For immediate release **8 March 2018**

Frontier Smart Technologies Group Limited

('Frontier' or the 'Group')

Final Results

Strong growth in revenue and EBITDA in FY 2017

Frontier (AIM: FST), a pioneer in technologies for Digital Radio and Smart Audio devices, announces its final results for the year ended 31 December 2017 ('FY 2017' or the 'Period').

Financial Highlights

- EBITDA[1] up 171% to £1.9 million (FY 2016: £0.7 million)
- Revenues up 28% to £41.0 million (FY 2016: £32.1 million); in constant exchange rates, revenues up 22% to US$53.0 million (FY 2016: US$43.4 million)
  - Radio[2] revenues up 15% to £36.3million (FY 2016: £31.7 million)
  - First material revenues for Smart Audio[3] of £4.7 million (FY 2016: £0.5 million)
- R&D expenditure stable at £6.5 million (FY 2016: £6.6 million)
- As of 31 December 2017, the Group's gross cash balance was £5.9 million; the net cash balance was £3.0 million

Operational Highlights

- Strong performance in Radio, especially in the first half, driven by switch-off of FM radio in Norway, coupled with steady growth in other European markets
- In Smart Audio, over 20 models released incorporating the Group's solution with Google Chromecast
- Working demonstrations of Frontier's Smart Audio solutions, incorporating Google's Voice Assistant, Amazon's Alexa Voice Services and Apple AirPlay 2, presented at the CES tradeshow in January 2018
- Ten design wins secured for devices incorporating Frontier's Smart Audio solution with Google's Voice Assistant with first products to be released in 2018

Outlook for FY 2018

- In FY 2018, the Board expects to see modest growth in revenues and EBITDA, as the Group continues to invest in Smart Audio

Anthony Sethill, CEO of Frontier, said:

"I am pleased to report a strong financial performance in 2017 with revenues benefitting from healthy growth in Radio and the Group's first material sales in Smart Audio. This is a result of our decision in 2016 to focus on our digital audio technology business which has led to EBITDA more than doubling in the period.

"2018 has started in line with plan and is likely to see modest revenue growth year on year. In Radio, the peak impact of FM switch-off in Norway will have passed, but we still expect to see steady volume growth in other European markets. Medium term prospects will be boosted by Switzerland starting to switch-off its FM signals in 2020/21.

"In Smart Audio, the market for third party voice-enabled devices is still at an early stage of development. We expect this segment to build scale over a two to three-year time horizon. Our immediate focus is to establish Frontier as the leading multi-ecosystem solution provider for voice-enabled speakers. Our medium term objective is to deploy our technologies in other non-audio smart home devices."

Notes:

[1] EBITDA is defined as earnings before interest, tax, depreciation, amortisation, and before share-based payments

[2] Radio includes both DAB Digital Radio and Advanced (Internet) Radio. In the FY 2016 Financial Results, Advanced Radio was reported as part of Smart Audio. Since the 2017 Half Year Results, Advanced Radio has been included in the Radio business line.

[3] Smart Audio, as now defined, encompasses technologies for Wi-Fi enabled audio devices (e.g. speakers, soundbars, AVRs), generally based on software platforms from major technology players such as Google. Voice-enabled devices are part of this category.

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 Smart Technologies

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, Hama, JBL, Marshall, Onkyo, Panasonic, Philips, Pioneer, Pure, Roberts, Sony, TechniSat, UrbanEars, Yamaha, and many more. The Company is headquartered in London, with engineering, sales and operations teams in Cambridge, Timisoara (Romania), Hong Kong, and Shenzhen.

For more information, see: www.frontiersmart.com

Chairman's Statement

The last financial year has been a very positive period for Frontier. The Group has recorded a strong financial performance with revenues up 28% to £41.0 million and EBITDA more than doubling to £1.9 million. At the year-end, Frontier recorded a gross cash balance of £5.9 million and had a net cash balance of £3.0 million. These results were driven by an impressive performance in Radio, and our first significant design wins in Smart Audio.

The strength in Radio has been especially pleasing and reflects a return on investment made by Frontier over several years. The Radio business has maintained its market-leading position, whilst also benefitting from growth in DAB Digital Radio volumes, driven by Digital Switchover ('DSO') in Norway (completed in December 2017) and steady growth in other European markets. The cashflows from Radio underpin the Group's investment in Smart Audio.

The Smart Audio market is still at an early stage of development and Frontier's business line remains in investment phase. 2017 saw the Group's first material revenues from the sector but, given the nascent status of the market for third party Smart Audio devices, it is difficult to predict the speed at which this business line will scale up. Our development focus is on bringing solutions to market which support the leading voice-enabled ecosystems of Google Voice Assistant ('GVA'), Alexa Voice Services ('AVS') and Apple Airplay 2. These programmes are progressing well.

In 2018, we expect the growth in Group revenues and EBITDA to be modest. The Group's goal is to deliver a solid Smart Audio technology platform, which underpins stronger growth in 2019 and 2020, and also provides an entry point into additional (non-audio) segments of the Smart Home market. The Board and Management will monitor the business closely to ensure stability of the Group's financial position.

Today, I am announcing that I am standing down from the Frontier Board at the upcoming Annual General Meeting and will not be seeking re-election as a Director. I have served as a Non-Executive Director for nine years and as Chairman since July 2015. In this latter period, the Group has successfully exited its healthcare business, removing a significant cash drain on the Group's finances and allowing management to focus on Frontier's digital audio business, an area where the Group has extensive expertise and strong competitive advantage. As a result, Frontier has become EBITDA positive and cash generative. The 2017 financial results are testament to the underlying strength of the Group and, without doubt, an exciting future lies ahead for Frontier. I wish the Board every success in building a leading consumer technology business which delivers sustainable shareholder value.

I am also announcing today that Chris Batterham will not be seeking re-election as a Director at the Annual General Meeting. Chris joined the Board nearly six years ago. His experience and good sense have been invaluable in helping the Group through some testing times. I would like to thank him for his contribution.

Finally, as ever, I would like to thank the Group's staff for all their efforts over the last 12 months. The results speak for themselves and I believe that Frontier will continue to make significant progress in times ahead.

Martin Knight
Chairman
7 March 2018

Chief Executive Statement

Overview

Frontier made good progress in 2017. The Group delivered a robust financial performance with revenues up 28% to £41.0 million (FY2016: £32.1 million) and EBITDA growing strongly to £1.9 million (FY2016: £0.7 million).

Our established Digital Radio business performed well in 2017, especially in the first half, boosted by the switch-off of FM radio in Norway and continued growth in other European markets. Our Smart Audio business delivered its first material revenues and, within this sector, the Group is well-positioned to address the emerging opportunities for modules and software for voice-enabled speakers.

In 2017, we kept our R&D expenditure broadly flat at circa £6.5 million, with investment in Smart Audio increasing marginally, whilst spend on Radio was reduced by a similar amount. We have focused our engineering efforts on the development of our Smart Audio software to include the incorporation of voice recognition capabilities. This work is progressing well. All R&D costs have been expensed during the year as they are either of a sustaining nature for Radio or they relate to Smart Audio which is a nascent market.

We retain a clear focus on bottom line profitability and through tight management of costs, coupled with strong revenue growth, we have improved our cash position during 2017, ending the year with £5.9 million cash and a net cash position of £3.0 million.

Our strategy for 2018 and beyond is to maintain our leadership position in Digital Radio and to use the cashflows from this business to underpin our investment in Smart Audio, and in due course, in Smart Home.

The Smart Audio market represents an exciting potential opportunity and growth driver for the Group. The sector has been transformed by the advent of voice-enabled devices from ecosystem industry leaders, Amazon and Google. Both companies are keen to develop a market for Smart Audio devices from third party brands based respectively on Amazon's Alexa Voice Services and Google's Voice Assistant. Whilst the market for devices from third party brands is still at an early stage of development, our clear objective is to establish Frontier as the leading multi-ecosystem solution provider in this sector, utilising our experience and relationships in Radio to develop this position. We have already announced a number of design wins for voice-enabled devices and we expect our first voice-enabled Smart Audio solutions to come to market in the course of 2018.

Operational Review

Radio

Frontier's Radio business performed well in 2017 with revenues growing 14.6% to £36.3 million (FY2016: £31.7 million) and EBITDA improving to £9.5 million (FY2016: £8.7 million). The Group continues to maintain its strong market leadership in both consumer DAB and Advanced (Internet) Radio. Frontier recently announced the sale of its 45 millionth digital radio solution, reflecting the Group's strength in the sector, and is on course to have sold more than 50 million units by the end of 2018.

The key driver of growth in 2017 was the switch-off of FM in Norway, where volumes increased by over 100% compared to 2016. This particularly benefited Frontier's sales in the first half of the year. Growth was particularly strong in the automotive aftermarket segment, for devices required to convert cars which only have FM radio. The switchover took place over a 12-month period, starting in January 2017 and completing in December 2017. Sales growth was particularly buoyant in the first three quarters of the year, before slowing in the fourth quarter. Sales in 2018 are expected to fall back slightly, but the extent of this decline is difficult to predict. The next country anticipated to switch-off its FM networks is Switzerland, a process expected to start in 2020/21.

Elsewhere in continental Europe, sales volumes continue to grow steadily with visible increases in Germany, the Netherlands, Denmark, France, Italy and Belgium. In the last 12 months, there have been significant developments in a number of our core markets. In Italy, a law was passed in December 2017 which will require all new radio receivers from 2020 to be capable of receiving digital signals. In France, the media regulator has confirmed plans for an accelerated roll-out of DAB+ services across the country. Once DAB+ coverage exceeds 20% of the French population, which is expected in 2018, a law requiring new receivers to offer DAB+ is due to be triggered. In Germany, the Grand Coalition agreement includes commitments to supporting DAB+ both at a national and European Union level. In the UK, 49.9% of radio listening is now via digital devices. When this figure exceeds 50%, the Government has promised a review of the UK's long term digital radio strategy.

Margins for our Radio business remain healthy at 42% (FY2016: 44%) with erosion in ASPs broadly offset by reductions in unit costs, continuing a trend which has been ongoing for some time.

In 2017, our engineering expenditure for Radio was £1.8 million, 24% lower than in FY 2016 (£2.3 million). The Radio business is relatively mature and any engineering expenditure is of a sustaining nature. Our goal is to maintain our market leadership position and product margins, whilst ensuring that the business line continues to deliver strong positive cashflows.

The core assets from our Radio business of world class audio engineering skills, long-term commercial relationships with consumer audio brands, strong customer support for Asian-based factories, and strong positive cashflows, all underpin our entry into the voice-enabled Smart Audio market.

Smart Audio

2017 saw the first material revenues of £4.7 million (FY2016: £0.5 million) for the Group's Smart Audio business. This business line is at an early stage of development and returned an EBITDA loss of £7.1 million (FY2016: £7.4 million).

Frontier's first Smart Audio revenues were for its Minuet solution incorporating Google's Chromecast technology (a non-voice platform which facilitates the streaming of online music services via Wi-Fi enabled speakers). More than 20 models incorporating Frontier's Smart Audio technology have been launched from brands including Harman JBL, Marshall, UrbanEars, Brookstone, Jensen, Solis, Altec Lansing, Blaupunkt, Terris, and Toshiba.

The Smart Audio market is developing rapidly and the introduction of voice-enabled devices from Amazon and Google has transformed the landscape as both companies look to establish their respective voice assistants in consumer homes. In parallel, Apple has recently launched its AirPlay 2 streaming technology.

Google and Amazon are both aggressively promoting their own first party products (i.e. Google Home, Google Mini, the Amazon Echo and Echo Dot) whilst simultaneously pursuing strategies to encourage the development of Smart Audio devices from third party brands incorporating the Google Voice Assistant (GVA) or Amazon's Alexa Voice Service (AVS). Frontier's focus for 2018 and beyond is on supporting these third party brands.

Frontier is one of a very small number of technology players working with Google, Amazon and Apple in this sphere and our objective is to position ourselves as the leading multi-ecosystem solution provider in Smart Audio. The Group's ability to establish strong relationships with each of these players is testament to Frontier's expertise in the digital audio technology market.

At CES 2018, the global consumer electronics tradeshow in Las Vegas this January, Frontier showcased its latest Smart Audio solutions incorporating GVA, AVS, and AirPlay 2. All three solutions are on course to enter mass production during 2018. Frontier has already announced design wins for ten models incorporating GVA from brands including Altec Lansing, Braven, Klipsch, Jensen, Memorex, and Solis and these are expected to come to market during the course of 2018.

Frontier's margins for Smart Audio (FY2017: 31%) are narrower than for Radio, in part because the Company does not use its own silicon in this market segment, and also due to the greater competitive pressures in this market.

Smart Audio R&D expenditure is heavily focused on software development to ensure that the solutions incorporating GVA, AVS and AirPlay 2 meet the standards required by the respective ecosystem players. In 2017, R&D expenditure on Smart Audio was £4.7 million, (FY2016: £4.2 million).

Financial review

Revenue and margin

Group revenue for the year increased by 28% to £41.0 million (FY2016 £32.1 million). The growth in revenue was largely driven by DSO in Norway, which contributed to strong growth in Radio sales in the first half of the year, bolstered by the first material revenues from Smart Audio of £4.7 million. Total volumes shipped across the business were 6.4 million units (FY2016: 5.2 million).

Gross profit margin decreased slightly over the year from 44.0% to 41.2%. Overall gross margins are expected to decline in the mid-term as Smart Audio, which has lower margins than Digital Radio, grows as a proportion of total revenues.

R&D

As noted last year, the trend on R&D expenditure as a proportion of revenues has been downwards since the first half of 2015, with R&D spend in 2017 of £6.5 million representing 15.9% of Group revenue (FY 2016: £6.6 million and 20.5% of Group revenue). The Board expects R&D to increase slightly in 2018 to enable the completion of a number of software blocks for GVA, AVS and AirPlay 2.

EBITDA

Following the Group's first positive EBITDA contribution in 2016 of £0.7 million, 2017 saw EBITDA increase by 171% to £1.9 million. This contribution flowed through to cash generation with year-end gross cash at £5.9 million (£3.0 million net). This compares to year-end 2016 with gross cash of £3.4 million (net debt £0.7 million).

Discontinued operations

During 2016, the Group disposed of its Healthcare Division and both the trading losses and loss on disposal have been included in the £15.9 million loss for the year from discontinued operations.

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

	2017	**Restated 2016**
	£'000	**£'000**
Loss for the year	**(1,897)**	**(17,331)**
Add back:		
Taxation	313	(1,607)
Net finance charges / (income)	272	352
Depreciation	292	355
Amortisation	2,342	2,377
Share based payment	617	633
Loss for the year from discontinued operations	-	15,892
EBITDA	**1,939**	**671**

Pre-tax loss

The Group reported a pre-tax loss of £1.6 million (Restated 2016: loss £3.0 million).

Taxation

The Group has historically applied for and received tax credits in respect of its research and development expenditure. In 2017 the cash received in relation to R&D tax credits amounted to £0.9 million (2016: £1.8 million). The reduction year on year is due to the claims being restricted as the Group nears profitability.

As at 31 December 2017 the Group has unutilised tax losses of £36.9 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 £5.9 million of gross cash and cash equivalents on the balance sheet (net cash was £3.0 million).

Current Trading and Outlook

Prospects for 2018 are favourable, though revenue and EBITDA growth are likely to be modest. Radio volumes are likely to plateau following the completion of the Digital Switchover in Norway in December 2017. In Smart Audio, we are on course to deliver solutions incorporating Google, Amazon and Apple technologies during the course of 2018, but the market for third party voice-enabled speakers is still at an early stage of development and we therefore expect to see more substantial growth in later years.

As noted in the Chairman's Statement, Dr. Martin Knight and Chris Batterham have, after careful consideration, decided not to seek re-election to the Board at the AGM in April 2018. I would like to thank both Martin and Chris for their long-standing service to Frontier and wish them well for the future. As also announced today, Sir Hossein Yassaie has been appointed to the Board and the Group looks forward to working with such an experienced professional in the digital audio space.

Anthony Sethill
Chief Executive Officer
7 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	2017 £'000	Restated 2016 £'000
Revenue	1	41,046	32,135
Cost of sales		(24,153)	(18,000)
Gross profit		16,893	14,135
Research & development		(6,524)	(6,588)
Sales and administrative expenses - other		(8,430)	(6,876)
EBITDA		1,939	671
Amortisation		(2,342)	(2,377)
Depreciation		(292)	(355)
Share based payment		(617)	(633)
Total administrative expenses		(18,205)	(16,829)
Loss from continuing operations		(1,312)	(2,694)
Finance income		9	9
Finance charges		(281)	(361)
Loss before taxation	1	(1,584)	(3,046)
Taxation		(313)	1,607
Loss for the year from continuing operations		(1,897)	(1,439)
Loss for the year from discontinued operations	3	-	(15,892)
Loss for the year		(1,897)	(17,331)
Items that will not be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		(62)	17
Other comprehensive income		(62)	17
Total comprehensive income for the year		(1,959)	(17,314)

Earnings per share	**Note**		
Basic earnings per share	5		restated
- From continuing operations		(4.44)p	(3.36)p
- From discontinued operations		-	(37.10)p
Earnings per share			
Diluted earnings per share			restated
- From continuing operations		(4.44)p	(3.36)p
- From discontinued operations		-	(37.10)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2017

	Note	2017 £'000	Restated 2016 £'000
ASSETS			
Non-current assets			
Goodwill	6	8,536	8,536
Other intangible assets		6,188	8,510
Property, plant and equipment		304	401
		15,028	17,447
Current assets			
Inventories		3,536	2,588
Tax receivable		126	1,123
Trade and other receivables		3,258	8,209
Cash and cash equivalents		5,854	3,376
Total current assets		12,774	15,296
Total assets		27,802	32,743
LIABILITIES			
Current liabilities			
Trade and other payables		11,383	12,112
Total current liabilities		11,383	12,112
Other liabilities > 1 year		-	2,872
Total liabilities		11,383	14,984
EQUITY			
Share capital		4,277	4,275
Share premium		115,300	115,300
Share based payment reserve		5,751	5,134
Foreign exchange reserve		(80)	(18)
Retained earnings		(108,829)	(106,932)
Total equity		16,419	17,759
Total equity and liabilities		27,802	32,743

CONSOLIDATED CASHFLOW STATEMENT
For the year ended 31 December 2017

	Note	2017 £'000	Restated 2016 £'000
Cash flows from operating activities			
Loss before taxation		**(1,584)**	**(3,046)**
Amortisation		2,342	2,377
Depreciation		292	355
Share based payments		617	633
Net interest payable		272	352
(Increase)/ decrease in inventories		(948)	78
Decrease/ (increase) in trade and other receivables		4,951	(1,881)
(Decrease)/ increase in trade and other payables		(2,636)	900
Foreign exchange gain/ (loss)		221	(559)
Tax refund		919	1,805
Net cash from continuing operations		4,446	1,014
Net cash used in discontinued operations		-	(5,200)
Net cash from/ (used in) operating activities		**4,446**	**(4,186)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(220)	(81)
Purchase of intangible assets		(10)	(143)
Proceeds from sale of subsidiaries, net of cash sold		-	714
Net cash used in investing activities		**(230)**	**490**
Cash flows from financing activities			
Proceeds from issue of share capital		2	-
Loan repayments		(1,200)	(900)
Loan interest payable		(281)	(361)
Interest receivable		9	9
Net cash used in from financing activities		**(1,470)**	**(1,252)**
Net change in cash and cash equivalents		**2,746**	**(4,948)**
Cash and cash equivalents at the beginning of period		3,376	7,748
Exchange differences on cash and cash equivalents		(268)	576
Cash and cash equivalents at the end of period		**5,854**	**3,376**

1 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:

	2017 £'000	Restated 2016 £'000
Share based payment expense	617	633
Staff costs	10,107	8,505
Research and development costs written off	6,524	6,588
Amortisation of intangible assets	2,342	2,377
Depreciation of owned property, plant and equipment	292	355
Gain on foreign exchange	352	(193)
Operating leases: land and buildings	604	660
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company financial statements	25	29
Fees payable to the Company's auditor for other services		
- audit of the Company's subsidiaries pursuant to the legislation	59	50
- other assurance services	-	3
- non-audit services	3	1

Revenue by geographic location

	2017 £'000	2016 £'000
United States and North America	54	919
Europe	4,134	2,456
Asia	36,858	28,760
Total revenue	41,046	32,135

Assets and liabilities by geographic location

	Assets 2017 £'000	Assets 2016 £'000	Liabilities 2017 £'000	Liabilities 2016 £'000
Cayman Islands	591	841	3,349	4,397
Europe	26,411	31,314	7,563	10,233
Asia	800	588	471	354
	27,802	32,743	11,383	14,984

Segmental information

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

For the year ended 31 December 2017	**Radio**	**Smart Audio**	**Group**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	**36,315**	**4,731**	**-**	**41,046**
Cost of sales	**(20,876)**	**(3,277)**	**-**	**(24,153)**
Gross profit	**15,439**	**1,454**	**-**	**16,893**
Research & development	**(1,788)**	**(4,736)**	**-**	**(6,524)**
Sales and administrative expenses – other	**(4,124)**	**(3,780)**	**(526)**	**(8,430)**
EBITDA	**9,527**	**(7,062)**	**(526)**	**1,939**
Amortisation	**(2,334)**	**(8)**	**-**	**(2,342)**
Depreciation	**(237)**	**(55)**	**-**	**(292)**
Share based payment	**-**	**-**	**(617)**	**(617)**
Total administrative expenses	**(8,483)**	**(8,579)**	**(1,143)**	**(18,205)**
Profit/ (loss) from continuing operations	**6,956**	**(7,125)**	**(1,143)**	**(1,312)**
Interest receivable/ (payable)	**9**	**-**	**(281)**	**(272)**
Profit/ (loss) before taxation	**6,965**	**(7,125)**	**(1,424)**	**(1,584)**
Taxation	**-**	**-**	**(313)**	**(313)**
Loss for the year from continuing operations	**6,965**	**(7,125)**	**(1,737)**	**(1,897)**

Included in revenues for the year ended 31 December 2017 are revenues of £12.9 million from the largest customer, £7.9 million from its second largest customer and £2.2 million from its third largest customer. Together these represent 56.1% of the total Group revenue for the year.

For the year ended 31 December 2016	Radio	Smart Audio	Group	Total
	£'000	£'000	£'000	£'000
Revenue	**31,681**	**454**	**-**	**32,135**
Cost of sales	**(17,682)**	**(318)**	**-**	**(18,000)**
Gross profit	**13,999**	**136**	**-**	**14,135**
Research & development	**(2,339)**	**(4,249)**		**(6,588)**
Sales and administrative expenses – other	**(2,948)**	**(3,237)**	**(691)**	**(6,876)**
EBITDA	**8,712**	**(7,350)**	**(691)**	**671**
Amortisation	**(2,367)**	**(10)**		**(2,377)**
Depreciation	**(262)**	**(93)**	**-**	**(355)**
Share based payment	**-**	**-**	**(633)**	**(633)**
Total administrative expenses	**(7,916)**	**(7,589)**	**(1,324)**	**(16,829)**
Profit/ (loss) from continuing operations	**6,083**	**(7,453)**	**(1,324)**	**(2,694)**
Interest receivable/ (payable)	**-**	**-**	**(352)**	**(352)**
Profit/ (loss) before taxation	**6,083**	**(7,453)**	**(1,676)**	**(3,046)**
Taxation	**-**	**-**	**1,607**	**1,607**
Loss for the year from continuing operations	**6,083**	**(7,453)**	**(69)**	**(1,439)**

Included in revenues for the year ended 31 December 2016 are revenues of £10.7 million from the largest customer, £5.4 million from its second largest customer and £1.8 million from its third largest customer. Together these represent 55.8% of the total Group revenue for the year.

2 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 statements for the period to 31 December 2017 and having regard to the materiality of the debtor, the Board has 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.

3 DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

The amounts presented in the statement of comprehensive income under discontinued operations relate to the disposal of Sensium Healthcare Limited and its subsidiaries, together with the closure of Frontier Microsystems Limited. Sensium Healthcare was disposed of on 22 July 2016 and the decision to close Frontier Microsystems was taken on the same day. Revenue and expenses relating to the discontinuation of this subgroup have been eliminated from loss from the Group's continuing operations and are shown as a single line item on the face of the statement of comprehensive income.

The operating loss of Sensium Healthcare and Frontier Microsystems until the date of disposal and the loss from re-measurement and disposal of assets and liabilities classified as held for sale are summarised as follows:

	Restated 2016 £'000
Revenue	53
Cost of sales	(22)
Gross profit	31
Amortisation of intangible assets	(123)
Depreciation	(49)
Research & development	(3,753)
Sales and administrative expenses - other	(1,269)
Total administrative expenses	(5,194)

Loss from discontinued operations before tax		(5,163)
Taxation		437
Loss on disposal	4	(11,166)
Loss for the year from discontinued operations		(15,892)

The disposal of Sensium Healthcare allowed for the disposal of all of the assets and liabilities of the entities as at 22 July with the exception of a receivable in respect of R&D tax credits of £150k. The closure of Frontier Microsystems eliminated any continuing costs and allowed for the settlement of all liabilities as at 22 July with non-current assets, primarily test and IT equipment, transferred to other Frontier Smart Technologies Group companies.

The carrying amounts of assets and liabilities in this disposed group are summarised as follows:

	Restated 31 December 2016
Assets	**£'000**
Non-current assets	
Goodwill	-
Other intangible assets	-
Property, plant and equipment	-
	-
Current assets	
Inventories	-
Tax receivable	229
Trade and other receivables	-
Cash and cash equivalents	-
Total current assets	229
Total assets	229
Liabilities	
Current liabilities	
Trade and other payables	408
Total current liabilities	408

4 DISPOSAL OF SENSIUM HEALTHCARE LIMITED

On 22 July 2016, the Group disposed of its 100% shareholding in its subsidiary Sensium Healthcare. The consideration was settled £1 million on 22 July 2016, and £316k on 31 December 2016. At the date of disposal, the carrying amounts of Sensium Healthcare's net assets were as follows:

	Restated 2016 £'000
Goodwill	10,582
Intangible assets	590
Property, plant and equipment	70
Total non-current assets	11,242
Inventories	435
Debtors	532
Cash and cash equivalents	318
Total current assets	1,285
Trade and other payables	(406)
Total current liabilities	(406)
Total net assets	12,121
Total consideration received in cash	1,000
Deferred consideration	316
Other consideration	296
Cost of disposal	(657)
Fair value of consideration received	955
Loss on disposal	11,166

Included within other consideration is an amount relating to a 10-year royalty stream (3% of net revenues for five years, followed by 2% of net revenues for the following five years).

5 LOSS PER SHARE

The calculation of the basic loss per share of 4.44 pence, (2016 restated: 40.46 pence) is based on the loss after tax of £1.9 million (2016 restated: £17.3 million) divided by the weighted average number of ordinary shares in issue during the year of 42,758,145 (2016: 42,832,269).

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

6 GOODWILL

	Frontier Silicon	Sensium Healthcare	Frontier Microsystems	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 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	**-**			**-**
At 31 December 2017	**8,536**		**5,951**	**14,487**
Impairment				
At 1 January 2016	**-**	**-**	**5,951**	**5,951**
Charge in the year	-	-		-
At 31 December 2016	**-**	**-**	**5,951**	**5,951**
Charge in the year	**-**	**-**		**-**
At 31 December 2017	**-**	**-**	**5,951**	**5,951**
		-		
Net book amount at 31 December 2017	**8,536**		**-**	**8,536**
Net book amount at 31 December 2016	**8,536**	**-**	**-**	**8,536**

Goodwill relating to Frontier Silicon results from the acquisition of the Frontier Silicon Group on 20 August 2012.

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 2022. 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.

The Chief Executive’s Statement provides a summary of the Group’s expectations for each division, together with an overview of the relevant markets. Below we have summarised the key judgements in relation to the individual impairment reviews.

Frontier Silicon

The intangible assets of Frontier Silicon 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.

Whilst Frontier has continued to make losses post-acquisition, primarily because of R&D spend, this is in line with the forecasts at the time of the acquisition and therefore the Directors consider the Goodwill arising on consolidation as still valid and no impairment has occurred since acquisition.

The Directors have reviewed the carrying value of these assets considering their forecasts of revenues and profitability for this business sector. A discount rate of 12% was applied to future cash flows with a rate of 18% 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 division, the Directors have looked at a five year forward view and then made a terminal value assessment at the end of 2022 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 4-5 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. In Smart Audio the Directors expect the market to expand significantly as Wi-Fi enabled speakers with much enhanced functionality really take hold. The forecast demonstrates that even a relatively small market share could lead to revenue growth rates significantly ahead of more mature markets.

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.

7 OTHER INTANGIBLE ASSETS

	Marketing intellectual property £'000	Customer intellectual property £'000	Other intellectual property £'000	Licence & development fees £'000	Total £'000
Cost					
At 1 January 2016	**4,000**	**1,690**	**17,009**	**16,573**	**39,272**
Additions	**-**	**-**	**-**	**81**	**81**
Disposals	**-**	**-**	**(6,805)**	**(826)**	**(7,631)**
At 31 December 2016	**4,000**	**1,690**	**10,204**	**15,828**	**31,722**
Additions	**-**	**-**	**-**	**10**	**10**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31 December 2017	**4,000**	**1,690**	**10,204**	**15,838**	**31,732**
Amortisation					
At 1 January 2016	**1,333**	**470**	**11,095**	**14,855**	**27,753**
Charge in the year	**400**	**141**	**1,268**	**568**	**2,377**
Disposals	**-**	**-**	**(6,805)**	**(113)**	**(6,918)**
At 31 December 2016	**1,733**	**611**	**5,558**	**15,310**	**23,212**
Charge in the year	**400**	**141**	**1,268**	**533**	**2,342**
Disposals	**-**	**-**	**-**	**(10)**	**(10)**
At 31 December 2017	**2,133**	**752**	**6,826**	**15,833**	**25,544**
Net book amount at 31 December 2017	**1,867**	**938**	**3,378**	**5**	**6,188**
Net book amount at 31 December 2016	**2,267**	**1,079**	**4,646**	**518**	**8,510**

Intellectual property

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

Licence & development fees

The Group capitalises certain licence and third-party development fees 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 licence and development fees are amortised in accordance with the Group accounting policy and are 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.

Impairment reviews

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

8 ANNUAL REPORTS AND ACCOUNTS

The Annual Report and Accounts for 2017 will be posted to Shareholders on 19 March 2018 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.

9 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 Buchanan, 107 Cheapside, London EC2V 6DN on Tuesday, 24 April 2018 at 11:00am.

- Ends -