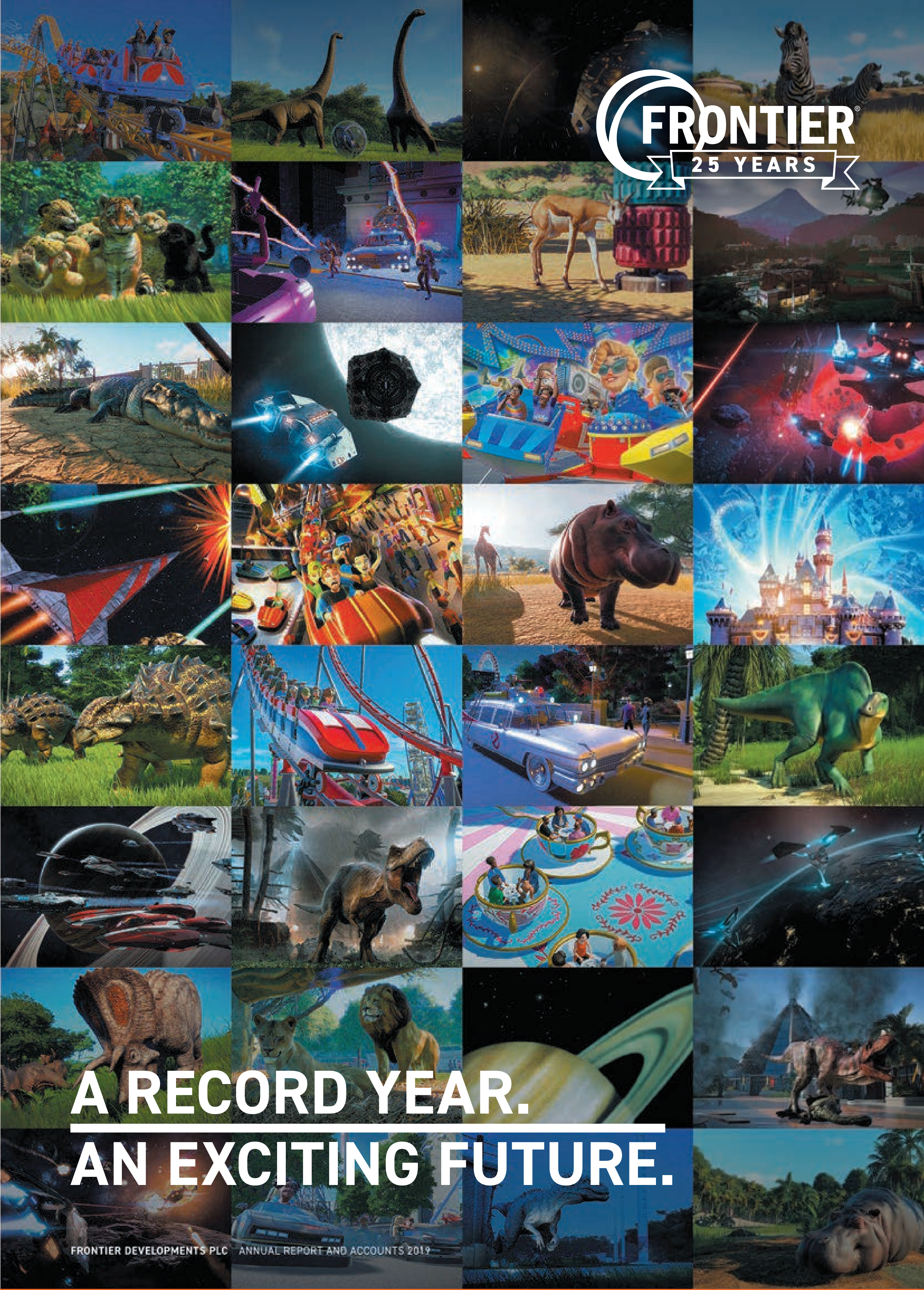


FRONTIER 25 YEARS

A RECORD YEAR.
AN EXCITING FUTURE.

FRONTIER DEVELOPMENTS PLC ANNUAL REPORT AND ACCOUNTS 2019

A RECORD YEAR. **AN EXCITING FUTURE.**

Frontier is a world-class videogame developer and publisher, with a proven track record of launching multiple successful franchises with a strong post-launch nurturing strategy which delivers multi-year revenues.

Each new release provides strong launch sales, while a combination of regular free and chargeable updates, together with active community support, ensures longevity of sales performance. Frontier is currently the UK's largest independent studio and continues to grow. In the 12 months to 31 May 2019 Frontier recruited more than 120 people, growing headcount to over 460 staff in its Cambridge headquarters.

In financial year 2019 Frontier grew revenue by more than 160% and operating profit by nearly 600% representing record financial performance. This was delivered through the success of *Jurassic World Evolution* (June 2018) and the ongoing performance of Frontier's first two self-published titles, *Elite Dangerous* (2014) and *Planet Coaster* (2016).

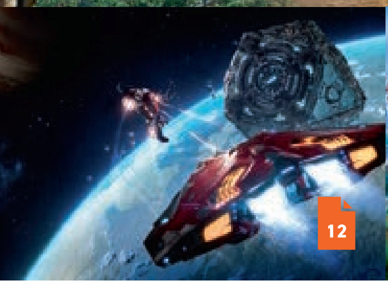
Frontier's next major release is *Planet Zoo*, the Company's fourth title launch since the transition to a self-publishing business model in 2013-2014. *Planet Zoo* is the ultimate zoo simulation, featuring authentic living animals, rich management and limitless creativity, and is coming exclusively on PC on 5 November 2019.

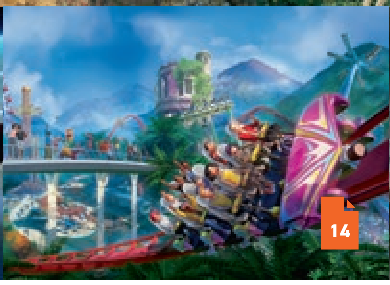
In addition to Frontier's core model of developing and publishing its own games, the Company is partnering with other high-quality developers to bring more games to market through the Company's Frontier Publishing initiative. In June 2019 Frontier announced the first of these deals with Haemimont Games, an experienced and respected developer of quality strategy and management titles.

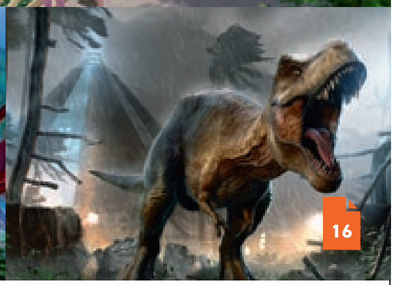
Frontier continues to grow its franchise portfolio and its headcount in order to deliver long-term revenue and earnings growth, and support the ambition to be the most respected and highest quality entertainment company in the world.

Operational and strategic highlights

- Frontier achieved its biggest launch to date with *Jurassic World Evolution*. Released in June 2018 alongside the launch of the *Jurassic World: Fallen Kingdom* film, the game achieved 1 million unit sales in five weeks and 2 million in seven months.
- Frontier's strategy of supporting and nurturing its titles through active community engagement, free updates, and chargeable content (paid downloadable content or 'PDLC') continues to deliver, with *Jurassic World Evolution*, *Planet Coaster* and *Elite Dangerous* all continuing to entertain existing players and attract new ones.
- *Jurassic World Evolution* has been supported since launch through a number of free updates and by a growing range of chargeable content, with five separate PDLC packs now available as at 4 September 2019.
- *Planet Coaster*, launched in November 2016, continues to lead its genre. 11 separate chargeable themed expansion packs are now available, enabling existing players to access substantial new features and content, and attracting new players into the *Planet Coaster* world of creativity and sharing. *Planet Coaster* base game unit sales passed 2 million units in January 2019.
- *Elite Dangerous*, launched in December 2014, continues to deliver exciting game experiences to active players whilst welcoming new ones. In December 2018 Frontier delivered the fourth chapter of the *Beyond* season of free updates, which added a number of gameplay features and further narrative to the *Elite Dangerous* universe. In January 2019 *Elite Dangerous* crossed the 3 million base game unit threshold.
- *Planet Zoo* will be Frontier's fourth major game release since the transition to self-publishing. Coming exclusively on PC on 5 November 2019, *Planet Zoo* will be the ultimate zoo simulation, featuring authentic living animals, rich management and limitless creativity.
- On 6 March 2019 Frontier announced securing a major global IP licence for a future game release in 2021.
- On 11 June 2019 Frontier announced its first partnership under the Frontier Publishing initiative, with experienced developer Haemimont Games. The partnership will see Frontier and Haemimont work together on a new project for release in two to three years' time.







25
years in the industry

>8 million
base game units of self-published games sold**

>£200 million
of self-published revenue**

200+
countries with a playerbase

Financial highlights

- The launch of *Jurassic World Evolution*, combined with the ongoing performance of all three titles, *Jurassic World Evolution*, *Planet Coaster* and *Elite Dangerous*, propelled the Company to a record financial performance for the year ended 31 May 2019.
- Revenue increased by over 160% to £89.7 million in FY19 (FY18: £34.2 million), which was 2.4 times the previous record of £37.4 million in FY17.
- Operating profit, as reported under IFRS, grew to £19.4 million, nearly 600% higher than the prior year (FY18: £2.8 million) and 2.5 times the previous record of £7.8 million in FY17.
- Operating profit margin increased to 22% (FY18: 8%, FY17: 21%).
- Operating cashflow* generated an inflow of £15.4 million (FY18: an outflow of £2.8 million), reflecting the strong trading performance.
- Cash balances increased by £11.2 million during the year to £35.3 million (FY18: £24.1 million).

* Operating profit excluding non-cash items, less investments in franchises and other game related intangible assets.

** As at 31 July 2019.

Contents

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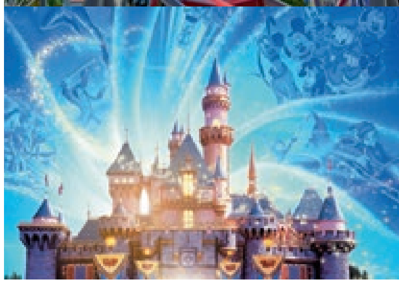
AR.FRONTIER.CO.UK



CELEBRATING
OUR FIRST 25 YEARS

FRONTIER 25 YEARS

BAFTA NOMINEE GAMES

2017 GOLDEN JOYSTICK AWARDS OMEN SHORTLISTED

game developers choice awards winner

YouTube Works

AR.FRONTIER.CO.UK

In January we celebrated our 25th anniversary and I am very proud of all of our achievements during our first 25 years.

In the last five years we have successfully transitioned from a trusted 'work-for-hire' developer to an established publisher with a portfolio of three released games franchises, a substantial and world-class team, and strong partnerships. It's particularly pleasing that our most recent launch, *Jurassic World Evolution*, has been our biggest to date.

However, I believe we are still at the start of our journey; we have a lot of exciting opportunities ahead of us driven by our resources, capability and experience, our strong partnerships and the widening opportunities for games companies within the ever-changing entertainment industry.

DAVID BRABEN
FOUNDER AND CEO

1984
The original *Elite* launched

1994
Company founded by David Braben

1994–2013
Very successful 'work-for-hire' developer working with multiple publishers

2012
Crowdfunding for *Elite Dangerous* from over 25,000 backers

2013
Successful Crowdfunding led to July 2013 IPO

ELITE DANGEROUS

2014
Elite Dangerous launched December 2014

2016

Planet Coaster launched November 2016

PLANET COASTER

2018

Jurassic World Evolution launched June 2018.

We moved into the new Frontier Developments HQ at Cambridge Science Park.

JURASSIC WORLD EVOLUTION

2019

Planet Zoo is planned to launch November 2019

PLANET ZOO

GROWING OUR **PORTFOLIO**

Released titles

Elite Dangerous

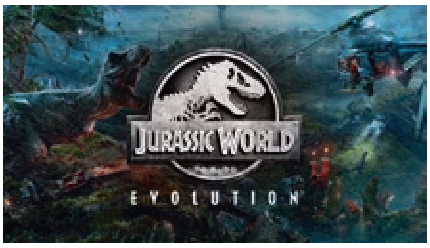
Elite Dangerous – available for Windows PC, Microsoft Xbox One and Sony PlayStation 4 – is the definitive massively multiplayer space epic, bringing gaming's original open world adventure to the modern generation with a connected galaxy, evolving narrative and the entirety of the Milky Way recreated at its full galactic proportions.

10 ELITEDANGEROUS.COM

Planet Coaster

Planet Coaster – available for Windows PC – builds on Frontier's genre-defining expertise with coaster park games such as *RollerCoaster Tycoon 3* and *Thrillville*. It further raises the bar for this popular genre, allowing players to create the theme park of their dreams as they surprise, delight and thrill incredulous crowds, and share their success with the world via the Steam Workshop community.

12 PLANETCOASTER.COM



Jurassic World Evolution

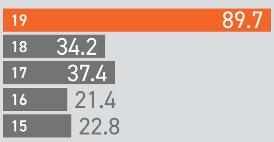
Jurassic World Evolution – available for Windows PC, Microsoft Xbox One and Sony PlayStation 4 – evolves players' relationships with the *Jurassic World* film franchise, placing them in control of operations on the legendary island of Isla Nublar and the surrounding islands of the Muertes Archipelago. Players create and manage their own *Jurassic World* as they bioengineer new dinosaur breeds, and construct attractions, containment and research facilities. Every choice leads to a different path and spectacular challenges arise when 'life finds a way'.

14 JURASSICWORLDEVOLUTION.COM

Financial summary

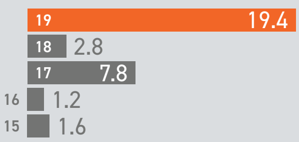
Revenue (£m)

£89.7m



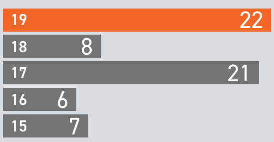
Operating profit (£m)

£19.4m



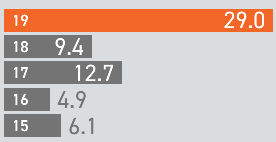
Operating margin (%)

22%



EBITDA* (£m)

£29.0m



* Earnings before interest, tax, depreciation and amortisation.

** Operating profit excluding non-cash items, less investments in franchises and other game related intangible assets.

Future title

Planet Zoo

Simulation runs wild in *Planet Zoo*. From the developers of *Jurassic World Evolution* (2018), *Planet Coaster* (2016) and *Zoo Tycoon* (2013) comes the ultimate zoo sim, featuring authentic living animals who think, feel and explore the world players create around them. *Planet Zoo* allows players to experience a globe-trotting campaign or let their imagination run wild in the freedom of Sandbox mode, create unique habitats and vast landscapes, make big decisions and meaningful choices, and nurture their animals as they construct and manage a truly modern zoo where animal welfare and conservation comes first.

16 PLANETZOOGAME.COM

Frontier Publishing

Frontier Publishing

We are actively pursuing opportunities to use our publishing capability, industry experience, commercial partnerships and financial resources to supplement our own development roadmap by partnering with other high-quality developers to bring more games to market.

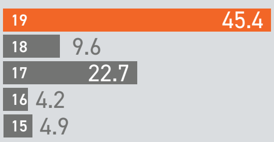
In June 2019 we announced our first deal under this Frontier Publishing initiative with experienced developer Haemimont Games. Haemimont Games ("Haemimont"), founded in 1997 in Bulgaria, boasts a passionate team of over 60 highly skilled people and a wealth of experience in developing quality strategy and management games, including *Victor Vran*, *Surviving Mars* and titles in the *Tropico* series. The partnership will see Frontier and Haemimont work together on a new project for release in two to three years' time, with Frontier providing the development funding as well as marketing and distribution.

This deal is strategic and a strong start to growing Frontier's publishing business with third-party titles. The Board expects the publishing business to become a material contributor to the Company in years to come, as more partnerships are agreed.

Our Frontier Publishing initiative helps us expand our game portfolio further, through external development partnerships that supplement our own internal development roadmap. We are in discussions with other developers and hope to be able to announce additional publishing partnerships in the future.

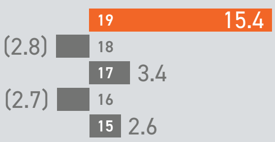
EPS (basic) (p)

45.4p



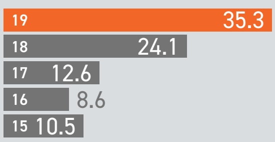
Operating cashflow** (£m)

£15.4m



Net cash balance (£m)

£35.3m



20 FINANCIAL REVIEW AND KEY PERFORMANCE INDICATORS

A RECORD **YEAR**

It's thanks to our fantastic people that we are in such a strong position.

The hard work of our amazing team has delivered a set of record financial results; of which we are all extremely proud. This has not happened by accident. Over the last 25 years our talented personnel, led by David Braben and Jonny Watts, have established a culture and reputation for high quality, as well as for creating enduring and authentic game experiences. It's this sharp focus on quality that led us to achieve our best year yet in FY19, through the success of our biggest launch to date, *Jurassic World Evolution*, and the ongoing popularity of *Elite Dangerous* and *Planet Coaster*.

In 2013 we made the brave decision to transition to a self-publishing business model because of the opportunities we saw from the growth of digitalisation. This included an expectation that the development and ownership of game content would increase in importance and prominence over time. David, Jonny and their teams grabbed the opportunity, and we now have three strong game franchises in the market and more in the pipeline. I am personally delighted that our decision to change our business model has proven correct, and that we continue to deliver for all of our stakeholders, including our communities of players, our staff and our investors.

Our reputation for quality and our increased profile have helped us strengthen our existing partnerships and build new relationships. We already have one future title which will be based on a major global IP, and discussions are ongoing with a number of IP owners. In June 2019 we announced our first partnership under the Frontier Publishing initiative, with experienced developer Haemimont Games. Frontier Publishing partnerships are an excellent way for us to build our portfolio by leveraging our publishing capability, our channel relationships and our financial resources to help talented external development teams bring their games to market.

BOARD

I believe that our Board of Directors is a team of highly experienced, capable and motivated individuals. Whilst we are all well aligned in terms of our strategy and direction, there is regular debate and challenge at Board meetings, which is facilitated by each of our different areas of expertise, business experiences and individual perspectives. At the AGM in October 2018 our former Chief Operating Officer, David Walsh, transitioned to a Non-Executive Director role in order to focus his attention on a start-up opportunity outside of the games industry. I would like to thank David for his 17 years of excellent service to Frontier in an executive role and I am pleased to report that he is proving to be a very capable Non-Executive Director.

OUTLOOK

We are proud of our strong growth and record financial performance for last year, but we have much more to come in the future. It's thanks to our fantastic people that we are in such a strong position. I'd like to take this opportunity to thank them for all of their hard work.

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN
4 September 2019

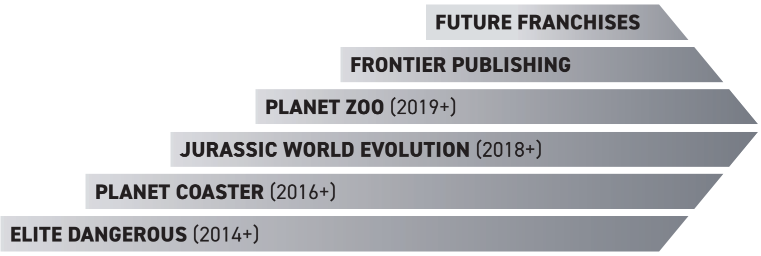
CHIEF EXECUTIVE'S STATEMENT
DAVID BRABEN, FOUNDER AND CEO

AN EXCITING **FUTURE**

Our strategic objective is to create long-term sustainable growth.

The five years since we transitioned to a self-publishing model have been really exciting. We continue to successfully execute the strategy we set out at IPO, building a great portfolio of our own games in the process. FY19 has been our best yet and I am very pleased to report a record level of financial performance, which reflects the skill and hard work of our talented people and the support of our players around the world. We continue to nurture and enhance all three of our existing titles (*Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*) and I look forward to the release of our fourth, *Planet Zoo*, later this year. Our roadmap for future releases both as a developer and publisher is looking particularly strong, including our announcement in March 2019 that one future launch, in 2021, will benefit from a major global IP licence. More IP licences are anticipated.

GROWING OUR PORTFOLIO



Over the last 12 to 18 months we have been exploring the potential to use our publishing capability, industry experience, commercial partnerships and financial resources to supplement our own development roadmap. The three areas we have been reviewing are:

- third-party publishing (controlling the promotion and distribution of other developers' games);
- commissioning (outsourcing the majority of development of Frontier games to other developers); and
- acquisitions (to enhance our franchise portfolio or capabilities).

In June 2019 we announced our first deal under our Frontier Publishing initiative (third-party publishing) with experienced developer Haemimont Games. I anticipate further deals in the future for Frontier Publishing, and we also continue to explore commissioning and acquisition opportunities.

Earlier in 2019 we celebrated our 25 year anniversary as a company and while I am very proud of all of our achievements to date, it feels like we are at the start of our journey. The opportunities we have now are better than ever. I am excited about our future, our next 25 years, as we continue to expand our horizons and grow our portfolio, our team and our partnerships.

THE GAMES MARKET

The games market, along with film, TV and music, is part of the wider $300 billion entertainment industry. Games forms the largest sector, worth in excess of $130 billion, and it is still growing rapidly unlike its other counterparts, such as TV, that have typically experienced declines over several years.

With audiences craving greater levels of interactivity within their entertainment experiences, the lines between these sectors continue to blur. Frontier is well placed to both drive and support future changes in the wider industry, including the potential addition of whole new forms of entertainment, leveraging our strong relationships with leading entertainment companies.

The games market is typically seen as three different sectors, PC, console and mobile/tablet, each with distinct characteristics, though increasingly it is play styles that matter. Rich, engaging experiences where the expectation might be to play for an hour or so in a session for example, are currently confined to PC and console. In the future we might see these coming to other platforms too like mobile and tablet, via the new streaming services. Our main development focus is therefore on those rich, engaging experiences currently most suited to PC and console, as the audiences on these platforms greatly value games exhibiting Frontier's key development strengths of compelling gameplay and high production quality. Currently, the mobile sector is overcrowded and has a very low barrier to entry, typically with games with a 5-10 minute play expected play session, making audiences less predictable and much less influenced by quality. 'Discoverability' (the ability to find a title) is also better on PC and console, with excellent support from reviewers, content creators and social media.

The entire games market is moving rapidly towards digital download as the primary delivery model. Mobile and PC are now almost 100% digital, and the console audience is quickly catching up, as focus shifts to the new generation of hardware and older business models are replaced. We have also seen a number of interesting developments and announcements for streaming game content. While technical considerations mean that streaming games from the cloud to consumer devices may take several years to become mainstream, we believe the prospect of streaming is already shifting the balance of power from distribution stores in favour of game developers, as evidenced by a leading distribution store adjusting its distribution fees from 30% to 20%-25%.

Our industry has always thrived on disruption, in terms of individual games, game genres, charging models, technology and routes to market, and it has been interesting to observe the impact of some of those disrupting factors in the last 12 months, particularly in terms of new digital distribution channels and streaming services. We believe that many of these changes benefit those companies who both create and own their own content, which is a further validation of our transition to a self-published development model. Our particular focus on 'games as a service'– supporting our titles and their communities with regular updates – is working very well, producing three successful titles so far, with early indications that the fourth is being well received, but we will continue to monitor and consider different delivery model options as the industry continues to evolve.

STRATEGY

We believe that publishing our own franchises, and selectively those of other high-quality development studios, is the best way to maximise the benefit of our core skills, our assets and our COBRA technology platform. The Company's focus is on developing and delivering top-quality, self-published PC and console titles for digital distribution.

We will continue to follow our repeatable model to support our great franchises over many years with new releases and updates, and to create further franchises in popular game genres where we can use our key expertise, knowledge and/or valuable external IP to deliver highly differentiated, best-in-class player experiences, and to further build our revenue pipeline over the long term.

Our strategic objective is to create long-term sustainable growth through successfully publishing a growing number of franchises. Our strategic focus is on two key areas:

- developing our business to achieve repeatable success; and
- creating and managing franchises.

We are scaling up for the future so we can release games more frequently and we already have future franchises in different phases of development. The increase in the number of releases supporting our existing games helps smooth revenue, but major releases of new franchises are still a significant factor in the revenue stream. As we scale the number of franchises over future years, and as the frequency of these releases approaches one per year, this will have a smoothing effect on growth, but in the meantime revenue is sensitive to the specific schedule of such releases and may therefore exhibit 'stepped' behaviour across financial years, as those new franchises are released.

We are growing our portfolio and consequently we are increasing our development team to enable us to support additional titles while generating new content for our existing titles. We expect to grow our resources and capability over time to enable us to achieve one major launch every 12 months, but this will not require us to increase our workforce linearly because supporting an existing franchise typically requires fewer staff than creating a new one.

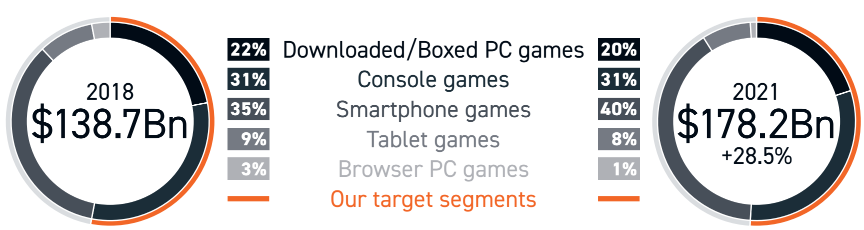
As stated in the Group's previous Annual Reports and other communications, in addition to the current core model of using internal resources, supplemented by outsourced services, the Group will continue to explore other opportunities to accelerate its scale-up.

The Board expects the third-party publishing initiative announced in June 2019 to grow as more third-party games are signed and added to the publishing roster, though it is not expected that these games will contribute material revenue in the current financial year (FY20).

We will also continue to explore opportunities for commissioning (outsourcing the majority of development of Frontier games to other developers) and enhancing the Group's franchise portfolio or capabilities via acquisitions. The Group has considered a number of possible acquisitions, but so far none have met our valuation, product alignment and culture fit thresholds.

DAVID BRABEN
FOUNDER AND CEO
4 September 2019

The size of the global games industry market[1]



1 NewZoo Global Games Market Report 2019.

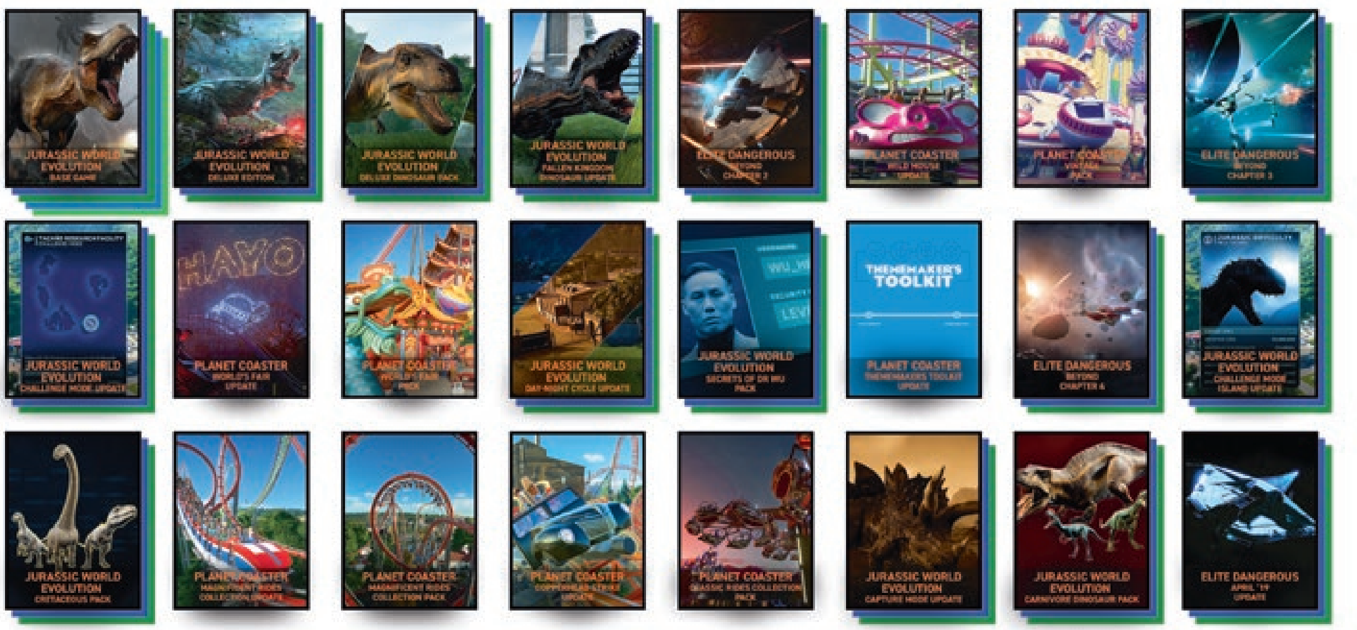
David Braben, Chief Executive, said:

I am delighted to report a record level of financial performance, which reflects the skill and hard work of our talented team and the support of our players around the world. We continue to nurture and enhance all three of our existing titles (*Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*) and I look forward to the release of our fourth highly anticipated game, *Planet Zoo*, later this year.

Earlier in 2019 we celebrated our 25th anniversary as a company and while I am very proud of all of our achievements to date, it feels like we are at the start of our journey. The opportunities we have now are better than ever. I am more excited about our future, our next 25 years as a result, as we continue to expand our horizons and grow our portfolio, our team and our partnerships.

FY19 releases

KEY: PC - DIGITAL | PS4 - DIGITAL | XBOX - DIGITAL | PS4 - PHYSICAL | XBOX - PHYSICAL



CURRENT TRADING AND OUTLOOK

Frontier's first three self-published titles, *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*, continue to perform well, in line with expectations, supported by the Company's strategy of active community engagement, free updates, chargeable content and price promotions.

Revenue in the current financial year (FY20, running from 1 June 2019 to 31 May 2020) will benefit from the launch of *Planet Zoo* on 5 November 2019. Whilst Frontier anticipates considerable success with the release of *Planet Zoo*, it is unlikely to drive total revenues within the financial year as high as those achieved by *Jurassic World Evolution* in FY19. This is due to three main factors:

- The fact that *Planet Zoo* is a single-format PC exclusive. *Jurassic World Evolution* was a multi-platform release, launching simultaneously on PC, PlayStation4 and Xbox One, with console representing roughly half of the total unit sales. Frontier's strategy includes the release of certain games (especially own IP games) on PC first in order to maximise long-term engagement, taking into account audience considerations and hardware capability, while retaining the opportunity to expand to console later.
- The strength of the *Jurassic World* brand. Support for the launch of *Jurassic World Evolution* was boosted by it's release of the *Jurassic World: Fallen Kingdom* film, and the considerable marketing activity surrounding it.
- The timing of the release. *Planet Zoo* launches half-way through FY20, so contributes half a year of revenue, whilst *Jurassic World Evolution* which launched at the beginning of FY19, provided a full 12 months of revenue.

Taking into account the ongoing performance of *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*, including the expansion content for each of those games, and the planned launch of *Planet Zoo* on 5 November 2019, the Board is comfortable with the current range of analyst revenue projections of £65 million to £73 million for financial year 2020 (the 12 months to 31 May 2020).

The Board expect revenue from the Frontier Publishing initiative to grow over time, although does not expect it to be material in FY20.

OUR MULTI-FRANCHISE **BUSINESS MODEL**

Key strengths

EMPLOYEES
Our team is instrumental in making games that define genres and receive critical acclaim.

RESEARCH AND DEVELOPMENT
We continue to invest in the necessary facilities to develop our franchises and support our world-class team.

IN-HOUSE TECHNOLOGY
Our development process uses our proprietary COBRA tools and technology to facilitate innovative features.

AUDIENCE
We have a loyal audience which we continue to engage using appropriate additional products.

PARTNERSHIPS
We work with our partners to widen our audience, monetise our franchises and bring other games to market.

Creating and nurturing to achieve repeatable success

CREATE
Frontier uses experience gained from a track record in the games industry over three decades to create franchises that build on our world-class expertise.

High quality

Innovative experiences

NURTURE
Frontier avoids 'pay-to-win' features, instead continuing to expand each franchise offering through an ongoing programme of free and paid-for expansions and add-ons.

Boost player experience

Increasing awareness

Stakeholder value

EMPLOYEES
Record performance related bonuses in 2019

PLAYERS
>8 million
base game units of self-published games sold
(as at 31 July 2019)

PARTNERS
Strong sales performance of *Jurassic World Evolution*

SHAREHOLDERS
Nearly 600%
growth in profit in FY19

DEVELOPERS
1st
Frontier Publishing partnership signed

Developing our business to achieve repeatable success

INVEST

We invest our development resources in games with strong franchise potential, primarily on PC and console. In order to maximise the return on our core skills and assets we target game genres where we have established expertise and/or intellectual property within our teams. Audiences on the chosen platforms tend to value games that exhibit Frontier's key development strengths.

We have a proven and successful model for repeatable success, looking at under-served areas of the market in which we can excel. To accelerate our progress and increase the frequency of launches we are continuing to scale up our organisation, not just in terms of staff numbers, but also in terms of leadership skills, training, organisational structure, process and external partnerships.

We also invest in the necessary facilities to support our world-class team. In April 2018 we moved all of our staff into a brand new office space on the Cambridge Science Park, with a great many custom features. It is our belief that having all our people in Cambridge working together in a single building helps maximise our operational effectiveness and efficiency, and the improved work environment helps with recruitment and overall productivity.

DEVELOP

We use online channels to create and engage with player communities during game development, a practice which provides a valuable source of feedback, and these player communities provide excellent advocacy for each franchise prior to launch.

Our development process uses our proprietary COBRA development tools and technology to facilitate innovative features and the creation of top-quality games with strong differentiation for PC and console audiences. Our control of this technology also removes the risks related to ongoing access to third-party licensed technology alternatives, as has happened in the past where successful tool providers are acquired by a major rival player. In addition, the direct engagement with those involved in the engine development, and the ability to control the delivery dates and new feature roadmap of that technology can be invaluable, for example giving first-mover advantage with new technologies such as VR.

PUBLISH

With each of our franchises, we plan for the long term, and how best to support and sustain the audience for each one. A dedicated team monitors progress based on sentiment towards the games, the success of each of the distribution channels and platforms, and the uptake of additional content both free and paid, allowing us to reach the widest possible audience over time. Free content is a valuable tool to help retain and restore existing audiences and support sentiment, while paid content both helps monetise the game and brings new players as new content triggers online coverage on platforms like YouTube or Twitch, increasing sales of the corresponding base game and for other paid expansion content.

We also monitor the geographical performance of our titles, understanding and monitoring under and overperformance versus expectations in each territory, and will continue to look for opportunities to tailor our local price to a level more appropriate to each local economy.

Creating and managing franchises

In order to maximise the return on our core skills and assets we target game genres where we believe we can deliver both high-quality, differentiated offerings using established expertise and intellectual property, and have a strong chance of successful market entry, as we believe that sector is underserved by the existing offerings, based on past experience or knowledge of that sector.

We use this proven, rigorous and repeatable model to invest our resources with the intention of creating world-class games with strong franchise potential and plans for strong post-launch product support to help realise this potential. With *Elite Dangerous* we knew there had been significant success in the past, not least because of our own games in that area in previous decades, but that there were no games like it at the time. We verified that there was a significant appetite for such a game with Kickstarter crowdfunding at the end of 2012 and early 2013, and the game itself has now vindicated that decision with continued success in its fifth year since full release.

With *Planet Coaster*, we were releasing a title in competition with an established and well-loved franchise, *RollerCoaster Tycoon 3*. Frontier developed *RollerCoaster Tycoon 3* for Atari in 2004 when we were a work-for-hire business and it was a very successful game for over a decade. This led us to believe the sector was underserved and given our experience developing *RollerCoaster Tycoon 3* we were confident we could create its natural successor as the genre-defining title. Despite the release of another game in the sector the day prior to *Planet Coaster's* launch, we have achieved that aim and *Planet Coaster* now dominates the sector and continues to be successful in its third year since release.

Jurassic World Evolution followed in June 2018 (working with the team at Universal Games and Digital Platforms), and now *Planet Zoo* has been announced for release on 5 November 2019. With *Planet Zoo*, we are following the same model. The last successful game in this sector was *Zoo Tycoon* with Microsoft in 2013, developed by Frontier for Microsoft, and again we are confident we have developed a game that will dominate its sector for years to come. Early indications are encouraging. The responses to our *Planet Zoo* announcements, videos and hands-on demonstrations so far have been overwhelmingly positive.

Future plans

We will continue to grow the capacity and capability of our organisation in both commercial and development areas in order to further the successful evolution of our franchises.

As part of this process, we will explore additional potential partnerships and licensing opportunities. We will also continue to review potential acquisition targets that could augment our capacity or add new capabilities as well as IP that may help us achieve our goals.

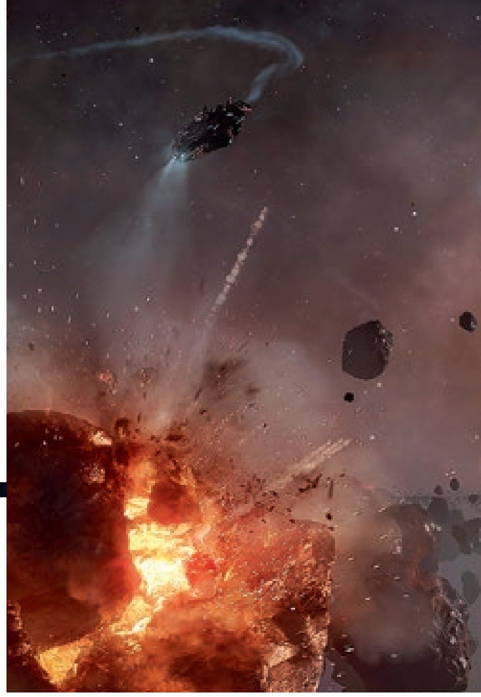
We will endeavour to enhance and expand our franchises and grow their audiences using appropriate additional products, platforms, media, marketing, distribution channels and charging models through investing in the necessary people, organisation, resources and infrastructure.

We are building a broad portfolio of franchises, each different to the last and each with the capabilities to expand over time and we are scaling up for the future so we can release games more frequently. All upcoming franchises will be selected using the same approach set out above, and we already have several in different phases of development.

Subject to Frontier's disclosure obligations as an AIM company, it is the Board's intention to make announcements about upcoming projects at the optimum time for the success of that particular franchise, which may be some time after the start of a particular project.

Our future franchise portfolio is likely to contain some with Frontier-owned IP (like *Elite Dangerous*, *Planet Coaster* and *Planet Zoo*) and some with third-party licensed IP (like *Jurassic World Evolution*). Games based on owned IP provide Frontier with the benefit of having complete creative freedom, whilst games based on licensed IP have the potential to more easily reach very large audiences, such as with *Jurassic World Evolution*. We will review the value of licensing proven third-party major global IP versus developing our own IP for each potential future franchise on a case-by-case basis. We will also consider the long-term benefits of relationships with these IP partners and how it can help with future opportunities as the wider entertainment sector continues to change, presenting ever-more new opportunities for new types of entertainment.

BLAZING A TRAIL **INTO THE BEYOND**



ELITE DANGEROUS

December 2014
release date

400 billion
star systems to explore

38
ships to choose from

BAFTA NOMINEE GAMES

ELITEDANGEROUS.COM

Elite Dangerous is now in its sixth financial year since release in December 2014. Since launch we have continued to release expansions to the original *Elite Dangerous* game, simultaneously on PC, PlayStation 4 and Xbox One as those platforms have been added. Simultaneous releases on all supported platforms are planned to continue going forward.

These updates add to the quality of the game, renew the interest of existing players and also generate additional awareness across traditional media and social media platforms, resulting in new sales. The attach rate of *Elite Dangerous*: *Horizons* to the base game continues to grow steadily, helped by the regular updates.

Having the base game and *Horizons* expansions in the market covers mid-price entry to the franchise with an upgrade path, and we bundle the two together and add some digital items to create a Deluxe edition for a premium price point entry. We believe each product offers great value individually and a compelling premium package together.

The *Horizons* season of chargeable expansions launched in December 2015 with *Planetary Landings* and concluded in September 2017 with *The Return*, with each release in the season providing new headline gameplay features plus a large number of quality of life enhancements and other tweaks, fixes and improvements.

The *Beyond* season of free updates was announced in October 2017 at the Frontier Expo 17 fan convention, and released in four chapters during the period February 2018 to December 2018. Each *Beyond* update was free for all players, regardless of whether they had the *Horizons* season pass, providing enhancements to the overall player experience, bringing foundational changes to the core systems of *Elite Dangerous* and delivering new in-game content for Commanders to experience as they explore the massively multiplayer galaxy.

Ongoing development

Elite Dangerous is Frontier's biggest selling game franchise to date. The franchise continues to perform strongly as we continue to focus on enhancements within the strategy of further improving perceived quality and sentiment, adding significant long-term new features and supporting the unique, evolving player-driven story, which all players experience together. We will continue to support existing players and further expand the player base over the next financial year through the addition of new content.

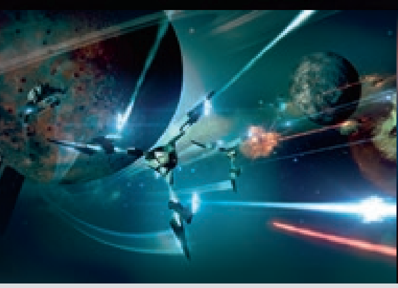
FREE UPDATES AND DLC

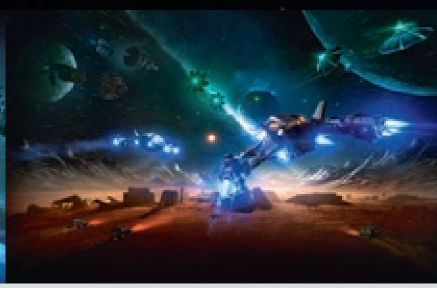
MARCH 2015
Wings

FEBRUARY 2015
Community Goals

LAUNCH
DECEMBER 2014
1.0 Elite Dangerous

PAID DLC





OCTOBER 2015
CQC

MAY 2016
Mission System

JUNE 2018
Beyond: Chapter 2

DECEMBER 2018
Beyond: Chapter 4

JUNE 2015
PowerPlay

DECEMBER 2015
Ships Expansion

OCTOBER 2016
Overhaul

FEBRUARY 2018
Beyond: Chapter 1

AUGUST 2018
Beyond: Chapter 3

APRIL 2019
April update

DECEMBER 2015
2.0 Horizons

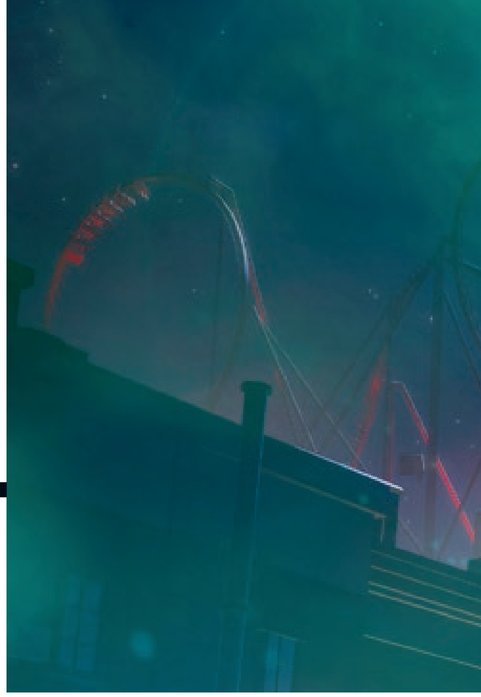
OCTOBER 2016
Horizons: The Guardians

SEPTEMBER 2017
Horizons: The Return

MAY 2016
Horizons: The Engineers

APRIL 2017
Horizons: The Commanders

EVOLVING COASTER **PARK SIMULATION**



November 2016
release date

11
paid DLC packs

140
number of rides and coasters

>250,000
player created workshop items can be freely downloaded

BAFTA NOMINEE GAMES

PLANETCOASTER.COM

Planet Coaster was successfully launched in November 2016 after a short beta period, achieving the global #1 position on the Steam distribution channel and continuing to sell strongly through the subsequent holiday period.

In accordance with our strategy, we began to release free updates, each of which adds headline features but also expands and improves different creative and management aspects of the game. 15 free updates have now been released for *Planet Coaster*, starting with the *Winter Update* one month after launch in December 2016 and continuing at regular intervals, with the latest released in June 2019.

In addition to the free content updates, we released the *Thememaker's Toolkit* in winter 2018. *Thememaker's Toolkit* is a free feature that allows players to unleash their creativity and enhance their parks by importing bespoke 3D models of their own design into the game.

In addition to the free updates, players are able to introduce further content into their parks through the purchase of paid downloadable content (PDLC) packs. The first of these released in July 2017 with three packs involving Universal IP – *Back to the Future*, *The Munsters* and *Knight Rider*. In total *Planet Coaster* has 11 separate PDLC packs available to date. The most recent, the *Ghostbusters* pack using Sony Pictures IP, released in June 2019. The *Ghostbusters* pack took the game on a new direction, introducing a narrative scenario that directly tied into the original film, in which Dan Aykroyd and William Atherton reprised their iconic roles. It also presented players with new gameplay elements that have injected an abundance of new creative options for their enjoyment.

Ongoing development

The combination of free updates and PDLC packs is an important part of Frontier's strategy for *Planet Coaster*, as they keep the game fresh for existing players and help attract new players into the game.

FREE UPDATES AND DLC

LAUNCH
NOVEMBER 2016
Planet Coaster

DECEMBER 2016
Winter Update

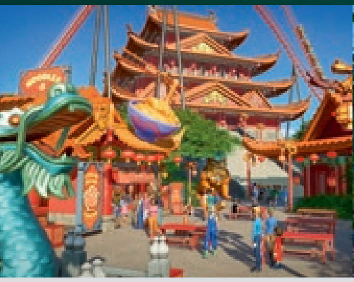
APRIL 2017
Spring Update

JUNE 2017
Summer Update

JULY 2017
Back to the Future™ Time Machine Construction Kit
Knight Rider™ K.I.T.T. Construction Kit
The Munsters'® Munster Koach Construction Kit

SEPTEMBER 2017
Spooky Pack

PAID DLC




NOVEMBER 2017
Anniversary Update

DECEMBER 2017
Adventure Pack

MARCH 2018
Hotels Update

MARCH 2018
Studios Pack

JULY 2018
Wild Mouse Coaster

JULY 2018
Vintage Pack

OCTOBER 2018
World's Fair Update

OCTOBER 2018
World's Fair Pack

NOVEMBER 2018
Thememaker's Toolkit

DECEMBER 2018
Magnificent Rides Update

DECEMBER 2018
Magnificent Rides Collection

APRIL 2019
Copperhead Strike Coaster

APRIL 2019
Classic Rides Collection

JUNE 2019
Quick Draw Interactive Shooting Ride

JUNE 2019
Ghostbusters

BUILD YOUR OWN **JURASSIC WORLD**

JURASSIC WORLD EVOLUTION

June 2018
release date

7
islands

66
dinosaur species

5
paid DLC packs

YouTube Works

JURASSICWORLDEVOLUTION.COM

Jurassic World Evolution, our first self-published licensed title, launched on 12 June 2018. It was our first self-published title (although not our first game) to debut simultaneously on PC, PlayStation 4 and Xbox One, and the first to benefit from a major marketing event by launching alongside the latest film in the franchise, *Jurassic World: Fallen Kingdom* at the start of the biggest games industry show of the year – the Electronic Entertainment Expo (E3) in Los Angeles.

The opportunity was identified and approved through our thorough project assessment process. It leveraged our management and builder game expertise, plus our unrivalled expertise in implementing believable in-game animals from games such as *Dog's Life*, *Kinectimals* and *Zoo Tycoon*. In this case, we determined that being able to use the *Jurassic World* IP would significantly benefit awareness with the most recent movie in the franchise released in June 2018, around the 25th anniversary of the original movie.

Jurassic World Evolution evolves the players' relationship with the *Jurassic World* film franchise, placing them in control of operations on the legendary island of Isla Nublar and the surrounding islands of the Muertes Archipelago. Players create and manage their own *Jurassic World* as they bioengineer new dinosaur breeds and construct attractions, containment, and research facilities. Every choice leads to a different path and spectacular challenges arise when 'life finds a way.'

Jurassic World Evolution was announced in August 2017, with pre-order announced on 28 March 2018 for a digital launch on 12 June 2018 on all three platforms. In addition, physical discs went on sale for PlayStation 4 and Xbox One on 3 July 2018 for those who still prefer physical media. Player engagement has been very positive, and the game achieved 1 million units in five weeks and passed the 2 million unit marker within seven months.

Ongoing development

Jurassic World Evolution's first PDLC pack was available at launch and as a 'deluxe' bundle during pre-order. Consistent with our strategy for our first two titles, we have released a number of free updates since launch and we have also provided players the opportunity to engage with paid-for content. To date we have released five separate PDLC packs in total. As with *Planet Coaster*, the combination of free updates and PDLC packs is an important part of our strategy.

FREE UPDATES AND DLC

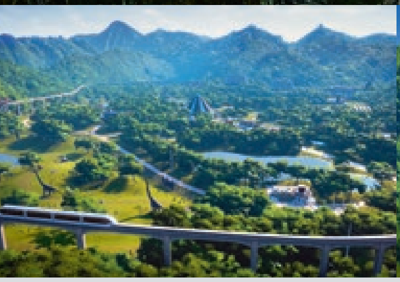
JUNE 2018
Fallen Kingdom Dinosaur Update

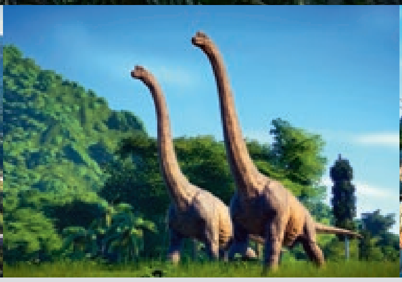
SEPTEMBER 2018
Challenge Mode Update

LAUNCH
JUNE 2018
Jurassic World Evolution

JUNE 2018
Deluxe Dinosaur Pack

PAID DLC





NOVEMBER 2018
Day and Night Cycle Update

NOVEMBER 2018
Secrets of Dr. Wu

DECEMBER 2018
Sandbox and Challenge Mode Expansion Update

DECEMBER 2018
Cretaceous Dinosaur Pack

JANUARY 2018
Stegasaurus vivid skin

APRIL 2019
Capture Mode Update

APRIL 2019
Carnivore Dinosaur Pack

JUNE 2019
Terrain Tools Update

JUNE 2019
Claire's Sanctuary

AUGUST 2019
Nasutoceratops Dinosaur

SIMULATION **RUNS WILD**

PLANET ZOO

November 2019
release date

50+
authentic animals

3
ways to play

Best simulation game at gamescom 2019

gamescom 2019

PLANETZOOGAME.COM

In April 2019 Frontier announced its next major release would be *Planet Zoo*, launching exclusively for PC on 5 November 2019. Frontier aims to make *Planet Zoo* the ultimate zoo simulation, featuring authentic living animals, rich management and limitless creativity. In *Planet Zoo* players can build and manage a truly modern zoo where animal welfare and conservation comes first.

Planet Zoo will present the most authentic animals in video game history. From playful lion cubs to mighty elephants, every animal in *Planet Zoo* is an individual who thinks, feels and explores the world players build around them. *Planet Zoo*'s animals care about their surroundings and each other, with complex environmental and social needs. Players will nurture their animals throughout their lives, study and manage every species to see them thrive, and help them raise young to pass their genes onto future generations.

Players can manage their zoo in an expressive world that reacts to every choice they make, as they choose to focus on the big picture or go hands-on and look after the smallest details. Players can thrill visitors with prestigious animals and famous exhibits, develop their zoo and research new technologies, and release animals back into the wild to repopulate the planet.

And in *Planet Zoo* players can unleash their creativity with the next evolution of *Planet Coaster*'s best-in-class creation mechanics. With powerful creative tools players can create stunning scenery and habitats, dig lakes and rivers, raise hills and mountains, and carve tunnels and caves as they build their own zoo. Players will see their animals and visitors respond to their creative vision, and can share their designs with friends in *Planet Zoo*'s online community.

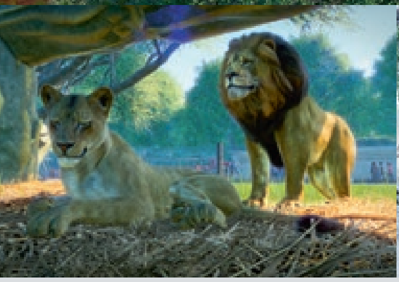
Campaign highlights

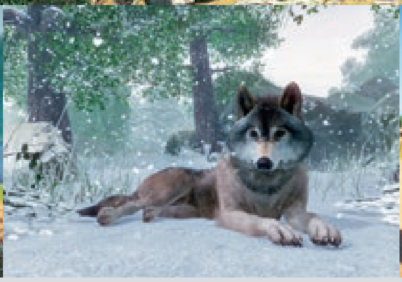
Planet Zoo's marketing campaign kicked off in April 2019 when we announced worldwide that we would be making a new zoo simulation game that sits within the Planet franchise. The next major event was at E3, when we previewed the first in-game trailer. Premiered on the PC Gaming Show and with a global Twitch E3 partnership, this kicked off the pre-order phase of the campaign and excited players with a beta offering. Gamers and the wider global gaming community were able to play or see the first hands-on build at gamescom, giving a glimpse into the first scenario in the Career Mode. Our communications strategy of continually engaging with our community, raising brand awareness through Developer Diaries and monthly developer journals is performing well and encouraging good conversations and awareness online. *Planet Zoo* has already received a number of awards and acknowledgements such as the Best Simulation Game at gamescom, as well as multiple Best in Show awards across E3 and gamescom. With this and many campaign activities and announcements planned before launch, *Planet Zoo* is on a strong trajectory for success.

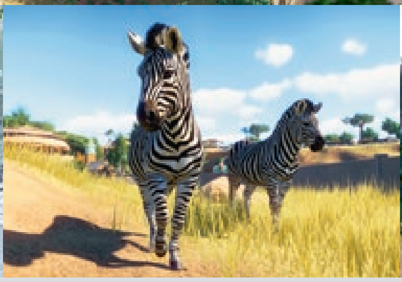
APRIL 2019
Studio visit with top-tier press

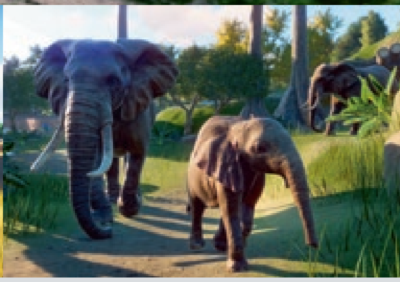
Planet Zoo announcement with first CG trailer

MAY 2019
Studio visit with top-tier press









JUNE 2019
Exclusive in-game trailer reveal on PC Gaming Show stage

First gameplay footage at E3

The Making of Planet Zoo | An Authentic Experience Dev Diary #1

JULY 2019
Developer journals and animal reveals

On #WorldTigerDay Planet Zoo welcomes the Bengal Tiger

AUGUST 2019
The Making of Planet Zoo | Creativity and Simulation #2

First consumer hands-on at Gamescom

Beta content announcement and date reveal

SEPTEMBER 2019
Exclusive beta access 24 September 2019 to 8 October 2019

Hands-on at TwitchCon

LAUNCH
NOVEMBER 2019
Planet Zoo

WE EFFECTIVELY IDENTIFY **AND MANAGE RISKS**

The Group faces competitive, strategic and financial risks that are inherent in a rapidly growing emerging market. The executive team maintains the risk register and escalates the key risks for further consideration at full Board level on a regular basis.

The key business and financial risks for the Group are set out below:

Description	Mitigation	Change
Staff availability If the Group does not have the correct numbers of people with the correct skills available, the execution of its business plan will be compromised. **Links to strategy** INVEST DEVELOP PUBLISH	The Group continues to prioritise direct recruitment, outreach and staff on-boarding in order to ensure that its plans can be achieved. Over 120 people joined Frontier during FY19, growing headcount to over 460. We have visibility of our future needs via a regularly reviewed plan of record and undertake analysis of potential bottlenecks. We seek to minimise days lost to sickness via healthcare benefits and general morale and wellbeing initiatives. The Group is a Tier 2 visa sponsor, to facilitate its objective to employ the best possible people from the worldwide talent pool. In the last two years we have expanded our HR team to add dedicated talent acquisition resources. We also balance internal and external resources through outsourcing. Brexit is an obvious ongoing concern in respect of sourcing and retaining talent from the EU, and we continue to monitor this issue.	No change
Staff retention Staff departures could create staff and key skill/experience shortages and compromise the execution of the Group's business plan. **Links to strategy** INVEST DEVELOP PUBLISH	Whilst there will unavoidably be some level of staff turnover, the Group believes that its attractive project portfolio, talented staff and good quality leadership make Frontier a place where talented people want to build their careers. We use our business success to deliver benefits to our people, and we offer training and development programmes alongside competitive incentive schemes to further enhance our attractiveness as an employer.	No change
Cyber-security A breach of security could take many forms and could significantly impact the business and impair its self-publishing plans. Exposure includes that of failure of security at our partners, including Amazon, Valve, Microsoft and Sony. **Links to strategy** INVEST DEVELOP PUBLISH	We have implemented cyber-security policies, processes, technologies and tools intended to secure our data and systems, and prevent and detect unauthorised access to, or loss of, our data, or the data of our customers, consumers or employees. However, because a cyber attack may remain undetected for a prolonged period of time and the techniques used by criminal hackers and other third parties to breach systems change frequently, we may be unable to anticipate these techniques or implement adequate preventative measures. Additionally, while we maintain insurance policies, they may be insufficient to reimburse the Company for all losses or all types of claims that may be caused by security breaches or system disruptions.	Increase

KEY TO CHANGE IN RISKS

- No change
- Increase
- Decrease

Description	Mitigation	Change
Execution risk The Group has transitioned from a work-for-hire model to a multi-franchise self-publishing model. Whilst successful project execution is very important under both models, inherently both the rewards and the risks under a self-publishing model are probably greater. **Links to strategy** INVEST DEVELOP PUBLISH	Frontier has a long history of strong project execution. Nevertheless, it is vital Frontier continues to push itself and so avoid complacency to retain its excellent execution record. It must continue to challenge its own internal assumptions and those about the industry trends to remain at the forefront of the industry. The Group remains confident that it can use its experience and expertise to continue to deliver on the product, technology, commercial and operational aspects that support its strategy. The Group's Frontier Publishing initiative is making good progress, with the first partnership signed in June 2019 with experienced developer Haemimont Games. Frontier applies a rigorous process to partner selection, including a thorough review of execution risk on a case-by-case base for new external opportunities such as those provided through Frontier Publishing.	
Currency risk The majority of Frontier's resources are located in the UK and therefore the Group's operating costs are mainly in Pounds Sterling (GBP). Sales are global, in multiple countries and in multiple currencies. The Group therefore has short-term transaction and translation risks, in addition to the longer-term economic risk of developing in the UK and selling worldwide. The largest exposure is the US Dollar (USD). **Links to strategy** INVEST DEVELOP PUBLISH	The Group has expanded its revenue sources and there has been a subsequent increase in revenue from non-GBP currencies in the last few years. Whilst the longer-term economic risks of selling globally cannot be avoided, forward contracts have been used to gain certainty over the rate of conversion of foreign currency income. The Group will continue to review the most effective way of managing transaction and translation risks.	
Growth management The Group's future success will depend on its ability to manage and fund its anticipated expansion through the utilisation of internal resources together with the realisation of external opportunities such as outsourcing, commissioning and publishing. These external opportunities may also include acquisitions. Such expansion and investment are expected to place demands on management, support functions and working capital. If the Group is unable to manage and fund its expansion effectively, its business and financial results could suffer. **Links to strategy** INVEST DEVELOP PUBLISH	In order to mitigate the risk, the Group has invested in suitable training for key staff and key internal systems. The Group's Board includes experienced Non-Executive Directors who ensure risks are managed regularly and objectively. The Group prudently manages its liquidity by monitoring forecast cash inflows and outflows both in the short and medium terms, as well as its long-term investment needs and opportunities. Frontier provides appropriate resources and attention on external opportunities to develop its game portfolio and business, such as those opportunities identified through the Group's Frontier Publishing initiative.	
Market disruption The Group operates in a fast-moving industry where competitive products, larger competitors, new market trends or disruptive technology may emerge which reduce its ability to compete and execute its business plan. **Links to strategy** INVEST DEVELOP PUBLISH	Investing in its own COBRA technology and self-published games allows the Group to continue to innovate, and we seek to make our processes and business decisions agile and well informed so we can anticipate and exploit such changes. We believe this risk is mitigated by our track record of execution on new platforms and the flexibility demonstrated by the diverse range of video games we have successfully developed in the past. The Group is focused on the development and ownership of IP, which it believes will create the greatest long-term value for the Group, compared with other business models that Frontier could pursue such as the work-for-hire model that the Group transitioned away from in 2013–14.	

This Strategic Report was approved by the Board and signed on its behalf by

ALEX BEVIS
CFO AND COMPANY SECRETARY
4 September 2019

A RECORD SET **OF RESULTS**

The ongoing performance of all three titles reflects Frontier's approach to supporting and nurturing each of its franchises.

The launch of *Jurassic World Evolution* in June 2018, combined with the ongoing performance of all three titles, *Jurassic World Evolution*, *Planet Coaster* and *Elite Dangerous*, propelled the Company to a record financial performance for the year ended 31 May 2019. Revenue increased by over 160% to £89.7 million (FY18: £34.2 million) and operating profit grew by nearly 600% to £19.4 million (FY18: £2.8 million). Cash balances increased by £11.2 million during the year to £35.3 million (FY18: £24.1 million) reflecting the strong trading performance.

TRADING

Jurassic World Evolution accounted for a large proportion of the total annual revenue of £89.7 million in the period (FY18: £34.2 million) through its strong launch in the first month of the financial year on PC, PlayStation 4 and Xbox One. *Elite Dangerous* and *Planet Coaster* continue to deliver sustained revenue from both sales of the base game and PDLC, and sales of *Jurassic World Evolution* in the second half of the financial year, i.e. beyond its initial launch period, were encouraging in terms of both base game sales and PDLC. The ongoing performance of all three titles reflects Frontier's approach to supporting and nurturing each of its franchises.

Self-publishing revenue accounted for 99.8% of sales in the year (FY18: 95%) with the majority being digital sales. Physical sales represented around 15% of total company revenue in FY19 (FY18: 7%) with disc sales of *Jurassic World Evolution* on PlayStation 4 and Xbox One accounting for around one-third of the base game unit sales of *Jurassic World Evolution* on console during the period.

Gross profit was £54.6 million in the year (FY18: £24.1 million) with gross margin at 61% (FY18: 70.5%). The significant growth in gross profit resulted from the increase in revenue achieved from the launch of *Jurassic World Evolution*. The reduction in gross margin percentage to 61% reflects the royalties payable to Universal Games and Digital Platforms on sales of *Jurassic World Evolution* and physical disc sales of *Jurassic World Evolution* which are lower margin than digital sales.

Gross research and development expenses in the period grew by 33% to £21.2 million (FY18: £15.9 million). The continued growth reflects further investment to support Frontier's franchise portfolio strategy, through increases in internal staff combined with greater levels of outsourced activity. As at 31 May 2019, Frontier had grown its total headcount to 466 staff compared to 377 at 31 May 2018.

Capitalisation of development costs on franchise assets and other game related intangibles accounted for £14.8 million in the period (FY18: £13.4 million). As a consequence the percentage of gross research and development costs which were capitalised reduced to 70% compared to 85% for the last financial year. This reduction resulted mainly from the interaction of two factors. Firstly, the Company refined the application of its capitalisation accounting policy with effect from 1 June 2018, such that only development activity associated with new chargeable products would be capitalised (subject to the usual criteria set out under accounting standard IAS 38). Secondly, during the first six months of the financial year a substantial number of Frontier's development team were engaged on the *Beyond* series of free updates for *Elite Dangerous* (which concluded in December 2018) and a number of free updates for *Jurassic World Evolution* and *Planet Coaster*. Whilst costs for those activities were not capitalised during the period as they were developments of existing released products rather than new products, Frontier believes that investment in free updates is an important part of its strategy in supporting and nurturing games after launch. A higher percentage of costs were capitalised in the second half of the financial year and to date in the current financial year as a greater proportion of staff have been working on development activity associated with new chargeable products, including paid downloadable content (PDLC) for existing game franchises.

Amortisation charges for franchise assets and other game related intangibles grew to £8.5 million for the period (FY18: £6.1 million) following the launch of *Jurassic World Evolution* in June 2018.

Net research and development expenses recorded in the income statement in the period were £14.9 million (FY18: £8.5 million), being gross spend, less capitalised costs, plus amortisation charges. The increase is therefore due to the combination of factors described above (a higher level of gross spend, a lower proportion of those costs being capitalised and an increase in amortisation charges).

Sales, marketing and administrative expenses grew to £20.4 million (FY18: £12.8 million). This substantial increase resulted mainly from three factors: i) higher marketing costs to support the launch of *Jurassic World Evolution* in June 2018; ii) higher bonus costs, as the bonus scheme is based on profit, which was significant in the period; and iii) higher facilities costs following the move into new premises in April 2018.

Operating profit of £19.4 million was recorded in the year (FY18: £2.8 million) representing an operating margin of 22% (FY18: 8%). The substantial increase in both profit and profit margin reflected the strong sales performance in the period. EBITDA (earnings before interest, tax, depreciation and amortisation) also increased substantially to £29.0 million (FY18: £9.4 million).

Total corporation tax charges in the income statement for the period totalled £2.2 million (FY18: a credit of £0.7 million), which would imply an effective tax rate of 11% on the £19.7 million of pre-tax profits recorded. However, the Company estimates that the taxable profits generated in the period were actually almost completely offset by brought forward tax losses combined with tax deductions related to staff share option gains recorded up to 31 May 2019. The reason that a tax charge of £2.2 million was recorded in the income statement is largely due to a £2.0 million tax accounting charge adjustment related to staff share options. In accordance with accounting standard IAS 12, the benefit of tax deductible share option gains in excess of the cumulative IFRS 2 accounting charges related to those gains must be credited directly to reserves rather than being taken through the income statement, which generated this £2.0 million credit directly to reserves instead of to the income statement. The Group has recognised a deferred tax asset of £0.6 million as at 31 May 2019 which mainly relates to carried forward tax losses, and the Group has also recorded a current tax liability as at 31 May 2019 of £1.0 million based on a provisional estimate of corporation tax due for FY19.

Profit after tax for FY19 was £17.4 million (FY18: £3.6 million) and basic earnings per share was 45.4p (FY18: 9.6p).

BALANCE SHEET AND CASHFLOW

The Company runs a robust balance sheet, and this was further boosted by the record financial performance achieved in the year with operating cashflow (operating profit excluding non-cash items, less investments in franchises and other game related intangible assets) of £15.4 million (FY18: an outflow of £2.8 million), resulting in a cash position at 31 May 2019 of £35.3 million (31 May 2018: £24.1 million).

Tangible assets increased to £6.4 million (FY18: £5.0 million) mainly as a result of the second phase of the fit-out of the new leased office facility, which the Company occupied in April 2018.

Intangible assets increased by £6.3 million to £36.5 million at 31 May 2019 (FY18: £30.2 million) as investments in game franchise assets, particularly *Jurassic World Evolution*, exceeded amortisation charges related to those assets.

Trade and other receivables totalled £5.2 million at the end of the period (FY18: £6.7 million). The higher balance at 31 May 2018 mainly resulted from pre-order sales of *Jurassic World Evolution*, and this was the principle reason for a high level of deferred income at the end of the prior period, with a deferred income balance of £1.5 million at 31 May 2019 compared to £4.3 million at 31 May 2018.

Trade and other payables totalled £10.0 million (FY18: £6.9 million) with the largest factor for the increase being the profit related bonus accrual. The Company ran a two-year bonus plan for all staff for the combined period of FY18 and FY19, and most of the bonus charge was accrued in FY19 since that financial year generated the majority of operating profit (FY19: £19.4 million, FY18: £2.8 million).

Cash balances increased £11.2 million during the year to £35.3 million (FY18: £24.1 million) with operating cashflow (operating profit excluding non-cash items, less investments in franchises and other game related intangible assets) providing an inflow of £15.4 million in the period (FY18: an operating cash outflow of £2.8 million). In September 2018 the Frontier Developments plc Employee Benefit Trust (the "EBT") used £5.0 million of Company cash to acquire 466,173 Ordinary Shares of 0.5p each in the Company ("Ordinary Shares") at an average price of £10.70 per Ordinary Share. These Ordinary Shares are held in the EBT and are intended to be used to satisfy the exercise of share options by employees. The EBT is a discretionary trust for the benefit of the Company's employees, including the Directors of the Company.

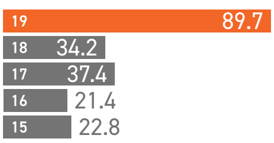
As at 31 May 2019 there were 38,741,068 Ordinary Shares in issue including 502,668 Ordinary Shares in total held by the EBT.

ALEX BEVIS
CFO AND COMPANY SECRETARY
4 September 2019

Key performance indicators

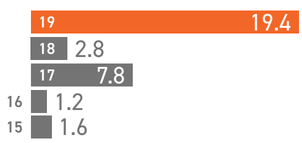
Revenue (£m)

£89.7m



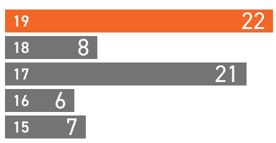
Operating profit (£m)

£19.4m



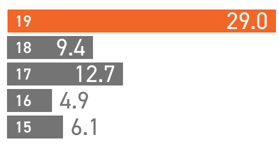
Operating margin (%)

22%



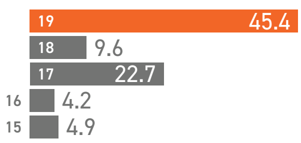
EBITDA* (£m)

£29.0m



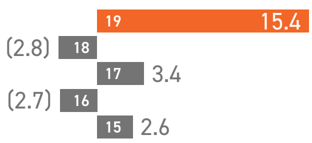
EPS (basic) (p)

45.4p



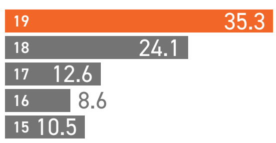
Operating cashflow** (£m)

£15.4m



Net cash balance (£m)

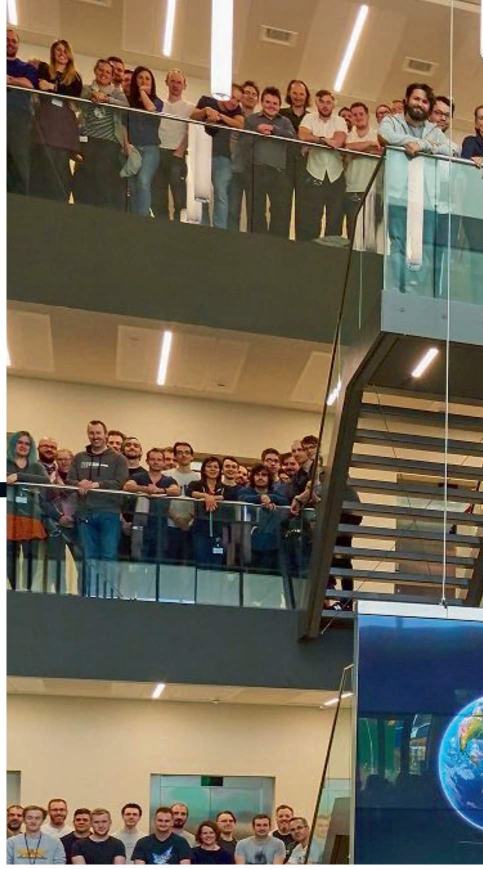
£35.3m



* Earnings before interest, tax, depreciation and amortisation.

** Operating profit excluding non-cash items, less investments in franchises and other game related intangible assets.

A GREAT PLACE **TO WORK**



gamesindustry.biz
Best Places to Work 2018
Winner

460+
staff in Cambridge

>120
new employees in FY19

34
nationalities

24%
increase in headcount

>20%
of employees from outside the UK

Frontier employs amazing people who are instrumental in making games that define genres, break boundaries and sell millions of copies to gamers around the world. We share a vision of developing, launching and supporting world-class games that put both Frontier and the games industry itself at the forefront of the world entertainment industry.

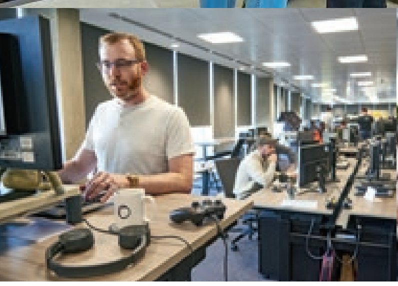
Work at Frontier is rewarding in every sense; we recognise the quality of our team and work hard to retain our talent by rewarding them with a range of excellent benefits, allowing everyone to share in the Company's success. Our relationship with our employees is a long-term affair, and so we help our people make the right decisions for their future by offering opportunities for skill development and in-house re-training.

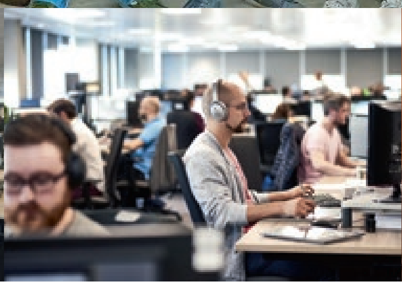
EMPLOYEE WELFARE

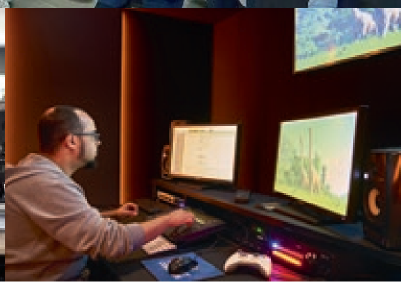
At Frontier we are committed to providing a stimulating environment for high achievers who are passionate about what they do. A healthy work-life balance is an important part of our culture and so we offer family private healthcare, an employee assistance programme and a flexitime work system. We also provide optional benefits such as reduced gym memberships and wellbeing sessions, train managers in mental health first aid, run regular ergonomic work station and occupational health assessments, and encourage open conversations relating to mental health and stress.

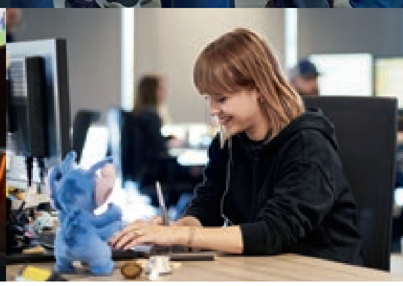
This year, we ran our first in-house Mental Health Awareness Week. Through a combination of seminars focusing on mental health, coping and managing stress, as well as yoga sessions and healthier eating options, we highlighted activities that we do throughout the year and made more of our people aware of the options and support available to them on a daily basis.

Additionally, we organise regular social activities, weekly sporting events, Frontier Fridays and lunchtime game sessions. Our office has on-site catering facilities, and we also offer free fresh fruit, snacks, and refreshments to everyone. Via our benefits suite, we offer and enable access to CBT counselling and programmes designed to help with a variety of health issues ranging from quitting smoking, getting more exercise, managing stress, leading a balanced life etc.









CSR WORK

We aim to give back to the city, the surrounding area, and to the games industry in general. We hire local graduates, support events like Brains Eden and share our knowledge at conferences like Develop in Brighton, Devcom in Cologne and Casual Connect in London.

Frontier sponsors local events and works closely with gaming charity Special Effect on the accessibility of our games and on fundraising in various occasions, including our annual charity livestream. This year we raised over £45,000 during a 24 hour live event and through our sponsorship of the Saucony Cambridge Half-Marathon with the Frontier Business Challenge.

GENDER EQUALITY

One of the key challenges still faced by UK companies when recruiting for technical programming roles is that the national talent pool is substantially male. As an illustration of these challenges, whilst Frontier has increased the overall female workforce in the last year, there has been little increase within technical programming roles. Frontier will continue to support existing and new initiatives to increase the female talent pool for technical programming in the long term.

AN EXPERIENCED **TEAM**

David Gammon

NON-EXECUTIVE CHAIRMAN

A N R

David joined the Board in February 2012

David has widespread experience in developing and building technology based businesses. Since 2001, David has focused on finding, advising and investing in UK technology companies. David is CEO and founder of Rockspring, an advisory and investment firm, which focuses on early stage technology companies. Other current positions include non-executive directorship at Accesso Technologies plc, Raspberry Pi Trading Limited and he acts as an advisor to Marshall of Cambridge (Holdings) Limited. In 2017 David was elected as an Hon Fellow of the Royal Academy of Engineering and in 2018 a member of the Scale Up Institute.

Previous experience includes Non-Executive Director (NED) and advisor at artificial general intelligence company DeepMind Technologies Limited, advisor to Hawkwood Capital LLP, NED at real-time location technology specialist Ubisense Trading Limited, NED at internet TV specialist Amino Technologies plc, NED at smart metering and software company BGlobal plc and acting CFO at internet specialist Envisional Solutions Limited. Earlier in his career, David worked as an Investment Banker for over 15 years.

David Walsh

NON-EXECUTIVE DIRECTOR

A N R

David joined the Board in September 2001

David transitioned from Chief Operations Officer to a Non-Executive Director role at the AGM in October 2018 in order to focus his attention on a start-up opportunity outside of the games industry. David is Investor Director of Pre-Cleared Limited, which operates the only licensing platform delivering officially licensed tracks from the music industry to performance sports worldwide.

David has over 25 years' experience of engineering and commercial management roles in high-growth technology companies. In 2001 David joined Frontier from ARM, the FTSE/NASDAQ listed microprocessor IP licensing company where he served for six years, helping to grow the company and, as Director of Software Systems, setting up a division of the company to facilitate adoption of the architecture in key target market segments.

David Braben

FOUNDER AND CEO

N

David was the founding shareholder of Frontier in January 1994

David is the co-author of the seminal Elite title and has 38 years' experience in the games industry. David is also one of the six founders of the Raspberry Pi Foundation, a charity which aims to inspire a new generation of children to get interested in computer science through the use of a low cost credit-card sized computer that plugs into your TV and a keyboard.

David is a member of Cambridge Angels, investing and supporting early stage companies. David is a Fellow of the Royal Academy of Engineering, and a Fellow of BAFTA (one of only 102 starting with Alfred Hitchcock), the recipient of three honorary doctorates (from Abertay University, The Open University and York University), and received an OBE in the 2014 Birthday Honours for services to the UK computer and video games industry. He is also a vice president of the charity SpecialEffect.

Jonny Watts

CHIEF CREATIVE OFFICER

Jonny joined the Board in February 2012

Jonny has over 30 years' experience in gaming. He joined Frontier Developments in 1998 from Sensible Software. Over the course of his career he has been involved in all aspects of the creation of over 30 published games such as *Sensible Soccer* and *Cannon Fodder*, along with Frontier's suite of games, including *RollerCoaster Tycoon 3*, *Elite: Dangerous*, *Planet Coaster*, *Jurassic World Evolution* and the forthcoming *Planet Zoo*.

Jonny's titles span the full range from independent development to 400-person projects, encompass a diverse range of genres, and together have been enjoyed by over 40 million people worldwide.

Jonny holds zoology and computer science degrees and is an active member of BAFTA, serving as a Judge for nine years. He is committed to supporting future developers, including initiatives such as Brains Eden.

Charles Cotton

NON-EXECUTIVE DIRECTOR

A N R

Charles joined the Board in July 2016

Charles has a successful worldwide track record in high-growth technology companies. He was a Director of Solarflare Communications Inc. which was acquired by Xilinx in 2019; Supervisory Board member of Euronext Amsterdam listed Tele Atlas which was sold to TomTom for €2.8 billion in 2008; Executive Chairman of NASDAQ listed GlobespanVirata Inc.; and CEO of Virata Corp. which he took public on NASDAQ in 1999 and achieved a market capitalisation of $5 billion in 2000.

Charles is an active member of the Cambridge technology community holding a number of strategic, technical and financial roles including as a Director of Cambridge Enterprise and chairing the Scientific Advisory Panel for Cambridge Innovation Capital. He also founded and is Chairman of Cambridge Phenomenon Ltd. and has co-authored two books; The Cambridge Phenomenon 50 Years of Innovation and Enterprise and The Cambridge Phenomenon: Global Impact.

James Mitchell

NON-EXECUTIVE DIRECTOR

James joined the Board in September 2017

James is Chief Strategy Officer and a Senior Executive Vice President at Tencent. He is responsible for various functions, including strategic planning and implementation, investor relationships, and mergers, acquisitions and investments activity. James joined Tencent in 2011. Previously James was a Managing Director at Goldman Sachs in New York, leading the bank's communications, media and entertainment research team. James received a degree from Oxford University and holds a Chartered Financial Analyst Certification.

Alex Bevis

CFO AND COMPANY SECRETARY

Alex joined the Board in April 2017

Alex has over 18 years' experience in high growth technology businesses. Alex joined Frontier from Xaar plc (FTSE: XAR), a world leader in industrial inkjet technology, where he was Chief Financial Officer from February 2011. Prior to this, Alex rose to VP Finance of Cambridge fabless semiconductor company CSR plc during a ten-year period during which CSR listed on the main market, and grew significantly both organically and through acquisition. Alex qualified as a Chartered Accountant with Deloitte in Cambridge prior to joining CSR in 2000.

KEY TO COMMITTEE MEMBERSHIP

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- Committee Chair

The Directors present their report for the Group and Company together with the financial statements for the year to 31 May 2019. The financial statements are prepared under International Financial Reporting Standards as adopted by the EU.

BUSINESS REVIEW

A review of the Group's development performance and future development is provided in the Strategic Report (see pages 1 to 25). Information on the financial risk management strategy is given within that report and in note 24 to the financial statements.

GOING CONCERN

The Group's forecasts lead to a reasonable expectation that the Group has adequate resources to continue business for the foreseeable future. As at 31 August 2019 the Group's cash balances totalled £33.9 million. In addition the Group has a revolving credit facility with Barclays Bank plc of £4 million.

SHARE ISSUES

Details of shares issued during the year are given in the Financial Review and in note 19 to the financial statements. The Company has one class of Ordinary Shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company, with the exception of shares held by the Employee Benefit Trust that are not eligible to vote under the Trust deed.

DIRECTORS' REMUNERATION, SHARE OPTIONS AND SHAREHOLDINGS

Details of Directors' remuneration and share options are provided within the Remuneration Report and are in addition to the interests in shares shown below.

The Directors who held office at 31 May 2019 and their holdings (including direct family holdings where applicable) in the Ordinary Shares of the Company at that date were as follows:

Name	Holding as at 31 May 2018	2018 %	Acquired in the financial year	Sold in the financial year	**Holding as at 31 May 2019**	**2019 %**
David Gammon	341,720	0.9	5,000	–	**346,720**	**0.9**
David Braben	14,149,953	36.5	–	–	**14,149,953**	**36.5**
David Walsh	3,500	–	–	–	**3,500**	**–**
Jonathan Watts	40,000	0.1	–	–	**40,000**	**0.1**
Charles Cotton	156,586	0.4	–	–	**156,586**	**0.4**
Alex Bevis	17,000	–	–	–	**17,000**	**–**
James Mitchell	–	–	120,044	–	**120,044**	**0.3**
Total	14,708,759	38.0	125,044	–	**14,833,803**	**38.2**

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors have prepared the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company and Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable IFRSs have been followed, subject to any material departures disclosed and explained in the Company's financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' INDEMNITY ARRANGEMENTS

During the year the Company purchased directors' and officers' liability insurance in respect of itself and its Directors.

INTELLECTUAL PROPERTY AND RESEARCH AND DEVELOPMENT

The Group actively protects its intellectual property via trademark registrations. Whilst the Directors consider these to be of significant value, the costs associated with registrations are expensed.

The Group invests significant resources into the development of franchise assets and in research and development through the COBRA engine and associated development tools. Costs that meet the criteria for capitalisation are included in intangible assets (see note 10 of the financial statements). The Group's gross research and development spend to support its strategy was £21.2 million in the year (FY18: £15.9 million).

DIVIDEND

The Directors are not recommending the payment of a dividend (2018: £nil).

EMPLOYEE INVOLVEMENT

The Group seeks to encourage and promote an agile, open, fair and meritocratic culture of engagement, achievement and fun.

The Group is committed to the principle of equal opportunities in employment. Its aim is to ensure that no job applicant or employee receives less favourable treatment or is placed at a disadvantage by requirements or conditions that cannot be shown to be justifiable and thereby promote equality of opportunity for employment within the Group on grounds such as sex, disability, marital status, religion, colour, race, nationality, ethnic or national grounds, age, or sexual orientation.

The Group's policies and procedures are created and administered in such a way that they do not tolerate or foster such discrimination. The Group has an Employee Consultation Group that meets regularly with senior management.

The Group encourages employee involvement in the Group's performance by using a bonus scheme for all staff. In addition, it seeks to issue share options at relevant times or to utilise other equity plans where appropriate.

EMPLOYMENT POLICIES

The Group is committed to following UK employment law for its Cambridge-based operations and applicable labour codes for its US operations based in Nevada and Kansas.

Where possible the Group strives for similar employment and benefit arrangements between territories.

HEALTH AND SAFETY AND ENVIRONMENT

The aim of the Directors is to provide healthy, safe and congenial working conditions, equipment and systems of work for all employees.

The Directors further intend to provide sufficient information, training and supervision to enable employees to do their work safely, effectively and without risk to themselves or to others.

We acknowledge that we are responsible for the safety of visitors, both professional and social, who enter the premises.

Frontier Developments plc recognises its duty to comply and operate within the requirements of statutory environmental legislation and is committed to minimising the environmental impacts of its business operations. The Directors of the Group will support this policy with this commitment in mind.

SUBSTANTIAL SHAREHOLDERS

At 30 August 2019 the following parties each held 3% or more of the issued share capital of Frontier Developments plc, based on notifications received by the Company of disclosable interests together with an analysis of the Company's share register as at that date; therefore this information might not necessarily reconcile with the latest notifications received by significant shareholders and announced via RNS.

Name	Shareholding	%
David Braben*	14,149,953	36.5
Tencent Holdings	3,386,252	8.7
Oppenheimer Funds	3,000,000	7.7
Swedbank Robur	2,799,402	7.2
Lansdowne Partners	1,916,575	5.0

* Includes spouse and other direct family holdings.

AUDITOR

A resolution to reappoint auditors will be proposed at the forthcoming Annual General Meeting. In accordance with normal practice, the Directors will be authorised to determine the Auditor's remuneration.

Approved by the Board of Directors and signed on behalf of the Board.

ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY
4 September 2019

EFFECTIVE AND **EFFICIENT GOVERNANCE**

CHAIRMAN'S INTRODUCTION AND SUMMARY

Since joining the Company in 2012 it has been my responsibility, as Chairman, to ensure that the Company has appropriate corporate governance arrangements in place and that those arrangements are effective and efficient through regular review. In 2013 the Company listed on AIM, and as a result I led the Board to establish corporate governance arrangements through the consideration of best practice guidelines and aspects of the UK Corporate Governance Code relevant to the Company. Prior to 2018, as an AIM-listed company, Frontier was not required to comply with a corporate governance code but we reviewed our arrangements against the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-Sized Companies. The AIM rules changed in 2018 and as a result the Board refined the Company's corporate governance arrangements in order to follow the ten principles of the QCA Corporate Governance Code.

The table below sets out the ten principles of the QCA Code and provides direction to the relevant section in this Annual Report.

	QCA Code principle	Relevant section(s) of the Annual Report
1	A strategy and business model for long-term value creation	CEO Review (page 7) Strategic Review (pages 1–25)
2	Understand and meet shareholder needs and expectations	Investor relations – Corporate Governance Report (page 33)
3	Understand and meet wider stakeholder needs and social responsibilities	Strategy and business model – Strategic Review (pages 10–11) Corporate culture and social responsibility – Corporate Governance Report (page 33)
4	Embedded risk management	Strategy and business model – Strategic Review (pages 10–11) Risk Review (pages 20–21) Internal control and business risk – Corporate Governance Report (page 33)
5	A well-functioning and balanced Board	Board of Directors (pages 26–27) Board overview – Corporate Governance Report (pages 31–32)
6	Board experience, skills and capabilities	Board of Directors (pages 26–27) Board overview – Corporate Governance Report (pages 31–32)
7	Performance of the Board and continuous improvement	Board overview – Corporate Governance Report (pages 31–32)
8	Corporate culture based on ethical values and behaviours	Corporate culture and social responsibility – Corporate Governance Report (page 33)
9	Effective governance structures which support good decision making	Chairman's introduction and summary – Corporate Governance Report (page 30) Board overview – Corporate Governance Report (pages 31–32) Board Committee reports – Corporate Governance Report (page 32)
10	Communication of Company governance and performance	Chairman's introduction and summary – Corporate Governance Report (page 30) Board Committee reports – Corporate Governance Report (page 32)

BOARD OVERVIEW

The Board is responsible for the long-term growth and profitability of Frontier Developments plc. Among its responsibilities it works with management to set corporate values and to develop strategy, including deciding its risk management policy and financial objectives.

A schedule of matters reserved for the Board's resolution details key aspects of the Company's affairs that are not delegated beyond the Board (including, among other things, approval of business plans and budgets, material expenditure and alterations to share capital).

The Board seeks to meet regularly during the year and the entire Board is invited to attend all meetings. In the financial year to 31 May 2019 the Board met on ten occasions. Approximately half of the time at Board meetings is set aside for core strategic issues. At least two meetings a year have extended time allowed where the focus is predominantly on core strategic issues.

The Chairman and the Company Secretary plan the agenda for each Board meeting in consultation with all other Directors. The agenda is issued with supporting papers ahead of the Board meetings, along with appropriate information required to enable the Board to discharge its duties.

The matters reserved for the attention of the Board include:

- overall business strategy;
- review of key operational and commercial matters;
- review of key finance matters including approval of financial plans, changes to capital structure, acquisitions and disposals of businesses, material capital expenditure and dividends;
- governance: Board membership and powers including the appointment and removal of Board members, the set-up and delegation of matters to appropriate Committees, and the reviewing of reporting back thereof;
- approval of financial statements, both interim and year end;
- stock exchange related issues including the approval of communications to the stock exchange and communications with shareholders in conjunction with any financial public relations firm;
- subsidiary Board appointments, as the 100% shareholder, and review of key decisions at their Board meetings;
- approval of acquisitions, disposals, borrowing facilities, premises and matters proposed by the corporate lawyer and nominated advisor and broker;
- appointment and performance review of key advisors; and
- approval of letters of recommendation for the Employee Benefit Trust in respect of the operation of share option schemes.

The composition of the Board of Directors is illustrated on pages 26 and 27. The Board of Frontier Developments plc is currently comprised of seven Directors: the Non-Executive Chairman, three further Non-Executive Directors and three Executive Directors, the Chief Executive Officer, Chief Creative Officer and Chief Financial Officer (who is also the Company Secretary). As per the individual biographies, the Directors have a range of experience and provide a balance of skills, experience and knowledge to the Board.

The Board, led by the Chairman, regularly reviews the overall performance of the Board and makes adjustments to ensure the structure and focus of the Board meet the evolving requirements of the Company. In 2018 the Board established a formal Board assessment process based on a QCA structured questionnaire. As a result of this assessment, actions were taken to improve and formalise certain Board processes and reports.

All Directors are subject to election at the first Annual General Meeting following their appointment and to re-election annually thereafter.

The Chairman and Chief Executive have distinct roles; the principle responsibility of the Chairman is the effective operation of the Board of Directors, whilst the Chief Executive is responsible for the operation of the Company to deliver on its strategic objectives.

The role of the Company Secretary is to ensure reliable and regular information flows to the Board and its Committees and to ensure applicable rules and regulations are followed. The Company Secretary is available to all Directors to provide advice and assistance and is responsible for providing governance advice to the Board.

The Board considers all four Non-Executive Directors (the Non-Executive Chairman and the three Non-Executive Directors) to be independent in terms of their ability to make unencumbered decisions for the long-term success of the Company:

DAVID GAMMON

David joined the Board in 2012 as Chairman to define and support the Company's transition plans. Rockspring, a company connected to David, was issued with warrants and share options in connection with work Rockspring undertook in relation to Frontier's pre-IPO funding and IPO in 2013. David has a diverse range of business interests and it is the Board's belief that the warrants and options granted to Rockspring have not prevented David from making independent decisions; in fact, it is the Board's belief that such arrangements can support a greater alignment of Non-Executive Director interests with the long-term interests of the Company.

CHARLES COTTON

Charles joined the Board in 2016. Share options were awarded in 2016 and 2017 to Charles in relation to his recruitment into the role. The Board does not consider that these option awards have, or will, encumber Charles' ability to make independent, effective decisions that benefit the long-term success of the Company; in fact, it is the Board's belief that such arrangements can support a greater alignment of Non-Executive Director interests with the long-term interests of the Company.

BOARD OVERVIEW CONTINUED

JAMES MITCHELL

James is Chief Strategy Officer at Tencent and was invited to join the Board in 2017 following Tencent's £17.7 million strategic investment in Frontier. Tencent owns approximately 9% of Frontier's issued share capital. The Board does not consider that this shareholding encumbers James' ability to make independent, effective decisions that benefit the long-term success of the Company. Tencent is one of the largest companies in the world and it has a broad and diverse range of interests.

DAVID WALSH

At the AGM in October 2018 David Walsh transitioned from an Executive role as Chief Operating Officer to a Non-Executive Director role, in order to focus his attention on a start-up opportunity outside the games industry as Investor Director of Pre-Cleared Limited. David's knowledge of Frontier and the games industry, combined with his 25 years' experience of engineering and commercial management roles in high-growth technology companies, provides significant value to Board discussions and decisions.

BOARD COMMITTEES

The Committees report regularly to the Board on the performance of the activities they have been assigned.

AUDIT COMMITTEE

The Audit Committee comprises only independent Non-Executive Directors; its members are David Gammon (Committee Chair), Charles Cotton and David Walsh. The Committee is supported by Alex Bevis, CFO and Company Secretary.

The Audit Committee determines the terms of engagement of the Company's Auditor and, in consultation with the Auditor, the scope of the audit. It will receive and review reports from management and the Auditor relating to the interim and annual accounts as well as the accounting and internal control systems in use by the Company and Group. The Audit Committee has unrestricted access to the Company's Auditor.

The Audit Committee also reviews accounting and treasury policies, financial reporting including key performance indicators and supporting key areas of management judgements, and corporate governance standards. The Audit Committee is open to attendance by any Director and reports its key issues at Board meetings.

In the financial year to 31 May 2019 the Audit Committee met on three occasions and all three meetings were attended by the external Auditor (Grant Thornton).

Key areas of activity

- Financial reporting
- Internal control and risk management reviews
- External audit
- Significant audit issues
- Treasury policy and foreign exchange risk review

REMUNERATION COMMITTEE

The Remuneration Committee comprises only independent Non-Executive Directors; its members are David Gammon (Committee Chair), Charles Cotton and David Walsh. The Committee is supported by Alex Bevis, CFO and Company Secretary, and Yvonne Dawes, HR Manager.

The Remuneration Committee reviews the scale and structure of the Executive Directors' future remuneration and the terms of the service agreements with due regard to the interests of shareholders. No Director is permitted to participate in discussions or decisions concerning their own remuneration.

The Remuneration Committee also approves annual salary review limits, bonus schemes and payment limits, in addition to significant employee benefits, such as pensions, medical insurance and share option schemes.

In the financial year to 31 May 2019 the Remuneration Committee met on four occasions.

Key areas of activity

- Review of Directors remuneration against benchmark data
- Review of staff benefits through employee surveys and benchmarking
- Review of equity schemes including Sharesave and LTIP
- Pension planning and execution
- Bonus scheme assessment and implementation

NOMINATIONS COMMITTEE

The Nominations Committee comprises David Walsh (Committee Chair), David Gammon, Charles Cotton and David Braben.

The Nominations Committee reviews the constituents of the Board and its Committees to ensure appropriate balanced representation.

In the financial year to 31 May 2019 the Nominations Committee met on two occasions.

Key areas of activity

- Assessment of the need for further Non-Executives
- Transition of David Walsh for Executive Director to Non-Executive Director
- Review of senior positions required to strengthen the organisation and succession planning

ATTENDANCE AT MEETINGS DURING THE PERIOD

	Board	Remuneration Committee	Nominations Committee	Audit Committee
Number of meetings	●●●●●●●●●●	●●●●	●●	●●●
David Gammon	●●●●●●●●●●	●●●●	●●	●●●
David Braben	●●●●●●●●●●	—	●●	—
David Walsh	●●●●●●●●●●	——●●	—●	—●●
Alex Bevis	●●●●●●●●●●	—	—	—
Jonathan Watts	●●●●●●●●●●	—	—	—
Charles Cotton	●●●●●●●●●●	●●●●	●●	●●●
James Mitchell	●■■●■■●●■■	—	—	—

Key
● Attended meeting
■ Absent from meeting
— Not on committee

AUDITOR INDEPENDENCE

Frontier Developments' external Auditor is Grant Thornton UK LLP, which has served the Company since 2012. The external audit function provides independent review and audit. It is the responsibility of the Audit Committee to review and monitor the external Auditor's independence, objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements as well as developing and implementing policy on the engagement of the external Auditor to supply non-audit services.

The Audit Committee monitors procedures to ensure the rotation of external audit partners every five years and audit managers every seven years. Philip Sayers of Grant Thornton has replaced James Brown of Grant Thornton as Audit Partner. Philip Sayers first period of tenure is the 12 months ended 31 May 2019. James Brown had been the audit partner since 2017.

SENIOR MANAGEMENT AND GROUP FUNCTIONS

Frontier's senior management is involved in multiple functions within the Company.

It is responsible for reviewing the overall organisational structure of the Company, as well as refining and implementing the recruitment and retention programme in order to identify and hire the right candidates as required in addition to retaining existing staff members.

INTERNAL CONTROL AND ASSESSMENT OF BUSINESS RISK

The systems for internal control and risk management processes are designed to manage and mitigate risks that may impact achievement of the Company's strategic objectives. Such systems can only provide a reasonable but not absolute level of assurance against material misstatement or loss.

Project and departmental risks are assessed and presented at weekly progress meetings.

Strategic risks are regularly reviewed by the Board and a Corporate Risk Register (CRR) is maintained.

The Company's overall risk assessment process is facilitated by the Director of Operations, who runs weekly operational progress meetings and holds and appraises the Corporate Risk Register (CRR) with the Executive Directors at least once a year.

A further review is then undertaken with senior management and the CRR itself is updated for the executive team to consider.

Once the review has concluded the revised CRR is forwarded to the Audit Committee, which assesses the updated register and confirms the key risks. A proposal for updating the risks reported in the Annual Report is then drawn up; the Audit Committee will then take its recommendations to the Board on key risks and the reporting thereof.

CONTROL ENVIRONMENT AND INTERNAL AUDIT

The Group has established operating procedures appropriate to its size and structure for reporting both financial and non-financial information to the Board.

These include, but are not limited to:

- operating guidelines and procedures with approval limits;
- accounting policies, controls and procedures;
- performance monitoring systems updated monthly for review at Board meetings; and
- regulatory and legal changes that may materially impact on the business.

Due to the Executive Directors' close involvement in business activities, the Group does not currently believe that an internal audit function would be cost effective. The Audit Committee considers the need annually and will advise the Board as and when it feels this position is required.

INVESTOR RELATIONS

The Company places considerable importance on communication with shareholders and maintains regular contact with both current and potential shareholders through investor roadshows linked to annual and interim results, investor conferences and ad-hoc meetings and conference calls. In addition to externally located meetings, the Company also hosts investors for on-site meetings. Investor relations activity is led by the CFO and meetings are typically presented by the CEO and CFO. The Chairman regularly meets with investors as required and the other Directors also participate in investor activity.

The Company's website has a dedicated investor page which contains the latest information including the most recent results presentation.

CORPORATE CULTURE AND SOCIAL RESPONSIBILITY

The Company operates in the competitive, technically challenging and highly creative games industry. Successful projects in this constantly evolving industry require clear and ambitious creative vision, keen awareness of customer preferences and habits, very high attention to detail, world-class multi-disciplinary ability and effective project management skills.

These characteristics have defined the culture of the Company and the Board, and we believe that our inclusive, meritocratic high-performance culture supports the ambitious vision for the Company that we have established.

Although the Board considers that Frontier's four key stakeholder groups are its players, its shareholders, its staff and its business partners, it acknowledges the Company's responsibilities to the local community in which it has major operations, principally Cambridge, and the wider video games industry. The Company participates in local and national events which promote the video games industry and computer science, such as Games Eden, as well as establishing relationships with students in partner universities by contributing to courses and mentoring projects. The Company recruits a large number of graduates and takes its responsibility seriously to support and mentor its recruits. The Company also undertakes charity activity such as supporting Special Effect, a charity which puts the fun and inclusion back into the lives of people with physical disabilities by helping them to play video games. Our Chief Executive, David Braben, is personally active in the promotion of computer science in the UK. David is a one of the founders of the Raspberry Pi Foundation and continues to contribute to discussions on local and national government policy regarding computer science.

ANNUAL GENERAL MEETING

The AGM will be held at:

The Trinity Centre
24 Science Park
Milton Road
Cambridge
CB4 0FN

On:

30 October 2019

At: 9.15am (GMT)

The Company's Annual General Meeting (AGM) affords shareholders the opportunity to question the Chairman and the Board.

All voting at the meeting will be conducted on a poll where every shareholder present in person or via proxy will have one vote per share held. The Group will convey the results of the poll via RNS following the AGM.

Shareholders are invited to submit written questions in advance of the meeting. Questions should be sent to the Company Secretary, Alex Bevis, Frontier Developments plc, 26 Cambridge Science Park, Milton Road, Cambridge CB4 0FP, UK, or via email to IR@frontier.co.uk.

Details of resolutions to be proposed at the meeting are set out in the Notice of Annual General Meeting on pages 66 and 67.

Notice of the AGM, the Form of Proxy and the Annual Report are sent to shareholders at least 21 days before the AGM via post.

REMUNERATION REPORT

As Frontier Developments is an AIM-listed company it is not required to disclose all the information included in this Remuneration Report; however, in the interests of transparency the Board has chosen to provide the following details as a voluntary disclosure.

The Auditor is not required and has not, except where indicated, audited the information included in the Remuneration Report.

The Remuneration Committee is responsible to the Board for developing remuneration policy. The Report of the Remuneration Committee has been approved by the Board of Directors for submission for shareholders' approval at the Annual General Meeting.

REMUNERATION COMMITTEE TERMS OF REFERENCE

The Remuneration Committee comprises three Non-Executive Directors of the Company, David Gammon (Committee Chairman), David Walsh and Charles Cotton. The Committee is supported by Alex Bevis, CFO and Company Secretary. The Remuneration Committee meets at least twice a year.

The Remuneration Committee is responsible for the following functions:

- setting of remuneration for Directors and officers, including pay, annual cash bonuses and long-term incentive arrangements;
- approval of the overall increase for annual pay and bonus levels for all other staff;
- approval of share option plans or arrangements;
- setting of overall share option issues;
- approval of any significant employee benefit arrangements; and
- reviewing the Committee's terms of reference and submitting to the Board for subsequent approval.

REMUNERATION POLICY

The Remuneration Committee approved the following amended policy during the year:

"Frontier endeavours to pay competitive salaries and benefits, taking into account the skills and experience of staff within their particular job roles, with a particular focus on providing opportunities for staff to share in the success that they help to deliver. Where there is a material gap in remuneration, it is the policy of the Group to close this over time, subject to affordability."

In 2016 the Remuneration Committee commissioned a report from KPMG LLP on executive incentives, bonus schemes and Long Term Incentive Plans in order to bring incentives in line with the Group's strategic objectives and investor interests by way of linking the majority of remuneration with market-based performance criteria and structure commonly operated by AIM and FTSE 350 companies. This was supplemented with ad-hoc benchmarking reports in 2017 and 2018.

Having reviewed the reports, the Remuneration Committee made changes to the various components of Directors' remuneration in FY16, FY17 and FY18. No substantial changes were made in FY19.

COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION

OVERVIEW

The objective of the remuneration policy described above is to establish and maintain arrangements and individual packages which attract, retain and motivate the talent necessary to support the Company's strategy. The Committee believes it is important to achieve an appropriate balance between fixed elements of remuneration and performance related elements, with a particular focus on the latter given the Company's growth aspirations.

Directors and staff are all encouraged to acquire shares in the Company and to hold these shares for the long term. This participatory element is an important aspect of the Group's culture and its focus on long-term performance.

SERVICE CONTRACTS

The service agreements adopted on 1 July 2013 for the Executive Directors can be terminated by either party, provided at least six months' notice has been given.

BASIC PAY

For FY19, from 1 August 2018, all three Executive Directors were paid an annual salary of £210,000, which was broadly in line with benchmarking analysis at the start of the period (June 2018).

ANNUAL BONUS

In December 2018 bonuses of £90,000 (being 45% of salary) each were paid to David Braben and Alex Bevis; a bonus of £112,500 (being 56% of salary) was paid to Jonathan Watts; and a bonus of £78,000 (being 45% of pro-rated salary prior to his transition to a Non-Executive Director role) was paid to David Walsh.

These bonuses were an interim payment under the bonus scheme established 1 June 2017, which covered a two-year period ending on 31 May 2019; and were determined by individual performance and the Company's financial performance against a target range. The chosen financial performance measure was operating profit as reported under IFRS. The final payment is due to be made in September 2019. For FY20 the Company is returning to a more typical annual bonus scheme but with similar performance-based characteristics.

EQUITY

In the year to 31 May 2019 Alex Bevis, David Braben and Jonathan Watts were each awarded options over 16,935 Ordinary Shares under the LTIP scheme. (2018: Jonathan Watts 19,016 and both David Braben and Alex Bevis 19,930).

PENSION CONTRIBUTIONS, MEDICAL INSURANCE AND OTHER BENEFITS

Two Executive Directors are members of the Group's pension scheme and the other Executive Director receives a pension contribution into a private personal scheme. The Group's pension scheme includes auto-enrolment of a 3% employer contribution which commenced from 1 September 2017, which increased to 5% effective 1 August 2018. These benefits are the same as adopted for all UK-based staff.

All three Executive Directors participate in other all-staff benefit arrangements.

From 1 October 2017 the basic life cover was three times annual salary and additional units above this amount can be purchased through salary sacrifice arrangements and one Director elected into this. From 1 October 2017 basic health cash plan cover commenced for all employees including Executive Directors. Additional cover above this amount can be purchased through payroll deductions and one Director elected into this.

From August 2014, medical insurance including family cover was offered to all employees including Executive Directors. All Executive Directors elected to take up these arrangements.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of Non-Executive Directors is determined by the Board and reflects their anticipated time commitment to fulfil their duties. The Non-Executive Directors' remuneration is subject to the same principles of the remuneration policy for the Group and the same transitional phase of alignment to median market rates was undertaken. The letters of appointment of Non-Executive Directors can be terminated with six months' notice for the Chairman and three months' notice for all other Non-Executives under notice given by either party.

Share warrants were issued to the Non-Executive Directors in connection with the IPO in 2013 (see note 19 to the accounts).

DIRECTORS' REMUNERATION (AUDITED)

The remuneration of the Directors was as follows:

Current Directors	Salary/fee £'000	Bonus £'000	Pension contribution £'000	Taxable benefits £'000	FY19 Total £'000	FY18 Total £'000
Executive						
David Braben	208	90	10	1	309	407
Jonathan Watts	208	112	10	1	331	406
Alex Bevis	208	90	10	1	309	411
Non-Executive						
David Gammon	66	—	—	—	66	55
David Walsh*	78	78	2	1	159	379
Charles Cotton	36	—	—	—	36	30
James Mitchell**	—	—	—	—	—	—
Total	**804**	**370**	**32**	**4**	**1,210**	**1,688**

* David Walsh transitioned to a Non-Executive Director role in October 2018, with approval of the Chairman.

** James Mitchell waived his fee.

The expense recognised in the statement of comprehensive income for the Directors' share options (including Non-Executive Directors) was £570,318 (2018: £346,852), with the amount attributable to the highest paid Director being £293,339 (2018: £220,675).

There were no gains attributable to Directors for share option exercises in the year to 31 May 2019 (2018: £3,110,205).

A resolution to accept the Report of the Remuneration Committee will be put to shareholders at the Annual General Meeting.

DAVID GAMMON
CHAIRMAN, REMUNERATION COMMITTEE
4 September 2019

OPINION

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Frontier Developments plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2019 which comprise of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows, company statement of financial position, company statement of cashflows, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OVERVIEW OF OUR AUDIT APPROACH

GrantThornton

- Overall materiality: £715,000, which represents 2.5% of the group's earnings before interest, taxes, depreciation and amortisation rounded up to the nearest £5,000;
- Key audit matters were identified as capitalisation of intangible assets and impairment of intangible assets; and
- Full-scope audit procedures were performed by the audit team over the financial statements of the parent company, Frontier Developments plc, with analytical procedures performed over the financial information of its subsidiary, Frontier Developments Inc.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and Parent	How the matter was addressed in the audit
RISK 1 – CAPITALISATION OF INTERNALLY GENERATED INTANGIBLE ASSETS During the year, the group has capitalised £14,981k (2018: £13,503k) of development costs in relation to various projects. The directors and management assess each project according to IAS 38 'Intangible Assets' criteria throughout the project life. Judgement is required to determine whether criteria are met, in particular the future economic benefits that will be generated and the intention of the group to complete development and use or sell the asset. These judgements are dependent on expectations of future events. There is a risk that the costs capitalised do not meet the criteria for capitalisation in accordance with IAS 38. We therefore identified the capitalisation of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Challenged management as to whether the accounting policy for cost capitalised as internally generated intangible assets was in accordance with the financial reporting framework under IAS 38 and testing whether the capitalisation of such intangible assets has been accounted for in accordance with that policy; • Challenging management as to the qualifying nature of the individual costs and cost categories including overheads capitalised and whether they meet the definition of 'directly attributable' per IAS 38; • Recalculating the mathematical accuracy of recorded capitalised amounts; • Performing detailed substantive testing of additions in the year, through tracing a sample of capitalised labour costs to supporting payroll records and non-payroll costs to invoices to test the accuracy of costs and to ensure the validity of capitalisation; and • Obtaining an understanding from management of the costs capitalised and challenged where amounts are being capitalised for franchise assets subsequent to their release and corroborating that the additional costs relate to enhancements. The group's accounting policy on intangible assets is shown in note 3 to the financial statements and related disclosures are included in note 10. **KEY OBSERVATIONS** As a result of our testing no material misstatements were noted regarding the costs capitalised for internally generated intangible assets. The costs capitalised are in line with the accounting policy.

KEY AUDIT MATTERS CONTINUED

Key Audit Matter – Group and Parent	How the matter was addressed in the audit
RISK 2 – IMPAIRMENT OF INTANGIBLES At the year end, the group had intangible assets with a net book value of £36,450k (2018: £30,186k). Of this, the carrying value of capitalised franchise assets related to self-published software and licence amounts to £34,368k (2018: £29,024k). These costs are amortised by the group to ensure the capitalised costs reflect the anticipated benefit of the franchise asset to the group over time. There is a risk that these capitalised costs may be impaired, if the value of asset cannot be supported by the net realisable value. In accordance with IAS 36 'Impairment of Assets', the directors and management have performed an impairment review, to check the carrying value of the asset is not more than the recoverable amount which is higher than the fair value less cost of disposal and value in use. This assessment performed by management incorporates key assumptions over the timing and extent of future revenues, costs to complete, and the discount rate used. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, we identified the impairment of intangible assets as a significant risk, which was one of the most	Our audit work included, but was not restricted to: • Challenging management as to their assessment of cash generating units to ensure they are in accordance with IAS 36; • Recalculating the mathematical accuracy of the impairment models; • Assessment of the appropriateness of the discount rate used by management in the calculations using auditor's specialist; • Testing the accuracy of management's estimates used in the value in use calculations by comparing the budgeted sales and gross profit to the results achieved for the year; • Comparing the carrying value of cash generating units to management's value in use calculations based on future income generation the video games are expected to realise; • Performing additional sensitivity analysis relating to the valuation of intangible assets, specifically expected discount rate; • Evaluating of the information included in the impairment model to ensure consistency with our knowledge of the business through reviewing future plans and discussions with Management. The Group's accounting policy on risk 2 is shown in note 3 to the financial statements and related disclosures are included in note 10. **KEY OBSERVATIONS** Our testing did not identify any material misstatement in the carrying value of the capitalised development costs. There were no additional reasons for impairment of intangibles or additional factors to consider that would impact the carrying value of intangible assets recognised within the finance statements. We found no material errors in the calculations.

OUR APPLICATION OF MATERIALITY

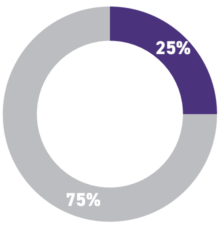
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

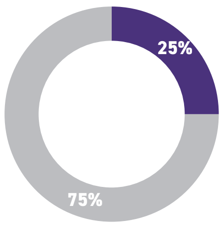
Materiality measure	Group	Parent
Financial statements as a whole	£715,000 which was determined at the planning stage of the audit based on 2.5% of the group's earnings before interest, taxes, depreciation and amortisation (EBITDA) rounded up to the nearest £5,000. This benchmark is considered the most appropriate because group EBITDA is a key performance indicator (KPI) for the group and is consistent with the prior year. Group EBITDA is also considered to be less volatile due to the development cycle for new games. Materiality for the current year is higher than the level that we determined for the year ended 31 May 2018 using the same basis. This reflects significant growth in the business.	£680,000 which was determined at 2.5% of the company's earnings before interest, taxes, depreciation and amortisation (EBITDA), capped at 95% of group materiality, and rounded up to the nearest £5,000. This benchmark is considered the most appropriate because group EBITDA is a key performance indicator (KPI) for the group and is consistent with the prior year. Materiality for the current year is higher than the level that we determined for the year ended 31 May 2018 using the same basis. This reflects significant growth in the business.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as director's remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.	We determined a lower level of specific materiality for certain areas such as director's remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.
Communication of misstatements to the audit committee	£36,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£34,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

OVERALL MATERIALITY – GROUP



OVERALL MATERIALITY – PARENT



Tolerance for potential uncorrected misstatements

Performance materiality

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit responses based on a measure of materiality. Significance was determined as a percentage of the Group's total assets, revenues and profit before taxation:
- full scope audit procedures were performed in relation to the parent company and analytical procedures were performed on Frontier Developments Inc.;
- the total percentage coverage of full-scope procedures over the Group's revenue was 99%;
- the total percentage coverage of full scope and analytical procedures over the Group's total assets was 99%; and
- our audit approach in the current year includes changes to the audit approach adopted for the year ended 31 May 2018, being analytical procedures rather than targeted procedures performed on Frontier Developments Inc. this is due to company being lower in significance to the group in the current year.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on pages [28 to 29], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

PHILIP SAYERS
SENIOR STATUTORY AUDITOR
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
5 September 2019

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2019

	Notes	31 May 2019 £'000	31 May 2018 £'000
Revenue	4	**89,669**	34,192
Cost of sales		**(35,021)**	(10,092)
Gross profit		**54,648**	24,100
Research and development expenses		**(14,891)**	(8,500)
Sales and marketing expenses		**(7,852)**	(6,076)
Administrative expenses		**(12,536)**	(6,724)
Operating profit		**19,369**	2,800
Finance income		**289**	81
Profit before tax	7	**19,658**	2,881
Income tax	8	**(2,248)**	713
Profit for the period attributable to shareholders		**17,410**	3,594

All the activities of the Group are classified as continuing.

	Notes	31 May 2019 p	31 May 2018 p
Earnings per share	9		
Basic earnings per share		**45.4**	9.6
Diluted earnings per share		**43.2**	9.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2019

	31 May 2019 £'000	31 May 2018 £'000
Profit for the period	**17,410**	3,594
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(4)**	2
Total comprehensive income for the period attributable to the equity holders of the parent	**17,406**	3,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2019 £'000	Restated* 31 May 2018 £'000	Restated* 31 May 2017 £'000
Non-current assets				
Intangible assets	10	**36,450**	30,186	22,860
Property, plant and equipment	11	**6,352**	4,966	696
Deferred tax asset	18	**605**	—	—
		43,407	35,152	23,556
Current assets				
Trade and other receivables	12	**5,178**	6,720	2,941
Current tax asset		**141**	536	510
Cash and cash equivalents	13	**35,332**	24,124	12,579
		40,651	31,380	16,030
Total assets		**84,058**	66,532	39,586
Current liabilities				
Trade and other payables	14	**(9,026)**	(6,909)	(4,894)
Deferred income	15	**(1,036)**	(3,634)	(459)
Current tax liabilities	16	**(966)**	—	(747)
Provisions	17	**—**	(11)	(275)
		(11,028)	(10,554)	(6,375)
Net current assets		**29,623**	20,826	9,655
Non-current liabilities				
Provisions	17	**(13)**	—	—
Deferred income	15	**(465)**	(690)	(927)
Other payables	14	**(939)**	—	(989)
		(1,417)	(690)	(1,916)
Total liabilities		**(12,445)**	(11,244)	(8,291)
Net assets		**71,613**	55,288	31,295
Equity				
Share capital	19	**194**	193	171
Share premium account		**34,390**	34,132	14,601
Equity reserve		**(3,073)**	780	972
Foreign exchange reserve		**(16)**	(12)	(4)
Retained earnings		**40,118**	20,195	15,555
Total equity		**71,613**	55,288	31,295

* Restated for a licence related accounting adjustment as per note 10.

These financial statements were approved by the Directors on 4 September 2019 and signed on their behalf by:

ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY

The accompanying accounting policies and notes form part of this financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2019

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2017	171	14,601	972	(4)	15,555	31,295
Profit for the year	–	–	–	–	3,594	3,594
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(8)	–	(8)
Exchange differences on translation of net investment	–	–	–	–	10	10
Total comprehensive income for the year	–	–	–	(8)	3,604	3,596
Issue of share capital net of expenses	22	19,531	–	–	–	19,553
Share-based payment charges	–	–	992	–	–	992
Share-based payment transfer relating to option exercises and lapses	–	–	(1,036)	–	1,036	–
EBT share inflows from issues and/or purchases	–	–	(263)	–	–	(263)
EBT share outflows from option exercises	–	–	115	–	–	115
Transactions with owners	22	19,531	(192)	–	1,036	20,397
At 31 May 2018	193	34,132	780	(12)	20,195	55,288
Profit for the year	–	–	–	–	17,410	17,410
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(4)	–	(4)
Total comprehensive income for the year	–	–	–	(4)	17,410	17,406
Issue of share capital net of expenses	1	258	–	–	–	259
Share-based payment charges	–	–	1,564	–	–	1,564
Share-based payment transfer relating to option exercises and lapses	–	–	(535)	–	535	–
EBT share inflows from issues and/or purchases	–	–	(5,000)	–	–	(5,000)
EBT share outflows from option exercises	–	–	118	–	–	118
Tax credits on share options taken directly to reserves	–	–	–	–	1,978	1,978
Transactions with owners	1	258	(3,853)	–	2,513	(1,081)
At 31 May 2019	**194**	**34,390**	**(3,073)**	**(16)**	**40,118**	**71,613**

	31 May 2019 £'000	31 May 2018 £'000
Cash generated from operations	**32,312**	10,252
Taxes received/(paid)	**480**	(41)
Cashflow from operating activities	**32,792**	10,211
Investing activities		
Purchase of property, plant and equipment	**(2,269)**	(4,660)
Expenditure on intangible assets	**(14,981)**	(13,503)
Interest received	**289**	81
Cashflow from investing activities	**(16,961)**	(18,082)
Financing activities		
Proceeds from issue of share capital	**259**	19,553
Employee Benefit Trust net investment	**(4,882)**	(148)
Cashflow from financing activities	**(4,623)**	19,405
Net change in cash and cash equivalents from continuing operations	**11,208**	11,534
Cash and cash equivalents at beginning of period	**24,124**	12,579
Exchange differences on cash and cash equivalents	**–**	11
Cash and cash equivalents at end of period	**35,332**	24,124

The accompanying accounting policies and notes form part of this financial information.

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	31 May 2019 £'000	31 May 2018 £'000
Operating profit	**19,369**	2,800
Depreciation and amortisation	**9,600**	6,567
EBITDA	**28,969**	9,367
Movement in unrealised exchange (gains)/losses on forward contracts	**(340)**	287
Share-based payment expenses	**1,564**	992
Operating cash flows before movements in working capital	**30,193**	10,646
Net changes in working capital:		
Change in trade and other receivables	**1,542**	(4,069)
Change in trade and other payables	**575**	3,939
Change in provisions	**2**	(264)
Cash generated from operations	**32,312**	10,252

1. CORPORATE INFORMATION

Frontier Developments plc (the 'Group') develops video games for the interactive entertainment sector. The Company is a public limited company and is incorporated and domiciled in the United Kingdom.

The address of its registered office is 26 Science Park, Milton Road, Cambridge CB4 0FP.

The Group's operations are based in the UK and its North American subsidiary, Frontier Developments Inc., in the US.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The basis of preparation and going concern policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

BASIS OF PREPARATION

The financial information of Frontier Developments plc, for both Group and Company, has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial information has been prepared under the historical cost convention, except for financial instruments held at fair value. The financial information is presented in Sterling, the presentation and functional currency for the Group and Company. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

GOING CONCERN BASIS

The Group and Company's forecasts and projections, taking account of current cash resources and reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of approval of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

3. ACCOUNTING POLICIES

The following accounting policies apply to both Group and Company Financial Statements, unless otherwise indicated.

BASIS OF CONSOLIDATION

Group only policy

The consolidated financial statements incorporate those of the Group and all entities controlled by it, after eliminating internal transactions. Control is achieved where the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. The entities' results are adjusted, where appropriate, to conform to Group accounting policies.

BUSINESS COMBINATIONS

Group only policy

Business combinations are accounted for using the acquisition method under the revised IFRS 3 "Business Combinations" (IFRS 3R). The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration agreement. Acquisition costs are expensed as incurred.

STANDARDS AND INTERPRETATIONS NOT YET APPLIED

- IFRS 16 "Leases" (effective 1 January 2019)
- Disclosure Initiative Amendments to IAS 27 "Statement of Cash Flows" (effective 1 January 2017)
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (effective 1 January 2017)
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Considerations" (issued on 8 December 2016) (effective 1 January 2018) (not yet endorsed)
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" (issued on 20 June 2016) (effective 1 January 2018) (not yet endorsed)

ADOPTION OF NEW AND REVISED STANDARDS

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" is effective for periods beginning on or after 1 January 2018. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards.

The Group has reviewed IFRS 15 and there is no material impact. The Group's current revenue model already recognises revenue at the point the obligation has been satisfied and no changes are required to the current model based on the implementation of IFRS 15.

IFRS 9 "Financial Instruments"

The new standard for financial instruments replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The Group considers there to be no material impact on the financial statements as a result of the adoption of the new standard IFRS 9.

3. ACCOUNTING POLICIES CONTINUED

NEW STANDARDS

IFRS 16 "Leases"

IFRS 16 "Leases" was issued on 13 January 2016 and is effective for periods beginning on or after 1 January 2019. IFRS 16 is endorsed by the EU. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model and, as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease.

A lessee recognises a right-of-use asset on the statement of financial position to represent its right to use the underlying asset. A lease liability is also recognised to represent the obligation to make lease payments.

The expenses related to the leases will also change under IFRS 16 and an interest expense on the lease liability and a depreciation charge on the right-of-use assets will replace straight line operating lease expenses in the income statement.

The Group has assessed IFRS 16 and has quantified the expected impact on the financial statements. The Group will transition to IFRS 16 under the modified retrospective approach. This requires an adjustment to equity to be made on 1 June 2019 with no restatement of prior year comparatives.

On 1 June 2019 the Group expects to recognise a new right-of-use asset of approximately £24.3 million and lease liabilities of approximately £24.3 million. This is in recognition of operating leases in respect of office premises.

The straight line operating lease expense will be replaced with a depreciation charge for the right-of-use asset of approximately £1.6 million and an interest expense of approximately £0.7 million in the first year of adoption.

The Group plans to adopt IFRS 16 in the financial statements for the following financial year, the year ended 31 May 2020.

Transition

As a lessee, the Group can elect to apply either the retrospective approach, or a modified retrospective approach which has optional practical expedients. The approach is applied consistently to all of its leases.

The Group plans to adopt IFRS 16 accounting from 1 June 2019 using the modified retrospective approach. No restatement of prior year information is made under the modified approach and as such an adjustment to the opening balance of retained earnings will be made on 1 June 2019 to account for the cumulative effect of IFRS 16 on prior years.

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

Judgement

Intangible assets capitalisation

The Group invests heavily in research and development. The identification of development costs that meet the criteria for capitalisation is dependent on management's judgement and knowledge of the work done. Development costs of software tools within a project that can be utilised generically are separately identified. Judgements are based on the information available at each period end. Economic success of any development is assessed on a reasonable basis but remains uncertain at the time of recognition as it may be subject to future technical problems and therefore a review for indicators of impairment is completed by product at each period-end date. The net book values of the Group and Company intangible assets including rights acquired at 31 May 2019 are £36,450k (2018: £30,186k).

Intangible assets are subject to amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, for example a decision to suspend a self-published title under development.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are reviewed by project for which there are separately identifiable cashflows.

Games developed to be self-published are reviewed for impairment based on the status at the end of each financial year and at the half year against a prudent level of the projected net earnings.

In respect to amortisation, self-published titles are amortised on completion of the game on a straight line basis.

Judgement

Deferred tax

A deferred tax asset is recognised where the Group considers it probable that future tax profits will be available against which the tax credit will be utilised in the future. This specifically applies to tax losses and to outstanding vested share options at the statement of financial position date. In estimating the amount of the deferred tax asset that should be recognised, the Directors make judgements based on current forecasts about the amount of future taxable profits and the timings of when these will be realised. A deferred tax asset is currently being recognised as this relates to the carry forward losses the Group expects to benefit from in future years.

3. ACCOUNTING POLICIES CONTINUED

ACCOUNTING POLICIES

Intangible assets

Intangible assets are measured at historical cost and are amortised on a straight line basis over their expected useful economic life. They comprise three categories:

- development tools;
- software (self-published games); and
- software (third-party software bought from suppliers for use within the Group's activities).

An internally generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- completion of the intangible asset is technically feasible so that it will be available for use in developing games (in respect of development tools) or for sale of games (in respect of self-published software);
- the Group intends to complete the intangible asset and has the ability to use or license it as indicated above, thus generating probable future economic benefits;
- the expenditure attributable to the intangible asset during its development, mainly salary costs, can be measured reliably; and
- the Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Internally generated intangible assets, consisting of direct labour costs, other specific direct project costs and attributable project support costs, are amortised on a straight line basis over their useful economic lives. The estimated useful lives of current development projects are between three and five years. When a self-published game is intended for release on multiple platforms without material content change, amortisation is based on the length of time in which that game is expected to be supported in an unchanged format with a limit of up to six years. Acquired rights are assessed for their useful 'franchise life'. For *Elite Dangerous* this is prudently estimated at eight years; within the sector successful franchises normally have useful lives of over ten years. Until completion, the assets are subject to annual impairment testing. In most circumstances amortisation commences upon completion of the asset and is shown within research and development expenses in the income statement.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

From time to time the Group enters into agreements with third party Intellectual Property (IP) owners to secure IP rights to support the development and publication of certain games or game content. These agreements typically contain a schedule of royalties payable to the IP owner, based on a percentage of sales. The agreements may also include guaranteed minimum amounts payable to the IP owner. It is the Group's policy to record a financial liability for the total of any guaranteed minimum amount when the agreement is executed, and these amounts are typically treated as licence costs and capitalised as intangible assets according to, and subject to, the principles of IAS 38.

Research activities

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Impairment of intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its individual intangible assets for any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs to sell or value in use.

Fair value is measured for self-published games by discounting future cashflows.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged to the income statement so as to write off the cost less estimated residual values over their expected useful lives on a straight line basis over the following periods:

Fixtures and fittings	– 5 years
Computer equipment	– 2.5 years–5 years
Leasehold improvements	– length of the lease

Residual values and useful economic lives are assessed annually. The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in administrative expenses.

Impairment of property, plant and equipment

At each balance sheet date, the Group reviews the carrying amounts of its individual property, plant and equipment for any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs to sell or value in use.

Fair value is measured by a review of the expected useful economic life compared to that implied in the amortisation rate.

Assets in the course of construction

Assets in the course of construction are stated at cost. Once the asset has been completed the carrying value of the asset is transferred and categorised into leasehold improvements. The asset is depreciated over the remaining life of the lease.

3. ACCOUNTING POLICIES CONTINUED

ACCOUNTING POLICIES CONTINUED

Financial assets

Financial assets comprise trade receivables, other receivables and cash and cash equivalents.

Financial assets classified as loans and receivables are recognised initially at fair value and measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

The Group does not hold a reserve for estimated potential credit losses as the credit loss model does not have a material impact.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits available on demand, together with other short-term, highly liquid deposit accounts maturing within three months.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its financial liabilities. Equity instruments do not include a contractual obligation to deliver cash or other financial assets to another entity. Any instrument that does have the obligation to deliver cash or another financial asset to another entity is classified as a financial liability.

Financial liabilities are presented under liabilities on the statement of financial position.

Financial liabilities

The Group's other financial liabilities include trade and other payables, and agreements with third-party intellectual property (IP) owners.

Financial liabilities are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method, except for financial liabilities designated at fair value through profit and loss (FVTPL).

Employee benefits

All accumulating employee compensated absences that are unused at the balance sheet date are recognised as a liability within trade and other payables.

The parent company operates a defined contribution retirement benefit scheme which was commenced on 1 January 2014 ahead of the Company's expected auto-enrolment date. Payments to defined contribution retirement benefit schemes are charged as an expense in the period to which they relate.

Provisions

Provisions for dilapidations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Share capital and reserves

Share capital represents the nominal value of the shares that have been issued.

Share premium – Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Equity reserve – This represents the value of the Employee Benefit Trust (EBT) that is offset against distributable reserves and equity-settled share-based employee remuneration until such share options are exercised.

Foreign exchange reserve – This represents the exchange difference on consolidation of overseas subsidiaries.

Retained earnings – Retained earnings include all current and prior period retained earnings.

Employee Benefit Trust

As the Company is deemed to have control of its Employee Benefit Trust (EBT), it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The EBT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The EBT's investment in the Company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares. The gain or loss on transfer of the shares from the EBT to employees is recognised within equity.

Revenue

Revenue represents amounts derived from the design, production and sale of computer games software and related technology which fall within the Group's ordinary activities, exclusive of value-added tax and other similar sales taxes. Revenue is measured by reference to the fair value of consideration received or receivable.

Revenue includes income from the release of full games and early access versions of self-published games, paid downloadable content, royalties from published games and associated physical merchandise.

Revenue from released self-published games is recognised in accordance with IFRS 15 on download of the game or upon purchase of in-game digital items.

On release of a game, free downloadable content or updates provided to consumers are not considered additional performance obligations as these are not promised to the consumer and are only available at the discretion of the Group.

3. ACCOUNTING POLICIES CONTINUED

ACCOUNTING POLICIES CONTINUED

Revenue continued

Revenue from pre-orders of self-published games is normally deferred, then recognised when the Group meets its performance obligations upon commercial release of the game.

Revenue earned from royalties under distribution agreements is recognised in the period that the sales to the end customer are made, estimated on an accruals basis as royalty reports are received on a monthly or calendar-quarter basis.

Physical discs are distributed through our agents to retailers and the retailers are considered to be our customer. The performance obligation is satisfied at the point the retailer takes delivery of the discs but sales are made to retailers with a right of return. Revenue is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Due to the uncertainty around return levels for new games revenue is not recognised until the discs are sold by the retailer to the end user.

Segment reporting

The Group identifies one operating segment as the business is managed as a whole, reflecting the transition of the Group from an external publisher to self-publishing. For management purposes the chief operating decision maker which the Group considers to be the Chief Executive Officer, reviews the financial information, which is consistent with that reported in its financial statements, with financial performance measured on the basis of contribution before central costs. Assets are not fully directly attributable to any separable activity, other than to self-published software intangibles.

Share-based payment transactions

Share options are periodically granted to staff. Share options are measured at fair value at the date of grant and recognised over the vesting period of the option. Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is an estimate of the likely average expiry date of the options by reference to the current rate of exercise by employees. The share-based payment is recognised as an expense in profit or loss, together with a corresponding credit to an equity reserve. This expense is recognised on a straight line basis based on the Group's estimate of the number of shares that will vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options, the proceeds received up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. Upon the exercise or lapsing of the grant a transfer of the cumulative value of the grant is made from the equity reserve to the profit and loss reserve.

Income taxes

Income tax expense comprises the current and deferred tax.

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement, except where it relates to items outside profit or loss. Tax relating to items in other comprehensive income is recognised in other comprehensive income and tax relating to items directly in equity is recognised directly in equity.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. However, deferred tax is not provided on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax liabilities are always provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Deferred tax is recognised as a component of tax expense in the income statement. Deferred tax relating to items directly in equity is recognised directly in equity and deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Research and development tax credits (R&D tax credits) are claimed by the Group for qualifying expenditure which is included as an allowable deduction within the tax computation if not claimed as a cash credit. If the R&D tax credit is claimed as a cash benefit this is recognised through the profit and loss in the period it is received.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement net of any incentives received from the lessor on a straight line basis over the period of the lease.

Foreign currencies

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the statement of financial position date. Income and expenses are translated at the average exchange rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are recognised in other comprehensive income and are accumulated in the foreign currency reserve in equity. On disposal of a foreign operation, the cumulative translation differences are transferred to the profit and loss as a reclassification adjustment as part of the gain or loss on disposal.

Transactions denominated in a foreign currency are translated at the rate of exchange ruling at a month-end rate in order to approximate to the actual rate for the relevant transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date.

Foreign exchange differences are charged to the income statement in the period in which they arise.

3. ACCOUNTING POLICIES CONTINUED

ACCOUNTING POLICIES CONTINUED

Financial assets and liabilities at FVTPL

Derivative financial instruments are financial assets and liabilities measured at fair value through profit and loss (FVTPL) and are financial instruments that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative instruments fall into this category.

Financial instruments in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets and liabilities in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

4. SEGMENT INFORMATION

The Group identifies operating segments based on internal management reporting that is regularly reviewed by the chief operating decision maker and reported to the Board. The chief operating decision maker is the Chief Executive Officer.

Management information is reported as one operating segment, being revenue from self-published franchises and other revenue streams such as royalties and licensing.

The Group does not provide any information on the geographical location of sales as the majority of revenue is through third-party distribution platforms which are responsible for the sales data of consumers. The cost to develop this information internally would be excessive.

All of the Group's non-current assets are held within the UK.

All material revenue is categorised as either self-publishing revenue or other revenue.

In both the period ended 31 May 2019 and the period ended 31 May 2018, 'Other revenue' mainly related to royalty income.

	12 months to 31 May 2019 £'000	12 months to 31 May 2018 £'000
Self-publishing revenue	**89,476**	32,644
Other revenue	**193**	1,548
	89,669	34,192

5. EMPLOYEE REMUNERATION

Staff costs for all employees for Group and Company, including Directors, consist of:

	31 May 2019 £'000	31 May 2018 £'000
Staff remuneration	**18,870**	13,179
Social security costs	**1,626**	1,399
Pension costs	**1,497**	712
Share-based compensation	**1,564**	992
	23,557	16,282

Included in the above payroll costs for the year ended 31 May 2019 is £8,368,105 (2018: £9,654,702) capitalised within intangible fixed assets (see note 10). Pension costs relate to contributions to the Company's defined contribution scheme for auto-enrolment.

The average number of employees for the Group and Company, including Directors, during the period was:

	31 May 2019	31 May 2018
Research and development	**371**	300
Sales, marketing and administrative	**49**	45
	420	345

REMUNERATION OF DIRECTORS

	31 May 2019 £'000	31 May 2018 £'000
Directors' emoluments (including bonuses)	**1,049**	1,483
Non-Executive fees	**79**	40
Non-Executive consultancy fees	**49**	45

5. EMPLOYEE REMUNERATION CONTINUED

EMOLUMENTS OF HIGHEST PAID DIRECTOR

	31 May 2019 £'000	31 May 2018 £'000
Emoluments	**321**	400
Pension	**10**	10

For detailed Directors' remuneration disclosures refer to page 35 of the financial statements.

6. OPERATING LEASES

GROUP AND COMPANY

At each period end the future operating lease payments were as follows:

	Group and Company year ended	
	31 May 2019 £'000	31 May 2018 £'000
Minimum lease payments due within one year	**1,945**	1,911
Minimum lease payments due within one to five years	**7,771**	7,636
Minimum lease payments due in greater than five years	**19,407**	21,475
Total	**29,123**	31,022

Group lease payments recognised as an expense during the year ended 31 May 2019 amounted to £1,953,924 (31 May 2018: £1,133,561).

The lease payments in the period relate to office equipment, vehicles and lease agreements for office buildings.

7. PROFIT BEFORE TAX

	31 May 2019 £'000	31 May 2018 £'000
This is stated after charging:		
Amortisation of intangible assets	**8,717**	6,177
Depreciation of tangible assets	**883**	390
Research and development costs expensed	**6,352**	2,450
Foreign exchange losses	**302**	137
Auditor remuneration:		
Audit of the parent and Group	**60**	52
Audit related assurance services	**9**	9
Other assurance services	**—**	1
Operating leases	**1,954**	1,134

8. TAXATION ON ORDINARY ACTIVITIES

ANALYSIS OF THE CHARGE/(CREDIT) IN THE PERIOD

	31 May 2019 £'000	31 May 2018 £'000
UK corporation tax based on the results for the year	**2,339**	34
Adjustments for prior periods	**(91)**	(747)
Tax on profit on ordinary activities	**2,248**	(713)

8. TAXATION ON ORDINARY ACTIVITIES CONTINUED

FACTORS AFFECTING TAX EXPENSES

The tax assessed on the profit on ordinary activities for the year differs from the effective rate of corporation tax of 19% (2018: 19%) as follows:

	31 May 2019 £'000	31 May 2018 £'000
Profit on ordinary activities before taxation	**19,673**	2,880
Tax on profit on ordinary activities at standard rate	**3,738**	547
Factors affecting tax expense for the year:		
Expenses not deductible for tax purposes	**385**	381
Adjustments to tax charge in respect of previous periods	**(91)**	(747)
Research and development tax credits	**(262)**	(235)
Video Games Tax Relief enhanced deductions	**(608)**	(608)
Utilisation of deferred tax losses unrecognised in the prior year	**(605)**	—
Adjustment to tax for share options	**1,978**	—
Corporation tax deductions for employee share option exercises	**(371)**	(1,820)
Utilisation of tax losses in current year	**(1,916)**	—
Losses to carry forward	**—**	1,769
Total amount of tax	**2,248**	(713)

The Group benefits from the enhanced tax deductions available from the Video Games Tax Relief (VGTR) scheme as well as enhanced tax deductions for research and development expenditure (where costs are not included in the VGTR regime). For the financial year 2019 the Group has recorded a corporation tax charge of £2.2 million (FY18: a credit of £0.7 million) which would imply an effective tax rate of 11%. The taxable profits were almost completely offset by the brought forward losses from prior years and the tax deduction related to staff share options. The £2.2 million charge being recognised in FY19 is largely due to the tax accounting adjustment for share options. IAS 12 states that the benefit of any tax deductible share options in excess of the cumulative IFRS 2 charge must be credited directly to reserves, and not through the income statement.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Frontier Developments plc divided by the weighted average number of shares in issue during the year.

	31 May 2019	31 May 2018
Profit attributable to shareholders (£'000)	**17,410**	3,594
Weighted average number of shares	**38,337,119**	37,519,639
Basic earnings per share (pence)	**45.4**	9.6

The calculation of the diluted earnings per share is based on the profits attributable to the shareholders of Frontier Developments plc divided by the weighted average number of shares in issue during the year as adjusted for the dilutive effect of share options.

	31 May 2019	31 May 2018
Profit attributable to shareholders (£'000)	**17,410**	3,594
Diluted weighted average number of shares	**40,254,488**	39,485,283
Diluted earnings per share (pence)	**43.2**	9.1

The reconciliation of the average number of Ordinary Shares used for basic and diluted earnings per share is as follows:

	31 May 2019	31 May 2018
Weighted average number of shares	**38,337,119**	37,519,639
Dilutive effect of share options	**1,917,369**	1,965,644
Diluted average number of shares	**40,254,488**	39,485,283

10. INTANGIBLE ASSETS

GROUP AND COMPANY

The Group and Company intangible assets comprise capitalised development tools and self-published software from internal development activities and acquired software licences.

	Development tools and licences £'000	Self-published software and licences £'000	Third-party software £'000	Total £'000
Cost				
At 31 May 2017*	4,537	31,665	344	36,546
Additions	930	12,489	84	13,503
At 31 May 2018*	5,467	44,154	428	50,049
Additions	1,295	13,518	168	14,981
At 31 May 2019	**6,762**	**57,672**	**596**	**65,030**
Amortisation and impairment				
At 31 May 2017	3,479	10,029	178	13,686
Amortisation charges	949	5,101	127	6,177
At 31 May 2018	4,428	15,130	305	19,863
Amortisation charges	365	8,174	178	8,717
At 31 May 2019	**4,793**	**23,304**	**483**	**28,580**
Net book value at 31 May 2019	**1,969**	**34,368**	**113**	**36,450**
Net book value at 31 May 2018*	1,039	29,024	123	30,186

* Restated for a licence commitment previously not recorded which increased intangible assets and trade and other payables at 31 May 2017 and 31 May 2018 by £989,000.

The majority of amortisation charges for intangible assets are expensed within research and development expenses.

During the period ended 31 May 2018 the Group performed a review of IAS 38 "Intangible Assets" and the application of this standard. As a result the processes for the commencement and the cessation of the capitalisation of development costs, together with the application of amortisation periods, were refined. Game development costs are now only capitalised for new chargeable franchise assets. Typically costs incurred after the commercial launch of assets are expensed. Amortisation periods are assigned and aligned to these assets. Typically amortisation is over four years for game assets and two years for PDLC (paid downloadable content). These refinements were effective from 1 June 2018.

Existing assets with a net book value at 31 May 2018 are covered by transition arrangements to amortise these assets over a remaining period of four years.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 31 May 2017	115	898	—	394	1,407
Additions	—	317	—	4,343	4,660
Transfer	459	307	3,971	(4,737)	—
At 31 May 2018	574	1,522	3,971	—	6,067
Additions	276	616	1,377	—	2,269
At 31 May 2019	**850**	**2,138**	**5,348**	**—**	**8,336**
Depreciation					
At 31 May 2017	106	605	—	—	711
Charge for the period	19	309	62	—	390
At 31 May 2018	125	914	62	—	1,101
Charge for the period	121	478	284	—	883
At 31 May 2019	**246**	**1,392**	**346**	**—**	**1,984**
Net book value at 31 May 2019	**604**	**746**	**5,002**	**—**	**6,352**
Net book value at 31 May 2018	449	608	3,909	—	4,966

Assets in the course of construction related to the fit-out of a new leased building in the Science Park in Cambridge which was occupied from April 2018. During the period to 31 May 2019 further fit-out costs were incurred as previously unused office space was occupied by the Group.

Depreciation charges were apportioned to the income statement as follows:

	Year ended 31 May 2019 £'000	Year ended 31 May 2018 £'000
Research and development expenses	**347**	260
Administration expenses	**536**	130
Total	**883**	390

12. TRADE AND OTHER RECEIVABLES

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	31 May 2018 £'000	**31 May 2019 £'000**	31 May 2018 £'000
Trade and other receivables, gross	**2,932**	4,130	**2,930**	4,137
Intercompany receivable	**—**	—	**3,992**	158
Financial assets	**2,932**	4,130	**6,922**	4,295
Prepayments and other debtors	**2,015**	2,148	**1,992**	2,126
Social security and other taxes	**231**	442	**228**	443
Non-financial assets	**2,246**	2,590	**2,220**	2,569
Total trade and other receivables	**5,178**	6,720	**9,142**	6,864

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

No receivables are past their due date. The majority of receivables are balances with third-party distributors.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following balances by currency:

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	31 May 2018 £'000	**31 May 2019 £'000**	31 May 2018 £'000
Cash at bank and in hand				
Great British Pounds (GBP)	**24,206**	20,916	**24,206**	20,916
US Dollars (USD)	**9,324**	2,447	**5,348**	2,247
Euros (EUR)	**1,798**	755	**1,798**	755
Canadian Dollars (CAD)	**4**	6	**4**	6
Financial assets	**35,332**	24,124	**31,356**	23,924

14. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	Restated* 31 May 2018 £'000	**31 May 2019 £'000**	Restated* 31 May 2018 £'000
Trade payables	**3,056**	1,492	**3,056**	1,458
Intercompany payable	**—**	—	**10**	44
Accruals	**5,307**	4,530	**5,292**	4,520
Financial liabilities	**8,363**	6,022	**8,358**	6,022
Derivative financial instruments	**31**	373	**31**	373
Other taxation and social security	**632**	514	**632**	514
Total trade and other payables	**9,026**	6,909	**9,021**	6,909

Trade and other payables are due within one year. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

14. TRADE AND OTHER PAYABLES CONTINUED
NON-CURRENT LIABILITIES

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	Restated* 31 May 2018 £'000	**31 May 2019 £'000**	Restated* 31 May 2018 £'000
Other payables	**939**	–	**939**	–
Total other payables	**939**	–	**939**	–

* Restated for a licence related accounting adjustment as per note 10.

Other payables within non-current liabilities are payments that are due between 12 and 24 months.

15. DEFERRED INCOME
Deferred income in the statement of financial position can be analysed as follows:

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	31 May 2018 £'000	**31 May 2019 £'000**	31 May 2018 £'000
Deferred income – current	**1,036**	3,634	**989**	3,589
Deferred income – non-current	**465**	690	**370**	555
Total deferred income	**1,501**	4,324	**1,359**	4,144

The deferred revenue balance for the year ended 31 May 2019 is in respect of *Elite Dangerous* lifetime expansion passes and disc sales of *Jurassic World Evolution* that are still within the distribution channel.

The *Elite Dangerous* lifetime expansion passes deferred revenue amount recognised for 31 May 2019 is £697k (2018: £920k).

Non-current deferred income for *Elite Dangerous* lifetime expansion passes is due to be recognised over the expected remaining accounting life of the franchise period, which was the period originally set in 2014. At 31 May 2019 the remaining accounting life of the franchise lifetime expansion passes is considered to be two and a half years.

The disc sales of *Jurassic World Evolution* deferred revenue amount recognised at 31 May 2019 is £804k (2018: £nil).

The deferred revenue for disc sales is expected to be released during the next 12 months.

All deferred revenue related to digital pre-order sales of *Jurassic World Evolution* for the year ended 31 May 2018 was released on the launch of *Jurassic World Evolution* on 12 June 2018. The amount released was £3,423k.

The carrying values of deferred income are considered to be a reasonable approximation of fair value.

16. CURRENT TAX LIABILITIES
Current tax liabilities in the statement of financial position were as follows:

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	31 May 2018 £'000	**31 May 2019 £'000**	31 May 2018 £'000
Current tax liability	**966**	–	**966**	–

The Group has recognised a current tax liability of £1.0 million for the year ended 31 May 2019 (£nil for 31 May 2018). This is based on the estimated corporation tax due. This amount differs from the £2.2 million tax charge recorded for the year as the Group can benefit from the tax deductions for share options and the loss relief from prior periods when considering the liability that is due.

17. PROVISIONS

PROVISIONS FOR DILAPIDATIONS

	Group and Company year ended	
	31 May 2019 £'000	31 May 2018 £'000
Opening balance	**11**	275
Provision utilised	**–**	–
Provision released	**–**	(264)
Provided for in the period	**2**	–
At period end	**13**	11

The provision is based on the estimated costs of work to be performed to bring the building back to a state of repair and condition similar to the start of the lease.

18. DEFERRED TAX ASSETS AND LIABILITIES

	Group and Company year ended	
	31 May 2019 £'000	31 May 2018 £'000
Accelerated capital allowances	**–**	109
Short-term temporary differences (restricted)	**–**	(109)
Tax losses (restricted)	**605**	–
Total asset/(liability)	**605**	–
Balance brought forward	**–**	–
Movement in year	**605**	–
Balance carried forward asset/(liability)	**605**	–

A deferred tax asset has been recognised in the statement of financial position for the Group and Company as at 31 May 2019 for £0.6 million (FY18: £nil) as this relates to the carry forward losses the Group expects to benefit from in future years.

UK tax losses available at 31 May 2019 are provisionally estimated to be £3.5 million (31 May 2018: £10 million).

19. SHARE CAPITAL

GROUP AND COMPANY

Balances and movement in share capital, being Ordinary Shares of 0.5p each.

	Number	Nominal value £
As at 31 May 2017	34,230,529	171,153
Shares issued on option exercises and warrants	985,517	4,928
Tencent investment	3,386,252	16,931
As at 31 May 2018	38,602,298	193,012
Shares issued on option exercises and warrants	138,770	693
As at 31 May 2019	**38,741,068**	**193,705**

From 1 June 2018 to 31 May 2019 138,770 Ordinary Shares of 0.5p were allotted as fully paid at an average premium of 186p, being the exercise of share options by employees. The average market value was 1746p on the days of allotment.

20. FINANCIAL ASSETS AND LIABILITIES

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	31 May 2018 £'000	**31 May 2019 £'000**	31 May 2018 £'000
Financial assets at amortised cost				
Trade and other receivables	**2,932**	4,130	**6,922**	4,295
Cash and cash equivalents	**35,332**	24,124	**31,356**	23,924
Total	**38,264**	28,254	**38,278**	28,219

DERIVATIVE FINANCIAL INSTRUMENTS

The Group's financial instruments measured at fair value are summarised below:

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	31 May 2018 £'000	**31 May 2019 £'000**	31 May 2018 £'000
Derivative financial liabilities				
Forward foreign exchange contracts – held for trading	**(31)**	(373)	**(31)**	(373)

The Group used forward foreign exchange contracts to mitigate exchange rate exposure arising from forecast sales in US Dollars. The forward contracts are considered by management to be part of economic hedge arrangements but have not been formally designated.

All forward contracts are held at fair value through the profit and loss by reference to the exchange rate at the balance sheet date.

The Group's foreign currency forward contracts have been fair valued using observable forward exchange rates corresponding to the maturity of the contract. The observable forward exchange rates are provided by a third party. They are defined as level 2 within the fair value hierarchy. There were no transfers between levels in 2019 or 2018.

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	Restated* 31 May 2018 £'000	**31 May 2019 £'000**	Restated* 31 May 2018 £'000
Financial liabilities at amortised cost				
Trade and other payables	**8,363**	6,022	**8,358**	6,022
Total	**8,363**	6,022	**8,358**	6,022

* Restated for a licence related accounting adjustment as per note 10.

21. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company holds a £6 investment in Frontier Developments Inc., a company registered in the US. This represents 100% of the Ordinary Share capital of the company, which is engaged in publisher support services for the Group. The registered address of Frontier Developments Inc. is 500 N Rainbow Blvd, Suite 300, Las Vegas, NV 89107, US.

22. SHARE OPTIONS

The Group has a number of share schemes whereby options may be granted to employees (including Directors) to subscribe for Ordinary Shares in the Group.

The Group operates two EMI schemes (pre-July 2013), a HMRC-approved Company Share Option Plan (from January 2014), two unapproved schemes (one pre-July 2013 and one post-January 2014), a HMRC-approved Sharesave scheme (October 2017, May 2018, October 2018 and April 2019) and a Long Term Incentive Plan (November 2017, January 2018, May 2018 and October 2018). The share option grants for employees typically vest after three years with a contractual term of ten years. The option holder must be employed by the Group at the time of exercise. The unapproved options carry similar conditions to the main Company Share Option Plan, except for one tranche issued on 15 September 2014 that had a shorter vesting period of one year. The Long Term Incentive Plan has a vesting period of three years and has performance conditions attached to the options.

Date of grant	Scheme or warrant type	Period when exercisable	Price in pence	**2019 Number**	2018 Number
30 July 2012	2012 EMI scheme	2012–2022	89	**116,543**	130,193
15 May 2013	2013 EMI scheme	2014–2023	95	**4,000**	4,000
8 July 2013	Unapproved pre-IPO warrants	2013–2023	95	**65,790**	65,790
15 July 2013	Unapproved IPO warrants	2013–2023	127	**147,638**	147,638
21 March 2014	Company Share Option Plan	2017–2024	224.5	**74,000**	80,850
15 September 2014	Company Share Option Plan	2017–2024	257.5	**134,330**	156,380
15 September 2014	Unapproved options	2017–2024	257.5	**164,100**	213,100
15 September 2014	Unapproved options	2015–2024	257.5	**288,350**	288,350
10 March 2015	Company Share Option Plan	2018–2025	230	**80,330**	97,230
10 March 2015	Unapproved options	2018–2025	230	**29,000**	30,200
21 September 2015	Company Share Option Plan	2018–2025	193.5	**82,400**	124,000
21 September 2015	Unapproved options	2018–2025	193.5	**37,200**	39,400
8 September 2016	Company Share Option Plan	2019–2026	174	**154,000**	160,000
8 September 2016	Unapproved options	2019–2026	174	**156,000**	176,000
9 February 2017	Company Share Option Plan	2020–2027	278	**92,000**	89,000
9 February 2017	Unapproved options	2020–2027	278	**35,000**	35,000
31 May 2017	Company Share Option Plan	2020–2027	406	**7,389**	7,389
31 May 2017	Unapproved options	2020–2027	406	**22,167**	22,167
31 May 2017	Unapproved options	2020–2027	250	**300,000**	300,000
1 November 2017	Sharesave	2020–2027	952	**72,111**	84,719
10 November 2017	Company Share Option Plan	2020–2027	1,094	**106,772**	108,491
10 November 2017	Long Term Incentive Plan	2020–2027	0.5	**145,904**	148,408
1 January 2018	Unapproved options	2021–2028	300	**—**	50,000
1 January 2018	Long Term Incentive Plan	2021–2028	0.5	**—**	12,000
8 May 2018	Sharesave	2021–2028	1,044	**14,616**	24,783
17 October 2018	Company Share Option Plan	2021–2028	1,130	**65,908**	—
17 October 2018	Long Term Incentive Plan	2021–2028	0.5	**142,756**	—
8 October 2018	Sharesave	2021–2028	904	**31,177**	—
6 February 2019	Company Share Option Plan	2022–2029	886	**3,386**	—
6 February 2019	Long Term Incentive Plan	2022–2029	0.5	**558**	—
1 April 2019	Sharesave	2022–2029	783	**52,255**	—
				2,625,680	2,595,088

22. SHARE OPTIONS CONTINUED

Movements in the number of share options and warrants outstanding:

	Group and Company year ended	
	2019 Number	2018 Number
Opening balance	**2,595,088**	3,292,007
Granted	**324,021**	433,468
Exercised	**(148,850)**	(1,108,520)
Lapsed	**(144,579)**	(21,867)
Closing balance	**2,625,680**	2,595,088
Weighted average exercise price on closing balance	**295.3**	271.9

The share-based compensation charge in the profit and loss was £1,563,629 (31 May 2018: £991,724), of which £16,712 (31 May 2018: £24,427) was in respect of warrants.

Under the rules of the Company Share Option Plan, typically options are not exercisable until three years from the date of the grant. There are no performance conditions attaching to the options. The only vesting condition is continued service in the Company.

Under the rules of the Long Term Incentive Plan, typically options are not exercisable until three years from the date of the grant. There are performance conditions attached to the options related to both profit and share price performance during the vesting period. The option holder must also be employed by the Group at time of exercise.

FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. Details of the fair value granted in the period, together with the assumptions used in determining the fair value, are summarised below:

	Sharesave April 2019	LTIP February 2019	CSOP February 2019	Sharesave October 2018	CSOP October 2018	LTIP October 2018
Share price at date of grant (p)	783	894.7	886	904	1,130	1,140
Exercise price (p)	783	0.5	886	904	1,130	0.5
Expected time to expiry (years)	4.1	4.1	4.1	3.6	3.6	3.6
Risk-free interest rate (%)	2.2837	2.2837	2.2837	2.2837	2.2837	2.2837
Expected dividend yield on shares (%)	—	—	—	—	—	—
Expected volatility of share price (%)	53.12	52.59	52.59	48.24	48.55	48.55
Fair value of options granted (p)	342.2	894.3	384.1	343.2	431.2	1,139.5

EMPLOYEE BENEFIT TRUST (EBT)

On 5 December 2014, the Company set up an EBT for the purposes of allowing employees to exercise their share options, including the choice of being able to do this on a cashless exercise basis. The exercise of options is approved by the Board at each Board meeting, outside of share dealing closed periods, under a letter of recommendation to the Trustees of the EBT. The fulfilment of the share option conversions, whether by issue of shares to the EBT or market purchases, is also made at the same time. The EBT is limited under ABI guidelines to holding not more than 10% of the Ordinary Share capital of the Group. The Trustees are appointed by Estera Trust (Jersey) Limited (formerly Appleby Trust (Jersey) Limited), which administers the Trust. The number of share options exercised by employees in the year and fulfilled as part of these arrangements was 68,150 Ordinary Shares. The Group funded the EBT £5,000,000 in September 2018 and the EBT purchased 466,173 Ordinary Shares from the market. The EBT had no other assets or liabilities at 31 May 2019 outside of its interest in 502,668 Ordinary Shares.

23. RELATED PARTY TRANSACTIONS

Two shareholders receive ongoing royalties or commission as a percentage of royalty sales for some of the Group's video games launched in prior periods.

	Group and Company year ended			
Connected party	**Expense paid 31 May 2019 £'000**	**Creditor balance 31 May 2019 £'000**	Expense paid 31 May 2018 £'000	Creditor balance 31 May 2018 £'000
Chris Sawyer – royalties	**34**	**–**	268	24
Marjacq Micro Limited – sales commission	**13**	**–**	118	26

23. RELATED PARTY TRANSACTIONS CONTINUED

Connected party	Group and Company year ended **Change in value of loan expense paid 31 May 2019 £'000**	 Change in value of loan expense paid 31 May 2018 £'000
EBT – share options exercised by employees	**(133)**	148
Contribution to EBT to purchase shares on market	**5,000**	—
Voluntary contribution to the Trust to repay outstanding loan balance during year ended 31 May 2018	**(4,867)**	(148)
Movement in year	**—**	—
Opening loan balance	**—**	—
Closing loan balance	**—**	—

KEY MANAGEMENT COMPENSATION

Key management is the Executive and Non-Executive Directors of the Group. The compensation paid to key management for employee services is shown below:

	31 May 2019 £'000	31 May 2018 £'000
Directors' emoluments (including bonuses)	**1,167**	1,483
Non-Executive fees	**83**	40
Non-Executive consultancy fees	**49**	45

Consultancy fees are paid to Rockspring Ltd, a company in which David Gammon is a common Director, amounting to £49k (2018: £45k). The amount outstanding at 31 May 2019 is £5k (2018: £nil).

24. FINANCIAL INSTRUMENT RISKS

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various risks in relation to financial assets and liabilities. Financial assets and liabilities by category are summarised in note 20. The main types of risks are credit risk, currency risk and liquidity risk.

The Group's risk management is co-ordinated in close co-operation with the Board of Directors.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

Credit risk

The Group's exposure is limited to the carrying amount of financial assets and cash and cash equivalents recognised at the year-end date (as summarised in note 20).

The Group's management considers all financial assets, not impaired, for each reporting date to be of good credit quality, including those past due. In respect of trade and other receivables, the Group is exposed to significant credit risk for a single counterparty. The Board monitors the credit risk by reference to the date of receipt compared to the contractual terms.

The Group considers it has minimal credit risk for liquid funds and other short-term financial assets as cash is held with reputable UK and US banks.

At the year end the Group's financial assets are secured by a debenture issued in favour of Barclays Bank plc.

Foreign currency risk

The Group's reporting currency is Sterling. Exposure to currency exchange rates arises where transactions are in a currency other than the functional currency of the entity, primarily US Dollars (USD) and Euros (EUR).

The Group has entered into several forward contracts during the financial year in order to mitigate the risk of US currency movements. The closing value of the contracts has been disclosed within financial assets, and accounted for at fair value through the profit and loss.

The carrying amounts of the Group's Canadian Dollar, US Dollar and Euro-denominated monetary assets outside the functional currency of the entity at the reporting date are as follows:

	Consolidated year ended 31 May 2019			Consolidated year ended 31 May 2018			**Company year ended 31 May 2019**			Company year ended 31 May 2018		
	CAD £'000	**USD £'000**	**EUR £'000**	CAD £'000	USD £'000	EUR £'000	**CAD £'000**	**USD £'000**	**EUR £'000**	CAD £'000	USD £'000	EUR £'000
Assets	**4**	**9,324**	**1,798**	6	2,447	755	**4**	**5,348**	**1,798**	6	2,247	755

In addition, some of the Group's revenue and overhead transactions are completed in a foreign currency.

24. FINANCIAL INSTRUMENT RISKS CONTINUED

RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Foreign currency risk continued

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase or decrease in the Sterling exchange rate against all relevant currencies, albeit the main exposures are to US Dollars and Euros. An increase in Sterling would lead to a decrease in income and a decrease in equity.

	Consolidated year ended		Company year ended	
	31 May 2019 £'000	31 May 2018 £'000	**31 May 2019 £'000**	31 May 2018 £'000
Effect of a 5% change in relevant exchange rate on:				
Income statement	**2,365**	841	**2,356**	987
Equity	**724**	367	**724**	354

Liquidity risk analysis

Liquidity risk is the risk arising from the Group not being able to meet its obligations as they fall due. The Group manages its liquidity needs by carefully monitoring forecast cash inflows and outflows in day-to-day business. Net cash requirements determine headroom or any shortfalls over the medium term. This analysis shows if there is a need to use the revolving credit facility or seek external funding or the need for secure finance from its shareholder base.

The Group's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
At 31 May 2019				
Trade and other payables	**7,810**	**553**	**–**	**–**
At 31 May 2018				
Trade and other payables	4,543	490	–	–

The Company's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
At 31 May 2019				
Trade and other payables	**7,804**	**553**	**–**	**–**
At 31 May 2018				
Trade and other payables	4,543	490	–	–

Financial assets used for managing liquidity risk

Cashflows from trade and other receivables are contractually due within six months.

Cash is generally held in accounts with immediate notice. Where surplus cash deposits are identified these are placed in accounts with access terms of no more than three months.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019
(REGISTERED COMPANY NO: 02892559)

	Notes	**31 May 2019 £'000**	Restated* 31 May 2018 £'000	Restated* 31 May 2017 £'000
Non-current assets				
Intangible assets	10	**36,450**	30,186	22,860
Property, plant and equipment	11	**6,352**	4,966	696
Deferred tax asset	18	**605**	—	—
		43,407	35,152	23,556
Current assets				
Trade and other receivables	12	**9,142**	6,864	2,999
Current tax asset		**81**	479	456
Cash and cash equivalents	13	**31,356**	23,924	12,414
		40,579	31,267	15,869
Total assets		**83,986**	66,419	39,425
Current liabilities				
Trade and other payables	14	**(9,021)**	(6,909)	(4,896)
Deferred income	15	**(989)**	(3,589)	(390)
Current tax liabilities	16	**(966)**	—	(747)
Provisions	17	**—**	(11)	(275)
		(10,976)	(10,509)	(6,308)
Net current assets		**29,603**	20,758	9,561
Non-current liabilities				
Provisions	17	**(13)**	—	—
Deferred income	15	**(370)**	(555)	(740)
Other payables	14	**(939)**	—	(989)
		(1,322)	(555)	(1,729)
Total liabilities		**(12,298)**	(11,064)	(8,037)
Net assets		**71,688**	55,355	31,388
Equity				
Share capital	19	**194**	193	171
Share premium account		**34,390**	34,132	14,601
Equity reserve		**(3,073)**	780	972
Retained earnings		**40,177**	20,250	15,644
Total equity		**71,688**	55,355	31,388

* Restated for a licence related accounting adjustment as per note 10.

The Company has taken the exemption under Section 408 of the Companies Act 2006 not to present a full income statement, but the profit for the Company was £17,413,914 (2018: £3,570,588).

These financial statements were approved by the Directors on 4 September 2019 and signed on their behalf by:

ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY
4 September 2019

	31 May 2019 £'000	31 May 2018 £'000
Cash generated from operations	**28,536**	10,221
Taxes received/(paid)	**480**	(34)
Cashflow from operating activities	**29,016**	10,187
Investing activities		
Purchase of property, plant and equipment	**(2,269)**	(4,660)
Expenditure on intangible assets	**(14,981)**	(13,503)
Interest received	**289**	81
Cashflow from investing activities	**(16,961)**	(18,082)
Financing activities		
Proceeds from issue of share capital	**259**	19,553
Employee Benefit Trust net investment	**(4,882)**	(148)
Cashflow from financing activities	**(4,623)**	19,405
Net change in cash and cash equivalents from continuing operations	**7,432**	11,510
Cash and cash equivalents at beginning of period	**23,924**	12,414
Exchange differences on cash and cash equivalents	**—**	—
Cash and cash equivalents at end of period	**31,356**	23,924

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	31 May 2019 £'000	31 May 2018 £'000
Operating profit	**19,385**	2,777
Depreciation and amortisation	**9,600**	6,567
EBITDA	**28,985**	9,344
Movement in unrealised exchange (gains)/losses on forward contracts	**(345)**	292
Share-based payment expenses	**1,564**	992
Operating cashflows before movements in working capital	**30,204**	10,628
Net changes in working capital:		
Change in trade and other receivables	**(2,279)**	(4,155)
Change in trade and other payables	**609**	4,012
Change in provisions	**2**	(264)
Cash generated from operations	**28,536**	10,221

The accounting policies on pages 45 to 62 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2017	171	14,601	972	15,644	31,388
Profit for the year	—	—	—	3,570	3,570
Total comprehensive income for the year	—	—	—	3,570	3,570
Issue of share capital net of expenses	22	19,531	—	—	19,553
Share-based payment charges	—	—	992	—	992
Share-based payment transfer relating to option lapses	—	—	(1,036)	1,036	—
EBT share inflows from issues and/or purchases	—	—	(263)	—	(263)
EBT share outflows from option exercises	—	—	115	—	115
Transactions with owners	22	19,531	(192)	1,036	20,397
At 31 May 2018	193	34,132	780	20,250	55,355
Profit for the year	—	—	—	17,414	17,414
Total comprehensive income for the year	—	—	—	17,414	17,414
Issue of share capital net of expenses	1	258	—	—	259
Share-based payment charges	—	—	1,564	—	1,564
Share-based payment transfer relating to option lapses	—	—	(535)	535	—
EBT share inflows from issues and/or purchases	—	—	(5,000)	—	(5,000)
EBT share outflows from option exercises	—	—	118	—	118
Tax credits on share options taken directly to reserves	—	—	—	1,978	1,978
Transactions with owners	1	258	(3,853)	2,513	(1,081)
At 31 May 2019	**194**	**34,390**	**(3,073)**	**40,177**	**71,688**

FRONTIER DEVELOPMENTS PLC
(INCORPORATED AND REGISTERED IN ENGLAND AND WALES WITH NO. 02892559)

(THE 'COMPANY')

Notice is hereby given that the Annual General Meeting of the Company will be held at The Trinity Centre located at 24 Cambridge Science Park, Milton Road, Cambridge CB4 0FN on Wednesday, 30 October 2019 at 9.15 a.m. (GMT) for the following purposes:

ORDINARY RESOLUTIONS

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

Resolution 1. To receive and adopt the financial statements for the year ended 31 May 2019 together with the Reports of the Directors and Auditor thereon.

Resolution 2. To re-appoint Alexander Bevis, who retires and offers himself for re-appointment, as a Director.

Resolution 3. To re-appoint David Braben, who retires and offers himself for re-appointment, as a Director.

Resolution 4. To re-appoint Charles Cotton, who retires and offers himself for re-appointment, as a Director.

Resolution 5. To re-appoint David Gammon, who retires and offers himself for re-appointment, as a Director.

Resolution 6. To re-appoint James Mitchell, who retires and offers himself for re-appointment, as a Director.

Resolution 7. To re-appoint David Walsh, who retires and offers himself for re-appointment, as a Director.

Resolution 8. To re-appoint Jonathan Watts, who retires and offers himself for re-appointment, as a Director.

Resolution 9. To re-appoint auditors in accordance with Section 489 of the Companies Act 2006 (the **'Act'**) to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are laid.

Resolution 10. To authorise the directors of the Company (the **'Directors'**) to determine the Auditors' remuneration for the ensuing year.

Resolution 11. That the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company, pursuant to Section 551 of the Act, to allot equity securities (within the meaning of Section 560 of the Act) up to an aggregate nominal amount of £64,568.45, which represents one-third of the nominal value of the Company's issued share capital at the date of this notice, provided that this authority, unless renewed, varied or revoked by the Company in a general meeting, shall expire on the earlier of 15 months after the passing of this resolution or the conclusion of the Annual General Meeting of the Company to be held in 2020, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all previous authorities conferred upon the Directors pursuant to Section 551 of the Act, but without prejudice to the allotment of any equity securities already made or to be made pursuant to such authorities.

SPECIAL RESOLUTION

To consider and, if thought fit, pass the following resolution as a special resolution:

Resolution 12. That, subject to the passing of resolution 11 above, the Directors be empowered in accordance with Section 570 of the Act to allot equity securities (within the meaning of Section 560 of the Act) wholly for cash pursuant to the authority conferred on them pursuant to resolution 11 above as if Section 561(1) of the Act or any pre-emption provisions contained in the Articles did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an open offer of equity securities by way of rights issue to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of such equity securities, but subject to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or problems arising in any territory or with the requirements of any recognised regulatory body or stock exchange in any territory; and

(b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £19,370.53 which represents one-tenth of the nominal value of the Company's issued share capital as at the date of this notice.

Such power shall expire on the earlier of 15 months after the passing of this resolution or the conclusion of the Annual General Meeting of the Company to be held in 2020, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

DAVID GAMMON
CHAIRMAN
Date: 4 September 2019

Registered Office:
Frontier Developments plc, 26 Science Park, Milton Road, Cambridge CB4 0FP

EXPLANATORY NOTES

To the notice of Annual General Meeting

NOTES

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company but must attend the meeting to represent you.
2. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you will need to complete a separate Form of Proxy in relation to each appointment. To request additional Forms of Proxy, please contact the Company Secretary on 01223 394300 or Frontier Developments plc at 26 Science Park, Milton Road, Cambridge CB4 0FP. You will need to state clearly on each Form of Proxy the number of shares in relation to which the proxy is appointed. Failure to specify the number of shares a proxy appointment relates to or specifying a number of shares in excess of those held by the member will result in the proxy appointment being invalid.
3. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. If you wish to appoint a proxy other than the Chairman, write the full name of your proxy in the box provided in the Form of Proxy.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to resolutions) which may properly come before the meeting.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated. The vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the votes of the other holders. For this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
6. To be effective, the Form of Proxy must be duly completed and deposited together with any power of attorney or other authority (if any) under which it is executed (or a duly certified copy of such power or authority) and lodged at Link Market Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 9.15 a.m. (GMT) on 28 October 2019 (being not more than 48 hours (excluding non-working days) prior to the time fixed for the meeting).
7. Whether or not you propose to attend the Annual General Meeting, please complete, sign and submit a Form of Proxy to our registrars, Link Market Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than the time and date specified above.
8. Completion and return of the Form of Proxy will not preclude a shareholder from attending and voting in person at the meeting. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
9. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company by 6.30 p.m. (GMT) on 28 October 2019 (being not more than 48 hours (excluding non-working days) prior to the time fixed for the meeting) shall be entitled to attend and vote at the meeting or, if the meeting is adjourned, by 6.30 p.m. (GMT) on such date being not more than 48 hours (excluding non-working days) prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.
10. The following documents will be available for inspection from the date of this notice until the meeting at the Company's registered office and at the meeting convened by this notice:
    - a register of Directors' share interests;
    - copies of the Directors' service contracts and letters of appointment (as applicable); and
    - a copy of the Company's Articles of Association.
11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member.

COMPANY SECRETARY AND CFO
Alex Bevis

REGISTERED AND HEAD OFFICE
26 Science Park
Milton Road
Cambridge CB4 0FP

WEBSITE
www.frontier.co.uk

REGISTERED NUMBER
2892559
(Incorporated and registered in
England and Wales)

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London EC2Y 9LY

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AUDITOR
GRANT THORNTON UK LLP
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Milton Road
Cambridge CB4 0FY

LEGAL ADVISORS TO THE COMPANY
BIRD & BIRD LLP
12 New Fetter Lane
London EC4A 1JP

REGISTRARS
LINK MARKET SERVICES LIMITED
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

FIVE-YEAR SUMMARY

FOR THE YEAR ENDED 31 MAY 2019

	31 May 2019	31 May 2018	31 May 2017	31 May 2016	31 May 2015
Revenue	**£89.7m**	£34.2m	£37.4m	£21.4m	£22.8m
Operating profit	**£19.4m**	£2.8m	£7.8m	£1.2m	£1.6m
Operating margin (%)	**22%**	8%	21%	6%	7%
EBITDA	**£29.0m**	£9.4m	£12.7m	£4.9m	£6.1m
EPS (basic)	**45.4p**	9.6p	22.7p	4.2p	4.9p
Operating cashflow	**£15.4m**	(£2.8m)	£3.4m	(£2.7m)	£2.6m
Net cash balance	**£35.3m**	£24.1m	£12.6m	£8.6m	£10.5m

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Frontier Developments plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arcoprint, an FSC® certified material. This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company. Both the printer and the paper mill are registered to ISO 14001.

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designportfolio

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