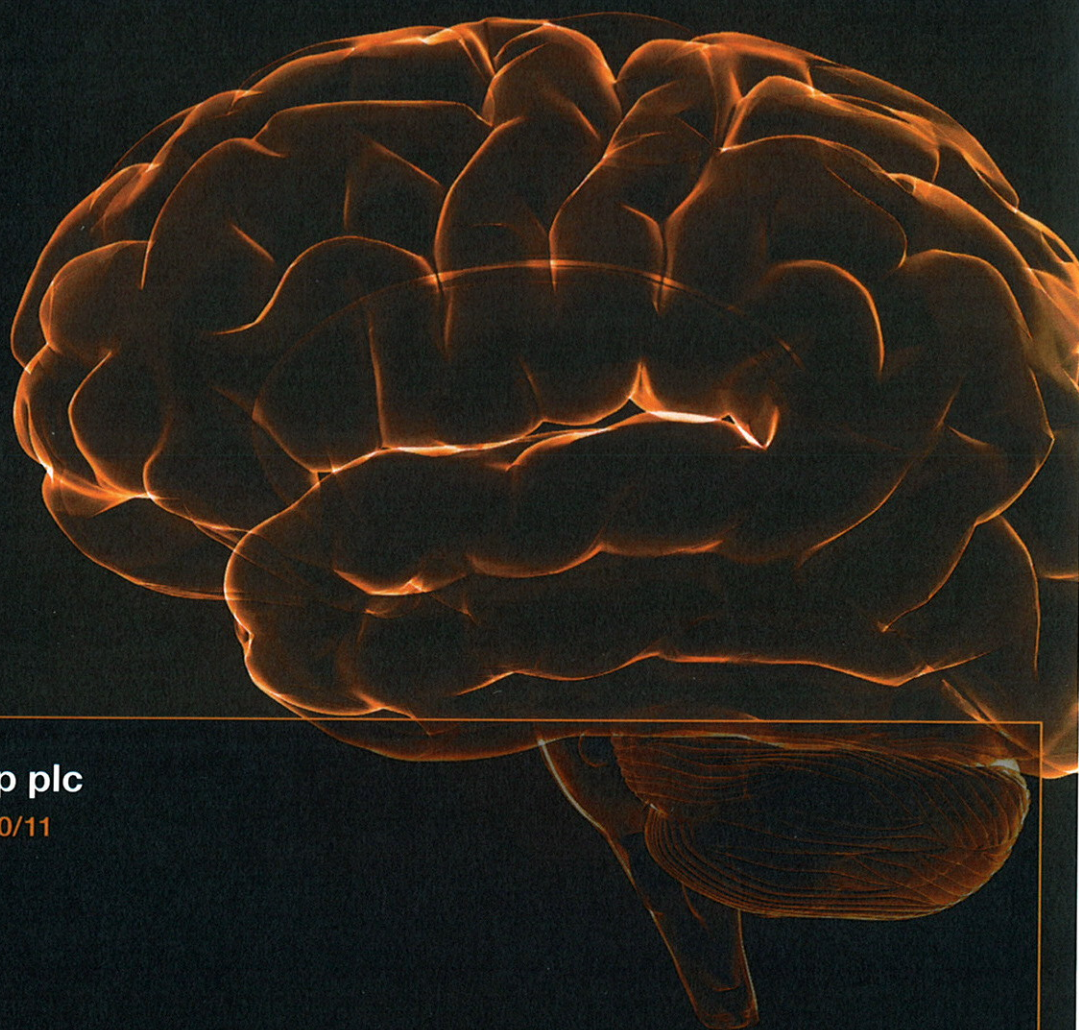




Frontier IP Group plc

Half Yearly Report 2010/11

Specialising in the commercialisation
of intellectual property

Neil Crabb, Chairman of Frontier IP Group plc, said:

"Results for the six months to 31 December 2010 show excellent progress, with Frontier IP moving into profit for the first time. Our portfolio of spin-out companies continues to develop and we have seen an encouraging uplift in the valuation of our holdings.

The second half of the current financial year has started well, maintaining the progress achieved in the first half. On 31 January 2011, Frontier IP took a significant step forward with its admission to trading on AIM and at the same time, the completion of a placing to raise £1.0 million (gross) from a number of institutional shareholders.

The admission to AIM and placing will support the business as we seek to take advantage of the exciting opportunities available to the Group, both in terms of securing new long-term relationships and developing our existing portfolio. With the foundations for growth in place, the Board remains confident for the current year and beyond."

KEY POINTS

- Encouraging results – benefiting from uplift in portfolio valuation
- Total revenue of £296,000 (2009: 6 months £85,000)
- Profit before tax of £69,000 (2009: 6 months loss £97,000)
- Earnings per share of 1.39p (2009: 6 months loss per share 1.96p) *
- Net assets per share as at 31 December 2010 of 50p (31 December 2009: 52p)*
- Cash balances stood at £84,000 as at 31 December 2010 (2009: £469,000)
 - raised £1 million (gross) in January 2011
- Foundations for future growth in place:
 - post the half year, successful admission to AIM and placing
 - strong pipeline of opportunities to expand existing portfolio
 - active discussions with additional university partners
- Positive outlook

** Calculated using the consolidated number of issued ordinary shares of 10p each of 4,972,165 for all periods*

Contents

Key points	1
Chairman's Statement	2
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes	8

CHAIRMAN'S STATEMENT

Introduction

I am pleased to present our first set of half year results since Frontier IP Group plc ("Frontier IP", "the Group" or "the Company") was admitted to trading on AIM at the end of January 2011. Results for the six months to 31 December 2010 show excellent progress in the first half, with the Group moving into profit for the first time. This performance was driven in particular by an IFRS uplift in the value of the portfolio and we continue to see good opportunities to expand our existing portfolio as we move through the second half. We have also moved discussions forward with a number of universities regarding potential new relationships during the first half and the pipeline for additional long-term partnerships remains strong.

Following the end of the first half, on 31 January 2011, Frontier IP took a significant step in its development by the admission of the Company's shares to trading on AIM and at the same time, undertaking a placing to raise £1.0 million (gross). The AIM quotation will assist the Company in its development and, with a strong financial platform in place to underpin the next growth phase, the Board views prospects very positively.

Results

Total revenue for the first half of the year was £296,000 (2009: £85,000), comprising an unrealised gain on the revaluation of investments of £218,000 (2009: unrealised loss £4,000) and revenue from services of £78,000 (2009: £89,000). Profit before tax was £69,000 (2009: loss £97,000) and earnings per share was 1.39p (2009: loss per share 1.96p).

Cash balances stood at £84,000 as at 31 December 2010 (2009: £469,000). Net assets per share as at 31 December 2010 were 50p (2009: 52p).

Following the end of the first half, there was a cash inflow of £1.0 million (gross) by way of a placing of 2,000,000 New Ordinary Shares at 50 pence per share completed on the Company's admission to AIM.

Business Model

The Frontier IP business model is low cost and offers the potential for high quality earnings and capital appreciation.

Our model is to forge close commercialisation relationships with universities and research institutions whereby, as a result of the assistance provided to these organisations in the commercialisation of the IP produced from their research activities, Frontier IP seeks to share in the founder equity and licence revenue that these organisations receive from the commercialisation of this research. In addition, Frontier IP generates revenue from board retainers and fees for bespoke advisory work. Also, where appropriate, Frontier IP 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 the Group. Our intention is also to participate as a limited partner in these funds.

Our strategy is to grow the portfolio to build a strong foundation of commercialisation relationships, thereby generating 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 IP has taken a number of significant steps forward in its development since the start of the current financial year.

Our portfolio of spin-out companies continues to develop and we currently have interests in eight portfolio companies, compared to five at the same point last year. During the first half, we have seen an encouraging uplift in the valuation of our holdings in portfolio companies and we expect to make further progress in adding new companies to our portfolio going forward. We are seeking additional opportunities to expand our funds under management both with dedicated university funds and sector-specific funds, where appropriate.

The Group is in active discussions with a number of universities with a view to securing new relationships, which would provide the Group with a share of spin-out equity and licensing revenues on a long-term basis. In addition, Frontier IP intends, where appropriate, to establish dedicated funds for its new partner universities.

In September 2010, we strengthened the team with two senior appointments in order to take advantage of the growth opportunities available. Jackie McKay was appointed to the Board as Partnership Director and David Cairns was appointed to the Board as Executive Director. In addition, on admission to AIM, Michael Brennand was appointed Regional Director North West to assist the Group in its regional development. Their combined experience in IP commercialisation underpins our growth plans.

The admission to AIM at the end of January 2011 also assists the Company in its development going forward. The enhanced brand and market recognition should help us to secure additional long-term university partners as well as new limited partners for funds. The placing completed at the same time provides Frontier IP with the resources to support new commercialisation relationships, to support complementary advisory roles and capital commitments to new funds.

Outlook

We are continuing to build on the progress achieved in the first half. Whilst there is considerable disruption in the university sector arising from changes to funding arrangements and general pressure on budgets, demand for our services is increasing as these institutions seek to extract value from their intellectual property. Frontier IP is well placed to take advantage of these market opportunities. We also see the potential for consolidation within the university IP commercialisation sector and the Company's admission to AIM and accompanying placing underpin our aim to participate in this process.

With the foundations for growth in place, the Board remains confident for the current year and beyond and I look forward to updating shareholders as the year progresses.

Neil Crabb

Chairman

2 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010

	Notes	Six months ended 31 December 2010 (unaudited) £'000	Six months ended 31 December 2009 (unaudited) £'000	Year ended 30 June 2010 (audited) £'000
Revenue				
Revenue from services		78	89	142
Other operating income				
Unrealised profit / (loss) on the revaluation of investments		218	(4)	(48)
Total revenue		296	85	94
Administrative expenses (net)		(227)	(184)	(422)
Profit / (loss) from operations		69	(99)	(328)
Finance income		-	2	2
Profit / (loss) before tax		69	(97)	(326)
Taxation	5	-	-	-
Profit / (loss) and total comprehensive income (expense) for the period		69	(97)	(326)
Earnings /(loss) per share attributable to the equity holders of the Company:				
Basic earnings / (loss) per share	6	1.39p	(1.96p)	(6.56p)
Diluted earnings / (loss) per share	6	1.39p	(1.96p)	(6.56p)

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 2010

	As at 31 December 2010 (unaudited) £'000	As at 31 December 2009 (unaudited) £'000	As at 30 June 2010 (audited) £'000
ASSETS			
Non-current assets			
Goodwill	1,966	1,966	1,966
Financial assets at fair value through profit and loss	461	149	179
	<u>2,427</u>	<u>2,115</u>	<u>2,145</u>
Current assets			
Trade receivables	9	48	13
Other current assets	45	13	13
Cash and cash equivalents	84	469	330
	<u>138</u>	<u>530</u>	<u>356</u>
Total assets	<u>2,565</u>	<u>2,645</u>	<u>2,501</u>
LIABILITIES			
Current liabilities			
Trade and other payables	(101)	(54)	(107)
	<u>2,464</u>	<u>2,591</u>	<u>2,394</u>
Net assets			
	<u>2,464</u>	<u>2,591</u>	<u>2,394</u>
EQUITY			
Called up share capital	497	497	497
Share premium account	3,898	3,898	3,898
Reverse acquisition reserve	(1,667)	(1,667)	(1,667)
Share based payment reserve	113	80	112
Retained earnings	(377)	(217)	(446)
Total equity	<u>2,464</u>	<u>2,591</u>	<u>2,394</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2010

	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 2009	497	3,898	(1,667)	78	(120)	2,686
Loss for the period	-	-	-	-	(97)	(97)
Share-based payments	-	-	-	2	-	2
At 31 December 2009	497	3,898	(1,667)	80	(217)	2,591
Loss for the period	-	-	-	-	(229)	(229)
Share-based payments	-	-	-	32	-	32
At 30 June 2010	497	3,898	(1,667)	112	(446)	2,394
Profit for the period	-	-	-	-	69	69
Share-based payments	-	-	-	1	-	1
At 31 December 2010	497	3,898	(1,667)	113	(377)	2,464

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2010

	Six months ended 31 December 2010 (unaudited) £'000	Six months ended 31 December 2009 (unaudited) £'000	Year ended 30 June 2010 (audited) £'000
Cash flows from operating activities			
Cash used in operations	(183)	(129)	(194)
Interest paid	-	-	-
Taxation paid	-	-	-
Net cash used in operating activities	(183)	(129)	(194)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit and loss	(63)	(114)	(188)
Interest received	-	2	2
Net cash used in investing activities	(63)	(112)	(186)
Net decrease in cash and cash equivalents	(246)	(241)	(380)
Cash and cash equivalents at beginning of period	330	710	710
Cash and cash equivalents at end of period	84	469	330
Cash used in operations			
Profit / (loss) before tax	69	(97)	(326)
Adjustments for share-based payments	1	2	34
Adjustment for finance income	-	(2)	(2)
Fair value (gain)/loss on financial assets at fair value through profit or loss	(218)	4	48
Changes in working capital:			
Trade and other receivables	(28)	(44)	(9)
Trade and other payables	(7)	8	61
	(183)	(129)	(194)

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 after successful admission on 31 January 2011. Prior to this the company was quoted on the PLUS 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 2 March 2011.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 December 2010 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 2010, 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 2010 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 are consistent with those of the annual financial statements for the year ended 30 June 2010 as described in the Group's Annual Report for that year and as available on our website www.frontierip.co.uk.

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

There is no charge to taxation for the six months to 31 December 2010 (2009: Nil). Although the Group made a profit for the period, it made a taxable loss after adjustment for non-taxable income.

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 2010 and 31 December 2009 and for the year ended 30 June 2010 is based on the profits/(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.

A resolution to consolidate the share capital of the Company by issuing one new Ordinary share of 10p each for every 100 Ordinary shares of 0.1p each was passed at the Company's Annual General Meeting on 6 December 2010. The earnings and loss per share have been calculated as though the consolidation occurred on 30 June 2009.

	<i>Profits/(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 2010	69	4,972,165	1.39
Six months ended 31 December 2009	(97)	4,972,165	(1.96)
Year ended 30 June 2010	(326)	4,972,165	(6.56)

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. Copies of Half Yearly Report

Copies of the Half Yearly Report will be sent to shareholders and will be available on the Company's website, www.frontierip.co.uk, and on request from the Company's offices at 41 Charlotte Square, Edinburgh EH2 4HQ no later than 31 March 2011.