For immediate release **20 March 2019**

Frontier Smart Technologies Group Ltd

('Frontier' or the 'Group')

Final Results

"FY 2018: a year of transition – with significantly improved EBITDA performance in H2"

Frontier (AIM: FST), a pioneer in technologies for Digital Radio and Smart IoT devices, announces its final results for the year ended 31 December 2018 ('FY 2018' or the 'Period').

Financial Highlights

- Revenues: US$41.8 million (FY 2017: US$53.0 million), with stronger second half revenues of US$24.8 million
- Adjusted EBITDA[1]: US$1.4 million (FY 2017: US$2.5 million)
- R&D expenditure: US$7.5 million expensed (FY 2017: US$8.5 million)
- Trading EBITDA[2]: US$0.8 million (FY 2017 US$2.5 million), with the first half loss of US$(2.1) million reversed in the second half (H2: US$2.9 million)
- As of 31 December 2018, the Group's gross cash balance was US$3.8 million; net debt was US$2.5 million

Operational highlights

Digital Radio

- Continued market leadership in consumer DAB; market volumes stabilising post-completion of Norwegian FM switch-off
- New Smart Radio solution due for release in H1 2019

Smart IoT[3]

- The Group's multi-ecosystem voice-enabled software is largely complete and R&D expenditure has been reduced
- First non-audio Smart IoT design win secured (early 2019)
- Licensing team created to address opportunities in Smart IoT; collaboration with NXP Semiconductors established to support Licensing opportunities
- First Licensing revenues secured (early 2019)

Outlook for FY 2019

- In FY 2019, the Board expects an improvement in Trading EBITDA as the Group maintains its position in Digital Radio and establishes a presence in software licensing for Smart IoT.

Anthony Sethill, CEO of Frontier Smart Technologies, said:

"Frontier is in a transitional phase. The Group's Digital Radio business continues to deliver strong positive cash flows. Having seen a dip in sales in H1 2018 following the completion of digital switchover in Norway in 2017, Digital Radio sales stabilised in the second half of the year.

"In Smart IoT, revenues have been lower than expected due to limited opportunities for Smart Audio turnkey solutions. However, our multi-ecosystem software platform is now largely complete which has allowed us to reduce our R&D expenditure. Our newly formed Licensing team is now working with major silicon vendors, such as NXP, to license our software to manufacturers of audio and non-audio smart devices. Whilst still at an early stage of development, the prospects for Licensing are encouraging. We secured our first design win in early 2019 and expect to report our first significant revenues in the second half of 2019.

"Whilst our Smart IoT business line remains in start-up phase, we will continue to monitor our trading performance and cost base very closely to ensure we deliver an improve Trading EBITDA in FY 2019."

- Ends -

Notes

[1] Adjusted EBITDA means earnings before interest, tax, depreciation and amortisation - and before restructuring, other non-recurring costs and certain non-cash items.

[2] Trading EBITDA means Adjusted EBITDA less R&D costs which have been capitalised in compliance with IAS38. In prior periods, whilst the Group has been in compliance with IAS 38, R&D has not been capitalised. The Group's policy on capitalisation of R&D expenditure has been consistently applied and is disclosed in the Principal Accounting Policies in the 2018 Annual Report and Accounts.

[3] Previously Smart Audio - business line has been expanded to include solutions for both audio and non-audio Smart IoT devices.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via a regulatory information service, this inside information is now considered to be in the public domain.

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About Frontier Smart Technologies Group Limited

Frontier Smart Technologies is a pioneer in technologies for Digital Radio and Smart IoT devices. The Group's customers include many leading consumer audio brands: Bose, Denon, harman/kardon, JBL, Onkyo, Panasonic, Sony, Yamaha, Altec Lansing, Blaupunkt, Grundig, Hama, Klipsch, Marshall, Pioneer, Pure, Roberts, TechniSat, Teufel and many more. Established in 2001, the Group is headquartered in London, with engineering, sales and operations teams in Cambridge, Timisoara (Romania), Hong Kong and Shenzhen. For more information, see frontiersmart.com.

Executive Review

Anthony Sethill, Chief Executive Officer

Introduction

Frontier Smart Technologies continues its transition. Having established itself as a business focused on turnkey solutions for Digital Radio and Smart Audio devices, the Group is now leveraging its skills and assets in voice recognition and cloud AI connectivity to address opportunities in the broader Smart IoT market, primarily through software licensing.

In Digital Radio, the Group maintains a strong market leadership position and the business line continues to deliver strong positive cashflows. Results for Digital Radio in FY 2018 suffered in comparison to the very strong performance in FY 2017, which benefited from the impact of FM switch-off in Norway. However, following a weak H1, sales in the second half of the year recovered strongly. The prospects for this business line are encouraging with Digital Switchover in Switzerland expected between 2021 and 2024 and new legislation in France and Italy requiring new consumer radios to include DAB+ from 2020. However, with the rise in popularity of smart speakers, sales of traditional radios may be eroded in some territories.

The market for Smart Audio turnkey solutions has, to date, proved more challenging for the Group. Demand for smart speakers from third-party brands using Google Assistant or Alexa Voice Service has been constrained by the aggressive promotion of first-party products by the major ecosystem players. Frontier's Smart Audio activities remained loss-making in 2018, but following a reduction in R&D expenditure, losses in the second half of the year were significantly lower than in previous periods.

Despite the challenges in the Smart Audio turnkey market, the Board believes that significant opportunities exist to leverage Frontier's "smart" assets and know-how (its software, cloud services and ecosystem relationships) through a licensing business model targeting both the Smart Audio and the broader non-audio Smart IoT sectors.

In April 2018, Frontier established a new Licensing team to address these opportunities. In September 2018, the Group announced a collaboration with NXP Semiconductors and further partnerships are expected to be confirmed in the coming months. In early 2019, the Group secured its first revenue-generating Licensing contract. The Group's first material revenues for Licensing are likely in the second half of the year.

The Group's current focus for Smart IoT is to develop the business line organically, but it is also open to potential partnerships and engagements, which could help the business to build scale more quickly.

Overview of 2018

Financially, 2018 was a mixed year for the Group with revenues of US$41.8 million (FY 2017: US$53.0 million) and Trading EBITDA[1] of US$0.8 million (FY 2017: US$2.5 million). The first half of the year was particularly weak with a Trading EBITDA loss of US$2.1 million. However, a recovery in sales in H2, combined with targeted cuts in overheads, delivered a much-improved second half performance with a positive Trading EBITDA of US$2.9 million. 2018 also saw the Group establish a new commercial team focused on Licensing opportunities in Smart IoT.

The weakness in H1 2018 was attributable to two major factors: a short-term decline in the Digital Radio market following the completion of FM switch-off in Norway which left significant volumes of stock in the supply chain; and the slow growth of the market for smart speakers from third-party brands, which have struggled to compete with the first-party products aggressively promoted by the major ecosystem players.

[1]Trading EBITDA: earnings before interest, tax, depreciation, amortisation, non-recurring costs and share option charge but includes capitalised development costs

In the face of these challenges, Management moved quickly to stabilise the Group's financial performance by implementing a programme of targeted reductions in R&D and other overheads, whilst continuing to focus on the three key strands of Frontier's strategy:

- to maximise Digital Radio cashflows
- to control R&D expenditure and leverage ecosystem relationships in Smart Audio
- to establish a Licensing business, which exploits the Group's multi-ecosystem software and cloud assets, to address the opportunities in Smart Audio and Smart IoT

As we begin 2019, the Group is well positioned to meet the emerging opportunities in Smart IoT. We have a lean and profitable Digital Radio business providing a continuing stream of positive cashflows. In Smart Audio, we have developed a robust multi-ecosystem software platform and, since the middle of 2018, have been able to scale back our R&D expenditure in this area.

We are now leveraging this platform and the associated cloud services to address licensing opportunities in Smart IoT (both audio and non-audio). Our new relationships with major silicon providers, such as NXP Semiconductors NV, are a central part of this strategy. The Group secured its first Licensing revenues at the beginning of FY 2019 and we have recently announced our first design win in non-audio Smart IoT.

Operational Review

Digital Radio

Our Digital Radio business continues to retain its market leadership position and deliver strong positive cash flows. Following an exceptional performance in FY 2017, which was attributable to the switch-off of FM in Norway, sales in FY 2018 were US$35.7 million (FY 2017: US$46.8 million). Adjusted EBITDA for Digital Radio in FY 2018 was US$10.3 million (FY 2017: US$12.3 million).

2018 sales, especially in the first half of the year, were suppressed by a significant inventory overhang held by our customers in Norway, which has now been largely cleared. Excluding the impact of Norway, the global market for consumer DAB receivers continued to deliver steady volume growth in 2018. The development of the market in continental Europe, led by Germany, outweighed a decline in the more mature UK market. Across Europe, DAB+ is now established as the core future platform for radio – with 2018 seeing significant market developments in Italy, France and Belgium.

This progress is further reinforced by a new EU directive, the European Electronic Communications Code, which gives Member States the freedom to introduce legislation that would require consumer radios to be capable of receiving digital transmissions. Italy and France have already introduced laws which will require all new consumer radios to be digital from 2020 and other countries, including Germany, are considering similar options.

Frontier's strategy is to maximise the profitability of its Digital Radio business by retaining its market share and investing in targeted R&D programmes. The Group's most significant current development is a new cost-optimised Smart Radio solution which allows manufacturers to combine FM, DAB and internet connectivity in a single radio receiver. This is one of the fastest growing segments in the digital radio market. This new solution, Venice X, which is due to reach mass production in the first half of 2019, is already attracting strong interest from customers with over 30 models currently in development. We are working with stakeholders across the industry to help promote this product category.

While the emergence of smart speakers is a risk for our Digital Radio business, the current prospects are positive, and we expect the business line to remain profitable for the foreseeable future.

Smart IoT

Frontier's Smart IoT business remains loss-making. Revenues for the business line in FY 2018 were flat at US$6.1 million (FY 2017: US$6.1 million), whilst the Adjusted EBITDA loss was reduced by 11 percent to US$8.1 million (2017: US$9.1 million). More encouragingly, the Adjusted EBITDA loss in H2 2018 (US$3.4 million) was significantly lower than in H1 2018 (US$4.7 million). This improvement was due to a reduction in R&D expenditure following the completion of a major phase in the development of the Group's software platform.

Frontier's role in the Smart IoT market is as a system integrator for third-party brands who are building the Google Assistant, Google Chromecast, or Amazon's Alexa Voice Service into connected and voice-enabled smart devices.

Smart Audio turnkey solutions

To date, the Group's primary focus in Smart IoT has been on Smart Audio devices, such as speakers and soundbars. The Smart Audio market has been transformed by Amazon and Google's voice-enabled speakers. In their battle to establish their respective platforms within consumers' homes, both companies have deployed aggressive pricing strategies which have limited the ability of third-party audio brands to achieve significant sales. As a result, only a small number of third-party brands have been able to establish a credible market presence.

Until the middle of 2018, Frontier's strategy was focused on providing turnkey solutions (modules, software and cloud services) to third-party Smart Audio brands. The Group established strong relationships with the major ecosystem players and invested heavily in developing software which would allow customers to develop models incorporating the Google or Amazon platforms. Whilst this approach has achieved some success with design wins from brands including Harman JBL, Marshall and Klipsch, the growth potential of this segment is limited, at least for the foreseeable future.

In light of this reduced market potential, once we had developed a complete multi-ecosystem software platform in the first half of 2018, the Group reduced its investment in Smart Audio R&D. We are now focusing only on those developments required to meet the latest requirements of Google and Amazon. The Group is now leveraging these Smart Audio assets in pursuit of licensing deals with Tier 1 brands and manufacturers.

Licensing

Of the small number of third-party brands achieving significant volumes, most prefer to license software which they combine with silicon from major semiconductor companies. In contrast to turnkey solutions, the licensing model increases the ability of third-party brands and their ODMs to develop differentiated end-products. Due to this preference, Licensing represents a potentially attractive opportunity for Frontier.

The Group, through its multi-ecosystem software (supporting Google and Amazon's platforms as well as Apple AirPlay), cloud services and its relationships with the ecosystem players, is reshaping its strategy and resource plans to address these licensing opportunities.

A key element of the Group's strategy is to establish partnerships with major silicon providers who often need a software partner to help secure design wins from major brands and manufacturers. In September, Frontier announced the first of these partnerships with NXP Semiconductors. A key use case for NXP's new chip is voice-enabled soundbars, an important segment within the broader smart audio market. Frontier secured its first contract for an NXP-based solution shortly after the year-end. Frontier's plan is to develop similar relationships with other silicon providers. Discussions with a second silicon vendor are well-advanced.

Non-audio Smart IoT

As outlined in previous investor communications, Frontier is extending its focus beyond Smart Audio and into the broader Smart IoT space. The Group announced its first non-audio Smart IoT design win in February 2019 – with Frontier providing the technology to integrate the Google Assistant into a voice-enabled smart mirror from Kohler, a major international provider of kitchen and bathroom products. Several other opportunities are currently being pursued in verticals including smart home appliances, coffee-makers and lighting.

The Kohler design win is an important milestone in the development of Frontier's Smart IoT business and is an early validation of the Group's strategy to extend its focus beyond its traditional audio heartland.

Financial review

Revenue and margin

From 1 January 2018, the Group adopted the US Dollar as both its reporting currency and the functional currency of its principal operating subsidiary. All comparatives have been restated in line with IAS 21.

In 2018 Group revenue decreased by 21% to US$41.8 million (FY 2017 US$53.0 million). The drop in revenue is largely due to the completion of FM switch-off in Norway in 2017 and the subsequent inventory overhang, which together contributed to a decline in FY 2018 Digital Radio volumes of one million units (US$11.1 million). Digital Radio revenues were weak in the first half of the year, with a significantly stronger second half performance.

Smart Audio failed to grow in line with expectations due to the intense price pressure exerted by first party eco-system players but still recorded revenues of US$6.1 million.

Total volumes shipped across the business were 5.4 million units (FY 2017: 6.4 million).

Gross profit margin was stable at 41.1% (2017: 41.2%).

Research and Development

R&D spend in 2018 of US$7.5 million represented 17.9% of Group revenue (FY 2017: US$8.5 million and 16.0% of Group revenue). The Board expects R&D to decrease further in 2019 as the cost reductions implemented in 2018 take effect for the full year. During 2018 and in compliance with IAS38 'Intangible Assets', US$0.6 million of R&D was capitalised in respect of the Group's Venice X product. This development programme is expected to complete in Q2 19, delivering first revenues later in that quarter. There is expected to be a further capitalisation of costs associated with this programme in the first half of 2019. The capitalised costs will be amortised once the project gets to mass production currently forecast for mid-2019.

EBITDA

The Group reported a positive Trading EBITDA for the year of US$0.8 million, down from US$2.5 million in 2017. Adjusted EBITDA after the add back of the capitalised Venice X R&D was US$1.4 million. The Group incurred one-off restructuring charges of US$0.7 million and share based payments of $0.5 million during the year and these are not included in the calculation of Trading EBITDA & Adjusted EBITDA.

Management focus on Trading EBITDA as in their view it is the best proxy for the continuing cash generating operations of the business.

The table below reconciles the Group's Trading EBITDA to its loss for the year.

	2018	2017
	US$'000	US$'000
Loss for the year	(2,955)	(2,472)
Add back:		
Taxation	(330)	392
Net finance charges / (income)	587	351
Depreciation	381	377
Amortisation	2,461	3,025
Share-based payment	507	793
Non – recurring costs	729	-
Adjusted EBITDA	1,380	2,466
Capitalised Venice X costs	(619)	-
Trading EBITDA	761	2,466

Pre-tax loss

The Group reported a pre-tax loss of US$3.3 million (FY 2017: loss US$2.1 million).

Taxation

The Group has historically applied for and received tax credits in respect of its research and development expenditure. In 2018 the cash received in relation to R&D tax credits amounted to US$0.4 million (FY 2017: US$1.2 million). The reduction in 2018 was a reflection of the reduced R&D spend and the improvement in the trading position of the Group.

As at 31 December 2018, the Group has unutilised tax losses of US$31.0 million which may be utilised against taxable future profits. These losses are still to be agreed with the UK tax authorities. In the Board's opinion there is uncertainty over the timing and quantum of their use in the foreseeable future and therefore a deferred tax asset has not been recognised.

Cash flow

At the year end, the Group recorded US$3.8 million (FY 2017: US$7.9 million) of gross cash and cash equivalents on the balance sheet. The notional reduction in gross cash is largely accounted for by movements in other working capital balances, notably trade debtors which at 31 December 2018 were US$7.8 million (2017 US$2.9 million) being reflective of each year's fourth quarter sales. Net debt at the end of 2018 was US$2.5 million (2017 net cash was US$4.0 million). In May 2018 the Group re-financed its bank facilities resulting in a net cash inflow from financing activities of $3.6 million.

Current trading and outlook

The Board expects an improvement in Trading EBITDA for FY 2019. Digital Radio volumes are expected to return to modest growth after the excitement of 2017 and disappointment of H1 2018. In the medium term (late 2019 through 2020) the prospects for radio are good with the planned phasing in of DSO in Switzerland and receiver regulations coming into force in Italy and France. The Licensing business for Smart Audio is starting to gain traction with our first contracted revenues signed in Q1 2019. Non-audio IOT is also starting to look interesting for Frontier and I hope to bring more news in this area in the first half of 2019.

People

I would like to conclude by thanking the Group's staff for their efforts over the last 12 months. This has not been an easy period for employees and other stakeholders, but we are confident that we are building solid foundations for the next period of the Group's development. The commitment of our staff will be a key factor in ensuring this success.

Anthony Sethill

Chief Executive Officer

19 March 2019

FRONTIER SMART TECHNOLOGIES GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue	**2**	41,754	52,978
Cost of sales		(24,613)	(31,167)
Gross profit		**17,141**	**21,811**
Other Income	**3**	300	-
Research and development[1]		(7,457)	(8,470)
Sales and administrative expenses - other		(8,604)	(10,875)
Adjusted EBITDA[2]		1,380	2,466
Amortisation	**9**	(2,461)	(3,025)
Depreciation		(381)	(377)
Non-recurring costs	**4**	(729)	-
Share based payment		(507)	(793)
Total administrative expenses		**(19,839)**	**(23,540)**
Loss from continuing operations		**(2,698)**	**(1,729)**
Finance income	**5**	1	11
Finance charges	**6**	(588)	(362)
Loss before taxation	**2**	**(3,285)**	**(2,080)**
Taxation		330	(392)
Loss for the year		**(2,955)**	**(2,472)**
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(828)	1,942
Other comprehensive income		(828)	1,942
Total comprehensive income for the year		**(3,783)**	**(530)**

[1]Research & development expensed is net of the capitalised Venice X development costs of $619K
[2]Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, share option charge and non-recurring costs but includes the capitalised development cost credit

Earnings per share	Note		
Basic & diluted earnings per share	**7**	(6.90)c	(5.78)c

FRONTIER SMART TECHNOLOGIES GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000
ASSETS				
Non-current assets				
Goodwill	8	10,892	11,548	10,548
Other intangible assets	9	6,275	8,372	10,516
Property, plant and equipment		419	411	496
		17,586	**20,331**	**21,560**
Current assets				
Inventories		2,839	4,784	3,198
Tax receivable		340	170	1,388
Trade and other receivables		9,294	4,408	10,144
Cash and cash equivalents		3,817	7,920	4,172
Total current assets		**16,290**	**17,282**	**18,902**
Total assets		**33,876**	**37,613**	**40,462**
LIABILITIES				
Current liabilities				
Trade and other payables		14,928	15,400	14,966
Total current liabilities		**14,928**	**15,400**	**14,966**
Other liabilities > 1 year		-	-	3,549
Total liabilities		**14,928**	**15,400**	**18,515**
EQUITY				
Share capital		6,847	6,836	6,833
Share premium		187,971	187,971	187,971
Share based payment reserve		9,528	9,021	8,228
Foreign exchange reserve		(9,853)	(9,025)	(10,967)
Retained earnings		(175,545)	(172,590)	(170,118)
Total equity		**18,948**	**22,213**	**21,947**
Total equity and liabilities		**33,876**	**37,613**	**40,462**

The 2016 Consolidated Statement of Financial Position is included to show the opening position due to the change in functional currency.
The Consolidated Financial Statements were approved by the Board on 19 March 2019

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Loss before taxation		**(3,285)**	**(2,080)**
Amortisation		2,461	3,025
Depreciation		381	377
Share based payments		507	793
Net interest payable		587	351
Decrease/ (increase) in inventories		1,945	(1,586)
(Increase)/ decrease in trade and other receivables		(4,886)	5,742
Decrease in trade and other payables		(3,572)	(1,934)
Foreign exchange gain/ (loss)		355	456
Tax refund		373	1,212
Net cash (used in) / from operating activities		**(5,134)**	**6,356**
Cash flows from investing activities			
Purchase of property, plant and equipment		(403)	(298)
Purchase of intangible assets		(729)	(27)
Net cash used in investing activities		**(1,132)**	**(325)**
Cash flows from financing activities			
Proceeds from issue of share capital		11	3
Loan proceeds		6,876	-
Loan repayments		(3,989)	(1,573)
Loan interest payable		(588)	(362)
Interest receivable		1	11
Net cash from/ (used in) financing activities		**2,311**	**(1,921)**
Net change in cash and cash equivalents		**(3,955)**	**4,110**
Cash and cash equivalents at the beginning of period		7,920	4,172
Exchange differences on cash and cash equivalents		(148)	(362)
Cash and cash equivalents at the end of period		**3,817**	**7,920**

1 BASIS OF PREPARATION

The Consolidated Financial Statements of Frontier Smart Technologies Group Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in USD.

The Board of Frontier Smart Technologies Group Limited approved the release of this preliminary announcement on 19 March 2019.

The preliminary financial information does not constitute statutory financial statements for the year ended 31 December 2018 within the meaning of section 435 of the Companies Act 2006, but is extracted from those Financial Statements. Statutory accounts for Frontier Smart Technologies Group Limited for the year ended 31 December 2017 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 31 December 2018 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2 REVENUE, LOSS BEFORE TAXATION AND SEGMENTAL INFORMATION

Revenue and loss before taxation

Revenue and loss before taxation are attributable to the principal activities of the Group.

The loss before taxation is stated after charging:

	2018 **$’000**	**2017** **$’000**
Share based payment expense	507	793
Staff costs	11,082	13,067
Research and development costs written off	7,457	8,470
Amortisation of intangible assets	2,461	3,025
Depreciation of owned property, plant and equipment	381	377
Gain on foreign exchange	73	447
Operating leases: land and buildings	978	780
Auditor’s remuneration:		
Fees payable to the Company's auditor for the audit of the Company financial statements	97	94
Fees payable to the Company's auditor for other services		
- Audit of the Company's subsidiaries pursuant to the legislation	20	20
- Audit related services	3	-
- Tax compliance services	4	3

Revenue by geographic location

	2018 $'000	2017 $'000
United States and North America	2,135	70
Europe	3,350	5,335
Asia	36,269	47,573
Total revenue	**41,754**	**52,978**

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

For the year ended 31 December 2018

	Goods $'000	Services $'000	Total $'000
Goods transferred at a point in time	40,525	-	40,525
Services transferred over time	43	1,186	1,229
Total	**40,568**	**1,186**	**41,754**

For the year ended 31 December 2017

	Goods $'000	Services $'000	Total $'000
Goods transferred at a point in time	51,938	-	51,938
Services transferred over time	15	1,025	1,040
Total	**51,953**	**1,025**	**52,978**

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied at 31 December 2018:

	2019 **$'000**	**2020** **$'000**	**2021** **$'000**	**2022** **$'000**	**2023** **$'000**	**Total** **$'000**
Revenue expected to be recognised	363	207	207	198	164	1,139

The contract liabilities as at 31 December were $247,000 (2017: $187,000)

Assets and liabilities by geographic location

	Assets		Liabilities	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cayman Islands	587	801	431	4,531
Europe	32,350	35,729	14,246	10,232
Asia	939	1,083	251	637
	33,876	**37,613**	**14,928**	**15,400**

Segmental information

As described under Segmental Reporting in the Principal Accounting Policies, Management currently identifies three business units as operating segments.

For the year ended 31 December 2018	**Digital Radio**	**Smart IoT**	**Group**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	35,688	6,066	-	41,754
Cost of sales	(20,198)	(4,415)	-	(24,613)
Gross profit	15,490	1,651	-	17,141
Other income	-	300	-	300
Research and development	(1,254)	(6,203)	-	(7,457)
Sales and administrative expenses – other	(3,901)	(3,878)	(825)	(8,604)
Adjusted EBITDA	10,335	(8,130)	(825)	1,380
Amortisation	(2,460)	(1)	-	(2,461)
Depreciation	(300)	(81)	-	(381)
Non-recurring costs			(729)	(729)
Share based payment	-	-	(507)	(507)
Total administrative expenses	(7,915)	(9,863)	(2,061)	(19,839)
Profit/ (loss) from continuing operations	7,575	(8,212)	(2,061)	(2,698)
Interest receivable/ (payable)	1	-	(588)	(587)
Profit/ (loss) before taxation	7,576	(8,212)	(2,649)	(3,285)
Taxation	-	-	330	330
Loss for the year from continuing operations	7,576	(8,212)	(2,319)	(2,955)

Included in revenues for the year ended 31 December 2018 are revenues of $15.7 million from the largest customer, $5.3 million from its second largest customer and $2.8 million from its third largest customer. Together these represent 56.9% of the total Group revenue for the year.

For the period ended 31 December 2017	**Digital Radio $'000**	**Smart IoT $'000**	**Group $'000**	**Total $'000**
Revenue	46,830	6,148	-	52,978
Cost of sales	(26,924)	(4,243)	-	(31,167)
Gross profit	19,906	1,905	-	21,811
Research & development	(2,319)	(6,151)	-	(8,470)
Sales & administrative expenses – other	(5,324)	(4,876)	(675)	(10,875)
Adjusted EBITDA	12,263	(9,122)	(675)	2,466
Amortisation of intellectual property	(3,015)	(10)	-	(3,025)
Depreciation	(306)	(71)	-	(377)
Share based payment	-	-	(793)	(793)
Total administrative expenses	(10,964)	(11,108)	(1,468)	(23,540)
Profit/ (loss) from continuing operations	8,942	(9,203)	(1,468)	(1,729)
Net finance payable	11	-	(362)	(351)
Profit/ (loss) before taxation	8,953	(9,203)	(1,830)	(2,080)

Included in revenues for the year ended 31 December 2017 are revenues of $14.3 million from the largest customer, $7.3 million from its second largest customer and $2.3 million from its third largest customer. Together these represent 45.1% of the total Group revenue for the year.

3 OTHER INCOME

	2018 $'000	**2017 $'000**
Collaborative development agreement	300	-
	300	**-**

4 NON-RECURRING COSTS

	2018 $'000	**2017 $'000**
Redundancy costs	729	-
	729	**-**

5 FINANCE INCOME

	2018 $'000	2017 $'000
Bank interest receivable	1	11
	1	**11**

6 FINANCE CHARGES

	2018 $'000	2017 $'000
Loan interest payable	588	362
	588	**362**

7 LOSS PER SHARE

The calculation of the basic loss per share of 6.90 cents, (2017: 5.78 cents) is based on the loss after tax of $3.0 million (2017: $2.5 million) divided by the weighted average number of ordinary shares in issue during the year of 42,813,487 (2017: 42,758,145).

Due to the losses incurred the impact of the share options is anti-dilutive. As such the diluted earnings per share equals the ordinary earnings per share.

8 GOODWILL

	Frontier Smart Technologies $'000	Frontier Microsystems $'000	Total $'000
Cost			
At 1 January 2017	10,548	7,354	17,902
Foreign exchange in period	1,000	697	1,697
At 31 December 2017	11,548	8,051	19,599
Foreign exchange in period	(656)	(457)	(1,113)
At 31 December 2018	10,892	7,594	18,486
Impairment			
At 1 January 2017	-	7,354	7,354
Foreign exchange in period	-	697	697
At 31 December 2017	-	8,051	8,051
Foreign exchange in period	-	(457)	(457)
At 31 December 2018	-	7,594	7,594
Net book amount at 31 December 2018	10,892	-	10,892
Net book amount at 31 December 2017	11,548	-	11,548

The Directors have tested the aggregate recoverable value of goodwill, specific intellectual property, and licence and development fees for impairment in accordance with the Group's accounting policy of testing annually for impairment. Recoverable value is assessed by value in use. The Directors, in assessing the recoverability of the remaining amount have considered the technical feasibility of the technology and the opportunities for commercial exploitation, including the position with the current commercial relationships.

To determine the value in use, the Directors have produced detailed monthly profit and loss and cash flow forecasts for the five years up to December 2023. A five-year forecast period is considered reasonable for the markets that the Company addresses, particularly given the stage of development of the Group's products and the expected life of new technologies as explained further below.

All of the goodwill relates to the Digital Radio CGU. The intangible assets were independently valued in 2012 as part of the acquisition accounting. The difference between the fair value of the net assets and the fair value of the consideration has been treated as goodwill.

The Directors have reviewed the carrying value of these assets considering their forecasts of revenues and profitability for this CGU. A discount rate of 18% was applied to future cash flows with a rate of 21% used as a stress test. Under both scenarios, the carrying value of the intangible assets could be supported.

In assessing the future cash flows of the business unit, the Directors have looked at a five year forward view and then made a terminal value assessment at the end of 2023 assuming no further sales and cost growth. This is based on the life cycle of the smart audio and digital radio products, where certain existing models are reaching end of life, and new models have 12 to 24 months development ahead of them before a useful sales life of four to five years depending on future product enhancements. The

Directors expect the market for Digital Radio to keep expanding at its current rate and for the Company to maintain its market share. The key judgements applied by the Directors in the forecasts are in relation to sales prices volumes and margins. The forecast model is built on the Directors' best estimates of the addressable market and the Company's resultant share of that market. In determining these estimates the Directors have considered information and trends from existing markets and their expectations for emerging markets in order to develop an assessment of both future sales volumes and prices. The Directors believe the underlying assumptions to be reasonable but are aware that there are significant competitive risks which would be magnified by delays to key programmes and therefore growth rates may not be achieved, or margins could be compromised. Should the underlying estimates not be achieved there is a risk these assets will be impaired.

9 OTHER INTANGIBLE ASSETS

	Marketing intellectual property $'000	Customer intellectual property $'000	Other intellectual property $'000	Licence & development expenditure $'000	Total $'000
Cost					
At 1 January 2017	**4,943**	**2,088**	**12,609**	**19,559**	**39,199**
Foreign exchange on opening balance	468	198	1,195	1,853	3,714
Additions	-	-	-	27	27
Disposals	-	-	-	(13)	(13)
At 31 December 2017	**5,411**	**2,286**	**13,804**	**21,426**	**42,927**
Foreign exchange on opening balance	(307)	(130)	(784)	165	(1,056)
Additions	-	-	-	729	729
Disposals	-	-	-	(19,393)	(19,393)
At 31 December 2018	**5,104**	**2,156**	**13,020**	**2,927**	**23,207**
Amortisation					
At 1 January 2017	**2,141**	**755**	**6,868**	**18,919**	**28,683**
Foreign exchange on opening balance	228	80	728	1,824	2,860
Charge in the year	517	182	1,638	688	3,025
Disposals	-	-	-	(13)	(13)
At 31 December 2017	**2,886**	**1,017**	**9,234**	**21,418**	**34,555**
Foreign exchange on opening balance	(188)	(66)	(602)	165	(691)
Charge in the year	535	189	1,695	42	2,461
Disposals	-	-	-	(19,393)	(19,393)
At 31 December 2018	**3,233**	**1,140**	**10,327**	**2,232**	**16,932**
Net book amount at 31 December 2018	**1,871**	**1,016**	**2,693**	**695**	**6,275**
Net book amount at 31 December 2017	**2,525**	**1,269**	**4,570**	**8**	**8,372**

Intellectual property

Intellectual property relates to the valuation of beneficial licence agreements, trade names and customer relationships in Frontier Smart at the date of their original acquisition.

Licence & development expenditure

The Group capitalises certain licence, third-party development fees and internally generated development where, in the view of management, they have intrinsic value to ongoing software and hardware development programmes. Additions in the year relate to technology on new projects essential to the future development of new generation solutions. The capitalised costs are amortised in accordance with the Group accounting policy and are subject to a regular impairment reviews.

During the year all licences that no longer provide any benefit to the Group have been disposed of from the Financial Statements, the carrying value of these licences was nil.

Marketing

Marketing-related intangible assets are defined as those assets that are primarily used in the marketing or promotion of products and services. The Frontier solutions are well known and preferred by a majority of the consumer electronic brands who specifically instruct their manufacturers to use Frontier modules and solutions in their audio systems.

Customer relationships

Customer-related intangible assets may consist of customer lists, order or production backlogs, customer contracts and relationships, and non-contractual customer relationships. Frontier has developed relationships with both consumer electronic brands and manufacturers. The customer relationship valuation captures the economic benefits of having these trading relationships.

Impairment reviews

The Directors have considered impairment indicators for all intangible assets and tested for impairment in conjunction with their testing for goodwill, in accordance with the Group's accounting policy.

10 ANNUAL REPORTS AND ACCOUNTS

The Annual Report and Accounts for 2018 will be posted to Shareholders on 10 April 2019 and will also be available free of charge on request from the Group's registered office, 4th Floor, 137 Euston Road, London NW1 2AA and on the Group's website at www.frontiersmart.com.

11 NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of the members of Frontier Smart Technologies Group Limited will be held at the offices of N+1 Singer at 1 Bartholomew Lane, London, EC2N 2AX on Tuesday, 14 May 2019 at 9:00am.

- Ends -