Group revenue 97% (2022: 100%) of Group total assets		
Key audit matters		2023	2022
	Valuation of unquoted investments	✓	✓
	Material uncertainty related to going concern	✓	–
Materiality	Group financial statements as a whole £689,000 (2022: £760,000) based on 1.5% (2022: 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.

There are two (2022: two) significant components in the Group being Frontier IP Group Plc and Frontier IP Limited, which are both 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.

In addition to the matter described in the "Material uncertainty related to going concern" and the matter included in the "Basis for qualified opinion" sections above, we have determined the matter below to also be a key audit matter to be communicated in our report.

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	
Valuation of unquoted investments The Group's accounting policy for determining the fair value of investments is disclosed on pages 63 to 64 in accounting policies section and disclosures regarding the fair value estimates are given on pages 74 to 78 in Notes 13 and 14.	The Group holds unlisted investments (equity and debt) at fair value with movements through profit or loss. As at 30 June 2023, the portfolio was valued at £37.6m (2022: £42.7m). We consider the valuation of unquoted investments (£35.3m) to be the most significant audit area and a key audit matter as there is a high level of estimation uncertainty involved in determining the valuations hence there is a potential risk of material misstatement.	As described in the "Basis for the qualified opinion" section of our report, we were unable to obtain sufficient appropriate audit evidence in respect of the valuation of £1.2m of investments described as 'Stage 2' by management in the accounting policies at 30 June 2023. For the remaining unquoted investments of £29.4m, our procedures included the following for unquoted investments representing 99.5% of that balance: For all investments in our sample we: > 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 including evaluating post year end events to assess whether these provided evidence about the valuation at the year end as set out below. For investments where the carrying value is based on the calibrated price of recent investment (£14.9m of equity portfolio), we: > 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 for contradictory evidence through media searches and reviewing the latest financial information; > 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	
		For investments where the carrying value is based on the price of a planned or in progress funding round that had not completed at the reporting date (£10.9m of equity portfolio), we assessed the level of the completion discount, taking into account the degree of progression and Management's assessment of the risk of non-completion at that date against our knowledge of the business, industry and publicly available information. For investment based on an advanced subscription agreements (£3.4m of equity portfolio) we: > obtained supporting documentation and agreed the range of valuation based on the subscription price options; > consulted with internal valuations experts to develop our own point estimate to compare against management's estimate and assessed the variance within a range of acceptable estimation difference; and > 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. For a sample of debt investment valuations representing 83% of the population, 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. The valuation experts assisted with a review of the appropriateness of the discount rate, the rationale for and consistency of discounts or premiums applied, review of methodology applied by management, and review of terms as stated by the agreements. **Key observations:** Based on the procedures performed, with the exception of those investments referred to in the basis for qualified opinion section above, we consider the unquoted investment valuations to be appropriate, and the estimates made by management in valuing the unquoted investments to be reasonable.

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	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Materiality	**689**	760	**594**	554
Basis for determining materiality	1.5%(2022:1.5%) of total assets			
Rationale for the benchmark applied	Total assets is considered the appropriate benchmark as the Group's and Parent Company's primary activity is that of investment value appreciation.			
Performance materiality	**517**	570	**446**	416
Basis for determining performance materiality	75% (2022: 75%) of overall materiality			
Rationale for the percentage applied for performance materiality	Performance materiality was determined 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.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for the remaining significant component of the Group, based on a percentage of 24% (2022: 28%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality for this component was £164,000 (2022: £215,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 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 £34,450 (2022: £15,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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.

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the valuation of investments described as ‘Stage 2’ by management held at 30 June 2023. We have concluded that where the other information refers to the ‘Stage 2’ investments balance or related balances, it may be materially misstated for the same reason.

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	Except for the possible effects of the matter described in the “Basis for qualified opinion” section of our report, in our opinion, based on the work undertaken in the course of the audit: > the information given in the Strategic report and the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and > the Strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements. Except for the possible effects of the matter described in the “Basis for qualified opinion” section of our report, 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.
Matters on which we are required to report by exception	Arising solely from the limitation on the scope of our work relating to the valuation of the stage 2 investments, referred to in the “Basis for qualified opinion” section above: > we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and > we were unable to determine whether adequate accounting records have been kept by the Parent Company. 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: > 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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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:

Non-compliance with laws and regulations

We gained an understanding of the legal and regulatory framework applicable to the Group and the components and the industry in which they operate, and considered the risk of acts by the Group and the components which were contrary to applicable laws and regulations, including fraud. This occurred during the planning phase of the audit through discussions with management and analysis of the impacts of applicable legislation.

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. Our procedures involved performing a financial statement checklist to assess the appropriateness of disclosures. We further engaged with our tax specialists to assess compliance with UK tax legislation.

We also considered compliance with these laws and regulations through discussions 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.

Fraud

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. This occurred initially during our engagement team discussion and then continued throughout the audit. We determined that the principal risks were related to management bias in accounting estimates including in relation to the valuation of unquoted investments. The key audit matter 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 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.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matter described in the basis for qualified opinion section of our report.

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

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.

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.

Chris Meyrick | (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Citypoint 65 Haymarket Terrace
Edinburgh, EH12 5HD
United Kingdom
30 October 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC30)

OUR FINANCIALS

"Net assets per share decreased by 8% to 81.8p (2022: 88.5p) reflecting a loss after tax of £3,244,000. The loss was driven by a net decrease on revaluation of investments of £966,000 and a realised loss on part disposal of the Group's holding in Exscientia of £786,000."

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Notes	2023 £'000	2022 £'000
Revenue			
Revenue from services	3	**372**	329
Other operating income			
Unrealised (loss)/profit on the revaluation of investments	13,14	**(966)**	10,908
Realised (loss)/profit on disposal of investments		**(786)**	2,867
		(1,380)	14,104
Administrative expenses	5	**(3,130)**	(3,104)
Share based payments		**(155)**	(329)
Interest income on debt investments		**232**	155
Other income		**13**	52
(Loss)/profit from operations		**(4,420)**	10,878
Interest income on short term deposits		**50**	1
(Loss)/profit from operations and before tax		**(4,370)**	10,879
Taxation	7	**1,126**	(649)
(Loss)/profit and total comprehensive (expense)/income attributable to the equity holders of the Company		**(3,244)**	10,230
(Loss)/profit per share attributable to the equity holders of the Company:			
Basic (loss) / earnings per share	8	**(5.85)p**	18.60p
Diluted (loss) / earnings per share	8	**(5.64)p**	17.53p

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

There is no other comprehensive income in the year (2022: nil).

Consolidated Statement of Financial Position

At 30 June 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Tangible fixed assets	9	**13**	6
Goodwill	10	**1,966**	1,966
Equity investments	13	**32,964**	39,712
Debt investments	14	**4,625**	2,981
		39,568	44,665
Current assets			
Trade receivables and other current assets	15	**1,026**	1,051
Advances	16	**793**	–
Cash and cash equivalents		**4,603**	4,368
		6,422	5,419
Total assets		**45,990**	50,084
Liabilities			
Non-current liabilities			
Deferred taxation	7	**(211)**	(1,167)
		(211)	(1,167)
Current liabilities			
Trade and other payables	17	**(241)**	(218)
		(241)	(218)
Total liabilities		**(452)**	(1,385)
Net assets		**45,538**	48,699
Equity			
Called up share capital	18	**5,566**	5,501
Share premium account	18	**14,627**	14,576
Reverse acquisition reserve	19	**(1,667)**	(1,667)
Share based payment reserve	19	**1,291**	1,324
Retained earnings	19	**25,721**	28,965
Total equity		**45,538**	48,699

Company Statement of Financial Position

At 30 June 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Investment in subsidiaries	12	**2,383**	2,383
Equity investments	13	**28,259**	26,963
Debt investments	14	**3,557**	2,297
Amounts receivable from group undertakings	15	**357**	285
Deferred taxation	7	**330**	1,164
		34,886	33,092
Current assets			
Trade receivables and other current assets	15	**582**	696
Advances		**785**	–
Cash and cash equivalents		**3,224**	3,940
		4,591	4,636
Total assets		**39,477**	37,728
Liabilities			
Non-current liabilities			
Amounts payable to group undertakings	17	**(3,366)**	(192)
		(3,366)	(192)
Current liabilities			
Trade and other payables	17	**(160)**	(131)
		(160)	(131)
Total liabilities		**(3,526)**	(323)
Net assets		**35,951**	37,405
Equity attributable to equity holders of the Company			
Called up share capital	18	**5,566**	5,501
Share premium account	18	**14,627**	14,576
Share-based payment reserve	19	**1,291**	1,324
Retained earnings	19	**14,467**	16,004
Total equity		**35,951**	37,405

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 loss of the Company for the year was £1,537,000 (2022: profit of £7,534,000).

The financial statements on pages 57 to 83 were approved by the Board of Directors and authorised for issue on 30 October 2023 and were signed on its behalf by:

James Fish | Chief Financial Officer
30 October 2023

Registered number: 06262177

Consolidated and Company Statements of Changes in Equity

For the year ended 30 June 2023

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 2021	5,501	14,576	(1,667)	1,276	18,735	38,421
Issue of shares			–	–	–	
Share-based payments	–	–	–	48		48
Profit/total comprehensive income for the year	–	–	–	–	10,230	10,230
At 30 June 2022	5,501	14,576	(1,667)	1,324	28,965	48,699
Issue of shares	65	51	–	(18)	–	98
Share-based payments	–	–	–	(15)	–	(15)
(Loss)/total comprehensive expense for the year	–	–	–	–	(3,244)	(3,244)
At 30 June 2023	**5,566**	**14,627**	**(1,667)**	**1,291**	**25,721**	**45,538**

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 2021	5,501	14,576	1,276	8,470	29,823
Issue of shares	–	–	–	–	–
Share-based payments	–	–	48	–	48
Profit/total comprehensive expense for the year	–	–	–	7,534	7,534
At 30 June 2022	5,501	14,576	1,324	16,004	37,405
Issue of shares	65	51	(18)	–	98
Share-based payments	–	–	(15)	–	(15)
(Loss)/total comprehensive expense for the year	–	–	–	(1,537)	(1,537)
At 30 June 2023	**5,566**	**14,627**	**1,291**	**14,467**	**35,951**

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2023

	Notes	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Cash flows from operating activities	22	**(3,248)**	(3,006)	**(2,704)**	(2,185)
Cash flows from investing activities					
Purchase of tangible fixed assets	9	**(16)**	(3)	**–**	–
Purchase of equity investments	13	**(691)**	(614)	**(691)**	(614)
Disposal of equity investments		**4,926**	6,525	**–**	–
Purchase of debt investments	14	**(884)**	(527)	**(575)**	(427)
Net amounts receivable from group undertakings		**–**	–	**3,103**	5,243
Interest income		**50**	1	**53**	1
Net cash from investing activities		**3,385**	5,382	**1,890**	4,203
Cash flows from financing activities					
Proceeds from issue of equity shares		**98**	–	**98**	–
Costs of share issue		**–**	–	**–**	–
Net cash generated from financing activities		**98**	–	**98**	–
Net increase/(decrease) in cash and cash equivalents		**235**	2,376	**(716)**	2,018
Cash and cash equivalents at beginning of year		**4,368**	1,992	**3,940**	1,922
Cash and cash equivalents at end of year		**4,603**	4,368	**3,224**	3,940

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 UK adopted International Financial Reporting Standards (IFRS) 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 2026. The forecast included operating activities and known near term purchase of investments. It did not include cash from the purchase of unplanned investments. The analysis showed that at 30 June 2023 the Group had insufficient cash to cover its operating expenditure for the 12 months from the date of signing of these financial statements. However, the Directors intend to realise further cash from the Group's quoted investment in Exscientia valued at £2.3 million at 30 June 2023 which they reasonably expect will provide the Group with sufficient cash to cover its operating expenditure for this period. The Directors also expect that this realisation will, where appropriate, assist the Group in supporting portfolio companies during this period. The dependence on the amount realised from this one quoted technology company represents a material uncertainty. The Group also plans to realise cash through further portfolio company exits to cover operating expenditure and investment beyond the 12 month period. The timing and amount of exit proceeds is subject to uncertainty. However, the directors have a reasonable expectation that further exits will be achieved. 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 2022

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 conducts 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.

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

Accounting Policies: continued

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 15.

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 the realised gain represents the difference between the carrying amount at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and the consideration received on disposal. The unrealised gain represent the difference between the carrying amount at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period. Gains and losses 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 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 fair value of quoted investments is based on the bid price in an active market on the measurement date. 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. Initial Equity

   When the Group has received its initial equity prior to transfer of IP to the portfolio company, the company is valued based on the cost of the initial equity. If advisory services are provided by the Group prior to spin out in return for its equity stake, the cost is the value of services invoiced. If no advisory services have been invoiced prior to spin out, the cost is the nominal value of the shares received.

2. IP Transferred

   Once the IP is transferred to the company, but prior to the company raising investment funds, the valuation is based primarily on the value attributed to the IP. The method of valuation will involve evaluating the portfolio company's progress against technical measures, including product development phases and patents. In addition, where grant funding is awarded in relation to its product development costs the value of the grant may be included in the company valuation to the extent that

Accounting Policies: continued

management is satisfied that the company will derive commensurate economic benefit. The assessment of inputs used in valuing companies in advance of a funding round are highly subjective and accordingly caution is applied.

3. Trading Prior to Investment

   When the portfolio 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. Price of Recent Investment

   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 using a milestone based approach. The milestone based approach involves performing an assessment on the success of relevant milestones that were agreed at the time of investment, including inputs such as revenues, IP assessment, patents, cash burn rates, product testing phases and market traction. Any adjustment made is, whenever possible, based on objective data from the company in addition to management's judgement.

5. Other Valuation Techniques

   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.

6. Quoted companies.

   The fair value of quoted companies is based on the bid price in an active market on the measurement date.

Investment in subsidiary companies is stated at cost, which is the fair value of consideration paid, 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 fair value of debt investments is derived by applying probability weightings to the conversion and repayment values of the debt investment plus the value of warrants. Inputs to the conversion value are the nominal value of the loan, interest to conversion, conversion discount and time to conversion. Inputs to the repayment value are the nominal value, interest to repayment and time to repayment. Both values are discounted at a rate appropriate to the portfolio company's stage of development. Where warrants are attached to a debt instrument, the fair value is determined using the Black-Scholes-Merton valuation model. 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.

Interest income on debt investments in portfolio companies is recognised when it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Interest income on cash deposits is accrued on a time basis by reference to the principal outstanding and the applicable interest rate.

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.

Notes to the Financial Statements

For the year ended 30 June 2023

1. Financial risk management

Financial risk factors

(a) Market risk

Interest rate risk

As the Group has no borrowings it only has limited interest rate risk. The impact is on income, debt investments 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 £32,964,000 (2022: £39,712,000) of which quoted equity investments comprise £2,298,000 (2022: £10,132,000). Equity investments are valued in accordance with the Group's accounting policy on equity investments. Management's monitoring of and contact with portfolio companies provides sufficient information to value the unquoted companies and the Board regularly reviews their progress, prospects and valuation. Information on reasonable possible shifts in the valuation of equity investments is provided in note 13 to the financial statements.

(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 4. Details of trade receivables and other current assets are set out in note 15. Details of significant debt investments are set out in Note 14. 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 2023 and 30 June 2022 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.

Notes to the Financial Statements

For the year ended 30 June 2023

As the Group's unquoted investments are in seed, start-up and early-stage businesses it can be difficult to assess the outcome of their activities and to make reliable forecasts. Given the difficulty of producing reliable cash flow projections for use in discounted cash flow valuations, this technique is applied with caution. Adjustments made to fair value are, by their very nature, subjective and determining the fair value is a critical accounting estimate. 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. A 25% increase in the time to repayment or conversion reduces the value of debt investments from £4,625,000 to £4,590,000 and a 25% increase in the discount rate reduces the value of the debt investments from £4,625,000 to £4,569,000. 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 14. The price at which debt investments were made is 65% of the fair value of debt investments at 30 June 2023 (2022: 94%).

(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 flows relate primarily to proceeds from sale of investments, these estimates and assumptions are subject to a high degree of uncertainty. Note 10 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's exposure to credit losses is with companies from its own portfolio whose ability to settle their debts is primarily dependant on their ability to raise capital rather than their current trading. The age of debt is not considered in assessing credit loss as the outcome is expected to be binary. The debt is also concentrated in a small number of companies; four companies account for 81% of trade receivables and four account for 89% of debt investments at 30 June 2023. Management has in-depth knowledge of these companies and is providing the fundraising service for all four of them. The Group's history of credit loss is not significant and therefore management focus on the factors which impact the ability of these companies to successfully raise capital and a probability of default as a result of the failure to raise capital is applied to determine the expected credit loss. Details of the expected credit loss are provided in note 15.

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 10. 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.

Notes to the Financial Statements

For the year ended 30 June 2023

3. Revenue from services

During the year the Group earned revenue from the provision of services to portfolio companies and university partners as follows:

	2023 £'000	2022 £'000
Retainers with portfolio companies	**336**	313
Corporate finance fees from portfolio company fundraisings	**30**	-
Advisory fees from universities on initial spin-outs	**3**	7
License income from universities	**3**	9
	372	329

4. Major customers

During the year the Group had five major customers that accounted for 86% of its revenue from services (2022: five customers accounted for 76%). Four of these customers were also in the top five in 2022. The revenues generated from each customer were as follows:

	2023 £'000	2022 £'000
Customer 1	**78**	78
Customer 2	**70**	72
Customer 3	**52**	48
Customer 4	**48**	44
Customer 5	**40**	42
	288	284

5. Administration expenses

Expenses included in administrative expenses are analysed below.

	2023 £'000	2022 £'000
Employee costs	**2,117**	2,320
Consultant	**133**	81
Travel and subsistence	**21**	7
Depreciation	**9**	8
Bad and doubtful debts	**169**	141
Fees payable to auditor:		
- audit fee	**92**	60
- non-audit services	**3**	5
Legal, professional and financial costs	**378**	313
Premises lease	**140**	113
Administration costs	**68**	56
	3,130	3,104

Notes to the Financial Statements

For the year ended 30 June 2023

6. Directors and employees

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

	2023 Number	2022 Number
Business and corporate development	**20**	16

	2023 £'000	2022 £'000
Wages and salaries	**1,518**	1,714
Social security	**197**	218
Pension costs – defined contribution plans	**186**	208
Non-executive directors' fees	**126**	105
Other benefits	**52**	75
Recruitment	**38**	-
Total employee administration expenses	**2,117**	2,320

At 30th June 2023, all employees with the exception of Jacqueline McKay were employed by Frontier IP Group plc. Post year-end, Jacqueline McKay's employment contract was changed from subsidiary Frontier IP Limited to Frontier IP Group plc.

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.

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 and bonuses were paid during the year to 30 June 2022. Such bonuses are decided by the Remuneration Committee. 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		Bonus		Other benefits		Pension		Share option		Total	
Amounts in	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Executive												
N Crabb	**177**	143	**0**	143	**5**	5	**17**	14	**43**	64	**242**	368
J McKay	**74**	41	**0**	106	**5**	5	**76**	85	**36**	57	**191**	294
J Fish	**125**	112	**0**	74	**4**	4	**31**	37	**37**	58	**197**	287
M White	**152**	134	**0**	30	**3**	4	**15**	26	**34**	54	**204**	247
Non-executive												
A Richmond	**48**	45	**-**	-	**-**	-	**-**	-	**-**	-	**48**	45
M Bourne*	**-**	12	**-**	-	**-**	-	**-**	-	**-**	-	**-**	12
C Wilson*	**23**	27	**-**	-	**-**	-	**-**	-	**-**	-	**23**	27
J King	**34**	22	**-**	-	**-**	-	**-**	-	**-**	-	**34**	22
N Grierson	**10**	-	**-**	-	**-**	-	**-**	-	**-**	-	**10**	-
D Holbrook	**10**	-	**-**	-	**-**	-	**-**	-	**-**	-	**10**	-
	653	536	**0**	353	**17**	18	**139**	162	**150**	233	**959**	1,302

* Former directors

Notes to the Financial Statements

For the year ended 30 June 2023

7. Taxation

	2023 £'000	2022 £'000
Current tax	-	-
Deferred tax	(1,126)	649
Tax (credit)/charge for the year	(1,126)	649

A reconciliation from the reported (loss)/profit before tax to the total tax (credit)/charge is shown below:

	2023 £'000	2022 £'000
(Loss)/profit before tax	(4,370)	10,879
(Loss)/profit before tax at the effective rate of corporation tax in the UK of 20.5% (2022: 19%)	(895)	2,067
Effects of:		
Fair value movement in investments not recognised in deferred tax	(69)	(1,689)
Expenses not deductible for tax purposes	31	63
Movement in deferred tax asset of losses not recognised	-	36
Adjustments arising from difference between average and deferred tax rates	(169)	-
Deferred tax recognised in equity	(171)	-
Other adjustments	147	172
Tax (credit)/charge for the year	(1,126)	649

Deferred Tax

	Group 2023	Group 2022
Deferred tax liabilities at 30 June		
Unrealised gains investments	(689)	(2,485)
Short-term timing differences – fixed assets	(1)	-
	(690)	(2,485)
Deferred tax assets at 30 June 2023		
Tax losses	277	830
Short-term timing differences – pension	6	11
Short-term timing differences – outstanding share options	196	476
Short-term timing differences – fixed assets	-	1
	479	1,318
Net deferred tax (liability) / asset	(211)	(1,167)

Notes to the Financial Statements

For the year ended 30 June 2023

	Company 2023	Company 2022
Deferred tax liabilities at 30 June		
Unrealised gains investments	**(138)**	(137)
Short-term timing differences – fixed assets	**-**	-
	(138)	(137)
Deferred tax assets at 30 June		
Tax losses	**272**	825
Short-term timing differences – pension	**-**	-
Short-term timing differences – outstanding share options	**196**	476
	468	1,301
Net deferred tax (liability) / asset	**330**	1,164

	Group	Company
Deferred tax movement		
(Liability)/asset at 1 July 2021	(237)	2,047
Credited	649	(602)
Debited to equity	281	(281)
At 30 June 2022	(1,167)	1,164

	Group	Company
Deferred tax movement		
(Liability)/asset at 1 July 2022	(1,167)	1,164
Credited	1,126	(664)
Debited to equity	(170)	(170)
At 30 June 2023	(211)	330

No deferred tax liability has been recognised on the difference between base cost and fair value of certain financial assets at fair value through profit and loss which qualify as equity investments and which are expected to be exempt from tax under the substantial Shareholding Exemption on their subsequent disposal.

The Group has a net unrecognised deferred tax at year end of £420,000 (Period ended 30 June 2022: £420,000) calculated at 25% in respect of its unutilised pre-April 2017 trading losses of £1,680,000 (gross). This is due to uncertainty in respect of future probable trading profits in Frontier IP Limited against which these losses can be utilised.

8. 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.

	(Loss) / profit attributable to shareholders £'000	Weighted average number of shares	Basic (loss) / earnings per share amount in pence
Year ended 30 June 2023	**(3,244)**	**55,409,626**	**(5.85)**
Year ended 30 June 2022	10,230	55,005,546	18.60

Notes to the Financial Statements

For the year ended 30 June 2023

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.

	(Loss) / profit attributable to shareholders £'000	Weighted average number of shares adjusted for share options	Diluted (loss) / earnings per share amount in pence
Year ended 30 June 2023	**(3,244)**	**57,542,781**	**(5.64)**
Year ended 30 June 2022	10,230	58,339,949	17.53

9. Tangible fixed assets

	Fixtures and equipment £'000
Cost	
At 1 July 2021	36
Additions	3
Disposals	-
At 30 June 2022	39
Additions	16
Disposals	(12)
At 30 June 2023	43
Depreciation	
Accumulated depreciation at 1 July 2021	25
Charge for the year to 30 June 2022	8
Disposals	-
Accumulated depreciation at 30 June 2022	33
Charge for the year to 30 June 2023	9
Disposals	(12)
Accumulated depreciation at 30 June 2023	30
Net book value	
At 30 June 2022	6
At 30 June 2023	**13**

Notes to the Financial Statements

For the year ended 30 June 2023

10. Goodwill

	Group £'000	Company £'000
Cost		
At 1 July 2021, 30 June 2022 and at 30 June 2023	**1,966**	–
Impairment		
At 1 July 2021, 30 June 2022 and at 30 June 2023	**–**	–
Carrying value		
At 30 June 2022	**1,966**	–
At 30 June 2023	1,966	–

The Group conducts an annual impairment test on the carrying value of goodwill based on the recoverable amount of the Group as one cash generating operating unit. The recoverable amount is determined using a value in use model. The net present value of projected cash flows is compared with the carrying value of the Group's investments and goodwill. Projected cash flows are based on management approved budgets for a period of three years and key assumptions over a further seven years. When determining the key assumptions, management has used both past experience and management judgement, but as future cash inflows are derived primarily from the realisation of investments, these assumptions are subject to a high degree of uncertainty. The key assumptions used in the model were rate of return 29% (2022: 33%); average yearly realisations 6.7% (2022: 6.7%); annual growth in trading income 7.2% (2022:8%); annual growth in the cost base 7.8% (2022: 11%; discount 14% (2022: 11%). The Board considers that a reasonable possible change in the rate of return or in the discount rate would cause the carrying amount of the cash generating unit to exceed its recoverable amount. A decrease in the rate of return from 29% to 17% or an increase in the discount rate from 14% to 20% would cause the recoverable amount to equal the carrying amount. The Board considers that the recoverable amount of the Group as one cash generating operating unit is greater than its carrying value.

11. Categorisation of Financial Instruments

	At fair value through profit or loss £'000	Amortised cost £'000	Total £'000
Financial assets			
At 30 June 2022			
Equity investments	39,712	–	39,712
Debt investments	2,981	–	2,981
Trade and other receivables	–	1,052	1,052
Cash and cash equivalents	–	4,368	4,368
Total	42,693	5,420	48,113
At 30 June 2023			
Equity investments	32,964	–	32,964
Debt investments	4,625	–	4,625
Trade and other receivables	–	1,026	1,026
Advances	793	–	793
Cash and cash equivalents	–	4,603	4,603
Total	38,382	5,629	44,011

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

Notes to the Financial Statements

For the year ended 30 June 2023

All net fair value losses in the year are attributable to financial assets designated at fair value through profit or loss. (2022: all net fair value gains were attributable to financial assets designated at fair value through profit or loss.)

12. Investment in subsidiaries

	Company 2023 £'000	Company 2022 £'000
At 1 July	**2,383**	2,383
Provision for impairment	**-**	-
At 30 June	**2,383**	2,383

Group Investments

The Company has investments in the following subsidiary undertakings.

	Country of incorporation	Proportion of ordinary shares directly held by the Company
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%

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 João Frederico Ludovice 22ª, Loja 1500-357, Benfica, Lisbon, Portugal.

13. Equity investments

Equity investments are valued individually at fair value in accordance with the Group's accounting policy on investments. All but one of the Group's equity investments are unquoted and these have been categorised as being level 3, that is, valued using unobservable inputs. The quoted investments are categorised as being level 1, that is, valued using quoted prices in active markets for identical assets or liabilities which the Group can access at the measurement date. 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.

Equity Investments

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
At 1 July	**39,712**	31,982	**26,963**	16,011
Additions	**691**	614	**691**	614
Conversion of debt investments	**54**	764	**54**	764
Disposals	**(5,713)**	(3,659)	**-**	-
Unrealised (loss)/profit on revaluation	**(1,780)**	10,011	**551**	9,574
At 30 June	**32,964**	39,712	**28,259**	26,963

Notes to the Financial Statements

For the year ended 30 June 2023

The table below sets out the movement during the year in the value of unquoted equity investments by the valuation matrix stages described in the accounting policy on equity investments:

Equity Investments

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Stage 4 £'000	Stage 5 £'000	Stage 6 £'000	Total £'000
Fair value category	3	3	3	3	3	1	
1 July 2021	31	232	5,078	26,641	–	–	31,982
Transfers between stages	(16)	16	–	(13,210)	–	13,210	–
Fair value change through other operating income	6	550	1,008	7,866	–	581	10,011
Additions	10	–	–	1,368	–	–	1,378
Disposals	–	–	–		–	(3,659)	(3,659)
30 June 2022	**31**	**798**	**6,086**	**22,665**	**–**	**10,132**	**39,712**
Transfers between stages	–	44	2,234	(2,278)	–	–	–
Fair value increase through other operating income	(31)	351	(2,447)	2,469	–	(2,122)	(1,780)
Additions	–	–	–	745	–	–	745
Disposals	–	–	–	–	–	(5,713)	(5,713)
30 June 2023	**–**	**1,193**	**5,873**	**23,601**	**–**	**2,297**	**32,964**

The table below provides information about 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	Inputs	Reasonable possible shift %	Reasonable possible shift +/- £000
At 30 June 2022					
Stage 1	3	31	The company is valued at fair value which is typically at a notional value of around £50,000	20%	6
Stage 2	3	798	Management's assessment of the value of IP transferred and valuation of grants from which economic benefit is derived	31%	248
Stage 3	7	6,086	Management's assessment of performance against milestones and discussions of likely imminent fundraising	40%	2,434
Stage 4	10	22,665	The price of last 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 year-end which result in unobservable inputs into the valuation methodology.	28%	6,382
Stage 5	–	–	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 value of money.	–	–
Stage 6	1	10,132	Based on bid price at balance sheet date.	–	–
30 June 2022		**39,712**		**23%**	**9,070**

Notes to the Financial Statements

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Valuation matrix stage	No of Investments	Fair value £'000	inputs	Reasonable possible shift %	Reasonable possible shift +/- £000
At 30 June 2023					
Stage 1	4	-	The company is valued at fair value which is the cost of the initial equity. If advisory services are provided by the Group prior to spin out in return for its equity stake, the cost is the value of services invoiced. If no advisory services have been invoiced prior to spin out, the cost is the nominal value of the shares received.	-	-
Stage 2	4	1,193	Management's assessment of the value of IP transferred and the value of grants from which economic benefit is derived.	36%	429
Stage 3	6	5,873	Management's assessment of performance against milestones and discussions of likely imminent fundraising.	42%	2,467
Stage 4	9	23,601	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 year end which result in unobservable inputs into the valuation methodology.	31%	7,316
Stage 5	-	-	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.	-	-
Stage 6	1	2,297	Based on bid price at balance sheet date.	-	-
30 June 2023		**32,964**		**31%**	**10,212**

The percentage reasonable possible shift for each stage is the blended percentage reasonable possible shift of each company at that stage which are based on the Directors' assessment of the level of uncertainty attached to the valuation inputs.

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 2023 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 2023

Name of Undertaking	Registered Address	% Issued Share Capital 2023	2022	Share Class
AquaInSilico	Avenida Tenente Valadim, nº. 17, 2º F, 2560-275 Torres Vedras, Portugal	**29.0%**	29.0%	Ordinary
Alusid Limited	Richard House, Winckley Square, Preston, Lancashire, PR1 3HP	**37.4%**	38.9%	Ordinary
Cambridge Raman Imaging Limited	Botanic House, 100 Hills Road, Cambridge, CB2 1PH	**26.8%**	26.8%	Ordinary
CamGraPhIC Limited	Botanic House, 100 Hills Road, Cambridge, CB2 1PH	**20.8%**	20.8%	Ordinary
Celerum Limited	30 East Park Road, Kintore, Inverurie, AB51 0FE	**33.8%**	33.8%	Ordinary
Des Solutio LDA	Avenida Tenente Valadim, nº. 17, 2º F, 2560-275 Torres Vedras, Portugal	**25.0%**	25.0%	Ordinary
Elute Intelligence Holdings Limited	21 Church Road, Tadley, RG26 3AX	**42.2%**	41.2%	Ordinary
Enfold Health Limited	The Officers' Mess, Royston Road, Duxford, Cambridgeshire, United Kingdom, CB22 4QH	**75.8%**	0.0%	Ordinary
Fieldwork Robotics Limited	Research And Innovation Floor 2 Marine Building, Plymouth University, Plymouth, PL4 8AA	**22.1%**	24.5%	Ordinary
GraphEnergyTech Limited	The Officers' Mess, Royston Road, Duxford, Cambridgeshire, United Kingdom, CB22 4QH	**32.1%**	0.0%	Ordinary
Insignals Neurotech Lda	Rua Passeio Alegre, 20 Centro de Incubacyo e Aceleracyo Do Porto, Porto 4150-570, Portugal	**32.9%**	32.9%	Ordinary
NTPE LDA	Avenida Tenente Valadim, nº. 17, 2º F, 2560-275 Portugal Vedras, Portugal	**47.9%**	47.9%	Ordinary

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

14. 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 £15,000 to £200,000 were made to seven companies during the period. All debt investments are categorised as fair value through profit or loss and measured at fair value. These have been categorised as being level 3, that is, valued using unobservable inputs. 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% (2022: 70%), expected life of between three months and six years and annual risk-free interest rates to end of term of between 4.45% and 5.30% (2022: 2.07% and 2.07%). The value of warrants included in debt investments at 30 June 2023 is £1,597,000 (2022: £827,000).

Notes to the Financial Statements

For the year ended 30 June 2023

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

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
At 1 July	2,981	2,320	2,297	1,759
Additions	884	527	575	427
Conversion to unquoted equity investments	(54)	(764)	(54)	(764)
Unrealised profit on revaluation	814	898	739	875
At 30 June	4,625	2,981	3,557	2,297

Debt investments with three portfolio companies accounted for 89% of the value of debt investments at 30 June 2023: CamGraPhIC (£2,612,000), Nandi Proteins (£884,000) and Elute Intelligence (£623,000)

Conversions of debt investments are non-cash transactions, so not reflected in the statement of cashflows. 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. 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.

15. Trade receivables and other current assets

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Trade receivables	529	388	338	279
Receivables from Group undertakings	-	-	357	285
VAT	7	12	-	9
Prepayments and accrued income	71	386	30	284
Other debtors	74	128	17	67
Accrued interest	448	180	286	84
	1,129	1,094	1,028	1,008
Expected credit loss at 1 July	43	-	27	-
Other current assets provided for in the year	60	43	62	27
Other current assets written off in the year	-	-	-	-
Expected credit loss at 30 June	103	43	89	27
Less receivables from Group undertakings – non current	-	-	357	285
Current portion	1,026	1,051	582	696

Notes to the Financial Statements

For the year ended 30 June 2023

Trade receivables

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Trade receivables not past due	**32**	28	**18**	21
Trade receivables past due 1–30 days	**35**	29	**23**	21
Trade receivables past due 31–60 days	**33**	26	**18**	18
Trade receivables past due 61–90 days	**32**	27	**21**	18
Trade receivables past due over 90 days	**604**	376	**383**	279
Gross trade receivables at 30 June	**736**	486	**463**	357
Expected credit loss at 1 July	**98**	–	**78**	–
Debts provided for in the year	**109**	98	**47**	78
Debts written off in the year	**–**	–	**–**	–
Expected credit loss at 30 June	**207**	98	**125**	78
Net trade receivables at 30 June	**529**	388	**338**	279

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. The Group's history of credit loss is not sufficiently material to inform future expectations and therefore management focus on the factors which impact the ability of its debtor companies to successfully raise capital and a probability of default as a result of the failure to raise capital is applied to determine the expected credit loss.

Receivables from Group undertakings carry interest of 2.0% above Bank of England base rate (2022: 2.0%).

16. Advances

	Group 2023 £'000	Group 2022 £'000	**Company 2023 £'000**	Company 2022 £'000
Advances	**793**	–	**785**	–

Prior to 30 June 2023 the Group advanced funds to two portfolio companies prior to execution of loan documentation. £785,000 of advances were to CamGraPhIC. The advances were reclassed as Debt Investments post year-end.

Notes to the Financial Statements

For the year ended 30 June 2023

17. Trade and other payables

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Trade payables	23	41	42	62
Payables to group undertakings	-	-	3,366	192
Social security and other taxes	68	53	-	-
VAT	9	-	9	-
Other creditors	14	10	-	-
Accruals and deferred income	127	114	109	69
At 30 June	241	218	3,526	323
Less payables to Group undertakings – non current	-	-	(3,366)	(192)
Current portion	241	218	160	131

18. 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 2022	55,005,546	5,501	14,576	20,077
Exercise of options	652,607	65	51	116
At 30 June 2023	**55,658,153**	**5,566**	**14,627**	**20,193**

19. 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 £28,562,000 (2022: £35,233,000). Consequently, there were no distributable reserves at 30 June 2023 or 30 June 2022. The movement in reserves for the years ended 30 June 2023 and 2022 is set out in the Consolidated and Company Statement of Changes in Equity.

20. 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. No options were granted during the year under this scheme.

Under the Frontier IP Group plc Company Share Option Plan 2021 ("CSOP"), no payment is required from option holders on 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. 191,496 share options were granted during the year under the CSOP.

Notes to the Financial Statements

For the year ended 30 June 2023

Under the Frontier IP Group plc Unapproved Share Option Plan 2021 ("LTIP"), no payment is required from option holders on grant of an option. The options are exercisable starting three years from the date of grant provided certain performance conditions have been met. The scheme runs for a period of ten years. 643,376 share options were granted during the year under the LTIP.

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

	2023 Weighted average exercise price Pence per share	**2023 Options**	2022 Weighted average exercise price Pence per share	2022 Options
At 1 July	**31.71**	**4,986,726**	31.99	5,030,181
Granted	**24.43**	**834,872**	-	-
Exercised	**15.00**	**(652,607)**	-	-
Lapsed	**63.76**	**(69,927)**	64.36	(43,455)
At 30 June	**32.22**	**5,099,064**	31.71	4,986,726

Of the 5,099,064 outstanding options (2022: 4,986,726) 3,570,616 had vested at 30 June 2023 (2022: 2,836,000). The vested options have a weighted average exercise price of 32.46p.

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

	Exercise price Pence per share	**2023 Number**	2022 Number
2024	26.88	**432,393**	432,393
2026	26.63	**650,000**	650,000
2027	40.00	**399,000**	399,000
2028	65.00	**246,000**	246,000
2028	10.00	**456,000**	456,000
2029	66.00	**652,612**	694,050
2029	10.00	**734,611**	736,946
2030	65.00	**383,260**	409,414
2030	10.00	**310,316**	310,316
2032	85.00	**74,646**	-
2033	66.00	**116,850**	-
2033	10.00	**643,376**	-

The weighted average remaining contractual life of the outstanding options is 5.8 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 48.02p per option. The significant inputs into the model were the exercise prices shown above, weighted average share price of 68.5p, volatility of 9.9%, dividend yield of 0%, expected life of 5 years and annual risk-free interest rate of 3.41%. Future volatility has been estimated based on 5 years' historical daily data.

Notes to the Financial Statements

For the year ended 30 June 2023

21. Leases

	2023 Land & Buildings £'000	2022 Land & Buildings £'000
Commitments under non-cancellable leases expiring:		
Within one year	90	91
Within two to five years	-	-
After five years	-	-
	90	91

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 2024.

22. Cash used in operations

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Profit/(loss) before tax	(4,370)	10,879	(873)	8,136
Adjustments for:				
Share-based payments	155	329	155	329
Depreciation	9	8	-	-
Interest received	(50)	(1)	(52)	(1)
Unrealised loss/(profit) on the revaluation of investments	966	(10,908)	(1,290)	(10,449)
Realised loss/(profit) on disposal of investments	786	(2,867)	-	-
Changes in working capital:				
Trade and other receivables*	26	(456)	122	(250)
Advances	(793)	-	(785)	-
Trade and other payables	23	10	19	50
Cash flows from operating activities	(3,248)	(3,006)	(2,704)	(2,185)

*Movement in trade and other receivables includes non-cash accrued interest on debt investments with portfolio companies

The movements in liabilities from financing cashflows are nil.

Notes to the Financial Statements

For the year ended 30 June 2023

23. Related party transactions

Neil Crabb is a director of PoreXpert Limited, Pulsiv Limited, CamGraPhIC Ltd, Cambridge Raman Imaging Ltd and Alusid Limited. Campbell Wilson, a former director of Frontier IP, is a principal of Wilson Biopharma Consulting. Matthew White is a director of The Vaccine Group Limited, Nandi Proteins Limited and Fieldwork Robotics Limited. All these companies, with the exception of Wilson Biopharma Consulting, are portfolio companies of the Group. The Group charged fees to these companies and was owed amounts from these companies as follows:

	Fees charged 2023 £'000	Fees charged 2022 £'000	**Amounts owed 2023 £'000**	Amounts owed 2022 £'000
By the Group				
Nandi Proteins Limited	**78**	78	**213**	120
Pulsiv Limited	**24**	44	**5**	5
Alusid Limited	**70**	72	**127**	43
The Vaccine Group Limited	**48**	48	**77**	34
Celerum Limited	**52**	5	**52**	-
Fieldwork Robotics Limited	**30**	-	**-**	104
CamGraPhIC Ltd	**40**	-	**112**	-
Cambridge Raman Imaging Ltd	**24**	-	**-**	-
By Related Parties				
Wilson Biopharma Consulting	**12**	12	**-**	-

24. Subsequent events

There were no subsequent events to report.

Company Information

Unaudited

Five Year Record

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Total revenue and other operating (expense)/income	**(1,380)**	14,104	12,668	6,377	4,268
(Loss)/profit from operations	**(4,420)**	10,878	10,233	4,163	2,338
Net finance income	**50**	1	9	21	12
(Loss)/profit from operations and before tax	**(4,370)**		10,242	4,184	2,350
Taxation	**1,126**	(649)	(676)	-	-
(Loss)/profit after tax	**(3,244)**	10,230	9,566	4,184	2,350
Attributable to:					
Equity holders of the Company	**(3,244)**	10,230	9,566	4,184	2,350
Net assets employed	**45,538**	48,699	38,421	25,866	17,591
Basic (loss)/earnings per ordinary share (pence)	**(5.85)**	18.60	17.47	8.76	5.77
Net assets per ordinary share (pence)	**81.8**	88.5	69.8	51.0	41.4

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