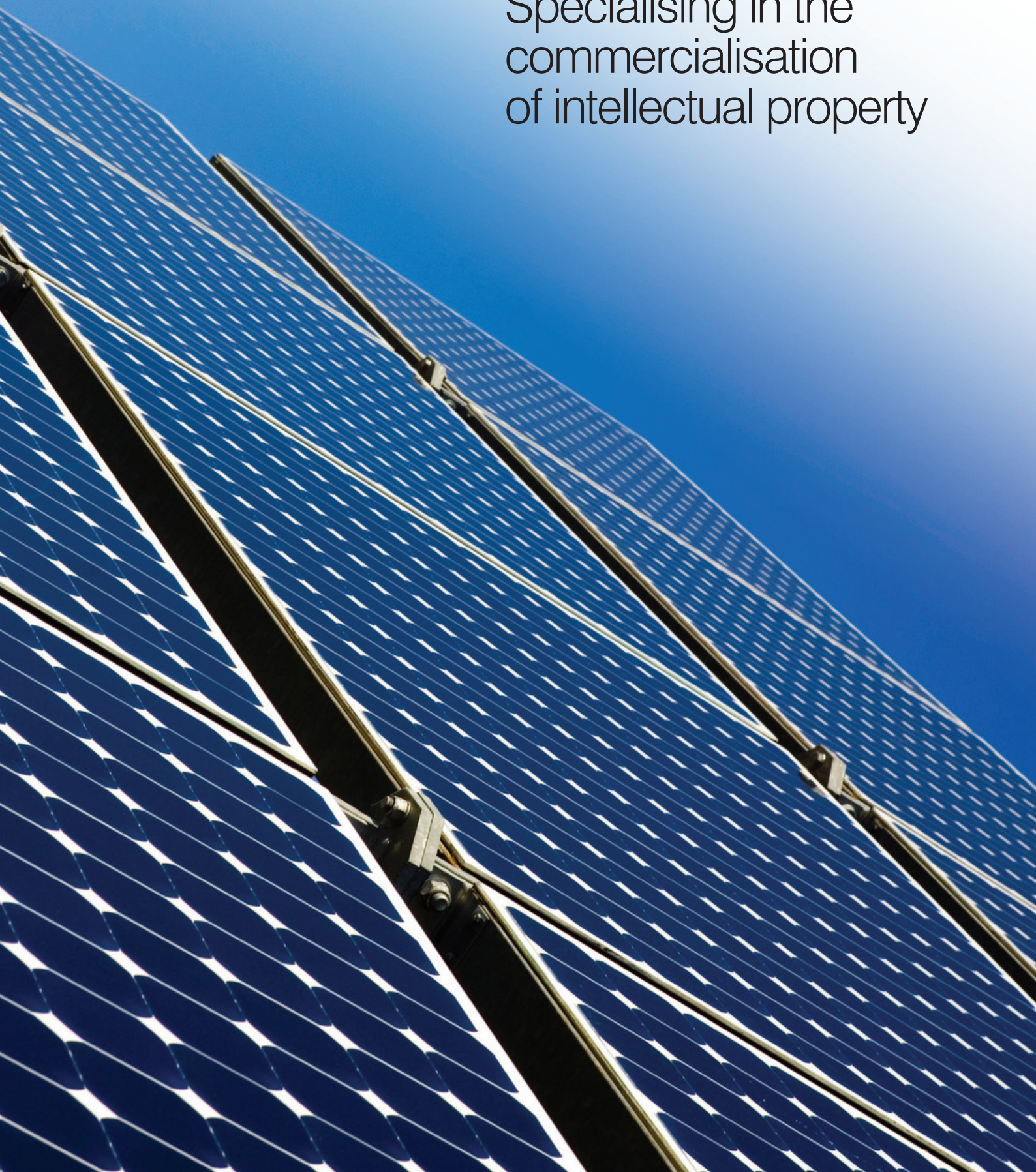




## **Frontier IP Group Plc**

Half Yearly Report 2013/2014

Specialising in the  
commercialisation  
of intellectual property



## KEY POINTS

- Equity placings completed to raise £1,078,000 (net)
- Total revenue increased to £345,000 (2012: £104,000)
- Revenue from services marginally lower at £92,000 (2012: £99,000)
- Profit before tax of £3,000 (2012: loss of £85,000\*)
- Earnings per share of 0.02p (2012: loss per share of 1.06p)
- Cash balances as at 31 December 2013 of £992,000 (31 December 2012: £368,000)
- Net assets per share as at 31 December 2013 of 18p (31 December 2012: 23p)
- Further progress with portfolio including one new spin-out company and an increase in portfolio value
- Post period - Board strengthened with new appointments (see separate announcement)
- Opportunities remain encouraging

\* The loss before tax in the prior period was after the release of a bad debt provision of £119,000.

Andrew Richmond, Chairman, commented,

*“I am encouraged by the progress Frontier IP has made in the first half of the year. The two equity placings we completed were well supported by investors and included director participation. It was also pleasing to see upward revaluations within our portfolio as well as the addition of a new spin-out company. Our fund management activities have also progressed encouragingly.*

*“Today, we are delighted to announce the appointment of two new directors to the Board, which strengthens the team. Looking ahead, we expect to see further positive momentum across our activities over the remainder of the financial year.”*



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## **CHAIRMAN'S STATEMENT**

### **Introduction**

I am pleased to report that Frontier IP made good progress over the first half of the financial year.

We saw encouraging developments within our portfolio companies over the six months and a number of private fundraisings for them are underway. We also received our second equity stake from our partnership with Plymouth University bringing the total number of portfolio companies to fourteen. Our fund management activities have progressed encouragingly as well and we have expanded our fund management team.

During the period, the Company also completed two share placings to raise £1,078,000 (net of expenses). Both placings were oversubscribed.

Today, we are delighted to announce the appointment of two new directors to the Board. Further information on both directors is provided in this report and in a separate announcement.

Looking ahead, we expect to see further positive momentum across our activities over the remainder of the financial year.

### **Results**

Total revenue for the six months ended 31 December 2013 increased to £345,000 (2012: £104,000) largely reflecting investment revaluations. Revenue from services decreased marginally to £92,000 (2012: £99,000). Unrealised gains on the revaluation of investments totalled £243,000 (2012: gain of £5,000). Dividend income totalled £10,000 (2012: £0). The profit before tax was £3,000 (2012: loss £85,000). The loss before tax in the prior period was after the release of the bad debt provision against Nandi Proteins Ltd of £119,000. Ongoing overheads, excluding the costs of the Placing, increased by 20% to £316,000 (2012: £263,000) due primarily to increased personnel costs and legal fees. The earnings per share was 0.02p (2012: loss per share of 1.06p).

Cash balances stood at £992,000 as at 31 December 2013 (2012: £368,000). Net assets per share as at 31 December 2013 were 18p (30 June 2013: 21p and 31 December 2012: 23p).

### **Placing**

The Company completed two share placings in the period with directors also participating. The first placing was in August at a placing price of 10p per share and the second in December raised funds at 20p per share. The net proceeds of the placings totalled £1,078,000 and will provide support for the development and growth of existing relationships, allied advisory roles, commitments to existing funds and portfolio companies and the establishment of sector specific funds.

### **Operational Review**

Over the period, we received a 21% equity stake in PulsiV Solar Limited, a spin-out from Plymouth University, bringing the total number of companies in our portfolio to fourteen. PulsiV Solar develops a

technology designed to improve the power take-off from photovoltaic solar panels and is already making progress, having filed a patent and installed a fully operational test site.

We have seen encouraging developments in a number of our portfolio companies over the period. In August, as result of a share swap, we increased our equity holding in Nandi Proteins Limited to approximately 20% and since then Nandi has made progress in its discussions with a number of major food companies. Frontier IP is in the process of raising funds for Nandi and has received positive expressions of interest from potential investors. In line with the Group's policy, the Group's holding in Nandi would be revalued on completion of any fundraising. Alusid Limited continues to develop; plans for a pilot manufacturing plant are well advanced and the process of licensing the IP from the university with a parallel fundraising into Alusid is underway. In line with the Group's valuation policy, this would result in a material increase in the value of the Group's holding in Alusid.

We continue to engage strongly with our university partnerships and are working with our partners on a range of pipeline projects.

Our fund management activities continue to move forward and we have expanded our team. We are pleased to report that we are making progress with the University of Dundee to establish a funding vehicle for its Drug Discovery Unit and plans for formal marketing are well-advanced.

In July, as part of our work to help establish the Accelerated Renewable Deployment Portfolio (ARDP), we, together with Narec Capital Limited, entered into a Memorandum of Understanding with Spanish power group IBERDROLA to establish a framework for closer engagement. In line with our intention to strengthen our fund management capability, we intend to appoint Rui Andr s as an Investment Manager. Rui has a background in renewable energy and venture capital and will primarily focus on developing the ARDP.

## **The Board**

We have today announced the appointment of two new directors to the Board of the Company.

In accordance with our previously stated intention to replace Finance Director Marilyn Cole with an independent Finance Director, we are pleased to appoint James Fish as Marilyn's successor. Jim is an experienced finance director with a background covering a broad range of business sectors including software, internet services, medical devices and telecom equipment. Jim's role will also include providing support and guidance to the Group's portfolio companies. Marilyn made a significant contribution to Frontier IP during her time as Finance Director and I would like to thank her for her hard work and contribution.

We have also appointed Michael Bourne as Non-executive Director. Mike brings a wealth of experience in investment management across a range of sectors including clean technology and life sciences. He has nearly 30 years' experience in technology investment and founded asset management company Reabourne Technology Investments Limited. He is also an active angel investor.

## **Outlook**

We are pleased with the progress Frontier IP made over the first half and our investment in additional personnel strengthens the business as we move forward with our plans. We remain encouraged by the opportunities available to us and look forward to reporting on further progress over the second half of the financial year.

**Andrew Richmond**

**Non-executive Chairman**

28 March 2014

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2013

		Six months ended 31 December	Six months ended 31 December	Year ended 30 June
		2013 (unaudited)	2012 (unaudited)	2013 (audited)
	Notes	£'000	£'000	£'000
<b>Revenue</b>				
Revenue from services		92	99	174
<b>Other operating income</b>				
Unrealised profit/(loss) on the revaluation of investments		243	5	(57)
Dividend income		10	-	-
<b>Total revenue</b>		<u>345</u>	<u>104</u>	<u>117</u>
Administrative expenses		(316)	(263)	(560)
Placing costs		(26)	(45)	(44)
Write back of bad debt provision		-	119	119
		<u>(342)</u>	<u>(189)</u>	<u>(485)</u>
<b>Profit / (loss) before tax</b>		3	(85)	(368)
Taxation	5	-	-	-
		<u>3</u>	<u>(85)</u>	<u>(368)</u>
<b>Profit / (loss) and total comprehensive income / (expense) for the period</b>		<u>3</u>	<u>(85)</u>	<u>(368)</u>
<b>Earnings / (loss) per share attributable to the equity holders of the Company:</b>				
Basic and diluted earnings / (loss) per share	6	0.02p	(1.06)p	(3.51)p

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 2013

	As at 31 December 2013 (unaudited) £'000	As at 31 December 2012 (unaudited) £'000	As at 30 June 2013 (audited) £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	1,966	1,966	1,966
Financial assets at fair value through profit and loss	937	556	494
Trade receivables	-	128	-
	<u>2,903</u>	<u>2,650</u>	<u>2,460</u>
<b>Current assets</b>			
Trade receivables and other current assets	224	89	222
Cash and cash equivalents	992	368	155
	<u>1,216</u>	<u>457</u>	<u>377</u>
<b>Total assets</b>	<u>4,119</u>	<u>3,107</u>	<u>2,837</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<u>(77)</u>	<u>(76)</u>	<u>(86)</u>
<b>Net assets</b>	<u>4,042</u>	<u>3,031</u>	<u>2,751</u>
<b>EQUITY</b>			
Called up share capital	2,253	1,305	1,305
Share premium account	4,794	4,457	4,457
Reverse acquisition reserve	(1,667)	(1,667)	(1,667)
Share based payment reserve	122	116	119
Retained earnings	<u>(1,460)</u>	<u>(1,180)</u>	<u>(1,463)</u>
<b>Total equity</b>	<u>4,042</u>	<u>3,031</u>	<u>2,751</u>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the six month period ended 31 December 2013**

	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 2012	697	4,457	(1,667)	115	(1,095)	2,507
Issue of shares	608	-	-	-	-	608
Loss for the period	-	-	-	-	(85)	(85)
Share-based payments	-	-	-	1	-	1
At 31 December 2012	1,305	4,457	(1,667)	116	(1,180)	3,031
Loss for the period	-	-	-	-	(283)	(283)
Share-based payments	-	-	-	3	-	3
At 30 June 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	2,253	4,794	(1,667)	122	(1,460)	4,042

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2013

	Six months ended 31 December 2013 (unaudited) £'000	Six months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
<b>Cash flows from operating activities</b>			
Cash used in operations	(222)	(220)	(434)
Taxation paid	-	-	-
<b>Net cash used in operating activities</b>	<b>(222)</b>	<b>(220)</b>	<b>(434)</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets at fair value through profit and loss	(19)	(19)	(19)
<b>Net cash used in investing activities</b>	<b>(19)</b>	<b>(19)</b>	<b>(19)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares	1,142	608	608
Costs of share issue	(64)	(45)	(44)
<b>Net cash generated from financing activities</b>	<b>1,078</b>	<b>563</b>	<b>564</b>
<b>Net increase in cash and cash equivalents</b>	<b>837</b>	<b>324</b>	<b>111</b>
Cash and cash equivalents at beginning of period	155	44	44
<b>Cash and cash equivalents at end of period</b>	<b>992</b>	<b>368</b>	<b>155</b>
<b>Cash used in operations</b>			
Profit / (loss) before tax	3	(85)	(368)
Adjustment for share-based payments	3	1	4
Adjustment for costs of share issue	26	45	44
Adjustment for write back of bad debt provision	-	(119)	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	(243)	(5)	57
Changes in working capital:			
Trade and other receivables	(2)	(18)	(142)
Trade and other payables	(9)	(39)	(29)
	<b>(222)</b>	<b>(220)</b>	<b>(434)</b>

## **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 41 Charlotte Square, Edinburgh EH2 4HQ.

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 28<sup>th</sup> March 2014.

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 2013 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 2013, 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 2013 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 2013 as described in the Group's Annual Report for that year and as available on our website [www.frontierip.co.uk](http://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 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 2013 (2012: 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 / (loss) per share

The calculation of the basic earnings / (loss) per share for the six months ended 31 December 2013 and 31 December 2012 and for the year ended 30 June 2013 is based on the earnings / (losses) 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.

	<i>Earnings / (losses) attributable to shareholders £'000</i>	<i>Weighted average number of shares Number</i>	<i>Basic earnings / (loss) per share Pence</i>
Six months ended 31 December 2013	3	17,689,331	0.02
Six months ended 31 December 2012	(85)	7,930,426	(1.06)
Year ended 30 June 2013	(368)	10,470,247	(3.51)

No warrant or option is potentially dilutive as the average market price of the ordinary shares during the above periods was less than the exercise price of the warrants and options, hence basic and diluted loss per share are the same.

## **7. Related party transactions**

Sigma Capital Group plc (öSigmaö) was a significant shareholder of the Company until 13 August 2013. During the period to 13 August 2013, the Company had transactions with Sigma.

Sigma invoiced fees of £2,500 (2012: £23,000), premises costs of £nil (2012: £5,000) and recharged administrative and Frontier employee expenses of £nil (2012: £5,000). The fees are for the services of Marilyn Cole and Graham Barnet (resigned 3 December 2012) as Directors of the Company and for administration support. Sigma participated in the placing of Frontier IP's shares undertaken during the six months ended 31 December 2012 and subscribed fees of £25,000 for 250,000 shares of 10p each. Sigma did not participate in any subsequent placings of shares by the Company.

The Company received £nil from Sigma (2012: £19,000) in respect of fund management fees for the University of Dundee Venture Fund and the RGU Ventures Investment Fund which are currently managed on the Company's behalf by Sigma's FCA authorised and regulated subsidiary Sigma Technology Management Limited of which Neil Crabb is an employee.

At 31 December 2012, the Company owed Sigma £4,000 and was owed £11,000.

## **8. Nandi Proteins Limited ("Nandi")**

As a result of the share swap in August 2013, we increased our equity holding in Nandi and it now accounts for approximately 35% of the value of our financial assets at fair value through profit and loss.

In our financial statement for the year ended 30 June 2013 we noted that due to the commercial progress made by Nandi a provision of £119,000 held in prior years against monies due from Nandi had been released. Favourable commercial progress has continued since then. In addition, Frontier IP is in the process of raising funds for Nandi and has received positive expressions of interest from potential investors. As part of the fund raising Nandi has indicated that they would agree a payment plan with Frontier IP in respect of the amounts due and the Directors therefore remain of the opinion that no provision is required against these amounts.

## **9. Copies of Half Yearly Report**

Copies of the Half Yearly Report will be available on the Company's website, [www.frontierip.co.uk](http://www.frontierip.co.uk), and on request from the Company's offices at 41 Charlotte Square, Edinburgh EH2 4HQ no later than 1<sup>st</sup> April 2014.