



FRONTIER IP GROUP PLC
(“Frontier IP” “the Group”)

HALF YEARLY REPORT 2016/17



KEY POINTS

- Fair value of the portfolio up 15% to £5,396,000 at 31 December 2016 (30 June 2016: £4,673,000), an increase of 44% year on year (31 December 2015: £3,745,000)
- Revenue from services increased 21% to £132,000 (2015: £109,000)
- Total revenue of £843,000 (2015: £992,000) – the decrease reflecting a lower gain on the revaluation of investments of £711,000 (2015: £883,000)
- Profit before tax of £314,000 (2015: £549,000) – the decrease reflecting both the lower gain on revaluation of investments and the increase in administrative costs to £529,000 (2015: £443,000)
- Basic earnings per share of 1.02p (2015: 2.07p)
- Net assets per share increased to 26.0p as at 31 December 2016 (30 June 2016: 24.9p; 31 December 2015: 23.0p)
- Further progress within the portfolio including third spin-out from the Department of Chemical Engineering and Biotechnology at the University of Cambridge, Tarsis Technology Limited
- Further expansion into Portugal with the signing of a second partnership in the region with the Faculty of Science and Technology within the Universidade NOVA de Lisboa
- Cambridge office opened
- Cash balances as at 31 December 2016 of £186,000 (30 June 2016: £771,000; 31 December 2015: £264,000)
- Post period-end, the Group successfully concluded a fundraising of £3 million, which was oversubscribed

Andrew Richmond, Chairman, commented,

“We are pleased to report another successful half-year performance for the Group, which has seen a 44% rise in the value of our portfolio year on year. We continue to grow the core portfolio, with the addition of Tarsis and having secured our second partnership in Portugal. Following our successful group funding round, we look forward to the delivery of our differentiated approach to building and developing our strong portfolio.”



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INTERIM MANAGEMENT STATEMENT

Summary

Frontier IP's aim is to pursue growth and value for shareholders by:

- Generating value from its relationships through new spin-outs, significant equity holdings, licensing income and realisations from existing spin-outs
- Building a portfolio capable of commercial success
- Reviewing and extending its portfolio pipeline for sources of high-quality IP
- Using its expertise to assist portfolio companies to grow and achieve realisations

I am pleased to report that we made good progress in laying the foundations for growth in the first half of the financial year. We continued to actively pursue the growth of our portfolio and this was reflected in a 15% increase in the fair value of our portfolio compared to 30 June 2016 and a 44% increase compared to 31 December 2015.

In line with extending our sources of high-quality IP, we were pleased to announce in September 2016 that we had signed an agreement with the Faculty of Science and Technology within the Universidade NOVA de Lisboa, Portugal ("FCT NOVA"). This partnership was formed to assist FCT Nova with its spin-off and licensing activities emerging from its research programmes and is our second in Portugal, reflecting the Group's view that there is significant opportunity in the region.

We have seen good progress in building the portfolio including adding new portfolio company Tarsis Technology Limited ("Tarsis"), in which we received a 20 per cent. stake. Tarsis is the Group's third spin-out from the Department of Chemical Engineering and Biotechnology at the University of Cambridge.

Nandi Proteins Limited ("Nandi") received recognition of the benefits of its technology with its participation in a £1 million UK Innovate funding award for a fat reduction technology research project. Nandi is currently in the late stages of concluding a further fundraising, which will enable Nandi to accelerate commercial progress.

Post period-end, the Group was particularly pleased to conclude its own successful fundraising, in an oversubscribed round raising £3 million gross.

We believe the Group is now well positioned for growth and, looking ahead, we expect to see further development in our portfolio over the remainder of the financial year and beyond.

Results

Financial assets at fair value through profit and loss at 31 December 2016 increased to £5,396,000 (30 June 2016: £4,673,000; 31 December 2015: £3,745,000). Revenue from services



over the first half increased by 21% to £132,000 (2015: £109,000) while the 15% decrease in total revenue to £843,000 (2015: £992,000) reflected the lower investment revaluations (unrealised) of £711,000 (2015: £883,000). The profit before tax was £314,000 (2015: £549,000). Administrative expenses increased by 19% to £529,000 (2015: £443,000) primarily reflecting increased staff and associated costs, the opening of the Cambridge office and development of a new website. Basic earnings per share was 1.02p (2015: 2.07p).

Cash balances stood at £186,000 as at 31 December 2016 (30 June 2016: £771,000; 31 December 2015: £264,000). Net assets per share as at 31 December 2016 were 26.0p (30 June 2016: 24.9p; 31 December 2015: 23.0p).

Operational Review

Core Portfolio Highlights

We are pleased to report good progress in our core portfolio during the period and certain key developments are set out below.

In December 2016 we added new portfolio company Tarsis Technology Limited ("Tarsis"), in which we received a 20 per cent. stake. Tarsis is the Group's third spin-out from the Department of Chemical Engineering and Biotechnology at the University of Cambridge. Tarsis was established to develop and commercialise technology created by Dr. David Fairen-Jimenez, a Royal Society University Research Fellow at the Department of Chemical Engineering and Biotechnology at the University of Cambridge, and his research team. The technology allows slower and more controlled delivery of drugs using metalorganic frameworks (MOFs). The pharmaceutical industry has shown early interest in the technology.

In September 2016, Nandi and Heriot-Watt University Edinburgh were awarded a £1 million grant from Innovate UK, enabling the development of new processes and products that lead to the availability of healthier food choices for consumers. Nandi is a protein technology company, specialising in developing a platform technology which improves the functional properties of proteins in food manufacturing, creating a product which can reduce sugars, fats and additives in end-product. Food manufacturers are under increasing pressure to respond to rising global obesity rates and the associated cost, both human and economic, of diet-related ill-health - this current project is supported by industry partners Devro plc and Kerry Group plc. Nandi is currently in the late stages of concluding a further fundraising, to enable Nandi to accelerate commercial progress, extend its product range and prepare for scale-up.

Alusid Limited ("Alusid") showed good progress during the period. ALUSID manufactures SilicaStone® - an eco-architectural material made from 100% recycled glass and vitrified ceramic that would otherwise end up in landfill. In particular, we were pleased to note the on-going protection of Alusid's IP with the grant of the core patent in the US in September 2016. Further recognition of Alusid's progress came when it won this year's IChemE Global Award 2016 for Best Business Start-Up against a shortlist of international nominees. It also received its first commercial



order, post period-end, and is currently seeking to raise further funds to enable it to meet projected demand.

IP Sources

In order to maintain the growth in our portfolio we continue to work with new and existing partners to source and identify new opportunities and are working on a range of pipeline projects.

In line with extending our sources of high-quality IP, in September 2016 we signed an agreement with the Faculty of Science and Technology within the Universidade NOVA de Lisboa, Portugal ("FCT NOVA") to assist with its spin-off and licensing activities emerging from its research programmes. This partnership is our second in Portugal and reflects the Group's view that there is significant opportunity in the region. The Universidade NOVA de Lisboa is a research-intensive university (QS Top Universities 2016) and FCT NOVA, its engineering school, has particular research strengths in Materials, Environment, Energy, Biotechnology, Conservation and Restoration. Frontier IP and FCT NOVA will work together to maximise the commercial value of intellectual property developed within or owned by FCT NOVA. Frontier IP will receive a share of equity in each spin-off company created by FCT NOVA, as well as a share in the licensing revenue it receives. Our partnership aims to accelerate value creation from the research generated within FCT NOVA and the Group is already seeing potential opportunity in its pipeline.

Our strategy is to seek to maximise both the size of equity stakes we receive from our sources of IP and extend our portfolio pipeline for sources of high-quality IP. We continue to review our partnerships, both formal and informal, for quality of dealflow and economic viability, focusing our resources where we believe there is significant potential value.

Corporate

In recognition of our developing a deeper relationship with the University of Cambridge, and the region more-widely, in November 2016 we were pleased to open a Group office in Cambridge. We also expanded the team in Cambridge with a new commercialisation professional, who will be primarily focused on our activity in Cambridge.

Post period-end, the Group successfully completed a placing to raise gross proceeds of £3 million (the "Placing") through the issue of 7,500,000 ordinary shares at 40 pence per share. The net proceeds of the Placing will be utilised in accelerating the Company's growth and developing and expanding its resourcing in areas of key activity, both in the UK and overseas. This fundraising will enable the Group to continue to develop and grow its portfolio, key relationships and allied advisory roles.

Outlook

We very pleased with the momentum within our portfolio and our business more widely. We are seeing an increase in prospects from our sources of exceptional IP and within the core portfolio. We look forward to reporting on further progress over the second half of the financial year and beyond.



Our recent capital raising leaves the Group well placed to respond effectively to, and capitalise on, opportunities in the second half of the year.

Neil Crabb

Chief Executive Officer



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	Notes	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Revenue				
Revenue from services		132	109	221
Other operating income				
Unrealised profit on the revaluation of investments	7	711	883	1,809
Total revenue		843	992	2,030
Administrative expenses		(529)	(443)	(900)
Profit from operations		314	549	1,130
Interest income on short-term bank deposits		-	-	1
Profit before tax		314	549	1,131
Taxation	5	-	-	-
Profit and total comprehensive income attributable to the equity holders of the parent		314	549	1,131
Profit/ per share attributable to the equity holders of the parent				
Basic earnings per share	6	1.02p	2.07p	4.08p
Diluted earnings per share	6	1.00p	2.05p	4.04p

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 2016

		As at 31 December 2016 (unaudited) £'000	As at 31 December 2015 (unaudited) £'000	As at 30 June 2016 (audited) £'000
ASSETS	Notes			
Non-current assets				
Tangible fixed assets		5	1	2
Goodwill		1,966	1,966	1,966
Financial assets at fair value through profit and loss	7	5,396	3,745	4,673
Trade receivables		177	117	144
		<u>7,544</u>	<u>5,829</u>	<u>6,785</u>
Current assets				
Trade receivables and other current assets		399	154	223
Cash and cash equivalents		186	264	771
		<u>585</u>	<u>418</u>	<u>994</u>
Total assets		<u>8,129</u>	<u>6,247</u>	<u>7,779</u>
LIABILITIES				
Current liabilities				
Trade and other payables		(121)	(128)	(111)
		<u>(121)</u>	<u>(128)</u>	<u>(111)</u>
Net assets		<u>8,008</u>	<u>6,119</u>	<u>7,668</u>
EQUITY				
Called up share capital		3,078	2,660	3,078
Share premium account		5,729	5,200	5,729
Reverse acquisition reserve		(1,667)	(1,667)	(1,667)
Share based payment reserve		104	58	78
Retained earnings		764	(132)	450
		<u>8,008</u>	<u>6,119</u>	<u>7,668</u>
Total equity		<u>8,008</u>	<u>6,119</u>	<u>7,668</u>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2016

	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 2015	2,660	5,200	(1,667)	45	(681)	5,557
Share-based payments	-	-	-	13	-	13
Profit/comprehensive income for the period	-	-	-	-	549	549
At 31 December 2015	2,660	5,200	(1,667)	58	(132)	6,119
Issue of shares	418	529	-	-	-	947
Share-based payments	-	-	-	20	-	20
Profit/comprehensive income for the period	-	-	-	-	582	582
At 30 June 2016	3,078	5,729	(1,667)	78	450	7,668
Share-based payments	-	-	-	26	-	26
Profit/comprehensive income for the period	-	-	-	-	314	314
At 31 December 2016	3,078	5,729	(1,667)	104	764	8,008



CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Cash flows from operating activities			
Cash used in operations	(569)	(369)	(805)
Taxation paid	-	-	-
Net cash used in operating activities	(569)	(369)	(805)
Cash flows from investing activities			
Purchase of tangible fixed assets	(4)	-	(2)
Purchase of financial assets at fair value through profit and loss	(12)	(3)	(5)
Interest received	-	-	-
Net cash used in investing activities	(16)	(3)	(7)
Cash flows from financing activities			
Proceeds from issue of equity shares	-	-	1,003
Costs of share issue	-	-	(56)
Net cash generated from financing activities	-	-	947
Net (decrease)/increase in cash and cash equivalents	(585)	(372)	135
Cash and cash equivalents at beginning of period	771	636	636
Cash and cash equivalents at end of period	186	264	771
Cash used in operations			
Profit before tax	314	549	1,131
Adjustments for:			
Share-based payments	26	13	33
Depreciation	1	1	2
Costs of share issue	-	-	-
Fair value (gain) on financial assets at fair value through profit or loss	(711)	(883)	(1,809)
Changes in working capital:			
Trade and other receivables	(209)	(55)	(150)
Trade and other payables	10	6	(12)
	(569)	(369)	(805)



NOTES

1. General information

The Company is a limited liability company incorporated in England and with its registered office at 78 Cannon Street, London EC4N 6AF. The Company's main trading office is situated at 93 George Street, Edinburgh, EH2 3ES.

The Company is quoted on the 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 29th March 2017.

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 2016 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 2016, 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 2016 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

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 2016 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 board considers that the Group has one operating activity, the commercialisation of University IP. All of the Group's revenue arose 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 2016 (2015: 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. Earnings per share

The calculation of the basic earnings per share for the six months ended 31 December 2016 and 31 December 2015 and for the year ended 30 June 2016 is based on the 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 earnings per share	<i>Earnings attributable to shareholders £'000</i>	<i>Weighted average number of shares Number</i>	<i>Basic earnings per share Pence</i>
Six months ended 31 December 2016	314	30,778,520	1.02
Six months ended 31 December 2015	549	26,601,020	2.07
Year ended 30 June 2016	1,131	27,722,650	4.08

Diluted earnings per share	<i>Earnings attributable to shareholders £'000</i>	<i>Weighted average number of shares Number</i>	<i>Diluted earnings per share Pence</i>
Six months ended 31 December 2016	314	31,449,663	1.00
Six months ended 31 December 2015	549	26,808,407	2.05
Year ended 30 June 2016	1,131	27,998,277	4.04



7. Financial Assets at Fair Value Through Profit and Loss

	31 December 2016 £'000	31 December 2015 £'000	30 June 2016 £'000
Opening balance	4,673	2,859	2,859
Additions	12	3	5
Fair value increase	711	883	1,809
Closing balance	<u>5,396</u>	<u>3,745</u>	<u>4,673</u>

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 3 April 2017.