

**Frontier Smart Technologies Group Limited**

(‘Frontier’, the ‘Group’ or the ‘Company’)

**Half-Year Results**

Frontier Smart Technologies Group Limited (AIM: FST), a pioneer in technologies for Digital Audio devices, is pleased to announce its half-year results for the six months ended 30 June 2017.

**Key Highlights**

- *H1 2017 financial highlights:*
  - Revenues up 44% at £19.7 million (H1 2016: £13.7 million); up 27% on a constant currency basis
  - EBITDA of £1.1 million (H1 2016: loss of £0.04 million)
  - R&D expenditure stable at £2.9 million (H1 2016: £2.8 million)
  - As at 30 June 2017, cash and cash equivalents were up 41% at £4.8 million (31 December 2016: £3.4 million).
  
- *H1 2017 operational highlights:*
  - Strong growth in Digital Radio and Advanced Radio<sup>1</sup> driven by Digital Switchover in Norway and robust DAB volumes in continental Europe
  - First material revenues from Smart Audio<sup>2</sup>
  
- *Full year 2017 outlook*
  - Trading since the end of H1 2017 has continued to be strong and the Board now expects FY 2017 EBITDA<sup>3</sup> to be significantly ahead of current market expectations<sup>4</sup>.

**Anthony Sethill, CEO of Frontier, commented:** “The Group has performed well in the first half of the year. In Digital and Advanced Radio, we have benefited from underlying growth in the sector and the impact of the Digital Switchover in Norway. In Smart Audio, we have secured the first material revenues for our Google Chromecast product.

“In the second half of the year, we expect trading to hold up well and our full year EBITDA performance should be significantly ahead of current market expectations.”

**Notes:**

<sup>1</sup> Advanced Radio is an established business line for Frontier, in previous reports referred to as Smart Audio. The business offers technologies for Internet radios (devices often also providing access to online music services, such as Spotify).

<sup>2</sup> Smart Audio, as now defined, is the Group’s newest business line. It encompasses technologies for Wi-Fi enabled audio devices (e.g. speakers, soundbars, AVRs), excluding Internet radios. These devices are generally based on software platforms from major technology players such as Google.

<sup>3</sup> EBITDA is defined as earnings before interest, tax, depreciation, amortisation, and before share based payments.

<sup>4</sup> Current market expectations prior to this announcement for the Group’s EBITDA for the year ending 31 December 2017 are approx. £1.5 million.

*Certain statements made in this release are forward-looking statements. Such statements have been made by the Directors in good faith using information available up until the date that they approved this update. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.*

*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

The Frontier Smart Technologies Group is a pioneer in technologies for digital audio devices. The original company, Frontier Silicon, was incorporated in 2001. Customers include many leading consumer audio brands: Bose, Denon, Grundig, harman/kardon, Onkyo, Panasonic, Philips, Pioneer, Pure, Roberts, Sony, TechniSat, Yamaha, and many more. The Company is headquartered in London, with engineering, sales and operations teams in Cambridge, Timisoara (Romania), Hong Kong, and Shenzhen. [www.frontiersmart.com](http://www.frontiersmart.com)

## Introduction

In this statement, Frontier reports on three business lines: Digital Radio, Advanced Radio and Smart Audio.

- In Digital Radio, Frontier provides chips and modules for DAB radios (consumer and automotive aftermarket).
- In Advanced Radio, Frontier provides solutions for Internet radios (devices often also offering access to online music services).
- The Group's Smart Audio business is focused on solutions for Wi-Fi enabled audio devices such as Wi-Fi speakers, soundbars and AVRs. Generally, these devices incorporate software platforms from major technology companies such as Google.

Digital and Advanced Radio are well-established business lines where Frontier has market leading technologies and strong customer relationships, with both generating positive cashflows.

Smart Audio is the Group's newest business line and offers potentially attractive growth prospects. Market volumes are forecast by Strategy Analytics to rise from 14 million units in 2016 to 76 million in 2020. Whilst still in the early stages of development, growth in this sector is being driven by platforms such as Google Chromecast and voice technologies on devices such as the Amazon Echo and Google Home. Frontier's role is to work with third party brands to develop Smart Audio devices based on these proprietary technologies.

In 2016, Frontier returned its first positive EBITDA of £0.7 million with revenues of £32.1 million.

In previous reports, Advanced Radio was reported as part of the Group's Smart Audio activities. In future, starting with the Group's 2017 Full Year Results, the Group intends to report Digital and

Advanced Radio as a single business line. However, to aid transparency, in this report Advanced Radio has been broken out as a separate business line.

### **Overview of H1 2017 performance**

H1 2017 saw a strong financial performance for the Group, with reported revenues of £19.7 million up 44% (H1 2016: £13.7 million) and EBITDA improving to £1.1 million (H1 2016: loss of £0.04 million).

This growth in Group revenues was assisted by the decline in Sterling against the US Dollar. On a constant currency basis, revenues grew by 27% to US\$25.0 million (H1 2016: US\$19.7 million).

Digital Radio and Advanced Radio both saw strong growth in the period. Digital Radio dollar revenues were up 20% to US\$16.1 million (H1 2016: US\$13.4 million); and Advanced Radio revenues grew 11% to US\$7.0 million (H1 2016: US\$6.3 million). Digital Radio benefited from the start of the switch-off of FM broadcasts in Norway, a process which will continue throughout 2017, on top of robust underlying growth in DAB volumes in continental Europe. Both Radio businesses benefited from the introduction of new EU regulation (the Radio Equipment Directive), which encouraged some customers to bring forward orders into the first half of the year.

Smart Audio produced its first significant revenues, US\$1.8 million in H1 2017 (H1 2016: zero). These sales were generated by design wins for Minuet, Frontier's Smart Audio solution incorporating Google Chromecast. Customers include Harman JBL, Urbanears, Brookstone, Jensen and SOLIS.

Group R&D expenditure in H1 2017 was broadly flat at £2.9 million (H1 2016: £2.8 million).

At 30 June 2017, the Group's cash balance was £4.8 million (31 December 2016: £3.4 million). This equates to a net cash position of £1.3 million (31 December 2016: net debt £0.7 million).

### **Prospects**

The Digital Radio and Advanced Radio business lines are expected to continue generating positive cashflows for the medium term. Smart Audio is a new business sector driven by large US technology companies such as Google and Amazon. The Smart Audio market is expected to be substantially larger than that of DAB. The Group's aim over the next 18 months is to establish itself as the leading system integrator in this sector.

### *Digital Radio*

Digital Radio volumes for 2018 may remain at similar levels to 2017 following the completion of Digital Switchover ('DSO') in Norway. Thereafter prospects for Digital Radio remain favourable, with continued progress across Europe and the beginning of DSO in Switzerland in 2020.

### *Advanced Radio*

Advanced Radio is expected to remain a relatively niche business concentrated in Germany and the UK. Frontier is expected to maintain its leadership of this sector, a position which should be boosted by the introduction in Q3 2017 of a new module, specifically targeting the 'entry price point' segment.

In Q3 2017, Frontier has also since announced that it is working on technologies which will allow its Advanced Radios and wireless speakers to be controlled via Amazon's Echo and Echo Dot devices.

### *Smart Audio*

Frontier continues to be one of a small number of technology providers working with Google on its Chromecast platform. Having delivered the first design wins for the Group's Minuet platform, there are now two strands to Frontier's engineering spend; first, continuing to enhance the existing solution (e.g. by adding new features such as wireless stereo) and; second, the development of a new version of Minuet incorporating Google's Voice Assistant.

Subject to Google approvals, this voice-enabled solution should be ready for mass production in H1 2018. Discussions with potential customers are currently under way.

## **Financial Review**

H1 2017 revenues of £19.7 million were up 44% year-on-year (H1 2016: £13.7 million).

Gross margin of £8.1 million was up 35% (H1 2016: £6.0 million). In percentage terms, gross margin fell from 44% to 41% of revenues. This decline reflects the lower margins attributable to the Smart Audio business (where the Group uses third party silicon; whereas in Digital and Advanced Radio the Group uses its own silicon). As Smart Audio grows, a further decline in the Group's percentage margins is expected.

EBITDA for H1 2017 improved to £1.1 million (H1 2016: loss of £0.04 million), driven by a combination of Digital Radio US dollar revenues, which were up 20% to US\$16.1 million (H1 2016: US\$13.4 million),

and Advanced Radio revenues which grew 11% to US\$7.0 million (H1 2016: US\$6.3 million). The Group has benefited from the continued growth of DAB Digital Radio in continental Europe and the ongoing switch-off of the analogue transmission network in Norway.

Smart Audio now refers only to the Group's new technologies for Wi-Fi enabled audio devices (excluding Internet radios, which are based on the Group's older solutions).

This change is designed to give visibility to the separate performance of each of the Group's established business lines (Digital and Advanced Radio) and its new business line (Smart Audio). Smart Audio is expected to deliver greater long term growth than Digital and Advanced Radio, but is still in the early stages of development and currently accounts for a significant proportion of Group R&D.

Smart Audio revenues from Minuet based products in H1 2017 were US\$1.8 million, (H1 2016: zero).

The Group has benefited during the period under review from the movement in the USD/GBP exchange rate as the majority of its revenue is booked in US Dollars. Offsetting these gains, however, are a slight decline in UK volumes (following an increase in UK retail selling prices due to the decline in Sterling) and certain overhead costs denominated in currencies other than Sterling. Gross margin in H1 2017 has increased by 35% to £8.1 million (H1 2016: £6.0 million).

EBITDA can be calculated as:

|                                   | <b>H1 2017</b> | H1 2016 |
|-----------------------------------|----------------|---------|
|                                   | <b>£'000</b>   | £'000   |
| Revenue                           | <b>19,727</b>  | 13,659  |
| Cost of sales                     | <b>11,641</b>  | 7,657   |
| Gross margin                      | <b>8,086</b>   | 6,002   |
| Research and development          | <b>2,868</b>   | 2,762   |
| Sales and administrative expenses | <b>4,141</b>   | 3,275   |
| EBITDA                            | <b>1,077</b>   | (35)    |

Certain R&D costs related to future Minuet software development were expensed as the conditions required for capitalisation under IFRS were not met. As stated previously, research and development ('R&D') expenditure has been broadly consistent year-on-year. Sales and administrative expenses

increased by 26% year-on-year, reflecting a combination of exchange rate effects and an increased investment in sales and marketing to support the Group's entry into Smart Audio.

Frontier is now cash flow positive as evidenced by an increase in the net cash position from net debt at 31 December of £0.7 million to a net cash position of £1.3 million.

Group pre-tax loss was £0.8 million (2016: loss £2.0 million) with a loss per share on the continuing business of 2.88 pence (2016: loss 1.38 pence).

### **Outlook**

Based on the strong performance in H1 2017 and with good visibility of the Group's H2 order book, the Board now expects FY 2017 EBITDA to be significantly ahead of current market expectations.

Reported revenue growth for H2 2017 is expected to be lower than H1 2017, as the decline in Sterling against the US Dollar has started to reverse.

Underlying Digital Radio and Advanced Radio revenue growth is expected to slow on H1 2017 as the benefits of the Norway switchover are likely to have passed their peak. Nevertheless, growth in Digital Radio volumes in continental Europe should remain robust.

The slowing of growth in Digital and Advanced Radio is however expected to be offset by Smart Audio. Group revenues from Smart Audio are currently on an upward trend, with H2 2017 revenues expected to be significantly higher than in H1 2017. Whilst the sector remains in the early stages of development, several new models based on Frontier solutions have recently received Google certification and initial orders for these products are encouraging.

The net impact of the strong performance in H1 2017 and continued growth in H2 2017 is that FY 2017 revenues (in Sterling) are expected to be significantly ahead of FY 2016.

**Anthony Sethill**

**Chief Executive Officer**

27 September 2017

**Statement of Comprehensive Income  
for the period ended 30 June 2017**

|   | Note | Unaudited<br>six months<br>ended<br>30 June 2017<br>£'000 | Unaudited<br>six months<br>ended<br>30 June 2016<br>Restated<br>£'000 | Audited<br>year ended<br>31 December<br>2016<br>Restated<br>£'000 |
|---|------|---|---|---|
| <b>Revenue</b>  | 4    | <b>19,727</b>   | 13,659  | 32,135  |
| Cost of sales   |      | (11,641)  | (7,657)   | (18,000)  |
| <b>Gross profit</b>   |      | <b>8,086</b>  | 6,002   | 14,135  |
| Research & development  |      | (2,868)   | (2,762)   | (6,588)   |
| Sales & administrative expenses                                       |      | (4,141)   | (3,275)   | (6,876)   |
| EBITDA  |      | 1,077   | (35)  | 671   |
| Amortisation  |      | (1,182)   | (1,186)   | (2,377)   |
| Depreciation  |      | (151)   | (175)   | (355)   |
| Share based payment   |      | (357)   | (380)   | (633)   |
| <b>Total administrative expenses</b>                                  |      | <b>(8,699)</b>  | (7,778)   | (16,829)  |
| <b>Loss from continuing operations</b>                                |      | <b>(613)</b>  | (1,776)   | (2,694)   |
| Finance income  |      | 6   | 5   | 9   |
| Finance charges   |      | (148)   | (189)   | (361)   |
| <b>Loss before taxation</b>   |      | <b>(755)</b>  | (1,960)   | (3,046)   |
| Taxation  |      | (475)   | 1,373   | 1,607   |
| <b>Loss for the period from continuing operations</b>                 |      | <b>(1,230)</b>  | (587)   | (1,439)   |
| <b>Loss for the period from discontinued operations</b>               |      | -   | (15,879)  | (15,892)  |
| <b>Loss for the Period</b>  |      | <b>(1,230)</b>  | (16,466)  | (17,331)  |
| <b>Other comprehensive income/ (expense)</b>                          |      |   |   |   |
| <b>Items that will be reclassified subsequently to profit or loss</b> |      |   |   |   |
| Exchange differences on translating foreign operations                |      | 65  | (31)  | 17  |
| <b>Other comprehensive income/(expense) for the period</b>            |      | <b>65</b>   | (31)  | 17  |
| <b>Total comprehensive loss for the period</b>                        |      | <b>(1,165)</b>  | (16,497)  | (17,314)  |
| <b>Earnings per share</b>   |      |   |   |   |
| Basic earnings per share  |      |   |   |   |
| - From continuing operations  | 5    | (2.88)p   | (1.38)p   | (3.36)p   |
| - From discontinued operations  | 5    | -   | (37.2)p   | (37.1)p   |



## Consolidated Statement of Financial Position at 30 June 2017

|   | Note | Unaudited<br>30 June<br>2017<br>£'000 | Unaudited<br>30 June<br>2016<br>Restated<br>£'000 | Audited<br>31 December<br>2016<br>Restated<br>£'000 |
|---|------|---------------------------------------|---|---|
| <b>Assets</b>   |      |                                       |   |   |
| <b>Non-current assets</b>   |      |                                       |   |   |
| Goodwill  | 6    | 8,536                                 | 8,536   | 8,536   |
| Other intangible assets   | 7    | 7,348                                 | 9,701   | 8,510   |
| Property, plant and equipment   |      | 339                                   | 514   | 401   |
|   |      | <b>16,223</b>                         | 18,751  | 17,447  |
| <b>Current assets</b>   |      |                                       |   |   |
| Inventories   |      | 4,154                                 | 3,144   | 2,588   |
| Tax receivable  |      | 319                                   | 934   | 1,123   |
| Trade and other receivables   | 8    | 4,688                                 | 5,621   | 8,209   |
| Cash and cash equivalents   |      | 4,816                                 | 3,378   | 3,376   |
| <b>Total current assets</b>   |      | <b>13,977</b>                         | 13,077  | 15,296  |
| <b>Assets included in disposal group<br/>classified as held for sale</b>      |      | -                                     | 3,592   | -   |
| <b>Total assets</b>   |      | <b>30,200</b>                         | 35,420  | 32,743  |
| <b>Liabilities</b>  |      |                                       |   |   |
| <b>Current liabilities</b>  |      |                                       |   |   |
| Trade and other payables  | 9    | 10,957                                | 10,013  | 12,112  |
| <b>Total current liabilities</b>  |      | <b>10,957</b>                         | 10,013  | 12,112  |
| <b>Other liabilities &gt; 1 year</b>  | 10   | <b>2,291</b>                          | 3,453   | 2,872   |
| <b>Liabilities included in disposal group<br/>classified as held for sale</b> |      | -                                     | 3,631   | -   |
| <b>Total liabilities</b>  |      | <b>13,248</b>                         | 17,097  | 14,984  |
| <b>Equity</b>   |      |                                       |   |   |
| Share capital   | 11   | 4,276                                 | 4,275   | 4,275   |
| Share premium   |      | 115,300                               | 115,300   | 115,300   |
| Share based payment reserve   |      | 5,491                                 | 4,881   | 5,134   |
| Foreign exchange reserve  |      | 47                                    | (66)  | (18)  |
| Retained earnings   |      | (108,162)                             | (106,067)   | (106,932)   |
| <b>Total equity</b>   |      | <b>16,952</b>                         | 18,323  | 17,759  |
| <b>Total equity and liabilities</b>   |      | <b>30,200</b>                         | 35,420  | 32,743  |

## Consolidated Statement of Changes in Equity at 30 June 2017

|  | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Share<br>based<br>payment<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Foreign<br>exchange<br>reserve<br>£'000 | Total<br>equity<br>£'000 |
|--|---------------------------|---------------------------|---|-------------------------------|---|--------------------------|
| <b>At 1 January 2017</b>                               | 4,275                     | 115,300                   | 5,134   | (106,932)                     | (18)                                    | 17,759                   |
| Share-based payments                                   | -                         | -                         | 357   | -                             | -                                       | 357                      |
| Issue of share capital                                 | 1                         | -                         | -   | -                             | -                                       | 1                        |
| <b>Transactions with owners</b>                        | <u>1</u>                  | <u>-</u>                  | <u>357</u>                                    | <u>-</u>                      | <u>-</u>                                | <u>358</u>               |
| Loss for the period                                    | -                         | -                         | -   | (1,230)                       | -                                       | (1,230)                  |
| <b>Other comprehensive losses</b>                      |                           |                           |   |                               |   |                          |
| Exchange differences on translating foreign operations | -                         | -                         | -   | -                             | 65                                      | 65                       |
| <b>Total comprehensive loss</b>                        | <u>-</u>                  | <u>-</u>                  | <u>-</u>                                      | <u>(1,230)</u>                | <u>65</u>                               | <u>(1,165)</u>           |
| <b>At 30 June 2017</b>                                 | <u>4,276</u>              | <u>115,300</u>            | <u>5,491</u>                                  | <u>(108,162)</u>              | <u>47</u>                               | <u>16,952</u>            |

**Consolidated Statement of Changes in Equity  
for the period ended 30 June 2016**

|  | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Share<br>based<br>payment<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Foreign<br>exchange<br>reserve<br>£'000 | Total<br>equity<br>£'000 |
|--|---------------------------|---------------------------|---|-------------------------------|---|--------------------------|
| <b>At 1 January 2016</b>                                     | 4,262                     | 115,300                   | 4,501   | (89,601)                      | (35)                                    | 34,427                   |
| Share-based payments   | -                         | -                         | 380   | -                             | -                                       | 380                      |
| Issue of share capital                                       | 13                        | -                         | -   | -                             | -                                       | 13                       |
| <b>Transactions with owners</b>                              | <u>13</u>                 | <u>-</u>                  | <u>380</u>                                    | <u>-</u>                      | <u>-</u>                                | <u>393</u>               |
| Loss for the period (restated)                               | -                         | -                         | -   | (16,466)                      | -                                       | (16,466)                 |
| <b>Other comprehensive losses</b>                            |                           |                           |   |                               |   |                          |
| Exchange differences on<br>translating foreign<br>operations | -                         | -                         | -   | -                             | (31)                                    | (31)                     |
| <b>Total comprehensive loss</b>                              | <u>-</u>                  | <u>-</u>                  | <u>-</u>                                      | <u>(16,466)</u>               | <u>(31)</u>                             | <u>(16,497)</u>          |
| <b>At 30 June 2016</b>                                       | <u>4,275</u>              | <u>115,300</u>            | <u>4,881</u>                                  | <u>(106,067)</u>              | <u>(66)</u>                             | <u>18,323</u>            |

**Consolidated Statement of Changes in Equity  
for the period ended 31 December 2016**

|  | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Share<br>based<br>payment<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Foreign<br>exchange<br>reserve<br>£'000 | Total<br>equity<br>£'000 |
|--|---------------------------|---------------------------|---|-------------------------------|---|--------------------------|
| <b>At 1 January 2016</b>                                     | 4,262                     | 115,300                   | 4,501   | (89,601)                      | (35)                                    | 34,427                   |
| Share-based payments   | -                         | -                         | 633   | -                             | -                                       | 633                      |
| Issue of share capital                                       | 13                        | -                         | -   | -                             | -                                       | 13                       |
| <b>Transactions with owners</b>                              | <u>13</u>                 | <u>-</u>                  | <u>633</u>                                    | <u>-</u>                      | <u>-</u>                                | <u>646</u>               |
| Loss for the period<br>(restated)                            | -                         | -                         | -   | (17,331)                      | -                                       | (17,331)                 |
| <b>Other comprehensive<br/>losses</b>                        |                           |                           |   |                               |   |                          |
| Exchange differences on<br>translating foreign<br>operations | -                         | -                         | -   | -                             | 17                                      | 17                       |
| <b>Total comprehensive loss</b>                              | <u>-</u>                  | <u>-</u>                  | <u>-</u>                                      | <u>(17,331)</u>               | <u>17</u>                               | <u>(17,314)</u>          |
| <b>At 31 December 2016</b>                                   | <u>4,275</u>              | <u>115,300</u>            | <u>5,134</u>                                  | <u>(106,932)</u>              | <u>(18)</u>                             | <u>17,759</u>            |

**Consolidated Cash Flow Statement  
for the period ended 30 June 2017**

|   | Unaudited<br>six months<br>ended<br>30 June 2017<br>£'000 | Unaudited<br>six months<br>ended<br>30 June 2016<br>Restated<br>£'000 | Audited<br>year ended<br>31 December<br>2016<br>Restated<br>£'000 |
|---|---|---|---|
| <b>Cash flows from operating activities</b>                       |   |   |   |
| Loss before taxation  | (755)   | (1,960)   | (3,046)   |
| Amortisation  | 1,182   | 1,186   | 2,377   |
| Depreciation  | 151   | 175   | 355   |
| Share based payments  | 357   | 380   | 633   |
| Net interest paid   | 142   | 184   | 352   |
| (Increase)/ decrease in inventories                               | (1,566)   | (478)   | 78  |
| Decrease/ (increase) in trade and other<br>receivables            | 3,495   | 662   | (1,881)   |
| (Decrease)/ increase in trade and other payables                  | (1,136)   | (1,208)   | 900   |
| Foreign exchange movements  | 74  | (31)  | (559)   |
| Tax refund  | 429   | 1,685   | 1,805   |
| <b>Net cash inflow / (outflow) from continuing<br/>operations</b> | <b>2,373</b>  | 595   | 1,014   |
| <b>Net cash outflow from discontinuing operations</b>             | -   | (4,476)   | (5,200)   |
| <b>Net cash flow from operating activities</b>                    | <b>2,373</b>  | (3,881)   | (4,186)   |
| <b>Cash flow from investing activities</b>                        |   |   |   |
| Purchase of property, plant and equipment                         | (97)  | (56)  | (81)  |
| Purchase of intangible assets                                     | (21)  | (63)  | (143)   |
| Proceeds from sale of subsidiaries, net of cash<br>sold           | -   | -   | 714   |
| <b>Net cash (used in) / provided by investing<br/>activities</b>  | <b>(118)</b>  | (119)   | 490   |
| <b>Cash flow from financing activities</b>                        |   |   |   |
| Loan  | (600)   | (300)   | (900)   |
| Proceeds from issue of share capital                              | 1   | -   | -   |
| Loan interest payable   | (148)   | (189)   | (361)   |
| Interest receivable   | 6   | 5   | 9   |
| <b>Net cash used in financing activities</b>                      | <b>(741)</b>  | (484)   | (1,252)   |
| <b>Net change in cash and cash equivalents</b>                    | <b>1,514</b>  | (4,484)   | (4,948)   |
| Cash and cash equivalents at beginning of period                  | 3,376   | 7,748   | 7,748   |
| Exchange differences on cash and cash<br>equivalents              | (74)  | 114   | 576   |
| <b>Cash and cash equivalents at end of period</b>                 | <b>4,816</b>  | 3,378   | 3,376   |

**Notes to the Interim Report  
For the period ended 30 June 2017**

**1. Nature of operations and general information**

Frontier Smart Technologies Group Limited and subsidiaries' (the 'Group') principal activity is the development and commercial exploitation of technologies for consumer digital audio devices.

Frontier Smart Technologies Group Limited is the Group's ultimate parent company. It is incorporated in the Cayman Islands. The address of Frontier Smart Technologies Group Limited's registered office is Elgin House, 119 Elgin Avenue, George Town, Grand Cayman, Cayman Islands. Frontier Smart Technologies Group Limited's shares are listed on the Alternative Investment Market of the London Stock Exchange. Frontier Smart Technologies Group Limited's consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

The financial information set out in this interim report does not constitute statutory accounts. The Group's statutory financial statements for the year ended 31 December 2016 are available from the Group's website. The auditor's report on those financial statements was unqualified.

**2. Accounting Policies**

**Basis of Preparation**

These interim condensed consolidated financial statements are for the six months ended 30 June 2017. They have been prepared following the recognition and measurement principles of IFRS. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

These financial statements have been prepared on the going concern basis and under the historical cost convention.

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

**3. Prior Period Restatement**

Shortly after the completion of the full year accounts for 2016 the company became aware that an inter-company debtor of £1.7 million in respect of the discontinued business should have been provided for in the period to 31 December 2016. In preparing these half year statements for the period to 30 June 2017, and having regard to the materiality of the debtor in respect of the half year 2017, the Board have concluded that the item should be treated as a prior year adjustment. The discontinued loss for the year to 31 December 2016 has therefore increased to £15.9 million from the £14.2 million previously reported.

#### 4. Revenue by sector

|                | <b>Unaudited<br/>30 June 2017<br/>£'000</b> | <b>Unaudited<br/>30 June<br/>2016<br/>£'000</b> | <b>Audited<br/>31 December<br/>2016<br/>£'000</b> |
|----------------|---|---|---|
| Digital Radio  | 12,745                                      | 9,273   | 22,332  |
| Advanced Radio | 5,531                                       | 4,364   | 9,349   |
| Smart Audio    | 1,451                                       | 22  | 454   |
| <b>Revenue</b> | <b>19,727</b>                               | <b>13,659</b>                                   | <b>32,135</b>                                     |

#### Segmental information

As described under Segmental Reporting in the Principal Accounting Policies, Management currently identifies four divisions as operating segments.

| <b>For the period ended 30 June 2017</b>         | <b>Digital<br/>Radio<br/>£'000</b> | <b>Advanced<br/>Radio<br/>£'000</b> | <b>Smart<br/>Audio<br/>£'000</b> | <b>Group<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|------------------------------------|-------------------------------------|----------------------------------|------------------------|------------------------|
| <b>Revenue</b>                                   | 12,745                             | 5,531                               | 1,451                            | -                      | 19,727                 |
| Cost of sales                                    | (6,966)                            | (3,491)                             | (1,184)                          | -                      | (11,641)               |
| <b>Gross profit</b>                              | <b>5,779</b>                       | <b>2,040</b>                        | <b>267</b>                       | <b>-</b>               | <b>8,086</b>           |
| Research & development                           | (310)                              | (540)                               | (2,018)                          | -                      | (2,868)                |
| Sales & administrative expenses – other          | (1,103)                            | (604)                               | (1,351)                          | (1,083)                | (4,141)                |
| <b>EBITDA</b>                                    | <b>4,366</b>                       | <b>896</b>                          | <b>(3,102)</b>                   | <b>(1,083)</b>         | <b>1,077</b>           |
| Amortisation of intellectual property            | (1,176)                            | (1)                                 | (2)                              | (3)                    | (1,182)                |
| Depreciation                                     | (105)                              | (13)                                | (27)                             | (6)                    | (151)                  |
| Share based payment                              |                                    |                                     |                                  | (357)                  | (357)                  |
| <b>Total administrative expenses</b>             | <b>(2,694)</b>                     | <b>(1,158)</b>                      | <b>(3,398)</b>                   | <b>(1,449)</b>         | <b>(8,699)</b>         |
| <b>Profit/ (loss) from continuing operations</b> | <b>3,085</b>                       | <b>882</b>                          | <b>(3,131)</b>                   | <b>(1,449)</b>         | <b>(613)</b>           |
| Net finance payable                              | -                                  | -                                   | -                                | (142)                  | (142)                  |
| <b>Profit/ (loss) before taxation</b>            | <b>3,085</b>                       | <b>882</b>                          | <b>(3,131)</b>                   | <b>(1,591)</b>         | <b>(755)</b>           |

| <b>For the period ended 30 June 2016</b>         | <b>Digital<br/>Radio<br/>£'000</b> | <b>Advanced<br/>Radio<br/>£'000</b> | <b>Smart<br/>Audio<br/>£'000</b> | <b>Group<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|------------------------------------|-------------------------------------|----------------------------------|------------------------|------------------------|
| <b>Revenue</b>                                   | 9,273                              | 4,364                               | 22                               | -                      | 13,659                 |
| Cost of sales                                    | (4,934)                            | (2,708)                             | (15)                             | -                      | (7,657)                |
| <b>Gross profit</b>                              | <b>4,339</b>                       | <b>1,656</b>                        | <b>7</b>                         | <b>-</b>               | <b>6,002</b>           |
| Research & development                           | (557)                              | (618)                               | (1,587)                          | -                      | (2,762)                |
| Sales & administrative expenses – other          | (670)                              | (342)                               | (761)                            | (1,502)                | (3,275)                |
| <b>EBITDA</b>                                    | <b>3,112</b>                       | <b>696</b>                          | <b>(2,341)</b>                   | <b>(1,502)</b>         | <b>(35)</b>            |
| Amortisation of intellectual property            | (1,179)                            | (7)                                 | -                                | -                      | (1,186)                |
| Depreciation                                     | (133)                              | (42)                                | -                                | -                      | (175)                  |
| Share based payment                              | -                                  | -                                   | -                                | (380)                  | (380)                  |
| Total administrative expenses                    | (2,539)                            | (1,009)                             | (2,348)                          | (1,882)                | (7,778)                |
| <b>Profit/ (loss) from continuing operations</b> | <b>1,800</b>                       | <b>647</b>                          | <b>(2,341)</b>                   | <b>(1,882)</b>         | <b>(1,776)</b>         |
| Net finance payable                              | -                                  | -                                   | -                                | (184)                  | (184)                  |
| <b>Profit/ (loss) before taxation</b>            | <b>1,800</b>                       | <b>647</b>                          | <b>(2,341)</b>                   | <b>(2,066)</b>         | <b>(1,960)</b>         |
| <b>For the period ended 31 December 2016</b>     | <b>Digital<br/>Radio<br/>£'000</b> | <b>Advanced<br/>Radio<br/>£'000</b> | <b>Smart<br/>Audio<br/>£'000</b> | <b>Group<br/>£'000</b> | <b>Total<br/>£'000</b> |
| <b>Revenue</b>                                   | 22,332                             | 9,349                               | 454                              | -                      | 32,135                 |
| Cost of sales                                    | (11,553)                           | (6,129)                             | (318)                            | -                      | (18,000)               |
| <b>Gross profit</b>                              | <b>10,779</b>                      | <b>3,220</b>                        | <b>136</b>                       | <b>-</b>               | <b>14,135</b>          |
| Research & development                           | (896)                              | (1,444)                             | (4,248)                          | -                      | (6,588)                |
| Sales & administrative expenses – other          | (1,196)                            | (840)                               | (1,870)                          | (2,970)                | (6,876)                |
| <b>EBITDA</b>                                    | <b>8,687</b>                       | <b>936</b>                          | <b>(5,982)</b>                   | <b>(2,970)</b>         | <b>671</b>             |
| Amortisation of intellectual property            | (2,367)                            | (10)                                | -                                | -                      | (2,377)                |
| Depreciation                                     | (262)                              | (93)                                | -                                | -                      | (355)                  |
| Share based payment                              | -                                  | -                                   | -                                | (633)                  | (633)                  |
| Total administrative expenses                    | (4,721)                            | (2,387)                             | (6,118)                          | (3,603)                | (16,829)               |
| <b>Profit/ (loss) from continuing operations</b> | <b>6,058</b>                       | <b>833</b>                          | <b>(5,982)</b>                   | <b>(3,603)</b>         | <b>(2,694)</b>         |
| Net finance payable                              | -                                  | -                                   | -                                | (352)                  | (352)                  |
| <b>Profit/ (loss) before taxation</b>            | <b>6,058</b>                       | <b>833</b>                          | <b>(5,982)</b>                   | <b>(3,955)</b>         | <b>(3,046)</b>         |



## 5. Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. The impact of the share options on the loss per share is anti-dilutive.

|  | <b>Basic loss per share</b>                                      |   |   |
|--|--|---|---|
|  | <b>Unaudited<br/>Six months ended<br/>30 June 2017<br/>£'000</b> | <b>Unaudited<br/>Six months ended<br/>30 June 2016<br/>Restated<br/>£'000</b> | <b>Audited<br/>Year ended<br/>31 December 2016<br/>Restated<br/>£'000</b> |
| Loss for the period attributable to equity shareholders – continuing operations    | £1,230   | £587  | £1,439  |
| Loss for the period attributable to equity shareholders – discontinuing operations | -  | £15,879   | £15,892   |
| Weighted average number of 10p ordinary shares                                     | 42,751,710   | 42,643,509  | 42,832,269  |
| (Loss) per share - basic and diluted – continuing operations                       | (2.88)p  | (1.38)p   | (3.36)p   |
| (Loss) per share - basic and diluted – discontinuing operations                    | -  | (37.2)p   | (37.1)p   |

## 6. Goodwill

|  | Frontier<br>Silicon<br>£'000 | Sensium<br>Healthcare<br>£'000 | Frontier<br>Microsystems<br>£'000 | Total<br>£'000 |
|--|------------------------------|--------------------------------|-----------------------------------|----------------|
| <b>Cost</b>                                |                              |                                |                                   |                |
| At 1 January 2016                          | 8,536                        | 10,582                         | 5,951                             | 25,069         |
| Additions                                  | -                            | -                              | -                                 | -              |
| At 30 June 2016                            | 8,536                        | 10,582                         | 5,951                             | 25,069         |
| Additions                                  |                              |                                |                                   |                |
| Disposals                                  | -                            | (10,582)                       | -                                 | (10,582)       |
| At 31 December 2016                        | 8,536                        | -                              | 5,951                             | 14,487         |
| Additions                                  | -                            | -                              | -                                 | -              |
| <b>At 30 June 2017</b>                     | <b>8,536</b>                 | <b>-</b>                       | <b>5,951</b>                      | <b>14,487</b>  |
| <b>Impairment</b>                          |                              |                                |                                   |                |
| At 1 January 2016                          | -                            | -                              | 5,951                             | 5,951          |
| Charge in period                           | -                            | -                              | -                                 | -              |
| At 30 June 2016                            | -                            | -                              | 5,951                             | 5,951          |
| Charge in period                           | -                            | -                              | -                                 | -              |
| At 31 December 2016                        | -                            | -                              | 5,951                             | 5,951          |
| Charge in period                           | -                            | -                              | -                                 | -              |
| <b>At 30 June 2017</b>                     | <b>-</b>                     | <b>-</b>                       | <b>5,951</b>                      | <b>15,398</b>  |
| <b>Net book amount at 30 June 2017</b>     | <b>8,536</b>                 | <b>-</b>                       | <b>-</b>                          | <b>8,536</b>   |
| <b>Net book amount at 30 June 2016</b>     | <b>8,536</b>                 | <b>-</b>                       | <b>-</b>                          | <b>8,536</b>   |
| <b>Net book amount at 31 December 2016</b> | <b>8,536</b>                 | <b>-</b>                       | <b>-</b>                          | <b>8,536</b>   |

## 7. Other intangible assets

|  | Marketing<br>intellectual<br>property<br>£'000 | Customer<br>intellectual<br>property<br>£'000 | Other<br>intellectual<br>property<br>£'000 | Licence &<br>Development<br>fees<br>£'000 | Total<br>£'000 |
|--|--|---|--|---|----------------|
| <b>Cost</b>                                |  |   |  |   |                |
| At 1 January 2016                          | 4,000  | 1,690   | 17,009                                     | 16,573                                    | 39,261         |
| Foreign exchange on opening balances       | -  | -   | -  | 3   | 3              |
| Additions                                  | -  | -   | -  | 80  | 80             |
| Disposals                                  | -  | -   | -  | (14)                                      | (14)           |
| Assets held for disposal                   | -  | -   | -  | (933)                                     | (933)          |
| At 30 June 2016                            | 4,000  | 1,690   | 17,009                                     | 15,709                                    | 40,644         |
| Additions                                  | -  | -   | -  | 1   | 1              |
| Adjustment to assets held for disposal     | -  | -   | -  | 118                                       | 118            |
| Disposals                                  | -  | -   | (6,805)                                    | -   | (6,805)        |
| At 31 December 2016                        | 4,000  | 1,690   | 10,204                                     | 15,828                                    | 33,958         |
| Foreign exchange on opening balances       | -  | -   | -  | (1)                                       | (1)            |
| Additions                                  | -  | -   | -  | 21  | 21             |
| Disposals                                  | -  | -   | -  | -   | -              |
| <b>At 30 June 2017</b>                     | <b>4,000</b>                                   | <b>1,690</b>                                  | <b>10,204</b>                              | <b>15,848</b>                             | <b>31,742</b>  |
| <b>Amortisation</b>                        |  |   |  |   |                |
| At 1 January 2016                          | 1,333  | 470   | 11,095                                     | 14,855                                    | 27,753         |
| Charge in period                           | 200  | 70  | 634  | 282                                       | 1,186          |
| Disposals                                  | -  | -   | -  | (11)                                      | (11)           |
| Assets held for disposal                   | -  | -   | -  | (221)                                     | (221)          |
| At 30 June 2016                            | 1,533  | 540   | 11,729                                     | 14,905                                    | 28,707         |
| Charge period                              | 200  | 71  | 634  | 286                                       | 1,191          |
| Adjustment to assets held for disposal     | -  | -   | -  | 119                                       | 119            |
| Disposals                                  | -  | -   | (6,805)                                    | -   | (6,805)        |
| At 31 December 2016                        | 1,733  | 611   | 5,558                                      | 15,310                                    | 23,212         |
| Charge period                              | 200  | 70  | 634  | 278                                       | 1,182          |
| Disposals                                  | -  | -   | -  | -   | -              |
| <b>At 30 June 2017</b>                     | <b>1,933</b>                                   | <b>681</b>                                    | <b>6,192</b>                               | <b>15,588</b>                             | <b>24,394</b>  |
| <b>Net book amount at 30 June 2017</b>     | <b>2,067</b>                                   | <b>1,009</b>                                  | <b>4,012</b>                               | <b>260</b>                                | <b>7,348</b>   |
| <b>Net Book amount at 30 June 2016</b>     | <b>2,467</b>                                   | <b>1,150</b>                                  | <b>5,280</b>                               | <b>804</b>                                | <b>9,701</b>   |
| <b>Net book amount at 31 December 2016</b> | <b>2,267</b>                                   | <b>1,079</b>                                  | <b>4,646</b>                               | <b>518</b>                                | <b>8,510</b>   |

### Intellectual property

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

### Licence & development fees

The licences relate to technology on new projects essential to the future development of the new generation digital chips. The licences will be amortised in accordance with the Group accounting policy and will be subject to an annual impairment review.

### 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.

## 8. Trade and other receivables

|                                | Unaudited<br>30 June<br>2017<br>£'000 | Unaudited<br>30 June<br>2016<br>£'000 | Audited<br>31 December<br>2015<br>£'000 |
|--------------------------------|---------------------------------------|---------------------------------------|---|
| Trade receivables              | 3,390                                 | 4,909                                 | 6,719                                   |
| Other debtors                  | 858                                   | 376                                   | 821                                     |
| Prepayments and accrued income | 440                                   | 336                                   | 669                                     |
| Trade and other receivables    | 4,688                                 | 5,621                                 | 8,209                                   |

Trade and other receivables are usually due within 30 - 60 days and do not bear any effective interest rate.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

## 9. Trade and other payables

|                                 | <b>Unaudited<br/>30 June<br/>2017<br/>£'000</b> | <b>Unaudited<br/>30 June<br/>2016<br/>£'000</b> | <b>Audited<br/>31 December<br/>2016<br/>£'000</b> |
|---------------------------------|---|---|---|
| Trade payables                  | 5,475   | 5,283   | 6,740   |
| Other payables                  | 753   | 528   | 664   |
| Accruals and deferred income    | 3,569   | 3,039   | 3,548   |
| Loan                            | 1,160   | 1,163   | 1,160   |
| <b>Trade and other payables</b> | <b>10,957</b>                                   | <b>10,013</b>                                   | <b>12,112</b>                                     |

## 10. Creditors: amounts falling due after more than one year

|              | <b>Unaudited<br/>30 June<br/>2017<br/>£'000</b> | <b>Unaudited<br/>30 June<br/>2016<br/>£'000</b> | <b>Audited<br/>31 December<br/>2016<br/>£'000</b> |
|--------------|---|---|---|
| Loan         | 2,291   | 3,453   | 2,872   |
| <b>Total</b> | <b>2,291</b>                                    | <b>3,453</b>                                    | <b>2,872</b>                                      |

### Loan

Frontier Smart Technologies Group Limited entered into a loan facility agreement in October 2015 for a maximum of £5,000,000. The loan accrues interest monthly at 6.8% with interest repayable in 12 quarterly instalments commencing 29 December 2015. Capital repayments are payable quarterly in ten instalments commencing March 2016, made up of nine instalments of £300,000 and a final instalment of £2,300,000. The loan carries a fixed and floating charge over all the property, assets and undertakings of the Group.

## 11. Share capital

|                                    | Unaudited<br>30 June 2017<br>£ | Unaudited<br>30 June 2016<br>£ | Audited<br>31 December 2016<br>£ |
|------------------------------------|--------------------------------|--------------------------------|----------------------------------|
| Authorised                         |                                |                                |                                  |
| 100,000,000 ordinary shares of 10p | 10,000,000                     | 10,000,000                     | 10,000,000                       |
|                                    |                                |                                |                                  |
| Allotted, issued and fully paid    | 42,761,636                     | 42,745,772                     | 42,748,464                       |
| £                                  | 4,276,163                      | 4,274,577                      | 4,274,846                        |

The movement in the number of shares is as follows:

|                          | Number of<br>ordinary shares |
|--------------------------|------------------------------|
| At 1 January 2016        | 1,704,779,379                |
| Shares issued            | 5,051,486                    |
| At 30 June 2016          | 1,709,830,865                |
| Shares issued            | 107,724                      |
| Share consolidation 40:1 | (1,667,190,125)              |
| At 31 December 2016      | 42,748,464                   |
| Shares issued            | 13,172                       |
| At 30 June 2017          | 42,761,636                   |

All shares are equally eligible to receive dividends and the repayment of capital and represent equal votes at meetings of shareholders with the exception of 2,238,462 shares held jointly by the Employee Benefit Trust and participants for the purpose of the Company's joint share ownership plan in relation to which all voting rights have been waived.

### Allotments

2 May 2017 7,497 ordinary shares of 10p were issued in relation to the exercise of share options by employees.

5 June 2017 5,675 ordinary shares of 10p were issued in relation to the exercise of share options by employees.

## 12. Financial Instruments

The Group uses financial instruments comprising cash and cash equivalents, other loans and various other short-term instruments such as trade receivables and trade payables which arise from its operations. The main purpose of these financial instruments is to fund the Group's business strategy and the short-term working capital requirements of the business.

## Financial assets by category

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

### 30 June 2017

|                                   | Loans<br>and<br>receivables<br>£'000 | Non<br>financial<br>assets<br>£'000 | Balance<br>sheet<br>total<br>£'000 |
|-----------------------------------|--------------------------------------|-------------------------------------|------------------------------------|
| Goodwill                          | -                                    | 8,536                               | 8,536                              |
| Other intangibles assets          | -                                    | 7,348                               | 7,348                              |
| Property, plant and<br>equipment  | -                                    | 339                                 | 339                                |
| Inventories                       | -                                    | 4,154                               | 4,154                              |
| Trade receivables                 | 3,390                                | -                                   | 3,390                              |
| Other receivables                 | 858                                  | -                                   | 858                                |
| Prepayments and<br>accrued income | -                                    | 440                                 | 440                                |
| Tax receivable                    | -                                    | 319                                 | 319                                |
| Cash and cash<br>equivalents      | 4,816                                | -                                   | 4,816                              |
| <b>Total</b>                      | <b>9,064</b>                         | <b>21,136</b>                       | <b>30,200</b>                      |

### 30 June 2016

|                                   | Loans<br>and<br>receivables<br>£'000 | Non<br>financial<br>assets<br>£'000 | Balance<br>sheet<br>total<br>£'000 |
|-----------------------------------|--------------------------------------|-------------------------------------|------------------------------------|
| Goodwill                          | -                                    | 8,536                               | 8,536                              |
| Other intangibles assets          | -                                    | 9,701                               | 9,701                              |
| Property, plant and<br>equipment  | -                                    | 514                                 | 514                                |
| Inventories                       | -                                    | 3,144                               | 3,144                              |
| Trade receivables                 | 4,909                                | -                                   | 4,909                              |
| Other receivables                 | 376                                  | -                                   | 376                                |
| Prepayments and<br>accrued income | -                                    | 336                                 | 336                                |
| Assets held for sale              | 3,592                                | -                                   | 3,592                              |
| Tax receivable                    | -                                    | 934                                 | 934                                |
| Cash and cash<br>equivalents      | 3,378                                | -                                   | 3,378                              |
| <b>Total</b>                      | <b>12,255</b>                        | <b>23,165</b>                       | <b>35,420</b>                      |

**31 December 2016**

|                                   | <b>Loans<br/>and<br/>receivables<br/>£'000</b> | <b>Non<br/>financial<br/>assets<br/>£'000</b> | <b>Balance<br/>sheet<br/>total<br/>£'000</b> |
|-----------------------------------|--|---|--|
| Goodwill                          | -  | 8,536   | 8,536  |
| Other intangibles assets          | -  | 8,510   | 8,510  |
| Property, plant and<br>equipment  | -  | 401   | 401  |
| Inventories                       | -  | 2,588   | 2,588  |
| Trade receivables                 | 6,719  | -   | 6,719  |
| Other receivables                 | 821  | -   | 821  |
| Prepayments and accrued<br>income | -  | 669   | 669  |
| Tax receivable                    | -  | 1,123   | 1,123  |
| Cash and cash equivalents         | 3,376  | -   | 3,376  |
| <b>Total</b>                      | <u>10,916</u>                                  | <u>21,827</u>                                 | <u>32,743</u>                                |

**Financial liabilities by category**

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

|                                  | <b>Unaudited<br/>30 June<br/>2017</b>  | <b>Unaudited<br/>30 June<br/>2017</b> | <b>Unaudited<br/>30 June<br/>2016</b>  | <b>Unaudited<br/>30 June<br/>2016</b> | <b>Audited<br/>31 December<br/>2016</b>  | <b>Audited<br/>31 December<br/>2016</b> |
|----------------------------------|--|---------------------------------------|--|---------------------------------------|--|---|
|                                  | <b>Other<br/>financial<br/>liabilities<br/>at<br/>amortised<br/>cost<br/>£'000</b> | <b>Fair Value<br/>£'000</b>           | <b>Other<br/>financial<br/>liabilities<br/>at<br/>amortised<br/>cost<br/>£'000</b> | <b>Fair Value<br/>£'000</b>           | <b>Other<br/>financial<br/>liabilities<br/>at<br/>amortised<br/>cost<br/>£'000</b> | <b>Fair Value<br/>£'000</b>             |
| Trade payables                   | 5,475  | 5,475                                 | 5,283  | 5,283                                 | 6,740  | 6,740                                   |
| Other payables                   | 753  | 753                                   | 528  | 528                                   | 664  | 664                                     |
| Accruals and deferred<br>income  | 3,569  | 3,569                                 | 3,039  | 3,039                                 | 3,548  | 3,548                                   |
| Liabilities held for<br>disposal | -  | -                                     | 3,631  | 3,631                                 | -  | -                                       |
| Loan                             | 3,451  | 3,451                                 | 4,616  | 4,616                                 | 4,032  | 4,032                                   |
| <b>Total</b>                     | <u>13,248</u>  | <u>13,248</u>                         | <u>17,097</u>  | <u>17,097</u>                         | <u>14,984</u>  | <u>14,984</u>                           |

All financial assets and liabilities are stated at amortised cost.



The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets and has no financial derivatives. The most significant risks to which the Group is exposed are described below:

#### **Credit risk**

The Group's credit risk is primarily attributable to its trade receivables, recoverable taxation and cash and cash equivalents. The amounts presented in the balance sheet are net of any allowance for doubtful receivables, estimated by the Directors. The Group has a concentration of credit risk due to exposure from a limited number of customers. This is managed at the highest level in the Group. Cash at bank is all held with highly rated banks, the suitability of which is periodically reviewed.

#### **Liquidity risk**

The Group seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by the use of money markets to deposit excess cash which is not required in the short term. The Directors prepare rolling cash flow forecasts and seek to raise additional funding whenever a shortfall in facilities is forecast. Details of the funding status of the Group are included in the going concern paragraph in the principal accounting policies.

#### **Currency risks**

The Group is exposed to translation foreign exchange risk in connection with its investment in Frontier Silicon Ltd whose subsidiaries are Frontier Silicon (Hong Kong) Ltd incorporated in Hong Kong and Frontier Silicon SRL incorporated in Romania. The Group does not hedge any transactions. As a result, the Group is subject to foreign currency risk in respect of accounting for its investment in the subsidiaries.

### **13. Post Balance Sheet Events**

There have been no material events since 30 June 2017.

**- Ends -**