



**FRONTIER IP GROUP PLC**  
**(“Frontier”, “the Group” or “the Company”)**

**Unaudited half year results to 31 December 2009**

**KEY POINTS**

*Frontier IP Group plc is focused on the commercialisation of university IP.*

- Pleasing progress in positioning the Group for growth:
  - Establishment and First Closing of the first two dedicated venture funds for investment in spin-out opportunities from Robert Gordon University, and the University of Dundee
  - First investment by fund in B1 Medical Ltd, Robert Gordon University, spin-out
  - Equity in two spin-out companies from existing university partnerships – one from the University of Dundee and one from Robert Gordon University
- Total revenue of £85,000
- Loss before tax of £97,000
- Loss per share of 0.02p
- Net assets per share as at 31 December 2009 of 0.52p
- Cash balances as at 31 December 2009 of £469,000
- Strong pipeline of opportunities to strengthen portfolios and expand university relationships
- Positive outlook

The Directors accept responsibility for the content of this announcement.

**Neil Crabb, Chairman, commented:**

*“I am pleased to report that we have made good progress during the first six months of the financial year to 30 June 2010, which represents Frontier’s first full year as a PLUS-quoted company. In July and September, we launched two university venture funds for our university partners, Robert Gordon University and the University of Dundee, and in August, we closed our first fundraising for a portfolio client. We also received equity from two spin-out companies.*

*We continue to work on a number of interesting opportunities, both in expanding our existing funds and building their portfolios and in securing new relationships with additional institutions. Prospects for the Company remain very positive.”*



## **CHAIRMAN'S STATEMENT**

### **Introduction**

I am pleased to report that we have made good progress during the first six months of the financial year to 30 June 2010, which represents Frontier's first full year as a PLUS-quoted company. In July and September, we launched two university venture funds for our university partners, Robert Gordon University and the University of Dundee, and in August, we closed our first fundraising for a portfolio client. We also received equity from two spin-out companies.

We continue to work on a number of interesting opportunities, both in expanding our existing funds and building their portfolios and in securing new relationships with additional institutions.

### **Results**

Prior half year comparisons are not provided as the group was not formed until May 2009 when the Company acquired Frontier IP Limited in a reverse takeover.

Revenue from services was £89,000 and, after an unrealised loss of £4,000 on the revaluation of investments, total revenue was £85,000. Loss before tax was £97,000 and loss per share was 0.02p.

Our cash balances remain strong, with cash of £469,000 as at 31 December 2009. Net assets per share as at 31 December 2009 were 0.52p.

In January 2010, as anticipated when we joined PLUS, we granted warrants over 10,000,000 0.1 penny ordinary shares in the Company to Robert Gordon University with which the Company has a 25-year partnership agreement for supporting the commercialisation of IP. Each warrant is convertible to one ordinary share in the Company at a price of 1 penny per share for a period of up to five years from 12 May 2009 and the shares are subject to a 12 month lock-in period.

### **Business Model**

The Frontier business model is low cost, with potential for high quality earnings and capital appreciation.

The model is based on assisting universities and research organisations in the commercialisation of the intellectual property produced from their substantial research budgets. In return for this service, Frontier receives a share of the founder equity and licence revenue that the universities receive from being the source of these research projects. In addition, Frontier will generate revenue from board retainers and fees for bespoke advisory work. Also, where required, Frontier will establish a dedicated fund for each relationship. This will help to accelerate the commercialisation process and will also create recurring fund management income for Frontier. Our intention is also to participate as a limited partner in these funds.

Our objective is to increase the number of Frontier's commercialisation relationships and thereby generate value both from recurring revenue and from the capital appreciation of equity in spin-outs and of direct investment in the dedicated funds.

### **Operational Review**

Frontier has made good progress in building on both of its existing university partnerships, with Robert Gordon University and the University of Dundee. In July 2009, Frontier announced the establishment and First Closing of the first dedicated venture fund for investment in intellectual property developed by Robert Gordon University, named The RGU

Ventures Investment Fund LP (“the RGU Fund”). In September 2009, we launched a similar fund dedicated to spin-outs from Dundee University, named the University of Dundee Venture Fund LP (“the Dundee Fund”). Both funds achieved partnership status with Scottish Enterprise’s Scottish Co-investment Fund, potentially doubling the amount available to invest in each fund to £2.2m and £1.5m respectively.

In August, the RGU Fund completed its first fundraising for a portfolio client, B1 Medical Limited, an orthopaedics business that has a long-term pipeline agreement to selectively commercialise intellectual property from Robert Gordon University, the University of Aberdeen and NHS Grampian. In total, £1.1m gross was raised from both new and existing investors. The RGU Fund participated in the fundraising, representing its first investment in a portfolio company.

During the period, Frontier also received equity in two spin-outs, one from Robert Gordon University and one from the University of Dundee. This takes the total number of spin-out companies in which Frontier has received equity to date, via its university partnerships, to four. It is encouraging that, since the start of the second half, one of the spin-outs, software developer Rapid Quality Systems Limited, has launched its first software product.

We continue to control costs carefully and the Company benefits from a formal services agreement covering the provision of both corporate resources and premises with Sigma Capital Group plc, which remains the major shareholder.

## **Outlook**

Frontier continues to focus on growing its revenue streams, both by supporting existing portfolio companies and identifying further opportunities within the sector. We have two long-term university partnerships and dedicated funds now in place for both institutions. We will seek to expand these funds further, as they remain open to new investors for two years from First Closing, and we are also exploring the potential for other IP commercialisation funds. In addition, the pipeline for spin-outs with both university partners continues to build and we are working on a number of projects in order to develop these opportunities.

The sector remains attractive with institutions keen to maximise the value of their intellectual property. We are currently in active discussions with other institutions with a view to adding new university partnerships and view prospects for the Company very positively.

**Neil Crabb**  
**Chairman**

**15 March 2010**

**CONSOLIDATED INCOME STATEMENT**  
**For the six months ended 31 December 2009**

		Six months ended 31 December 2009 (unaudited) £'000	Year ended 30 June 2009 (audited) £'000
	Notes		
<b>Revenue</b>			
Revenue from services	3	<b>89</b>	23
<b>Other operating income</b>			
Unrealised (loss)/gain on the revaluation of investments		<b>(4)</b>	30
<b>Total revenue</b>		<b>85</b>	53
<b>Administrative expenses</b>		<b>(184)</b>	(173)
<b>Profit from operations</b>		<b>(99)</b>	(120)
Finance income		<b>2</b>	
<b>Loss before tax</b>		<b>(97)</b>	(120)
Taxation	5	-	-
<b>Loss for the period</b>		<b>(97)</b>	(120)
<b>Loss per share attributable to equity holders of the Company:</b>			
Basic loss per share	6	<b>(0.02)p</b>	(0.1)p
Diluted loss per share	6	<b>(0.02)p</b>	(0.1)p

All of the operations of the Group are continuing.

**CONSOLIDATED BALANCE SHEET**  
**At 31 December 2009**

	As at 31 December 2009 (unaudited) £'000	As at 30 June 2009 (audited) £'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	1,966	1,966
Financial assets at fair value through profit and loss	149	39
	<u>2,115</u>	<u>2,005</u>
<b>Current assets</b>		
Trade receivables	48	9
Other current assets	13	8
Cash and cash equivalents	469	710
	<u>530</u>	<u>727</u>
<b>Total assets</b>	<u>2,645</u>	<u>2,732</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payable	(54)	(46)
<b>Total current liabilities</b>	<u>(54)</u>	<u>(46)</u>
<b>Net assets</b>	<u>2,591</u>	<u>2,686</u>
<b>EQUITY</b>		
Called up share capital	497	497
Share premium account	3,898	3,898
Reverse acquisition reserve	(1,667)	(1,667)
Share based payment reserve	80	78
Retained earnings	(217)	(120)
<b>Total equity</b>	<u>2,591</u>	<u>2,686</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 31 December 2009**

	<b>Share capital £'000</b>	<b>Share premium account £'000</b>	<b>Reverse acquisition reserve £'000</b>	<b>Share- based payment reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total equity £'000</b>
Reserves of Frontier IP Group plc on acquisition	69	296	-	15	-	380
Reserve arising on reverse	-	-	(1,667)	-	-	(1,667)
Issue of shares	428	3,720	-	31	-	4,179
Costs of issue	-	(118)	-	-	-	(118)
Loss for the period	-	-	-	-	(120)	(99)
Share-based payments	-	-	-	32	-	32
At 30 June 2009	<u>497</u>	<u>3,898</u>	<u>(1,667)</u>	<u>78</u>	<u>(120)</u>	<u>2,686</u>
Loss for the period	-	-	-	-	(97)	(97)
Share-based payments	-	-	-	2	-	2
At 31 December 2009	<u>497</u>	<u>3,898</u>	<u>(1,667)</u>	<u>80</u>	<u>(217)</u>	<u>2,591</u>

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the six months ended 31 December 2009**

		Six months ended 31 December 2009 (unaudited) £'000	Year ended 30 June 2009 (audited) £'000
	Notes		
<b>Cash flows from operating activities</b>			
Cash used in operations	7	(129)	(89)
Interest paid		-	-
Tax paid		-	-
<b>Net cash used in operating activities</b>		<u>(129)</u>	<u>(89)</u>
<b>Cash flows from investing activities</b>			
Investment in subsidiary		-	(17)
Cash acquired with reverse takeover		-	345
Net working capital acquired		-	(35)
Purchase of financial assets at fair value through profit and loss		(114)	(9)
Interest received		2	-
<b>Net cash (used in)/ generated from investing activities</b>		<u>(112)</u>	<u>284</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares		-	633
Redemption of redeemable shares		-	-
Costs of share issue		-	(118)
<b>Net cash generated from financing activities</b>		<u>-</u>	<u>515</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(241)</b>	<b>710</b>
Cash and cash equivalents at beginning of period		<u>710</u>	<u>-</u>
<b>Cash and cash equivalents at end of period</b>		<u><b>469</b></u>	<u>710</u>

## NOTES

### 1. General information

The Company is a limited liability company incorporated in England and with its registered office at North West Wing, Bush House, Aldwych, London WC2B 4EZ. The Company's trading office is situated at 41 Charlotte Square, Edinburgh EH2 4HQ.

The Company is traded on the PLUS-quoted market.

This consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 15 March 2010.

This consolidated interim financial information has not been audited or reviewed by the Company's auditor.

### 2. Basis of presentation

This consolidated interim financial information for the six months ended 31 December 2009 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2009, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

This consolidated interim financial information does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. The comparatives for the full year ended 30 June 2009 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

### 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2009 as described in Group's Annual Report for that year and as available on our website [www.frontierip.co.uk](http://www.frontierip.co.uk).

Fees for services provided by the Group are measured at the fair value of the consideration received or receivable net of value added tax. Where the consideration is equity in companies spun out by a university and there is no associated funding round, the Group applies an initial standard valuation amount as a means of estimating fair value.

There are no new standards, amendments to standards and interpretations mandatory for the first time for the financial year beginning 1 July 2009, which currently have a material effect on the financial statements.

### 4. Segmental information

The chief operating decision-maker has been identified as the Group board of directors. The board reviews the Group's internal reporting in order to assess performance and allocate resources. Currently the Group has one operating activity, the commercialisation of university IP. All of the Group's activities are carried out in the UK.

The board of directors assesses the performance of the Group based on turnover, operating profit, number of university relationships and number of companies spun out of the universities.

### 5. Taxation

The taxation expense is recognised based on management's best estimate of the weighted average annual tax rate expected for the full financial year. Management expects that there will be no tax charge arising in the year.

## 6. Loss per share

The calculation of loss per share is based on the loss attributable to equity holders for the six months ended 31 December 2009 of £97,000 (year ended 30 June 2009: loss £173,000) and on the weighted average number of ordinary shares in issue during the six months ended 31 December 2009 of 497,216,495 (year ended 30 June 2009: 125,313,402).

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Company has two categories of potential dilutive ordinary shares, share options and warrants where the exercise price is less than the average price of the Company's shares during the year. For the six months ended 31 December 2009 (year ended 30 June 2009) there was no dilutive effect from either share options or warrants and so diluted loss per share is the same as basic loss per share.

## 7. Cash used in operations

	Six months ended 31 December 2009 (unaudited) £'000	Year ended 30 June 2009 (audited) £'000
Loss before tax	(97)	(120)
<i>Adjustments for:</i>		
Share-based payments	2	32
Net finance income	(2)	-
Loss/(gain) on financial assets at fair value through profit or loss	4	(30)
<i>Changes in working capital:</i>		
Trade and other receivables	(44)	(17)
Trade and other payables	8	46
	<u>(129)</u>	<u>(89)</u>

## 8. Copies of the interim financial statements

Copies of the interim financial statements will be sent to shareholders and copies will be available on request from the Company's office at 41 Charlotte Square, Edinburgh EH2 4HQ no later than 31 March 2010 and on the Company's website, [www.frontierip.co.uk](http://www.frontierip.co.uk).