

FRONTIER IP GROUP PLC

HALF YEARLY REPORT 2014/15

KEY POINTS

- Fair value of the portfolio at 31 December 2014 increased to £1,574,000 - an increase of 19% from 30 June 2014 (30 June 2014: £1,325,000) and an increase of 68% from 31 December 2013 (31 December 2013: £937,000)
- Total revenue decreased to £244,000 (2013: £345,000) – principally reflecting a lower gain on the revaluation of investments of £160,000 (2013: £243,000)
- Revenue from services of £84,000 (2013: £92,000)
- Loss before tax of £242,000 (2013: profit of £3,000)
- Basic loss per share of 1.07p (2013: basic earnings per share of 0.02p)
- Cash balances as at 31 December 2014 of £184,000 (30 June 2014: £587,000; 31 December 2013: £992,000)
- Net assets per share as at 31 December 2014 of 17p (30 June 2014: 18p; 31 December 2013: 18p)
- Further progress in the portfolio including:
 - first spin-out company from the University of Cambridge – 40% shareholding
 - successful fundraising completed for portfolio company, Nandi Proteins
- Post period-end
 - Added new portfolio company Cambridge Sensor Technologies Limited, bringing the total number of portfolio companies to 17
 - Portfolio company, Alusid Limited, announced its first fundraising
- Opportunities continue to be encouraging

Andrew Richmond, Chairman, commented,

“I am pleased to report that we made good progress over the first half of the financial year, in line with our strategy. We continued to pursue the growth of our portfolio and this was reflected in a 19% increase in the fair value of our portfolio compared to 30 June 2014 and in a 68% increase compared to 31 December 2013. We also extended our access to sources of IP and added our first spin-out company from the University of Cambridge. We saw encouraging developments across our existing portfolio over

the six months, including a sizeable fundraising for Nandi Proteins. We are also pleased to note continued progress in the second half so far as, post period-end, we have added a further portfolio company, Cambridge Sensor Technologies, and announced a fundraising for portfolio company Alusid. Looking ahead, we expect to see further progress in our portfolio and remain very positive about the growth opportunities available to us.”

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CHAIRMAN'S STATEMENT

Introduction

Frontier IP's growth strategy is built on generating value from its university relationships by becoming closely and actively involved in advising on the commercialisation of innovative IP. In exchange for providing our commercialisation and fundraising skills, Frontier IP receives equity shareholdings in university spin-out companies. The Company's goal is to develop a portfolio of companies which have the potential for significant value on exit and where we have strong industry experience. Currently, Frontier IP's portfolio totals 17 companies, at a range of stages of maturity.

I am pleased to report that we made good progress over the first half of the financial year, in line with our strategy. We continued to pursue the growth of our portfolio and this was reflected in a 19% increase in the fair value of our portfolio compared to 30 June 2014 and in a 68% increase compared to 31 December 2013. We have also extended our access to sources of IP and added a new portfolio company from the Department of Chemical Engineering and Biotechnology at the University of Cambridge, Cambridge Simulation Solutions Limited. Post period-end, we added a further portfolio company, Cambridge Sensor Technologies Limited, created to exploit technology developed by Dr. Mark Williamson, a lecturer and researcher at the same department at the University of Cambridge. Our 40% shareholdings in both companies represent significant positions and we are delighted to be engaged in the task of maximising the commercial potential of the very exciting technology which resides in both companies.

We saw encouraging developments across our existing portfolio companies over the six months, including a sizeable fundraising for Nandi Proteins Limited. Post period-end, we announced a further portfolio company fundraising for Alusid Limited.

Looking ahead, we expect to see further progress in our portfolio over the remainder of the financial year.

Results

Financial assets at fair value through profit and loss at 31 December 2014 increased to £1,574,000 (30 June 2014: £1,325,000; 31 December 2013: £937,000). Revenue from services over the first half decreased marginally to £84,000 (2013: £92,000) while the decrease in total revenue to £244,000 (2013: £345,000) largely reflected lower investment revaluations. The revaluation of investments (unrealised) totaled £160,000 (2013: £243,000). There was no dividend income in the first half against dividend income of £10,000 in the comparative period. The loss before tax was £242,000 (2013: profit £3,000). Reflecting the investment we have made in strengthening the management team, ongoing administrative expenses increased to £487,000 (2013: £316,000), with professional fees also affecting overheads. The basic loss per share was 1.07p (2013: earnings per share of 0.02p).

Cash balances stood at £184,000 as at 31 December 2014 (2013: £992,000). Net assets per share as at 31 December 2014 were 17p (30 June 2014: 18p; 31 December 2013: 18p).

Operational Review

During the period, we were pleased to add our first spin-out company from the University of Cambridge, Cambridge Simulation Solutions Limited (“CSS”). CSS has been formed to exploit technology developed by Dr. Vassilios Vassiliadis, a Senior Lecturer at the Department of Chemical Engineering and Biotechnology, who has developed a method to simulate and control complex chemical processes. Frontier IP received a 40% equity stake in CSS.

Post period-end, we were pleased to add a further portfolio company, Cambridge Sensor Technologies Limited (“CST”). CST was formed to exploit the technology developed by Dr. Mark Williamson, a lecturer and researcher at the Department of Chemical Engineering and Biotechnology at the University of Cambridge. CST develops heating system, sensors and control strategies for industrial processes in which the composition of the processing atmosphere is important. Frontier IP received a 40% equity stake in CST.

We have seen encouraging developments in a number of our portfolio companies over the period. In November 2014, drug discovery company ex scientia Ltd announced that it has signed a major collaboration agreement with Sunovion Pharmaceuticals Inc. to collaborate on the discovery and optimisation of novel medicines for psychiatric disorders. This agreement included an upfront payment of \$1 million (USD) to ex scientia Ltd. Also in November, Nandi Proteins Limited completed a capital restructuring and funding round totaling £660,000 (gross), following which the Company’s equity holding increased to 21%.

In March 2015, portfolio company Alusid Limited (“Alusid”) announced its first funding, receiving commitments totaling £266,000, which will be invested in two tranches. Following this investment round, Frontier IP’s holding in Alusid will be revalued and will show an uplift of over £0.68 million. Frontier IP will hold 39% of the issued share capital of Alusid following the investment of the second tranche. The revaluation will be recognised in Frontier IP’s Annual Report & Financial Statements for the year ending 30 June 2015.

We continue to work with our existing and new partners in sourcing and identifying potentially valuable IP and are working on a range of pipeline projects.

Outlook

Frontier IP has made encouraging progress over the first half and the continuing growth of our portfolio is especially pleasing. We remain very positive about the growth opportunities available to us and look forward to reporting on further portfolio progress over the second half of the financial year.

Andrew Richmond

Non-executive Chairman

30 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2014

		Six months ended 31 December 2014 (unaudited)	Six months ended 31 December 2013 (unaudited)	Year ended 30 June 2014 (audited)
	Notes	£'000	£'000	£'000
Revenue				
Revenue from services		84	92	178
Other operating income				
Unrealised profit on the revaluation of investments	7	160	243	608
Dividend income on financial assets at fair value through profit or loss		-	10	10
Total revenue		244	345	796
Administrative expenses		(487)	(316)	(769)
Placing costs		-	(26)	-
(Loss)/profit from operations		(243)	3	27
Interest income on short-term bank deposits		1	-	-
(Loss)/profit before tax		(242)	3	27
Taxation	5	-	-	-
(Loss)/profit and total comprehensive (expense)/income attributable to the equity holders of the parent		(242)	3	27
(Loss)/profit per share attributable to the equity holders of the Company				
Basic (loss)/earnings per share	6	(1.07)p	0.02p	0.13p
Diluted (loss)/earnings per share	6	(1.05)p	0.02p	0.13p

All of the Group's activities are classed as continuing and there were no comprehensive gains or losses in any period other than those included in the statement of comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

		As at 31 December 2014 (unaudited) £'000	As at 31 December 2013 (unaudited) £'000	As at 30 June 2014 (audited) £'000
ASSETS	Notes			
Non-current assets				
Tangible fixed assets		2	-	2
Goodwill		1,966	1,966	1,966
Financial assets at fair value through profit and loss	7	1,574	937	1,325
		<u>3,542</u>	<u>2,903</u>	<u>3,293</u>
Current assets				
Trade receivables and other current assets		229	224	299
Cash and cash equivalents		184	992	587
		<u>413</u>	<u>1,216</u>	<u>886</u>
Total assets		<u>3,955</u>	<u>4,119</u>	<u>4,179</u>
LIABILITIES				
Current liabilities				
Trade and other payables		(119)	(77)	(110)
		<u>(119)</u>	<u>(77)</u>	<u>(110)</u>
Net assets		<u>3,836</u>	<u>4,042</u>	<u>4,069</u>
EQUITY				
Called up share capital		2,253	2,253	2,253
Share premium account		4,794	4,794	4,794
Reverse acquisition reserve		(1,667)	(1,667)	(1,667)
Share based payment reserve		134	122	125
Retained earnings		(1,678)	(1,460)	(1,436)
Total equity		<u>3,836</u>	<u>4,042</u>	<u>4,069</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2014

	Share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Share- based payment reserve £'000	Profit and loss account £'000	Total £'000
At 1st July 2013	1,305	4,457	(1,667)	119	(1,463)	2,751
Issue of shares for cash	767	375	-	-	-	1,142
Issue of shares in share swap	181	-	-	-	-	181
Cost of share issue	-	(38)	-	-	-	(38)
Profit for the period	-	-	-	-	3	3
Share-based payments	-	-	-	3	-	3
At 31 December 2013	<u>2,253</u>	<u>4,794</u>	<u>(1,667)</u>	<u>122</u>	<u>(1,460)</u>	<u>4,042</u>
Profit for the period	-	-	-	-	24	24
Share-based payments	-	-	-	3	-	3
At 30 June 2014	<u>2,253</u>	<u>4,794</u>	<u>(1,667)</u>	<u>125</u>	<u>(1,436)</u>	<u>4,069</u>
Loss for the period	-	-	-	-	(242)	(242)
Share-based payments	-	-	-	9	-	9
At 31 December 2014	<u>2,253</u>	<u>4,794</u>	<u>(1,667)</u>	<u>134</u>	<u>(1,678)</u>	<u>3,836</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2014

	Six months ended 31 December 2014 (unaudited) £'000	Six months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Cash flows from operating activities			
Cash used in operations	(315)	(222)	(617)
Taxation paid	-	-	-
Net cash used in operating activities	(315)	(222)	(617)
Cash flows from investing activities			
Purchase of tangible fixed assets	-	-	(3)
Purchase of financial assets at fair value through profit and loss	(89)	(19)	(26)
Interest received	1	-	-
Net cash used in investing activities	(88)	(19)	(29)
Cash flows from financing activities			
Proceeds from issue of equity shares	-	1,142	1,142
Costs of share issue	-	(64)	(64)
Net cash generated from financing activities	-	1,078	1,078
Net (decrease)/increase in cash and cash equivalents	(403)	837	432
Cash and cash equivalents at beginning of period	587	155	155
Cash and cash equivalents at end of period	184	992	587
Cash used in operations			
(Loss)/profit before tax	(242)	3	27
Adjustments for:			
Equity-based payments	9	3	6
Depreciation	-	-	1
Costs of share issue	-	26	26
Fair value (gain) on financial assets at fair value through profit or loss	(160)	(243)	(608)
Changes in working capital:			
Trade and other receivables	224	(2)	(93)
Trade and other payables	(146)	(9)	24
	(315)	(222)	(617)

NOTES

1. General information

The Company is a limited liability company incorporated in England and with its registered office at NorthWest Wing, Bush House, Aldwych, London WC2B 4EZ. The Company's trading office is situated at 93 George Street, Edinburgh EH2 3ES.

The Company is quoted on AIM market.

This condensed consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 30 March 2015.

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

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 December 2014 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparatives for the full year ended 30 June 2014 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, contained an emphasis of matter with respect to going concern, and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

3. Accounting policies

The accounting policies applied by the Group in these unaudited half year results are consistent with those applied in the annual financial statements for the year ended 30 June 2014 as described in the Group's Annual Report for that year and as available on our website www.frontierip.co.uk. No new standards that have become effective in the period have had a material effect on the Group's financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. Segmental information

The chief operating decision-maker has been identified as the Group's 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.

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 and so there is no charge to taxation for the six months to 31 December 2014 (2013: Nil).

A deferred tax asset has not been recognised in respect of losses in view of the uncertainty as to the level of future taxable profits.

6. (Loss)/earnings per share

The calculation of the basic (loss) / earnings per share for the six months ended 31 December 2014 and 31 December 2013 and for the year ended 30 June 2014 is based on the (losses) / earnings attributable to the shareholders of Frontier IP Group Plc in each period divided by the weighted average number of shares in issue during the period.

Basic (loss)/earnings per share

	<i>(Loss) / earnings attributable to shareholders £'000</i>	<i>Weighted average number of shares Number</i>	<i>Basic (loss) / earnings per share Pence</i>
Six months ended 31 December 2014	(242)	22,534,353	(1.07)
Six months ended 31 December 2013	3	17,689,331	0.02
Year ended 30 June 2014	27	20,091,931	0.13

Diluted (loss)/earnings per share

	<i>(Loss) / earnings attributable to shareholders £'000</i>	<i>Weighted average number of shares Number</i>	<i>Diluted (loss) / earnings per share Pence</i>
Six months ended 31 December 2014	(242)	23,112,885	(1.05)
Six months ended 31 December 2013	3	17,689,331	0.02
Year ended 30 June 2014	27	20,091,931	0.13

As the Group is loss making in this period, all potentially dilutive shares are non-dilutive and therefore the weighted average number of shares for undiluted and diluted Earnings Per Share is the same.

7. Financial Assets at Fair Value Through Profit and Loss

	31 December	30 June	31 December
	2014	2014	2013
	£'000	£'000	£'000
Opening balance	1,325	937	494
Additions	89	23	200
Fair value increase	160	365	243
Closing balance	1,574	1,325	937

8. Copies of Half Yearly Report

Copies of the Half Yearly Report will be available on the Company's website, www.frontierip.co.uk, and on request from the Company's offices at 93 George Street, Edinburgh EH2 3ES no later than 2nd April 2015.