



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

HALF YEARLY REPORT 2017/18



HALF-YEAR RESULTS FOR THE 6 MONTHS TO 31 DECEMBER 2017

Frontier IP is a specialist asset manager focused on commercialising intellectual property through partnerships with universities and industry.

KEY POINTS

FINANCIAL HIGHLIGHTS:

- Fair value of the portfolio up 19% to £8,020,000 at 31 December 2017 (30 June 2017: £6,751,000), an increase of 49% year on year (31 December 2016: £5,396,000)
- Total revenue increased 41% to £1,188,000 (2016: £843,000) – the increase reflecting a higher gain on the revaluation of investments of £1,068,000 (2016: £711,000)
- Revenue from services decreased 9% to £120,000 (2016: £132,000)
- Profit before tax increased 67% to £524,000 (2016: £314,000) – the increase reflecting both the higher gain on revaluation of investments and the increase in administrative costs to £667,000 (2016: £529,000)
- Basic earnings per share increased by 15% to 1.17p (2016: 1.02p)
- Net assets per share increased to 32.0p as at 31 December 2017 (30 June 2017: 30.7p; 31 December 2016: 26.0p)

PORFOLIO AND OPERATIONAL HIGHLIGHTS:

The company enjoyed strong commercial progress during the first half of the year, reflected in the increase to the fair value of the portfolio.

- Exscientia secured a €15 million minority investment from its first strategic investor, Evotec AG, and a drug discovery collaboration agreement with FTSE 100 pharmaceuticals group GSK
- Nandi Proteins raised £1 million from new and existing investors to further the commercialisation and scale up of its patented technology to significantly reduce sugar, fat, and additives in food
- Pulsiv Solar granted two US patents to protect its intellectual property
- Molendotech, which develops a novel test to identify the concentration of faecal matter in water, accelerated its commercialisation during the period. This resulted, post period end, in the company attracting its first investment and entering into a strategic collaboration



agreement with Palintest, a subsidiary of FTSE 100 life protection and hazard detection group Halma plc

- Post period end, we announced the appointment of former Daily Express deputy City editor Andrew Johnson to take responsibility for communications and investor relations across the Group's activities. Andrew will be based in our new office in London.

Chief Executive Neil Crabb said: "These encouraging results and, in particular, the near 50% growth in the value our portfolio value year-on-year increasingly demonstrate the strength of our business model. By involving industry in our spin-out companies at an early stage of the commercialisation process, we're able to ensure the technology developed meets real needs. This approach is now clearly delivering value for all our stakeholders. I am confident we'll make further strides forward in the second half of the year."



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INTERIM MANAGEMENT STATEMENT

SUMMARY

Frontier IP made good progress in pursuing growth and value for shareholders by:

- Generating value from our relationships through working on new spin-outs, significant equity holdings and licensing income
- Continuing to build a portfolio showing increasing signs of success
- Reviewing and extending our pipeline for sources of high-quality intellectual property
- Applying commercialisation expertise and leveraging our extensive network to help portfolio companies grow and achieve their business objectives

PERFORMANCE

I am pleased to report we enjoyed an encouraging first half of the year across all areas of the business. Our core strategy is showing ever-more positive signs of delivering value and growth for our portfolio partners and shareholders. Fair value in our portfolio increased 19 per cent to £8,020,000 over the previous six months, representing year-on-year growth of 49 per cent.

Pre-tax profits increased 67% to £524,000; cash at £1.85 million.

Our continued growth was reflected in a highly successful capital markets day, held in Lisbon, Portugal, after the period end. This was attended by more than 70 participants including academics, industry, government, investors and a number of potential spin-out partners.

RESULTS

Financial assets at fair value through profit and loss at 31 December 2017 increased to £8,020,000 (30 June 2017: £6,751,000; 31 December 2016: £5,396,000). Total revenue over the first half increased by 41% to £1,188,000 (2016: £843,000) reflecting the higher investment revaluations (unrealised) of £1,068,000 (2016: £711,000) while revenue from services decreased marginally to £120,000 (2016: £132,000). The profit before tax increased by 67% to £524,000 (2016: £314,000) reflecting the higher investment revaluations, partially offset by the higher administrative expenses. Administrative expenses increased by 26% to £667,000 (2016: £529,000) primarily reflecting increased staff, salaries and associated costs. Basic earnings per share was 1.17p (2016: 1.02p).

Cash balances stood at £1,849,000 as at 31 December 2017 (30 June 2017: £2,329,000; 31 December 2016: £186,000). Net assets per share as at 31 December 2017 were 32.0p (30 June 2017: 30.7p; 31 December 2016: 26.0p).



OPERATIONAL REVIEW

We continued with our approach to grow value in our portfolio companies by not just advising but doing. In addition to providing strategic direction, our experienced team supports companies with a range of activities, usually those which are common points of failure in early-stage businesses. We help companies to adopt a more business-like approach, in particular encouraging early engagement with the potential market to ensure real-world demands and needs are being met.

Through formal and informal relationships, we work closely with a range of institutions, mainly universities, to identify and commercialise IP, creating spin-out companies and licensing opportunities to develop the Group's portfolio. In particular, we earned our first license revenue from FCT Nova, our most recent formal partnership. We are actively exploring new sources of IP and potential spin-outs.

The success of our approach is shown by the progress made in our portfolio over the first half of the year.

Portfolio Developments

We saw positive developments in a number of our portfolio companies including in our most recent additions - Molendotech and The Vaccine Group, meeting our aim of bringing new, high-quality IP into our business.

Molendotech, from the University of Plymouth, has developed a novel test to detect concentrations of faecal matter in water. After the period end, the company struck a strategic collaboration agreement with Palintest, a subsidiary of FTSE 100 life protection and hazard detection group Halma Plc. Molendotech will initially work with Palintest to develop kits to measure faecal concentrations in recreational seawater. Development is well underway and first products are expected to be available shortly. Post period-end, Molendotech successfully completed its first fundraising attracting commitments totaling £0.5 million, which will be invested in three tranches. The Group will hold approximately 14% of issued share capital following the investment of the third tranche.

We saw strong commercial progress at Exscientia which entered into a Drug Discovery Collaboration with GSK and finalised a €15M strategic investment from Evotec AG.

Our portfolio company partnerships represent further evidence we are beginning to gain real traction in winning support from industry leaders. We believe our strategy of early engagement with industry within the portfolio enables accelerated and commercially targeted technology development and broadens the spectrum of early-stage funding options. Discussions with potential partners with regards to other companies in our portfolio are in course.

The Vaccine Group addresses growing concerns from governments, pharmaceutical companies and supranational bodies about new infectious diseases emerging from animal populations. It develops novel vaccine platforms for infection control and rapid response to new pathogens unpredictably crossing between species.



Nandi Proteins completed a £1 million fundraising from new and existing investors in July to further commercialisation and scale up its patented technology. This could significantly reduce sugar, fat, and additive content in foods. We are now in talks with major food industry participants keen to explore its transformational benefits.

Fieldwork Robotics has developed a proof-of-concept soft, adaptive robotic arm. Its first target application is in soft fruit picking, addressing critical needs from producers facing labour shortages. Initial interest has been received from leading growers and further funding is being sought.

PulsiV was granted two US patents in October and, post period-end, one patent in Europe for its potentially ground-breaking photovoltaic solar cell and power conversion technology. PulsiV is now actively exploring opportunities in a range of industries, including energy and consumer electronics.

Alusid, which recycles porcelain and glass to create new low environmental impact building materials, made strong commercial progress during the period. It has now completed 10 orders with leading consumer brands and has more than 100 potential projects in its pipeline. The company is in the process of finalising further investment to prepare for scale-up.

Corporate

During the period we expanded our core team in Cambridge with an additional commercialisation officer, in line with demand.

A need for early-stage technology validation and development within our portfolio companies is growing and we have taken a number of measures to extend the service we provide, including developing a technology internship programme.

In order to remain competitive and attract and retain a high-calibre team we revised our option scheme, which was approved at the Group's Annual General Meeting in December 2017 and has been adopted by the board. The new scheme increased the limit on the number of shares that may be subject to options in any ten year period maximum of 15% of the ordinary share capital and options to be granted at nominal cost.

As announced yesterday, we recently appointed Andrew Johnson, who will have responsibility for communications and investor relations across the Group's activities. Andrew has more than 20 years' journalism experience and is a former Deputy City Editor of the Daily Express. He will be based at our new offices in London at 18 King William Street, London, EC4N 7BP.

OUTLOOK

Our business is gathering pace rapidly. We are starting to see strong interest in our portfolio companies from a growing number of industry leaders, a clear indication that our business model and core strategic focus is paying off. We are investing in our people and are confident that we



are building a strong base on which we can deliver further progress during the second half of the financial year and beyond.

Neil Crabb

Chief Executive Officer



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Notes	Six months ended 31 December 2017 (unaudited) £'000	Six months ended 31 December 2016 (unaudited) £'000	Year ended 30 June 2017 (audited) £'000
Revenue				
Revenue from services		120	132	264
Other operating income				
Unrealised profit on the revaluation of investments	7	1,068	711	2,045
Total revenue		1,188	843	2,309
Administrative expenses		(667)	(529)	(1,082)
Profit from operations		521	314	1,227
Interest income on short-term bank deposits		3	-	2
Profit before tax		524	314	1,229
Taxation	5	(79)	-	-
Profit and total comprehensive income attributable to the equity holders of the parent		445	314	1,229
Profit/ per share attributable to the equity holders of the parent				
Basic earnings per share	6	1.17p	1.02p	3.73p
Diluted earnings per share	6	1.13p	1.00p	3.63p

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 2017

		As at 31 December 2017 (unaudited) £'000	As at 31 December 2016 (unaudited) £'000	As at 30 June 2017 (audited) £'000
ASSETS	Notes			
Non-current assets				
Tangible fixed assets		5	5	5
Goodwill		1,966	1,966	1,966
Financial assets at fair value through profit and loss	7	8,020	5,396	6,751
Trade receivables and other non-current assets		211	177	321
		<u>10,202</u>	<u>7,544</u>	<u>9,043</u>
Current assets				
Trade receivables and other current assets		387	399	537
Cash and cash equivalents		1,849	186	2,329
		<u>2,236</u>	<u>585</u>	<u>2,866</u>
Total assets		<u>12,438</u>	<u>8,129</u>	<u>11,909</u>
LIABILITIES				
Non-current liabilities				
Deferred taxation	5	(79)	-	-
		<u>(79)</u>	<u>-</u>	<u>-</u>
Current liabilities				
Trade and other payables		(126)	(121)	(150)
		<u>(126)</u>	<u>(121)</u>	<u>(150)</u>
Total liabilities		<u>(205)</u>	<u>(121)</u>	<u>(150)</u>
Net assets		<u>12,233</u>	<u>8,008</u>	<u>11,759</u>
EQUITY				
Called up share capital		3,828	3,078	3,828
Share premium account		7,789	5,729	7,789
Reverse acquisition reserve		(1,667)	(1,667)	(1,667)
Share based payment reserve		159	104	130
Retained earnings		2,124	764	1,679
		<u>12,233</u>	<u>8,008</u>	<u>11,759</u>
Total equity		<u>12,233</u>	<u>8,008</u>	<u>11,759</u>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2017

	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 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
Issue of shares	750	2,060	-	-	-	2,810
Share-based payments	-	-	-	26	-	26
Profit/comprehensive income for the period	-	-	-	-	915	915
At 30 June 2017	3,828	7,789	(1,667)	130	1,679	11,759
Share-based payments	-	-	-	29	-	29
Profit/comprehensive income for the period	-	-	-	-	445	445
At 31 December 2017	3,828	7,789	(1,667)	159	2,124	12,233



CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	Six months ended 31 December 2017 (unaudited) £'000	Six months ended 31 December 2016 (unaudited) £'000	Year ended 30 June 2017 (audited) £'000
Cash flows from operating activities			
Cash used in operations	(280)	(569)	(1,216)
Taxation paid	-	-	-
Net cash used in operating activities	(280)	(569)	(1,216)
Cash flows from investing activities			
Purchase of tangible fixed assets	(2)	(4)	(5)
Purchase of financial assets at fair value through profit and loss	(201)	(12)	(33)
Interest received	3	-	2
Net cash used in investing activities	(200)	(16)	(36)
Cash flows from financing activities			
Proceeds from issue of equity shares	-	-	3,000
Costs of share issue	-	-	(190)
Net cash generated from financing activities	-	-	2,810
Net (decrease)/increase in cash and cash equivalents	(480)	(585)	1,558
Cash and cash equivalents at beginning of period	2,329	771	771
Cash and cash equivalents at end of period	1,849	186	2,329
Cash used in operations			
Profit before tax	524	314	1,229
Adjustments for:			
Share-based payments	29	26	52
Depreciation	2	1	2
Interest received	(3)	-	(2)
Costs of share issue	-	-	-
Fair value (gain) on financial assets at fair value through profit or loss	(1,068)	(711)	(2,045)
Changes in working capital:			
Trade and other receivables	260	(209)	(491)
Trade and other payables	(24)	10	39
	(280)	(569)	(1,216)



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 26th March 2018.

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 2017 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 2017, 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 2017 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 2017 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. The Group's revenue and profit/loss before taxation were derived almost entirely from its principal activities within the UK. Though the Group has partnerships in Portugal the associated revenues and costs are currently immaterial and accordingly, no additional geographical disclosures are given.

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. The taxation expense for the six months to 31 December 2017 of £79,000 (2016: Nil) represents the recognition of a deferred tax liability on unrealised fair value gains less the recognition of available tax losses.

A deferred tax asset has not been recognised in respect of trading 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 2017 and 31 December 2016 and for the year ended 30 June 2017 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 2017	445	38,278,520	1.17
Six months ended 31 December 2016	314	30,778,520	1.02
Year ended 30 June 2017	1,229	32,983,190	3.73
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 2017	445	39,559,095	1.13
Six months ended 31 December 2016	314	31,449,663	1.00
Year ended 30 June 2017	1,229	33,897,226	3.63

7. Financial Assets at Fair Value Through Profit and Loss

	31 December 2017 £'000	31 December 2016 £'000	30 June 2017 £'000
Opening balance	6,751	4,673	4,673
Additions	201	12	33
Net fair value increase	1,068	711	2,045
Closing balance	<u>8,020</u>	<u>5,396</u>	<u>6,751</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 3rd April 2018.