CREATING AUTHENTIC WORLDS

FRONTIER DEVELOPMENTS PLC
ANNUAL REPORT AND ACCOUNTS 2020

CREATING AUTHENTIC WORLDS

Frontier is a leading independent developer and publisher of videogames founded in 1994 by David Braben, co-author of the iconic Elite game.

Based in Cambridge with a growing team of over 560 talented people, Frontier uses its proprietary COBRA game development technology to create innovative genre-leading games, primarily for personal computers and videogame consoles. As well as self-publishing internally developed games, Frontier also publishes games developed by carefully selected partner studios under its Frontier Foundry games label.

FINANCIAL HIGHLIGHTS

- Our major new game release in FY20 was a 100% own-IP title, *Planet Zoo*, which released exclusively on PC almost halfway through FY20, in November 2019, and is Frontier's biggest selling game to date on PC during an equivalent time period
- In comparison our major new game release in FY19 and our biggest selling game to date, *Jurassic World Evolution*, benefitted from a major existing global IP franchise and launched simultaneously on multiple platforms, releasing on PC, PlayStation 4 and Xbox One at the start of FY19 alongside the *Jurassic World: Fallen Kingdom* film in June 2018
- Total revenue in FY20 was £76.1 million (FY19: £89.7 million). As expected the lower level of revenue year-on-year reflected the timing of releases during the two financial years and that *Planet Zoo* launched on the PC platform only
- All four games, *Elite Dangerous*, *Planet Coaster*, *Jurassic World Evolution* and *Planet Zoo*, benefitted from Frontier's 'launch and nurture' strategy in FY20, with each providing significant revenue contributions through both base game sales and paid-downloadable content ("PDLC")
- Strong trading performance delivered operating profit, as reported under IFRS, of £16.6 million for FY20 (FY19: £19.4 million), with operating profit margin maintained at 22% despite the lower level of revenue
- Cash balances increased by £10.4 million during the year to £45.8 million (FY19: £35.3 million)
- Full financial review on pages 31 to 33

STRATEGIC HIGHLIGHTS

- **A fourth successful new game launch**
  - *Planet Zoo* released successfully in November 2019, quickly establishing itself as a genre leader, reflecting its rich, authentic animal and management simulations, with the tools which enable players to craft and share the most beautiful creations with a large and growing game community
  - Over 1.0 million base game units sold in under six months
  - Strong engagement with free content and PDLC has helped to keep players active, attract new players and generate additional revenue, with the *Arctic* pack released just before Christmas, the *South American* pack at Easter and the *Australia* pack which launched in August, after the end of FY20
- **Frontier's launch and nurture portfolio strategy continues to deliver**
  - Frontier reduces risk by identifying opportunities to create genre-leading games that build on its strengths and unique track record
  - Post-launch, Frontier nurtures its games for many years through community engagement and additional content
  - *Elite Dangerous* continues to grow, with the success of the recent *Fleet Carriers* update helping to achieve its highest ever player numbers. *Elite Dangerous: Odyssey*, our major new paid-for update to launch in calendar Q1 2021 (in FY21), was revealed in June 2020 to positive reception
  - *Planet Coaster* also continues to grow, making more revenue in FY20 than in FY19, wholly on PC. We have announced *Planet Coaster* is coming to Xbox One, PlayStation 4, Xbox Series X and PlayStation 5 later this year
  - *Jurassic World Evolution* benefitted from several PDLC packs in FY20, including the *Jurassic World Evolution*: *Return to Jurassic Park* pack at Christmas, our most successful PDLC to date, which continues to perform well. *Jurassic World Evolution: Complete Edition* is coming to the Nintendo Switch on 3 November 2020
  - Nearly 60% of revenue in FY20 was generated by *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*, illustrating the ongoing popularity of the Company's games, and the success of Frontier's launch and nurture strategy in generating strong returns over many years
  - Over 10 million base game units sold across our four titles as of 31 May 2020 (*Elite Dangerous* 3.5 million, *Planet Coaster* 2.5 million, *Jurassic World Evolution* 3.0 million and *Planet Zoo* 1.0 million)
- **Strategic progress with new IP licences and the addition of third-party publishing**
  - IP licence signed for annual releases of Formula 1® management games from 2022 onwards
  - IP licence signed with Games Workshop for a real-time strategy game based on the popular *Warhammer Age of Sigmar* brand
  - Frontier Foundry, our own games label for third-party publishing, started strongly with six games signed to date, including one already released, one more announced and more coming soon

CONTENTS

STRATEGIC REPORT
01 Highlights
02 Frontier at a glance
04 Chairman's statement
06 Chief Executive's statement
10 Our business model and strategy
14 Our games
  14 Elite Dangerous
  16 Planet Coaster
  18 Jurassic World Evolution
  20 Planet Zoo
22 Future games
  22 Formula 1® licence
  24 *Warhammer Age of Sigmar* licence
26 Frontier Foundry
28 Principal risks and uncertainties
31 Financial review
34 Our people
36 Our impact – environmental, social and governance
38 Section 172 statement

CORPORATE GOVERNANCE
40 Board of Directors
42 Report of the Directors
45 Corporate governance report
50 Remuneration report

FINANCIAL STATEMENTS
53 Independent Auditor's report
58 Consolidated income statement
58 Consolidated statement of comprehensive income
59 Consolidated statement of financial position
60 Consolidated statement of changes in equity
61 Consolidated statement of cashflows
62 Notes to the financial statements
83 Company statement of financial position
84 Company statement of cashflows
85 Company statement of changes in equity
86 Notice of Annual General Meeting
88 Advisors and Company information
89 Five-year summary

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GROWING OUR PORTFOLIO

FRONTIER RELEASED TITLES

14

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 uniquely recreated by Frontier at its full galactic proportions. *Elite Dangerous: Odyssey*, arriving in Q1 2021, will mark the birth of a highly anticipated new era for the long-running definitive space simulation, allowing players to touch down on countless new planets powered by stunning new tech. See breathtaking new scenery and explore with unrestricted freedom from a first-person, feet-on-the-ground perspective, something we know many players are keen to see.

18

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, construct attractions and containment and research facilities. Every choice leads to a different path and spectacular challenges arise when 'life finds a way'. Frontier's world-class team will further expand the *Jurassic World Evolution* player community with its release on the Nintendo Switch console on 3 November 2020.

16

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. We look forward to expanding the *Planet Coaster* community even further with the additional release of *Planet Coaster: Console Edition* later in 2020.

20

PLANET ZOO

Planet Zoo – available for Windows PC – is 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.

FRONTIER FUTURE TITLES

22

FORMULA 1® MANAGEMENT GAMES

In March 2020 we announced a multi-year exclusive licence with Formula 1® ("F1") to develop and publish PC and console management games annually for the world's most prestigious motor racing competition. F1 is one of the most popular global sporting franchises in the world, and we believe the combination of the F1 brand together with our extensive experience in management games will deliver fantastic game experiences to a wide and varied audience around the world. The licence provides Frontier with the rights for four F1 seasons (2022 to 2025 inclusive).

24

WARHAMMER AGE OF SIGMAR REAL-TIME STRATEGY GAME

In May 2020 Frontier announced an exclusive IP licence with Games Workshop to develop and publish a real-time strategy game, planned for release in FY23, within the rich and extensive world of *Warhammer Age of Sigmar*.

Warhammer Age of Sigmar is Games Workshop's most recent iteration of the globally renowned fantasy setting in which the four Grand Alliances of Order, Chaos, Death and Destruction vie for control of the Mortal Realms. We look forward to working closely with the team at Games Workshop to bring the rich world of *Warhammer Age of Sigmar* to a wide audience through an immersive and accessible real-time strategy game on both PC and console.

UNREVEALED MAJOR GLOBAL LICENCED IP GAME

In March 2019 we signed a major global IP licence to develop and publish a future game worldwide on PC and consoles. The game is planned for release in FY22.

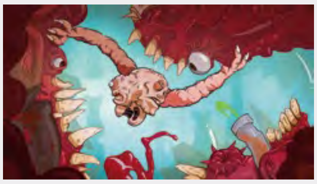
FRONTIER® FOUNDRY

Frontier Foundry is our games label for third-party publishing. By forming partnerships with quality external developers and leveraging the Company's proven publishing expertise, Frontier Foundry is best placed to bring players unique and memorable new games that break boundaries and create legacies. In August 2020, we revealed our first two Frontier Foundry titles – *Struggling* and *Lemnis Gate* – and we already have four more titles signed for future years.

26

STRUGGLING

STRUGGLING



Frontier Foundry's debut third-party published title, *Struggling*, launched on 27 August 2020 on Steam and Nintendo Switch. Developed by the Montreal-based studio Chasing Rats Games, *Struggling* is the physics-based co-op platformer where up to two players, control the arms of our fleshy hero, Troy, as he sets out on an outrageous adventure.

LEMNIS GATE

LEMNIS GATE

On 27 August 2020 Frontier Foundry unveiled *Lemnis Gate*, the exciting turn-based combat strategy shooter with revolutionary four-dimensional gameplay, coming to PC, PlayStation and Xbox in Q1 2021. Developed by Ratloop Games Canada, *Lemnis Gate* tasks players with defeating opponents in brain-bending 1v1 and 2v2 arena matches.

FURTHER TITLES

Frontier Foundry has signed a further four titles so far, including a project with experienced developer Haemimont Games. Three of the titles are planned for release in FY22, with one scheduled for FY23. More titles are expected to be signed as we continue to engage with a number of potential development partners. Our target is to achieve five to six release per year from FY23 onwards, with Frontier Foundry set to become a material part of Frontier's overall business.

ANOTHER GREAT YEAR

Frontier's amazing team has delivered another great year of progress for the Company, which is particularly pleasing given the operational challenges that were presented by Covid-19 during the second half of the financial year.

Frontier's success is due to the hard work and skill of our talented team.

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN

The biggest launch event during the period was the release of *Planet Zoo* in November 2019. I'm delighted for the team to see yet another successful launch, the fourth major new game release since the transition to self-publishing in 2013-2014, with *Planet Zoo* becoming Frontier's biggest seller on PC to date, during an equivalent time period. Frontier's 'launch and nurture strategy continues to deliver, with all four games achieving material revenues in the period from both base game sales and PDLC sales. We believe our proven model of identifying, and then executing upon, opportunities to establish and maintain ourselves as genre leaders creates one of the lowest risk and highest return business models in the games industry.

FY20 was also a period of significant strategic progress for Frontier. Our commitment to quality, expertise in digital publishing and increased profile have helped us secure major new IP licences with two fantastic organisations: Formula 1® and Games Workshop. The Formula 1® licence is Frontier's first annual sports licence and a significant strategic step, bringing together our experience of developing deeply engaging, high-fidelity simulation games and one of the most management-rich sports in the world. The Games Workshop deal provides the team with a strategic opportunity to bring a real-time strategy game to a wider audience on console as well as PC. These agreements are further evidence of Frontier's reputation as a trusted partner to some of the world's highest-profile brand owners.

Significant progress was also made during the period with our third-party publishing initiative, now branded under our Frontier Foundry games label. Five games were signed during the period with a further game signed in July 2020. Frontier Foundry is set to become a material part of our business in the future, and it was pleasing to see the first game, *Struggling*, release in August 2020.

Our Board of Directors, comprised of seven highly experienced, capable and motivated individuals, continues to operate effectively, facilitated by monthly reporting and regular meetings. Meetings during the lockdown continued via video conference. 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. I believe we are all well aligned in terms of our strategy and direction, with a clear view of Frontier's continued plans for success.

Frontier's success, as always, is due to the hard work and skill of our talented team. I'd like to thank all of our staff for their effort and dedication during the period, particularly through the challenges of lockdown and working-from-home. We look to the future with confidence based on our great team, our successful portfolio and our exciting roadmap.

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN
9 September 2020

WHAT SETS FRONTIER APART?

560+ people
a world-class team

26+ years
of long, successful and varied experience

10m+
base game units across 4 self-published titles

£250m+
of self-published revenue since listing in 2013

COBRA
technology

Clear strategy
launch and nurture

Developer-led
approach

Strong
portfolio

Trusted
IP partner

Publishing capability
for own developments and third-party titles

Lower risk/ higher return
opportunity selection

AN EXCITING FUTURE

Reflecting on our progress since writing my last report in the summer of 2019, I am delighted with the achievements of our teams across all areas of our business, particularly through the challenges of Covid-19.

Regarding our internally developed game portfolio, we have further expanded our offering with another successful major game release, *Planet Zoo*, which has become our best-selling PC game, crossing 1 million base game units in less than six months. As usual we have supported all of our games with free and paid content, together with active community management, which has in turn delivered strong ongoing sales performance. As a result, all four titles delivered material contributions in FY20, and it was pleasing to pass a sales milestone for Frontier in the period with a combined total of 10 million base game units sold across our four titles since we listed.

Our vision is to be the most respected entertainment company in the world.

DAVID BRABEN
FOUNDER AND CEO

In addition to new game developments and PDLC packs, our teams have been working hard to deliver three major new releases for our existing game portfolio during FY21. *Jurassic World Evolution*: *Complete Edition* will be launching on the Nintendo Switch, *Planet Coaster*: *Console Edition* is coming to PlayStation and Xbox, and players will soon be able to get out of their ships and SRVs (Surface Reconnaissance Vehicles) with *Elite Dangerous: Odyssey*. These major achievements are made possible by the talent, experience and hard work of our teams, combined with our technology leadership through the continued investment in our own COBRA game engine.

In spring 2020 we signed two major new IP licences to further strengthen our future roadmap. In March 2020 we confirmed a deal with Formula 1® with exclusive rights to an annual PC and console management game, with the first game planned for the 2022 F1 season. In May 2020 we revealed a licence with Games Workshop for exclusive rights to a real-time strategy game for the globally popular *Warhammer Age of Sigmar*. It's great to see such strategic progress with IP owners and follows on from our successful partnership with Universal Games and Digital Platforms on *Jurassic World Evolution*, Sony Pictures with *Ghostbusters* and previous partnerships during our work-for-hire period.

These deals, together with the unrevealed major global IP licence announced in March 2019, mean we now have two major new multi-platform game releases for each of FY22 and FY23 which will each benefit from world-class IP licences. We anticipate achieving two major new releases per year on average thereafter from internal developments, which is a significant step up from the cadence of one release every two years from our first two releases in December 2014 (*Elite Dangerous*) and November 2016 (*Planet Coaster*).

FRONTIER FOUNDRY

Frontier Foundry, our own games label for third-party publishing, leverages 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. It emphasises the importance of our long experience of development and our thorough understanding of the issues that arise during development. I believe a significant reason we have been, and will continue to be, successful here is that we are one of the few developer-led publishers in the world and this translates to great working relationships with developers who choose to work with Frontier Foundry.

We have made excellent progress with six games signed to date, including five signed during FY20. Through this initiative, we published our first title, *Struggling*, on PC and Nintendo Switch in August 2020. The response to this new and unique game has been positive, for what is clearly quite a different game to our existing internally developed portfolio. We have one more title, *Lemnis Gate*, scheduled for the current financial year, FY21, with three titles so far planned for FY22 and one for FY23. We are aiming for Frontier Foundry to achieve five to six releases per year from FY23 onwards, which should enable this exciting new part of our business to become a material contributor.

26

CURRENT TRADING AND OUTLOOK

Frontier is very well placed for the future with exciting major releases planned for FY21 to support and extend our four existing and successful franchises, together with new games published by Frontier Foundry.

Elite Dangerous has continued to be very successful since its first early access launch in December 2013 and full release in December 2014. It has hit its highest player numbers this year, in its seventh year, helped by the launch of *Fleet Carriers* and the announcement of the major forthcoming update *Elite Dangerous: Odyssey* due later in FY21 (in calendar Q1 2021), in which players will be able to explore and fight on foot.

Planet Coaster has also continued to perform well, earning greater revenue in FY20 than it did in FY19, wholly on PC. Traditionally, management and simulation games have tended not to appear on console because of the complexity of the controls, but the Frontier team did an excellent job with *Jurassic World Evolution* on console and it was very successful. With this invaluable experience now *Planet Coaster: Console Edition* is coming to console later this year, on both the existing generation, Xbox One and PlayStation 4, and the new generation coming out later this year, PlayStation 5 and Xbox Series X, which is another exciting milestone for the game.

Jurassic World Evolution is still very popular, with the *Jurassic World Evolution*: *Return to Jurassic Park* PDLC pack performing well in FY20. In August 2020 we revealed that on 3 November 2020 (in FY21) we will be bringing *Jurassic World Evolution* to the Nintendo Switch console. We are incredibly proud of the quality the team have achieved on Nintendo Switch, getting the full game to work without compromise.

Planet Zoo launched to great acclaim in November 2019, and has gone from strength to strength since its release. Both the *Arctic* and *South America* PDLC packs performed superbly in FY20, with the *Australia* PDLC pack in August 2020 (in FY21) following them after the end of the financial year. Additional PDLC packs are planned.

In addition to those major releases for our four existing games in this financial year, FY21 will also benefit from two Frontier Foundry games. The award-winning *Struggling* was launched in August, and *Lemnis Gate*, also an award-winning game, is coming later in the financial year. We are also very pleased that the timeless *RollerCoaster Tycoon 3* will be coming to Switch.

Taking into account actual performance to date and projections for the remainder of FY21, including the anticipated sales of future game/content/platform releases coming during the financial year, the Company is on track to deliver record revenue within the range of £90 million to £95 million for FY21 (the 12 months to 31 May 2021).

STRATEGIC REPORT

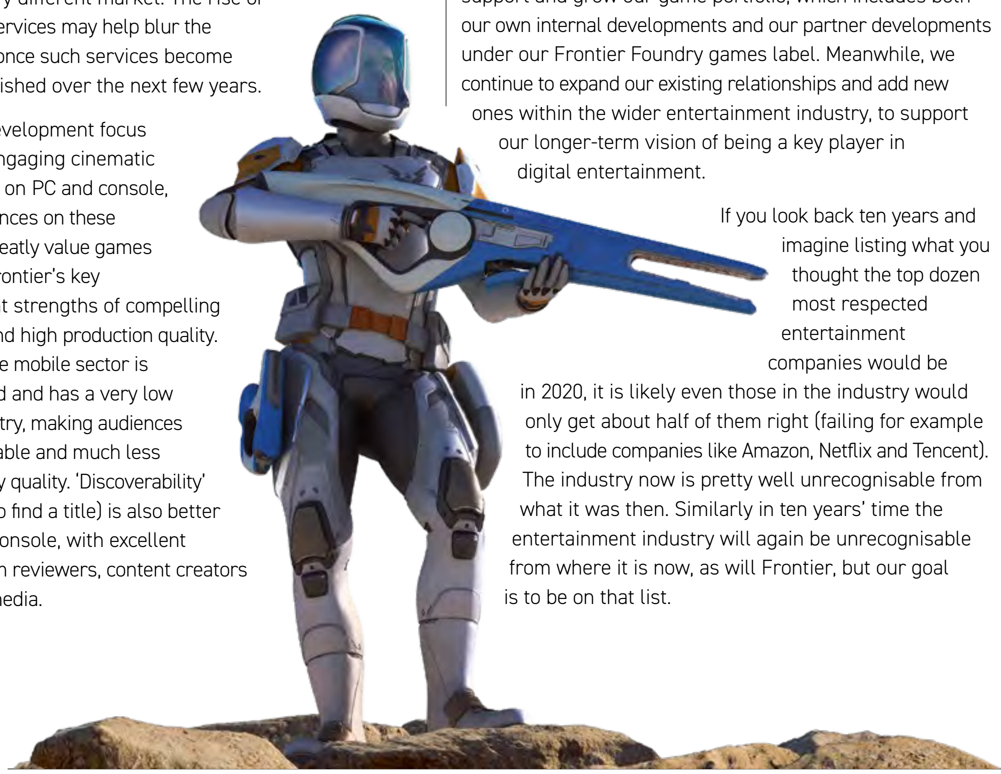
OUR INDUSTRY

The games market continues to grow strongly, and for several years now it has been the largest sector within the $300+ billion entertainment industry which includes games, film, TV, and music.

With audiences craving greater levels of interactivity within their entertainment experiences, the lines between games, film and TV continue to blur as each look to add more interactions with their audiences. Frontier already produces hundreds of hours of live 'TV' content (via services like YouTube and Twitch TV) directly each year supporting the different games and their communities, with many thousands of hours from the numerous streamers that regularly play the games, in addition to the games themselves. 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.

Historically, the games market has been seen as three different but very roughly equal sectors by revenue: PC, console and mobile, but in the context of the rise of new services especially streaming, it is worth looking at these again. PC and console are characterised by their high-quality cinematic content. Typical sessions are half an hour or more, with a fair amount of 'context' that the player carries in their head. With mobile they are more typically five minute sessions, where there is almost no 'context' to remember – everything is immediately apparent on the screen. That is not to say that 'cinematic' games with longer play times do not appear on mobile, but they are more likely to be played statically with a constant network connection, so arguably are not literally 'mobile'; they are also not typically the more successful – such games generally have better success on PC or console, at least in the Western world. This, together with the expectation of lower price or free to play makes mobile games a very different market. The rise of streaming services may help blur the boundaries once such services become more established over the next few years.

Our main development focus is on rich, engaging cinematic experiences on 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, 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, and this transition has almost certainly been further accelerated by the Covid-19 stay-at-home restrictions during 2020. Mobile and PC have been close to 100% digital for several years, and the console audience is quickly catching up, as focus shifts to the new generation of hardware, and older business models are replaced. Digital sales represented 97% of Frontier's revenue in FY20, with only 3% from sales of physical discs (FY19: 15%).

Streaming services provide an interesting new distribution model which has emerged over the last couple of years. These services have only taken a small share of the market to date, and technical considerations and player inertia might mean that streaming games from the cloud to consumer devices may take several years to become mainstream.

Our particular focus on 'launch and nurture', which is effectively a 'games as a service' model, is working very well, producing four successful titles so far, but we will continue to monitor and consider different delivery model options as the industry continues to evolve.

OUR VISION

Our vision for Frontier is to become one of the most respected entertainment companies in the world. As the boundaries between the different entertainment mediums continue to blur, Frontier is in a great position to lead the evolution and the merging of those mediums. As a leading developer and publisher of high-quality sophisticated and immersive game experiences, the foundations for achieving our vision are strong. We have a long and diverse track record of success in both development and publishing, we have strong relationships with platforms and IP owners and have become a trusted and go-to partner for major global IPs, and we nurture our games and our player communities over many years to achieve sustainable success.

In the medium term we are laser focused on continuing to support and grow our game portfolio, which includes both our own internal developments and our partner developments under our Frontier Foundry games label. Meanwhile, we continue to expand our existing relationships and add new ones within the wider entertainment industry, to support our longer-term vision of being a key player in digital entertainment.

If you look back ten years and imagine listing what you thought the top dozen most respected entertainment companies would be in 2020, it is likely even those in the industry would only get about half of them right (failing for example to include companies like Amazon, Netflix and Tencent). The industry now is pretty well unrecognisable from what it was then. Similarly in ten years' time the entertainment industry will again be unrecognisable from where it is now, as will Frontier, but our goal is to be on that list.

OUR STRATEGY AND BUSINESS MODEL

We believe that publishing our own games, 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 identifying, developing and delivering top-quality, PC and console titles for digital distribution.

We will continue to follow our repeatable model to support our games over many years with new releases and updates, and to create further titles in underserved game genres where we can use our key expertise, knowledge and/or valuable external IP to deliver highly differentiated, best-in-class player experiences. Frontier's games take a long time to fully master, so yield longevity and great value for players. This longevity and loyalty of our great communities should help 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 game franchises. Our strategic focus is on two key areas:

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

We continue to grow our teams so that we can continue to support our existing games while also increasing the frequency of major new releases. The increase in the number of releases supporting our existing games, such as major PDLC launches, helps to smooth revenue, but major releases of new games are still a significant factor in the revenue stream. As we scale the frequency of new game releases over future years 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 games are released.

We are growing our portfolio, and consequently we are increasing our development team to enable us to support additional games while generating new content for our existing titles. We will continue to grow our resources and capability to enable us to achieve two major new internally developed releases per year, on average, from FY22. This will not require us to increase our workforce linearly because supporting an existing title 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.

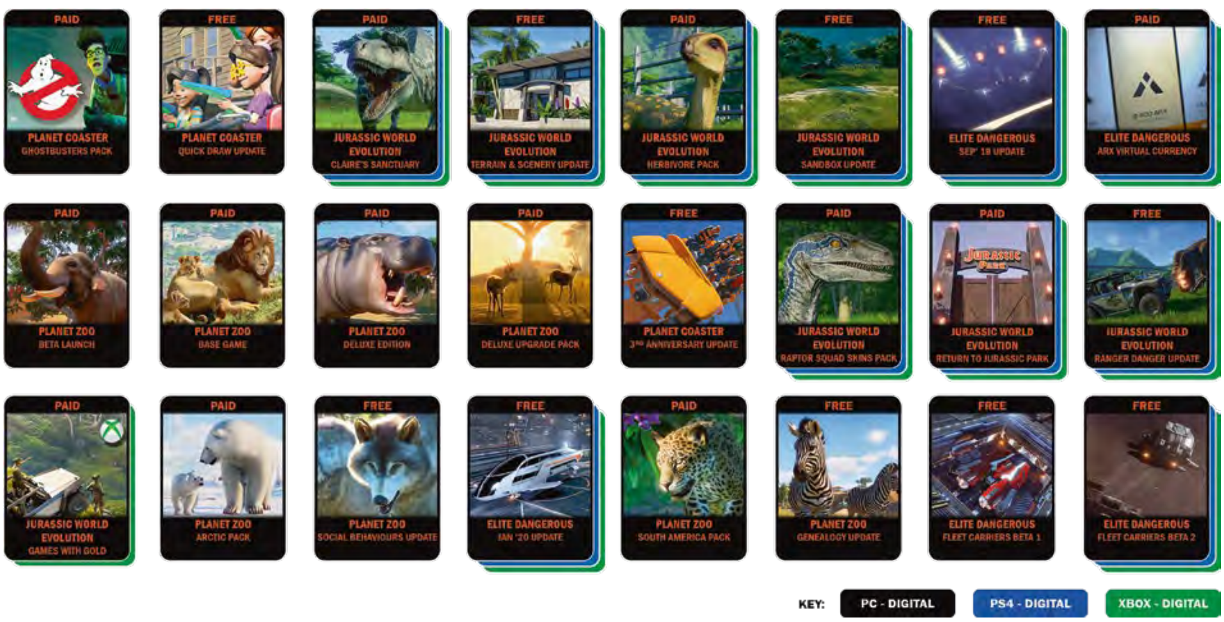
Frontier Foundry, our own games label for third-party publishing first announced in June 2019, continues to grow, with six titles signed to date, including two for FY21 (*Struggling* and *Lemnis Gate*), three for FY22 and one for FY23. We are looking to achieve five to six releases per year from FY23 onwards, which should enable this exciting new part of our business to become a material contributor.

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 has met our valuation, product alignment and culture fit thresholds.

DAVID BRABEN
FOUNDER AND CEO
9 September 2020

STRATEGIC REPORT

FY20 RELEASES



OUR MULTI-FRANCHISE BUSINESS MODEL

KEY STRENGTHS

OUR PEOPLE
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 games 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 games and bring other games to market.

CREATING AND NURTURING TO ACHIEVE REPEATABLE SUCCESS

CREATE

High quality

Innovative experiences

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

NURTURE

Boost player experience

Increasing awareness

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

STAKEHOLDER VALUE

OUR PEOPLE
A growing team and an exciting portfolio. Strong bonuses (again) for FY20.

PLAYERS
>10 million base game units of self-published games sold (as at 31 May 2020).

COMMERCIAL PARTNERS
Continued strong sales performance of *Jurassic World Evolution*.
Two major new IP licences signed.

SHAREHOLDERS
Operating profit margin maintained at 22%. Record cash balances of £46 million (as at 31 May 2020).

DEVELOPERS
Six development partners signed up to our Frontier Foundry games label so far.

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.

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. Our teams managed admirably during the work-from-home restrictions of Covid-19, and now as we carefully and selectively transition back to the office we will strive to maximise the efficiency and effectiveness of office working, potentially in combination with increased flexibility, and perhaps ultimately the ability to grow further without seeking additional office space.

DEVELOP

We use online channels to create and engage with player communities during game development.

This practice provides a valuable source of feedback, and these player communities provide excellent advocacy for each title 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 the 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.

PUBLISH

With each of our game franchises, we plan for the long term, and how best to support and sustain the audience for each one.

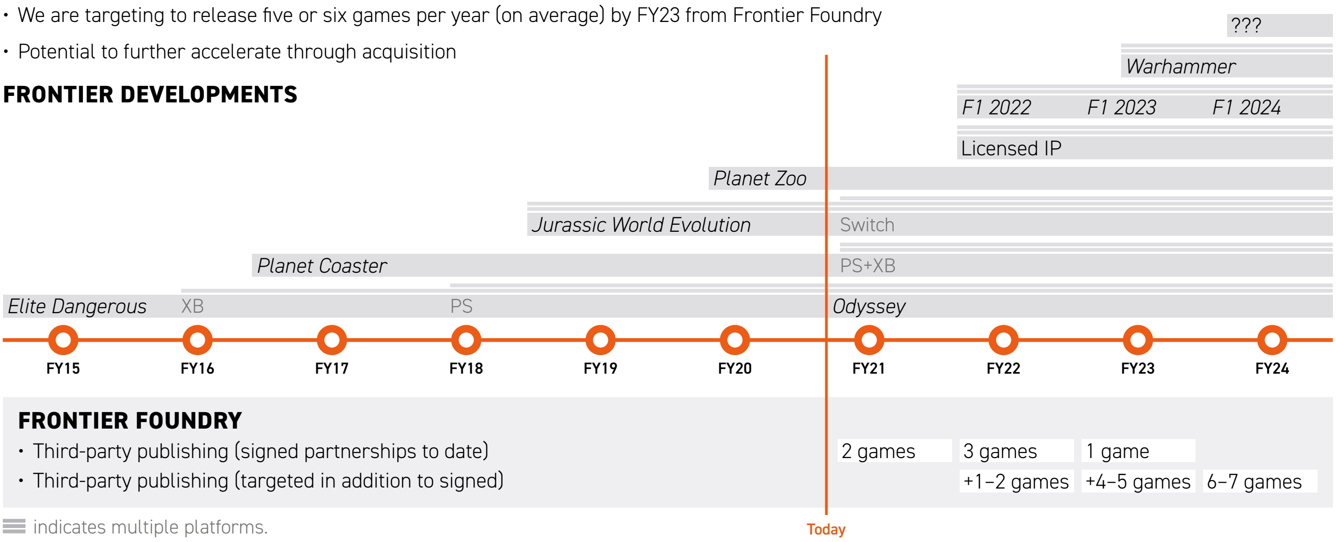
A dedicated team monitors progress based on sentiment towards the games, success of each of the distribution channels and platforms, and the up-take of additional content both free and paid, allowing us to reach the widest possible audience over time. Free content is a valuable tool to help retain and 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 over performance versus expectations in each territory, and will continue to look for opportunities to tailor our price to a level more appropriate to each local economy.

GROWING OUR PORTFOLIO

OUR FUTURE PLANS

- We now have the resources to achieve two new game releases per year (on average) from FY22 from Frontier Developments
- We are targeting to release five or six games per year (on average) by FY23 from Frontier Foundry
- Potential to further accelerate through acquisition



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.

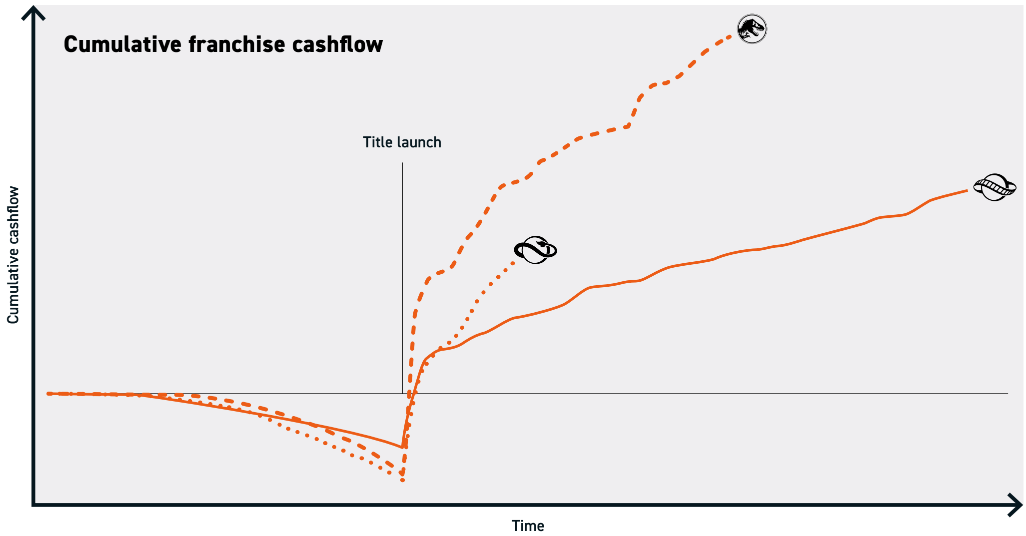
We use this proven, rigorous and repeatable model to invest our resources with the intention of creating world-class games with strong franchise potential and plans for strong post-launch product support to help realise this potential. With *Elite Dangerous* we knew there had been significant success in the past, not least because of our own games in that area in previous decades, and also that there were no games like it at the time, and we believed that we possessed the differentiated technical capability to digitally replicate our own Milky Way Galaxy. 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 sixth year of full release (its seventh year since early access). For comparison, other high-profile space exploration games that entered Kickstarter in the early 2010s have still not released at all, speaking to the challenges of the genre and to our team's expertise and ability to deliver compelling product in a timely fashion.

LAUNCHING AND SUSTAINING A GAME FRANCHISE

Our approach is to develop and launch a game with the full intention of supporting it over many years, in order to stimulate our target audience over the long term, delivering sustainable multi-year revenue and earnings.

We continually measure our performance using key performance indicators.

33
KEY PERFORMANCE INDICATORS



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. The success of *RollerCoaster Tycoon 3* over such a long period of time meant there was no meaningful Coaster Park competition within the sector for all that time. We knew we could do a better job, and many of the same team that made it back in 2002–2004 were still at Frontier, hence our confidence we could 'knock it out of the park' with a new game. In other words, we were confident it was therefore underserved and that we could create its natural successor as another genre-defining title. The fans loved what they saw during early access and, despite Atari launching *RollerCoaster Tycoon World* the day prior to *Planet Coaster*'s launch, we achieved that aim and *Planet Coaster* now dominates the sector and continues to be successful in its fourth year of release, indeed earning more revenue in FY20 than it did in FY19. We believe our interactive success with *RollerCoaster Tycoon 3* and *Planet Coaster* has built up unique capabilities within Frontier to create and manage 'simulation management' experiences.

Jurassic World Evolution followed in June 2018 (in collaboration with the team at Universal Games and Digital Platforms), and in November 2019 *Planet Zoo* released as our fourth self-published game, following the same model and leveraging our unparalleled expertise of in-game creature portrayal, and management gameplay. The last successful game in the zoo game sector was *Zoo Tycoon* with Microsoft in 2013, developed by Frontier for Microsoft, and with *Planet Zoo* we are confident we have developed a game that will dominate its sector for many years to come. As we progressed from *Zoo Tycoon* to *Jurassic World Evolution* and now *Planet Zoo*, we believe we have developed unique skillsets in terms of realistically simulating and bringing beautifully to life large animals, alone and in herds, both historical and current.

OUR 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. In March 2019 we announced an as yet unrevealed major global IP for a game launch in FY22, and during FY20 we signed strategically important IP licences with Formula 1® and Games Workshop.

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. At the same time 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.

Our future franchise portfolio is likely to continue to contain a blend of Frontier-owned IP, like *Elite Dangerous*, *Planet Coaster* and *Planet Zoo*, and some with third-party licensed IP, like *Jurassic World Evolution* and our future plans for the Formula 1® and *Warhammer Age of Sigmar* games. Games based on owned IP provide Frontier with the benefit of having complete creative freedom and higher margins, while games based on licensed IP have the potential to more easily reach large new audiences and leverage existing lore and characters, such as with *Jurassic World Evolution*. We 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 also consider the long-term benefits of relationships with these IP partners and how they can help with future opportunities as the wider entertainment sector continues to change, presenting ever more opportunities for new types of entertainment.

We plan to establish and grow a significant third-party publishing business through our Frontier Foundry games label, working with carefully selected development partners. We have six titles signed to date, with *Struggling* and *Lemnis Gate* for FY21, three games signed so far for FY22 and one for FY23. We are looking for Frontier Foundry to achieve five to six releases per year from FY23 onwards. This not only continues our existing repeatable model, in terms of leveraging our expertise in identifying opportunities and publishing, but also diversifies our business model, allowing us to increase more quickly the size of our game portfolio, which has retail cross-selling advantages and is an efficient use of our financial resources.

HEADING INTO THE NEXT ERA

December 2014
RELEASE DATE

400 billion
STAR SYSTEMS TO EXPLORE

38
SHIPS TO CHOOSE FROM

1
BAFTA NOMINATION

Elite Dangerous is now in its seventh 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 – *Elite Dangerous* launched on Xbox One in 2015 and came to PlayStation 4 in 2017.

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.

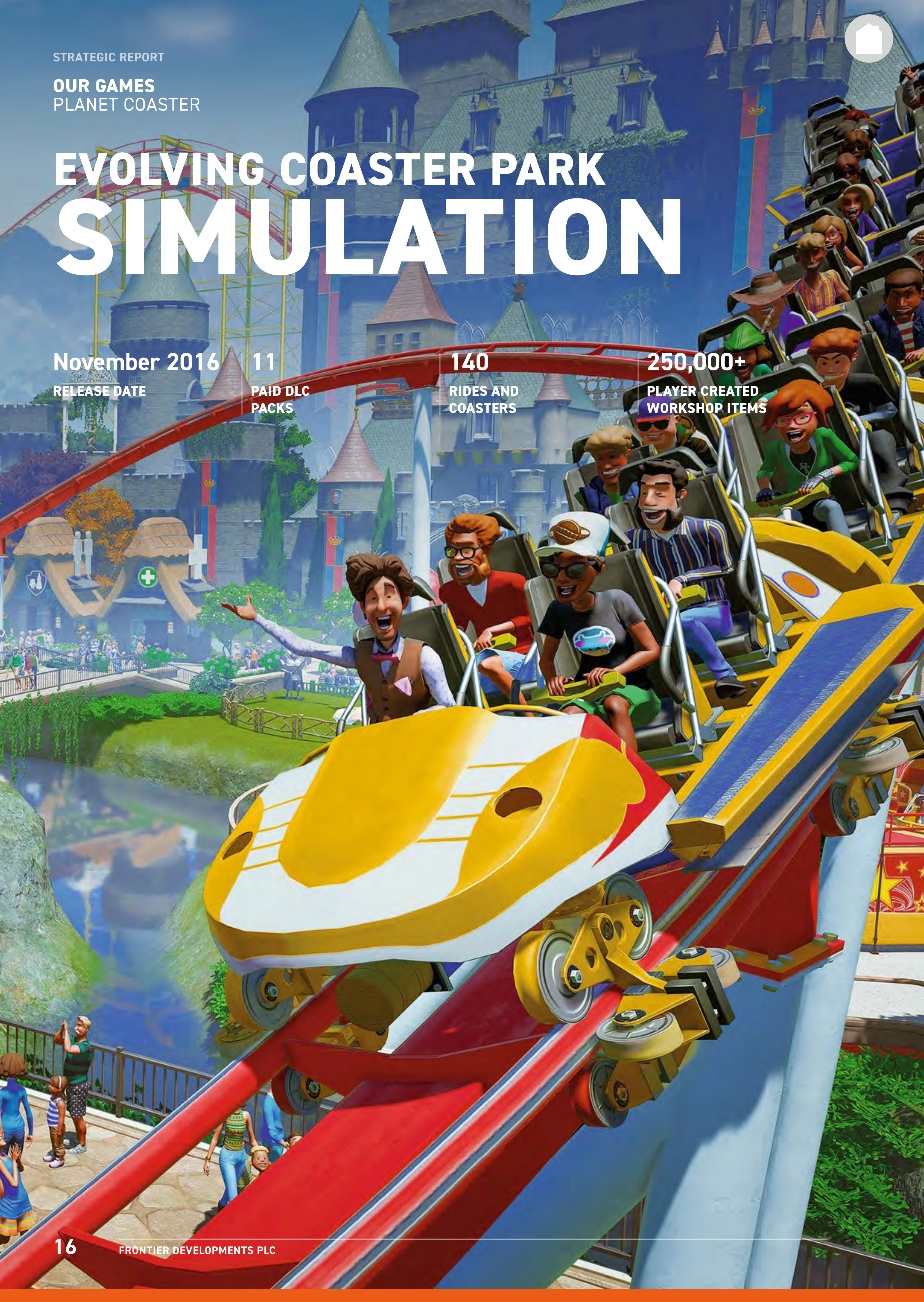
The *Beyond* season of free updates delivered enhancements to the overall player experience, including foundational changes to the core systems of *Elite Dangerous* and delivering new in-game content, across four chapters during the period February 2018 to December 2018.

On 3 June 2020 we unveiled *Elite Dangerous: Odyssey*, which is our major new paid-for update for *Elite Dangerous*, coming in Q1 calendar 2021 (in FY21). *Elite Dangerous: Odyssey* marks the birth of a highly anticipated new era for the long-running definitive space simulation, allowing players to touch down on countless new planets powered by stunning new tech and explore with unrestricted freedom from a first-person, feet-on-the-ground perspective, something we know many players are keen to see.

In addition to major expansion packs, *Elite Dangerous* has a strong back catalogue and future roadmap of in-game personalisation items. This rich customisation model has been further enhanced by the launch of an in-game virtual currency called ARX in September 2019, which has smoothed the purchasing process for players while also rewarding regular engagement with the game.

The *Elite Dangerous* franchise continues to perform strongly – in April 2020 *Elite Dangerous* crossed the 3.5 million base game unit threshold. We look forward to delivering some amazing new content in 2021 with *Elite Dangerous: Odyssey*.

ELITEDANGEROUS.COM



EVOLVING COASTER PARK
SIMULATION

November 2016
RELEASE DATE

11
PAID DLC PACKS

140
RIDES AND COASTERS

250,000+
PLAYER CREATED WORKSHOP ITEMS

PLANET COASTER

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.

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 and in total *Planet Coaster* now has 11 separate PDLC packs available to buy. The most recent, the *Ghostbusters* pack using Sony Pictures IP, released in June 2019, at the beginning of FY20.

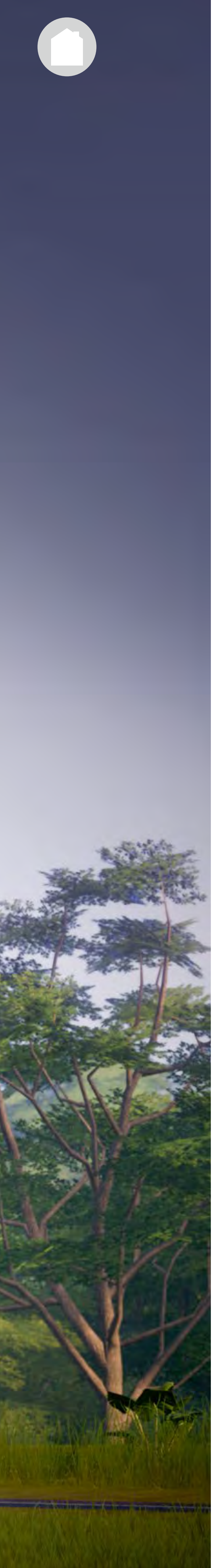
Following its continued success on PC – passing 2.5 million base game units sold in January 2020 – *Planet Coaster* will be coming to Sony PlayStation and Microsoft Xbox consoles later in 2020. *Planet Coaster: Console Edition* is simultaneously launching across Xbox One all-in-one games and entertainment system, PlayStation 4 computer entertainment system, and enhanced for both Xbox Series X all-in-one games and entertainment system and PlayStation 5 computer entertainment system.

We look forward to expanding the *Planet Coaster* community even further with the release of *Planet Coaster: Console Edition* later in 2020.

PLANETCOASTER.COM

RETURN TO JURASSIC PARK

June 2018	**8**	**66**	**7**
RELEASE DATE	**PAID DLC PACKS**	**DINOSAUR SPECIES**	**ISLANDS**



JURASSIC WORLD EVOLUTION

Jurassic World Evolution, our first self-published licensed title, launched on 12 June 2018, at the start of FY19. 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'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. There are now eight PDLC packs available for *Jurassic World Evolution*, including the most recent, the *Jurassic World Evolution*: *Return to Jurassic Park* pack, Frontier's biggest selling PDLC pack to date, which released during FY20 in December 2019.

Jurassic World Evolution is Frontier's biggest selling game to date by revenue, passing 3 million base game units sold in March 2020. Following its significant success on PC, PlayStation 4 and Xbox One, Frontier's world-class team will further expand the *Jurassic World Evolution* player community with its release on the Nintendo Switch console on 3 November 2020 through the release of *Jurassic World Evolution*: *Complete Edition*.

JURASSICWORLDEVOLUTION.COM

SIMULATION RUNS WILD

November 2019
RELEASE DATE

50+
AUTHENTIC ANIMALS

3
WAYS TO PLAY

Frontier's fourth self-published title, *Planet Zoo*, launched exclusively for PC on 5 November 2019. *Planet Zoo* rapidly established itself as the ultimate zoo simulation, becoming Frontier's biggest selling PC game during an equivalent time period from release, crossing 1 million units in less than six months.

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. Players 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.

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 see their animals and visitors respond to their creative vision and can share their designs with friends in *Planet Zoo*'s online community.

Consistent with our usual strategy of providing free updates as well as PDLC opportunities, *Planet Zoo* now has four PDLC packs, with the Deluxe animal pack available at release in November 2019, the *Arctic* pack coming in December 2019, the *South America* pack arriving in April 2020, and most recently the *Australia* pack launching in August 2020.

The future for *Planet Zoo* is bright with its ever growing community of players supported by our strategy of free and paid content.

PLANETZOOGAME.COM

FUTURE GAMES
FORMULA 1® LICENCE

A PROVEN TRACK RECORD

In March we announced a multi-year exclusive licence (the "Licence") with Formula One Management to develop and publish PC and console management games annually for the FIA FORMULA ONE WORLD CHAMPIONSHIP™ ("F1"), the world's most prestigious motor racing competition.

Under the terms of the Licence, Frontier has exclusive rights to develop and publish F1 management games worldwide for PC and console platforms, together with the rights for streaming services, with the first game expected to release for the 2022 F1 season. The Licence provides Frontier with the rights for four F1 seasons (2022 to 2025 inclusive), subject to the achievement of certain financial performance thresholds.

Frontier has extensive experience of developing deeply engaging, high-fidelity simulation games which also achieve widespread global adoption. The partnership with F1 creates an exciting opportunity to bring together Frontier's experience and capability, including its powerful and versatile COBRA game engine, to the management-rich environment of the globally popular and ever changing world of F1.

F1 is one of the most popular global sporting franchises in the world, and we believe the combination of the F1 brand together with our extensive experience in management games will deliver fantastic game experiences to a wide and varied audience around the world.

The addition of a multi-year, multi-platform sports management licence is a strategic milestone for Frontier, which is expected to provide significant annual incremental benefit to Frontier's financial performance from the release of the first game in FY22 onwards.

FUTURE GAMES
WARHAMMER AGE OF SIGMAR LICENCE

A WHOLE NEW UNIVERSE

In May 2020 Frontier announced an exclusive IP licence (the "Licence") with Games Workshop to develop and publish a real-time strategy game within the rich and extensive world of *Warhammer Age of Sigmar*.

Warhammer Age of Sigmar is Games Workshop's most recent iteration of the globally renowned fantasy setting in which the four Grand Alliances of Order, Chaos, Death and Destruction vie for control of the Mortal Realms. Unique and distinct in style, and endless in scope, this ever growing universe sits alongside the far future dystopia of *Warhammer 40,000* as the most successful tabletop miniatures games in the world.

Under the terms of the Licence, Frontier has the exclusive rights to develop and publish a real-time strategy game worldwide on PC and console platforms, together with the rights for streaming services. The game is planned for release in Frontier's financial year ending 31 May 2023 (FY23).

We look forward to working closely with the team at Games Workshop to bring the rich world of *Warhammer Age of Sigmar* to a wide audience through an immersive and accessible real-time strategy game on both PC and console.

OUR NEW GAMES LABEL FOR THIRD PARTY PUBLISHING

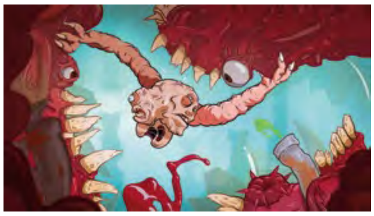
FRONTIER® FOUNDRY

Frontier Foundry's mission is simple: expand the Company's excellent game portfolio by partnering with exciting developers. With our heritage as a developer, combined with our wealth of publishing experience, Frontier is perfectly placed to offer third-party studios expertise and guidance throughout the development cycle, delivering the vision its creators intended.

In June 2019 we announced our first deal with experienced developer Haemimont Games, and since then we have signed a further five titles, with two for release in FY21, three for FY22 and one for FY23. Over the next few years we plan to establish Frontier Foundry as a significant business, generating a material proportion of Frontier's revenue and profit. Our initial target is to achieve five to six releases per year from FY23 onwards.

Frontier's new games label expands the Company's portfolio into new genres and platforms. Frontier Foundry's first two titles, *Struggling* and *Lemnis Gate*, were revealed on 27 August and represent radically new and different propositions indeed. In both of these award-winning games, innovative gameplay sits at the heart of the development process.

STRUGGLING



On 27 August Frontier Foundry announced *Struggling* as its debut third-party published title, developed by the Montreal-based studio Chasing Rats Games.

Struggling is the physics-based co-op platformer where up to two players control the arms of our fleshy hero, Troy, as he sets out on an outrageous adventure. Outrun ravenous rats, joyride a dirt bike and vault over pools of unmentionable waste, all on your epic quest to find legendary Abomination Gods.

Struggling's attention-grabbing art style combines elements of comedy and horror to submerge players in a hilarious but unsettling world. Our squishy protagonist will need to solve challenging physics-based puzzles using momentum and inertia to swing itself through four visually unique worlds, including horrific labs, perilous canyons, and even feverish hyper-dreams.

Struggling earned high praise including Best in Show, Best Art Direction, Best Audio Design and Public's Favourite at Montreal Independent Game Awards, IGN's Top 4 Co-op Game at Pax East and PC Gamer's E3 Hidden Gem, to name but a few.

Struggling is out now on Steam and Nintendo Switch.

STRUGGLING-GAME.COM

LEMNIS GATE

On 27 August Frontier Foundry unveiled its second title, *Lemnis Gate*, the exciting turn-based combat strategy shooter with revolutionary four-dimensional gameplay.

Developed by Ratloop Games Canada, *Lemnis Gate* tasks players with defeating opponents in brain-bending 1v1 and 2v2 arena matches. Players have 25 seconds to execute an action, be it blasting an enemy, manoeuvring an operative, or setting up their next move. After all players have taken turns, the next 25-second round begins. There are five rounds in total, giving rise to a near endless variety of incredible and creative plays.

There are countless possibilities and endless outcomes. This turn-based strategy shooter subverts one of the world's most popular genres, challenging players to throw out the rule book as they exploit time itself in this ultimate cognitive test. That's why it's already winning accolades, including the 'Best Gameplay' award from the Montreal Independent Game Awards 2019, an 'Outstanding Original Game' nomination from the Unreal E3 Awards 2019 and a spot at the finals of the Ubisoft Indie Series 2019.

Lemnis Gate is available to wishlist on Steam now, and will be launching on PC, PlayStation 4 and Xbox One in early 2021.

LEMNISGATEGAME.COM

HAEMIMONT GAMES

In June 2019 Frontier signed its first third-party publishing agreement with Haemimont Games.

Haemimont Games, founded in 1997 in Bulgaria, boasts a passionate team of over 60 highly skilled people and a wealth of experience in the strategy and management game genres, developing the hit title *Surviving Mars* and titles in the *Tropico* series. The partnership will see Frontier and Haemimont work together on a new project for release in FY22, with Frontier providing the development funding as well as marketing and distribution.

More news on the project will be available closer to launch.

OTHER TITLES

Our initial target for Frontier Foundry is to grow to achieve five to six releases per year from FY23 onwards. We have already six titles signed in just over 12 months from signing our first with Haemimont Games in June 2019.

Titles signed to date by planned year of release:

- FY21 – *Struggling* and *Lemnis Gate*
- FY22 – three unrevealed titles including one with Haemimont Games
- FY23 – one unrevealed title

WE EFFECTIVELY IDENTIFY AND MANAGE RISKS

REDUCING RISK

Over our long, successful track record of developing a wide variety of game genres in the work-for-hire model we developed many areas of unique technical expertise, as well as the understanding of how to identify and execute developments to succeed in very different game genres.

There is a great deal of risk in the work-for-hire model, with the biggest issue being major changes at publishers, particularly when they became financially compromised. Moving to self-publish our own games allowed us to gain much greater commercial reward on the deployment of our development resources compared to our previous (pre-2013) work-for-hire business model, and addressed this key risk. The change of business model has enabled us to significantly grow our revenue and our profit margins, and generate cash, helping us to build a strong balance sheet.

Self-publishing puts us in full control of our development roadmap, allowing us to gain the efficiencies that come from a long term strategic overview of our development and publishing plans, and also insulates us against the risk of the commercial performance of third-party publishers.

Our development expertise and strategic focus on sophisticated games that engage audiences for the long term means we have been able to deliver great commercial success and continuing multi-year revenues for each of our first four genre-leading games.

Building an ongoing revenue stream in this way – c.60% of revenues in FY20 were generated by our first three titles which first released in 2014, 2016 and 2018 respectively – acts to reduce the overall risk to the Company of each subsequent new game that we develop. As part of our publishing operations we engage with elements of our core audience for each new game early, during development, which also greatly helps mitigate the risk of bringing an entirely new game to market.

Our profitability has increased through our move to self-publishing. While we do benefit from Video Games Tax Relief (VGTR), we report our financial operating performance before VGTR to represent better our underlying financial performance. With operating profit margins of 22% achieved in both FY19 and FY20 (pre–VGTR) we believe our strategy – identifying opportunities to develop, launch and nurture high-quality, self-published, genre-leading games that build on our strengths and unique track record – is one that reduces risk while achieving high returns in an industry often associated with 'hit risk'.

We are reducing risk further, while generating incremental revenue and profit, through our Frontier Foundry games label for third-party publishing, a strategy which further leverages our experience and expertise. Our intimate understanding of the development process and the strong publishing expertise we have developed are key elements of our attraction for third-party developers.

Our expertise also allows us to curate the overall balance of our Frontier Foundry portfolio towards success, while rapidly broadening our audience beyond our current internally developed genres.

The third-party publishing business model is an efficient use of capital that reduces risk and helps us bring scale and diversity to our portfolio which in turn helps our retail monetisation activities – it will allow us to accelerate the growth of revenues, profits and shareholder value.

The executive team maintains a risk register to identify, monitor and mitigate the risks faced by the Company, escalating the key risks for further consideration at full Board level on a regular basis. Based on that process the key business and financial risks for the Group are set out below:

Description	Mitigation	Change

1 TALENT ACQUISITION

Description	Mitigation	Change
If the Group is not able to grow its team to achieve the required numbers of people with the necessary skills, 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 onboarding in order to ensure that its plans can be achieved. Over 120 people joined Frontier during FY20, growing headcount to over 520 as at 31 May 2020. We have continued to recruit during the challenges of Covid-19, with June 2020 seeing our highest ever single month of new starters at 22. We have visibility of our future needs via a regularly reviewed plan of record and undertake analysis of potential bottlenecks. 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 three years we have expanded our HR team to add dedicated talent acquisition resources. We also balance internal and external resources through outsourcing. Brexit raised some concerns and we continue to monitor this issue.	No change

2 TALENT RETENTION AND ENGAGEMENT

Description	Mitigation	Change
Staff departures could create staff and key skill/experience shortages and compromise the execution of the Group's business plan. Reduced levels of staff engagement may also compromise the plan. LINKS TO STRATEGY INVEST DEVELOP PUBLISH	While 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 offer training and development programmes alongside competitive incentive schemes to further enhance our ongoing attractiveness as an employer. We seek to minimise days lost to sickness via healthcare benefits and general morale and wellbeing initiatives. We have initiatives in place to achieve high levels of employee engagement. We ensure that everyone shares in the success that we create together.	Increase

3 CYBER-SECURITY

Description	Mitigation	Change
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, Sony and Nintendo. 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

- Increase
- Decrease
- No change

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Description	Mitigation	Change
4 EXECUTION RISK The Group has transitioned from a work-for-hire model to a multi-franchise self-publishing model. While 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. During the year, Frontier announced two multi-year exclusive licences, the first with Formula One Management in March 2020 and the second with Games Workshop in May 2020. The Group's Frontier Foundry games label for third-party publishing continues to make good progress and has now signed six third-party 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 Foundry.	Increase
5 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. While 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.	Increase
6 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 shortt and medium term, 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.	Increase
7 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 2013–2014.	No change

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

ALEX BEVIS
CFO AND COMPANY SECRETARY
9 September 2020

KEY TO CHANGE IN RISKS

- Increase
- Decrease
- No change

ANOTHER STRONG SET OF RESULTS

We start FY21 in excellent financial shape.

ALEX BEVIS
CFO AND COMPANY SECRETARY

OVERVIEW

The combination of the ongoing financial performance of our first three titles, together with the successful launch of *Planet Zoo* in the year, yielded a strong set of financial results in FY20. In terms of both revenue and profit FY20 was Frontier's second biggest ever year in our 26-year history, following the record set of results posted in FY19 through the launch of *Jurassic World Evolution* in June 2018. We start FY21 in excellent financial shape, with a strong portfolio of four existing games, an exciting roadmap to support those four games and develop new titles, the anticipated financial contribution from our Frontier Foundry games label, and our strongest ever cash position – £45.8 million as at 31 May 2020.

TRADING

Planet Zoo was our biggest revenue contributor in the period, generating a positive reception during the pre-order and at launch in November 2019. As planned, *Planet Zoo* has gone on to continue to deliver strong sales after its initial launch spike, quickly becoming the clear number one immersive and high-quality zoo simulation experience. Our usual strategy of creating and supporting a large and active game community, supported by both free and paid content, continues to generate sales to both existing players and new players. It's encouraging to see *Planet Zoo* become our biggest selling title to date on PC during an equivalent time period.

That strategy of supporting and nurturing both our game, and the community of players of our game, has been learned and refined through our experiences on our first three titles, *Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*. That strategy continues to pay dividends across all three of those games, with each title providing material financial contributions in FY20 through both base game sales and PDLC.

The performance of all four games generated total revenue in FY20 of £76.1 million (FY19: £89.7 million), with almost 60% coming from our first three titles. The record performance in FY19 reflected a full 12 months of sales of *Jurassic World Evolution* which launched alongside the film *Jurassic World: Fallen Kingdom* in June 2018 on PC, PlayStation 4 and Xbox One.

In comparison, FY20's big release, *Planet Zoo*, was a PC-only launch which released almost halfway through FY20.

Our primary sales strategy is through digital distribution, working with key partners like Steam and Humble on PC and with console owners: Microsoft for Xbox, Sony for PlayStation and more recently Nintendo for Switch. We also added digital PC platform aggregator Genba as a partner during the period. Digital sales represented 97% of revenue in FY20, with only 3% from sales of physical discs (FY19: 15%).

The higher proportion of physical in FY19 related to disc sales of *Jurassic World Evolution* on PlayStation 4 and Xbox One, which accounted for around one-third of the base game unit sales of *Jurassic World Evolution* on console during that financial year.

Gross profit was £51.6 million in the year (FY19: £54.6 million) with gross margin at 68% (FY19: 61%). The 7% increase in gross margin percentage was due to three factors: a higher proportion of own-IP revenue rather than licenced-IP revenue (with associated royalty costs), with own-IP *Planet Zoo* the big release in FY20, compared to licenced-IP *Jurassic World Evolution* launching in FY19; a lower proportion of physical disc sales which typically achieve lower profit margins; and the tiered commission structure established by Steam in October 2018.

Gross research and development (R&D) expenses in the period grew by 20% to £24.6 million (FY19: £20.5 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 2020, Frontier had grown its total headcount to 520 staff compared to 466 at 31 May 2019 and 377 at 31 May 2018. An element of the increase in gross R&D expenditure also related to investments in externally developed games through the Company's Frontier Foundry games label for third-party publishing, which kicked off at the start of FY20 with the Haemimont Games deal announced in June 2019.

TRADING CONTINUED

Capitalisation of costs for game development related intangible assets, together with continued investment in our leading game technology, accounted for £19.8 million in the period (FY19: £13.4 million). Costs related to new chargeable products, or the development of technology to support new chargeable products, are typically capitalised, subject to the usual criteria set out under accounting standard IAS 38. Development costs associated with the development or support of existing products are generally expensed as incurred. Costs capitalised in FY20 represented 80% of gross R&D expenditure compared with 66% in FY19 and 85% in FY18. The lower capitalisation percentage rate in FY19 reflected a greater allocation of development time spent on free content during that period, particularly related to the launch of the *Beyond* series of free updates for *Elite Dangerous*. The capitalisation rates in FY20 and FY18 are more typical of the Company's usual approach to the mix of development effort between free and paid content. Frontier believes that investment in free updates is an important part of its strategy in supporting and nurturing games after launch.

Amortisation charges for game development and game technology related intangibles grew to £11.2 million for the period (FY19: £7.8 million). The increase reflected the 48-month amortisation of the development cost of *Planet Zoo*, starting at launch in November 2019, together with amortisation charges for paid content delivering during the year for all four games, including the substantial PDLC launched in December 2019 for *Jurassic World Evolution*, the *Jurassic World Evolution*: *Return to Jurassic Park* pack, which is Frontier's biggest selling PDLC pack to date.

Net research and development expenses recorded in the income statement in the period were £16.0 million (FY19: £14.9 million), being gross spend, less capitalised costs, plus amortisation charges.

Sales, marketing and administrative expenses totalled £18.9 million in FY20 (FY19: £20.4 million). The reduction mainly related to marketing spend, which had been higher in FY19 to support the launch of *Jurassic World Evolution* alongside the film *Jurassic World*: *Fallen Kingdom* in June 2018.

Frontier adopted IFRS 16 effective 1 June 2019, which is the International Financial Reporting Standard for lease accounting. IFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Frontier has identified that its one and only lease impacted by this new accounting standard is the lease for its office building on the Science Park in Cambridge, which Frontier occupied from April 2018. A right-of-use asset valued at £24.4 million was therefore recorded as at 1 June 2019, with a corresponding lease liability of £24.4 million. Before the adoption of IFRS 16 all costs associated with the lease would have been charged to administrative costs. During FY20, a total of £2.3 million was charged to the income statement in relation to the lease, being £1.6 million within administrative costs and £0.7 million within interest charges.

Overall net operating expenditure in FY20 of £34.9 million was similar to the total spend in FY19 (£35.3 million), with higher R&D costs being offset by a lower level of marketing spend.

Operating profit of £16.6 million was recorded in the year (FY19: £19.4 million) representing an operating margin of 22% which is consistent with FY19.

EBITDA (earnings before interest, tax, depreciation and amortisation) increased to £31.5 million (FY19: £29.0 million). However, the Company does not consider this to be a particularly useful 'cash profit' measure of performance since it adds back amortisation charges relating to game developments and game technology but without also adjusting for (i.e. deducting) the costs capitalised in the period related to those intangible assets, producing a one-sided measure. The operating cashflow measure, described in the later cash section, is a more appropriate measure of 'cash profit'.

A corporation tax charge of £0.3 million was recorded in the income statement for FY20 (FY19: a restated charge of £1.7 million as per note 2). Frontier benefits from enhanced tax deductions from Video Games Tax Credits (VGTR) and R&D Tax Credits, both of which help to reduce taxable profits. The Company also benefits from tax deductions relating to employee share option exercises, although a large element of these deductions are credited directly to reserves rather than being recorded in the income statement.

Profit after tax for FY20 was £15.9 million (FY19: £18.0 million) and basic earnings per share was 41.3p (FY19: 46.9p).

BALANCE SHEET AND CASHFLOW

Frontier ended FY20 with its strongest cash position to date, with £45.8 million in total (31 May 2019: £35.3 million). Total net cash inflow during the year of £10.4 million (FY19: £11.2 million) reflected the continued strong financial performance of the portfolio of four existing titles, supporting further investments in those four games, in addition to investments in new internally developed games and third-party developed games too. Operating cashflow, which is effectively a measure of 'cash profit' being EBITDA excluding non-cash items less investments in game developments and game technology related intangible assets, was £13.6 million in FY20 (FY19: £16.8 million).

Intangible assets increased by £16.2 million to £52.7 million at 31 May 2020 (31 May 2019: £36.5 million) across four asset categories: game technology, game developments, third-party software and IP licences. Game technology and developments account for the majority of the asset value at £42.9 million at 31 May 2020 (31 May 2019: £34.3 million). The growth in value in FY20 reflected investments in assets exceeding amortisation charges as Frontier continues to grow its portfolio of games. IP licences grew to £9.5 million at 31 May 2020 (31 May 2019: £2.0 million) as a result of the deals signed with Formula 1® in March 2020 and Games Workshop in April 2020.

Tangible assets relate mainly to the fit-out of the leased office facility, which the Company occupied in April 2018. The net balance at 31 May 2020 was £5.9 million (31 May 2019: £6.4 million).

Following the adoption of IFRS 16 "Leases" effective for Frontier from 1 June 2019, the Company's balance sheet at 31 May 2020 includes a right-of-use asset valued at £22.7 million for the Company's lease over its headquarters office building in Cambridge. A similar figure, being £23.5 million in total, is recorded as a lease liability for the lease as at 31 May 2020, split between current and non-current liabilities.

Trade and other receivables totalled £12.3 million at the end of the period (FY19: £5.2 million). The higher balance was due to the strong sales of all four of Frontier games running up to the end of the financial year, with demand for Frontier's immersive and creative games benefitting from a boost during Covid-19 lockdowns around the world in March, April and May, as well as planned price promotions.

Within current liabilities (amounts due within 12 months), trade and other payables totalled £13.7 million (FY19: £9.0 million) with the largest factor being distribution platform commissions due on the strong sales during the final months of FY20. Within non-current liabilities (amounts due after 12 months), the increase in other liabilities from £0.9 million to £8.2 million related to the IP licences signed with Formula 1® and Games Workshop during the period.

Deferred tax assets and deferred tax liabilities have been recorded as at 31 May 2020 for the estimated values of temporary and permanent timing differences, and the potential value of tax deductions relating to future share option exercises. The net position as at 31 May 2020 is a net deferred tax asset of £2.1 million (31 May 2019 restated: asset of £3.2 million).

The current tax asset balance as at 31 May 2020 of £2.4 million relates to VGTR claims for FY19 (31 May 2019: a net current tax liability of £0.8 million).

IFRS 16 ADJUSTMENT TO RETAINED EARNINGS

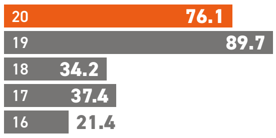
As well as creating additional assets and liabilities in the statement of financial position, and changing the way that lease costs are charged to the income statement, the adoption of IFRS 16 also generated an adjustment to the retained earning reserve of £1.3 million in FY20. This adjustment related to the rent-free incentive period on Frontier's building lease. Previously the benefit of the rent-free period was spread over the minimum lease period, which at the inception of the lease was a period of over 15 years. For the adoption of IFRS 16 on 1 June 2019 lease costs were calculated based on the remaining future cash outflows, which therefore did not include the benefit of the rent-free period which had expired prior to 1 June 2019. The result of this was an acceleration of the remaining unaccounted value of the rent-free period as at 1 June 2019, with this credit of £1.3 million being recorded only in the statement of changes in equity, and not in the income statement. This is a one-off credit adjustment to reserves and further adjustments are not expected.

ALEX BEVIS
CFO AND COMPANY SECRETARY
9 September 2020

KEY PERFORMANCE INDICATORS

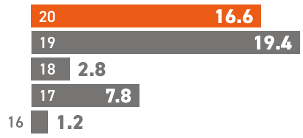
Revenue (£m)

£76.1m



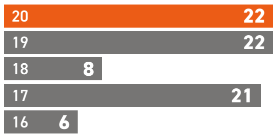
Operating profit (£m)

£16.6m



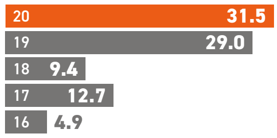
Operating margin (%)

22%



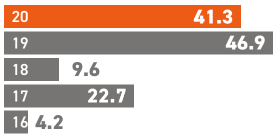
EBITDA* (£m)

£31.5m



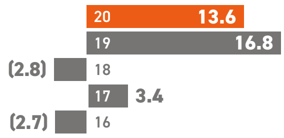
EPS** (basic) (p)

41.3p



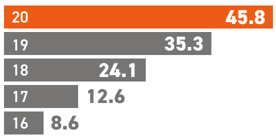
Operating cashflow*** (£m)

£13.6m



Net cash balance (£m)

£45.8m



* Earnings before interest, tax, depreciation and amortisation.

** FY19 restated for deferred tax adjustment as per note 2.

*** EBITDA excluding non-cash items less investments in game developments and game technology.

A SAFE, COLLABORATIVE AND REWARDING PLACE TO WORK

560+
staff in Cambridge

>120
new joiners in FY20

32
nationalities

55%
increase in headcount over the last 3 years

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 nurturing world-class games that put both Frontier and the games industry itself at the forefront of the global entertainment industry.

GROWING OUR TEAM

Our Frontier team continues to expand, giving us more opportunity to grow our game portfolio. Three years ago Frontier initiated an ambitious hiring and scale-up plan which enabled us to achieve an average of 10 new hires per month during both FY19 and FY20. This puts our Frontier team at 520 as of 31 May 2020 and over 560 as at 31 August 2020.

It is thanks to our great team of people, our technology, and our growing communities of gamers around the world, that FY20 was another strong year for Frontier, despite the challenges of Covid-19. From March 2020 onwards, our people were able to maintain Frontier's usual high-quality standards for updates and new content whilst working remotely. Thanks to the dedication of our teams, all releases were launched in-line with our planned release dates.

CREATING AN ENVIRONMENT FOR SUCCESS

Frontier is committed to providing a stimulating atmosphere for high achievers who are passionate about what they do. Our aim is to create and maintain a safe, collaborative and rewarding environment for our people.

As a self-publishing developer, we effectively plan our roadmap in order to optimise team work schedules. We seek to avoid a need for excessive overtime by plotting challenging yet realistic timelines for project delivery. A healthy work-life balance is an important part of our culture and we support this through offering a range of family-focussed benefits as well.

We reward our teams through a structure of remuneration which includes a competitive base package, bonus and equity schemes, as well as a wide array of benefits and perks. Frontier reviews this rewards and remuneration structure regularly to ensure that everyone in the team continues to share in the success that they help to deliver.

BENEFITS AND PERKS

- Performance Bonus
- Private Healthcare
- Health Cash Plan
- Employee Assistance Programme
- Flexitime Work System
- Remote-working
- 5% Pension Match
- Equity schemes
- Discounted Dental Insurance
- Critical Illness Insurance
- Life Insurance
- Childcare Vouchers
- On-site & Virtual Therapist
- On-site & Virtual Life Coach
- Wellbeing Sessions & Seminars
- Discounted Gym Membership
- On-site & Virtual Yoga
- Cycle-to-work Scheme
- On-site Bike Maintenance & Repairs
- On-site Discounted Catering
- Fresh Fruit, Beverages & Snacks
- Social & Remote-working Events
- Games & Book Lending Library

INVESTING IN OUR PEOPLE

Our people are at the heart of everything we do – creating and supporting our games and our game communities across the world. Since our people create our value, we value our people – we invest time and effort to help our people establish and navigate a plan for their future. This includes generating in-house and external training opportunities with a focus on developing both hard and soft interpersonal skills, management practises, technical knowledge and First Aid and Mental Health First Aid programmes.

A RESPONSIBLE AND CONSIDERATE APPROACH

Since the founding of the company in 1994, Frontier has endeavoured to conduct business in a considerate, responsible and ethical manner. To do this, we have placed our key stakeholders – our people, our players, our partners and our investors – at the core of everything we do. We aim to be a leader in our industry for creating games which in themselves, and through the process of creating and nurturing them, resonate with the key environmental, social and governance ('ESG') principles of our stakeholders, as well as society as a whole.

ENVIRONMENTAL PRINCIPLES

Frontier is committed to reducing energy use, plastic production, carbon waste and the use of fossil fuels.

Our digital focussed business model is such that only 3% of our games in FY20 were released onto physical disc, much lower than many publishers in our industry. All of our games are also heavily compressed to ensure that our players benefit from a reduction in the energy usage required for download time.

Our office building has a BREEAM 'Excellent' rating – which puts Frontier's headquarters within the top 10% of environmental commercial buildings in the UK. We've also implemented eco-initiatives such as solar panels, a heat recovery and ventilation system, use of 100% green energy for electricity and a segregated waste process.

Frontier encourages similar environmentally-conscious conduct with our people, particularly in relation to their commute to work and the use of energy in their roles.

The company aids teams in making smart journeys through our association with Travel Plan Plus+. As part of this, prior to lockdown, Frontier encouraged staff commuting via car to do so in joint occupancy with at least one team member – thereby reducing the harmful emissions and road congestion of their daily travel. We are proud to report we hold the highest percentage of shared occupancy car travel in the Cambridge Science Park community.

We are also an active promoter of the cycle-to-work scheme with an average of 130 team members cycling to work on a typical day, prior to the national lockdown. We incentivise our people to take advantage of this environmentally-beneficial and tax-free scheme through secure, complimentary bike parking as well as regular on-site bike maintenance and repairs.

Both inside the office and during our current remote-working period, our team work together to reduce energy usage by adhering to a 'switch-off' policy for computers, laptops and other equipment.

SOCIAL PRINCIPLES

Frontier carefully considers the social impact of the business across four core areas: our people, our games, our communities and our wider social responsibility.

OUR PEOPLE

Employee welfare is of the utmost importance to Frontier. We are committed to creating a safe, collaborative and rewarding work environment where members of our team can prosper. To achieve this Frontier looks to provide stimulating experiences which ensure our staff feel engaged, connected and satisfied in their work lives.

The wellbeing of our team is a key part of this experience and we support this through various initiatives including promotion of a healthy work-life balance, on-site and virtual facilities, seminars and events, private healthcare, an employee assistance programme and a flexitime work system. Frontier also looks to provide a competitive remuneration package including an array of optional benefits which can be tailored to best complement each individual's personal lifestyle. Full details of our benefits can be found in our People section, subsection 'Benefits and Perks'.

Our workforce is comprised of over 30 nationalities from around the globe. We seek to diversify the company skillset through our sponsorship for Tier 2 Visa, which enables us to source first-class talent not only from our local regions but also across Europe. This sponsorship status will automatically transfer to a similar scheme post-Brexit.

Frontier is also proud to support a community of co-workers who associate with LGBTQIA+ views and preferences. The team share a rich tapestry of culture and diversity which aids the business in bringing authenticity and representation to our games and player communities.

We aim to offer all team members equal opportunities for development, progression and giving feedback; and continue to identify new ways for the company to achieve more ground in this area. One of the key challenges still facing the UK Tech sector is a disparity in the national talent pool between female and male software developers. As an illustration of these challenges, whilst Frontier has increased our overall female-filled roles in the last year, there has been less increase within technical programming roles due to only 15% of the UK's coding talent associating as female. Frontier will continue to support existing and new initiatives to increase the female talent pool for technical programming in the longer term. Our strategy is to target individuals at a younger age in order to generate interest and educate on the career possibilities within the gaming industry.

OUR GAMES

Our portfolio delivers sophisticated, creative, immersive and social experiences, which typically provide large digital worlds that our players can enjoy across 203 regions over seven continents. Fundamentally we value quality in our products, through a dedication to excellent standards which has continued to attract existing and new players to our diverse titles. We have been particularly proud of the strong engagement with our games during the Covid-19 lockdown. Frontier has looked to positively contribute to and support the lives of our players through these unprecedented times.

Transparent communication with our users is another significant focus for our business. We ensure that players are clearly informed of what they are purchasing – whether it's a game or PDLC – and the company seeks to avoid any systems which relate to a "loot box" type of monetisation.

We also feel strongly about our responsibility for players' data privacy and protection. Frontier secures any player data under government GDPR regulations and through conditions of the Data Protection Act of 2018.

OUR COMMUNITIES

We create and nurture large player communities for our games, providing free and paid content, news, video streaming, and competitions to achieve long-term positive engagement. We support and encourage player connectivity through forums and regular community events which allow the various personalities of each title to come together. This year we pivoted the annual 'Lavecon' event, which celebrates *Elite Dangerous*, onto a digital platform to engage the community through virtual panels, interviews and hosting gameplay streams whilst in lockdown.

WIDER SOCIAL CONTRIBUTION

Frontier looks for regular opportunities to support both our physical neighbours and our peers within the gaming industry and wider sector. We focus our assistance on sponsoring various charitable initiatives, including strong support and regular partnerships with a few key causes such as:

- Special Effect – A really worthwhile charity that puts fun and inclusion back into the lives of people with physical disabilities through discovery, exploration and creativity in video games.
- MIND – A reputable mental health charity supporting and raising awareness for individuals with mental health problems.
- Cambridge Half Marathon – A local fundraising event supporting both national and Cambridge-based initiatives and bringing the local community together to showcase our beautiful city.

SOCIAL PRINCIPLES CONTINUED

WIDER SOCIAL CONTRIBUTION CONTINUED

Frontier actively promotes computer science and digital skills within the UK. This year we have sponsored the Centre for Computing History in Cambridge, helping to fund the museum's ambitious computer and video game preservation and education project. We hold a strong and positive influence on computer science education – with our CEO, David Braben as one of the founders of the Raspberry Pi foundation, which has enabled affordable access to computing technology across the world. Frontier continues to push for positive change in education to support future generations in their understanding of computer science and career development.

GOVERNANCE PRINCIPLES

We take governance seriously, and strive to achieve best practice, including through compliance with the QCA's corporate governance code.

Our governance arrangements support our objective of creating and maintaining a safe, collaborative and rewarding environment with appropriate policies, processes and monitoring. Further details are set out in the governance section of our Annual Report, which can be found via the Frontier website.

2021-2025 ESG PLANS

Frontier strives for quality and this includes our approach to our internal and external systems which have an impact on our stakeholders and the wider world. We continue to review opportunities to implement best practice ESG processes as well as improving communications of our progress through ESG reporting. Any new initiatives will be reviewed on a periodic basis to ensure we continue to evolve with new data and protect and strengthen our alignment with stakeholder values.

SECTION 172 STATEMENT

STATEMENT BY THE DIRECTORS IN RELATION TO THEIR STATUTORY DUTY IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

Under S172 of the Companies Act 2006 '(the Act'), directors of UK companies have a duty to promote the success of their company for the benefit of the members as a whole. The purpose of the strategic report within a company's annual report and accounts has always been to inform members about how directors have performed their S172 duties. Over time the government noted that the content, format and overall quality of information presented in strategic reports published by different companies varied enormously. To address this, the government has recently added a new requirement for all large companies to include a separate 'S172 Statement' in their strategic reports to improve consistency and quality.

The Board of Directors of Frontier Developments plc (the 'Company') have always taken their duties under s172(1) of the Companies Act 2006 seriously. The Directors consider that they have acted in a way that would promote the success of the Company for the benefit of its members as a whole in the decisions they have taken during the year ended 31 May 2020. In making this statement the Directors considered the longer-term consideration of stakeholders and have taken into account the following matters:

a) the likely consequences of any decisions in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with suppliers, customers and others;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for the high standards of business conduct; and

f) the need to act fairly between members of the Company.

Our business model on pages 10 to 13 summarises the Frontier approach to creating, launching and nurturing our games which is at the heart of our stakeholder engagement, delivering long-term value to all of our stakeholders.

The Board considers Frontier's key stakeholders to be players, staff, shareholders and business partners, and also acknowledges that there is a wider responsibility to the community in which the Company operates. The Group's culture and employee welfare are a particular focus for the Company and pages 34 and 35 displays our people and our working environment. Investor relations form part of the Board's responsibilities and the many ways in which we communicate with our shareholders are shown on page 49. Our business partners share in our continued success and we discuss our ongoing approach to these partnerships in our Future Plans section on page 13. We set out on pages 36 to 38 our approach to social responsibility to the local community.

HOW WE ENGAGE WITH STAKEHOLDERS

The Directors take the views of our stakeholders into account when making important, long-term decisions. The Company's strategy of long-term sustainable growth is discussed by our CEO, David Braben, on pages 6 to 9 and our current and future portfolio of games is set out on pages 2 and 3. Building our portfolio requires input from all of our stakeholders to ensure we are producing high-quality and engaging games which in turn provide a long-term benefit to our members. Our approach to continued stakeholder engagement is set out below:

PLAYERS

- Social communities and forums provide a direct way for players to interact with our community team.
- Regular live streaming events take place to encourage players to engage with the game on a social level.
- Customer support feedback from players influences bug fixes and content updates.

STAFF

- Frontier Friday events are held throughout the year to allow all staff to participate in an informal Company catch-up and celebrate the Company's performance with their colleagues whilst enjoying food and drinks on site.
- All staff are invited to a quarterly performance and development review with their line managers. This is to ensure that employees are working to agreed objectives to support the overall company plan and to set training and development goals.
- Frontier awards share options to senior staff to recruit, retain and motivate these key members of staff to help drive the success of the Company. Frontier also provides a SAYE scheme which allows all members of staff to share in the long-term success and growth of the company.
- Frontier offers a Management Development programme for all line managers to ensure that staff are motivated and supported in their working environment.
- Staff engagement surveys are conducted to encourage an open, transparent and honest culture. The results of these surveys are presented to the Board and are used in the decision making process to ensure that important issues reflect employee feedback.
- Competitive rewards and remuneration package including base salary, bonus and a suite of flexible benefits including wellbeing support and options. Further details can be found in the Our People section on pages 34 and 35.
- Frontier fosters an environment of connection through support of self-led employee activity groups with interests such as sports, life drawing, board games, women in games and more.

SHAREHOLDERS

- Capital Markets Day event held at Frontiers studio headquarters in Cambridge to provide an interactive event for shareholders to see what we do and to engage with senior members of the development and commercial teams.
- Fireside chats provided to current investors and potential investors presented by the CEO and CFO.
- Twice-yearly roadshow investor events to coincide with the interim and annual results. These roadshows present the financial results and also provide insight to the investors on Company performance.

BUSINESS PARTNERS

- Frontier Foundry is a new initiative developed by the Company to partner with other high-quality developers to bring more games to market. This allows Frontier to utilise our resources and our industry experience to supplement our own roadmap.
- In March 2020 we announced a multi-year exclusive licence with Formula 1®. F1 is one of the most popular global sporting franchises in the world and along with our extensive experience in management games we believe this will deliver a fantastic game experience to a worldwide audience.
- In May 2020 Frontier announced an exclusive licence with Games Workshop to develop a real-time strategy game using the rich and extensive world of *Warhammer Age of Sigmar*. *Warhammer Age of Sigmar* is a globally renowned fantasy setting and we look forward to working closely with Games Workshop to bring this world alive to a wide audience on PC and console.

BOARD OF DIRECTORS

AN EXPERIENCED TEAM

A N R

DAVID GAMMON

NON-EXECUTIVE CHAIRMAN

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 directorships at Accesso Technologies plc and Raspberry Pi Trading Limited and he acts as an advisor to IQ Capital Partners LLP, Thought Machine Limited and 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.

A N R

DAVID WALSH

NON-EXECUTIVE DIRECTOR

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.

A N R

CHARLES COTTON

NON-EXECUTIVE DIRECTOR

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.

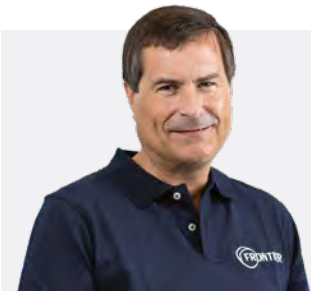
Charles is an active member of the Cambridge technology community holding a number of strategic, technical and financial roles including as a Director of Cambridge Enterprise and chairing the Scientific Advisory Panel for Cambridge Innovation Capital. He also founded and is Chairman of Cambridge Phenomenon 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.



N

DAVID BRABEN

FOUNDER AND CEO

David was the founding shareholder of Frontier in January 1994

David is the co-author of the seminal Elite title and has 39 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 103 starting with Alfred Hitchcock) and 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 *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 50 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.

ALEX BEVIS

CFO AND COMPANY SECRETARY

Alex joined the Board in April 2017

Alex has 20 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

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2020

The Directors present their report for the Group and Company together with the financial statements for the year to 31 May 2020. 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 39). Information on the financial risk management strategy is given within that report and in note 25 to the financial statements.

GOING CONCERN

The Group's forecasts lead to a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. As at 31 August 2020 the Group's cash balances totalled £48.6 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 20 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 2020 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 2019	2019 %	Acquired in the financial year*	Sold in the financial year	**Holding as at 31 May 2020**	**2020 %**
David Gammon	346,720	0.9	170,742	180,000	**337,462**	**0.9**
David Braben	14,149,953	36.5	—	1,250,000	**12,899,953**	**33.2**
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	0.3	—	—	**120,044**	**0.3**
Total	14,833,803	38.2	170,742	1,430,000	**13,574,545**	**34.9**

* Including shares acquired through option or warrant exercises.

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. While 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 game 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 £24.6 million in the year (FY19: £20.5 million).

DIVIDEND

The Directors are not recommending the payment of a dividend (2019: £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.

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.

FRONTIER DEVELOPMENTS PLC – GREENHOUSE GAS EMISSIONS STATEMENT

Frontier Developments plc ('Frontier') has calculated this greenhouse gas (GHG) emissions statement using an operational control approach as described in the Greenhouse Gas Protocol (revised edition, 2004).

In April 2018, Frontier entered a new energy-efficient office on the Cambridge Science Park which has a BREEAM Excellent rating and an EPC rating of A. There are solar PV panels installed on the roof providing renewable electricity in addition to that purchased from the grid. The building is metered and monitored by a Building Management System (BMS) which minimises the use of electricity through power save facilities, operating equipment efficiently and alerting the facilities management team of any abnormalities in range values. Further energy savings are employed through the use of high-efficiency VRF heating and cooling systems, high-efficiency water heaters and high-efficiency LED lighting and photocell dimming in office areas.

Scope 1 emissions refers to emissions from activities owned or controlled by Frontier Developments plc that release emissions into the atmosphere. This includes direct emissions from air conditioning and refrigeration units, and our gas usage. Actual and estimated data has been collected from direct meter readings, meter readings included on supplier invoices and service reports provided by suppliers. As at 31 May 2020, no air conditioning nor refrigeration leakage has been found in any of the units. Gas usage has also been found to be below the 5% materiality threshold set by Frontier.

Scope 2 emissions are those emissions associated with the consumption of our purchased electricity. Actual and estimated data has been collected from direct meter readings and meter readings included on supplier invoices.

REPORT OF THE DIRECTORS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

FRONTIER DEVELOPMENTS PLC – GREENHOUSE GAS EMISSIONS STATEMENT CONTINUED
ASSESSMENT PARAMETERS

Baseline year	1 June 2019 to 31 May 2020
Consolidation approach	Operational control
Boundary summary	All entities and all facilities under the operational control of Frontier Developments plc
Consistency with the financial statements	The only variation is that leased properties deemed to be under operational control have been included in scope 1 and 2 emissions
Materiality threshold	Materiality has been set at Group level at 5%
Assessment methodology	Greenhouse Gas Protocol (2004)
Intensity ratio	Emissions per employee
Target	1% reduction in relative net CO_2e emissions per employee per year

	31 May 2020 (Baseline year)	
GHG emission source	(tCO_2e)	(tCO_2e/employee)
Scope 1	Immaterial	Immaterial
Scope 2	373	0.72
Statutory total (scope 1 and 2)	373	0.72

SUBSTANTIAL SHAREHOLDERS
At 28 August 2020 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*	12,899,953	33.2
Tencent Holdings	3,386,252	8.7
Swedbank Robur	3,026,385	7.8
Oppenheimer Funds	3,000,000	7.7
Canaccord Genuity Wealth Management	1,727,158	4.4

* Includes spouse and other direct family holdings.

AUDITOR
A resolution to re-appoint the Auditor 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
9 September 2020

EFFECTIVE AND EFFICIENT GOVERNANCE

CHAIRMAN'S INTRODUCTION AND SUMMARY

As noted in the "Our impact" section earlier in this report, throughout Frontier's life since foundation in 1994, the Company has been run based on a responsible, considerate and long-term approach, taking into account all of its key stakeholders, along with its influence within the games industry and its impact on wider society. This long-term approach has extended to the Company's governance arrangements, and since joining the Company in 2012 it has been my responsibility, as Chairman, to ensure that the Company continues to apply appropriate corporate governance arrangements and, through regular review, that those arrangements are effective and efficient.

In 2013 the Company listed on AIM, and as a result I led the Board to establish corporate governance arrangements appropriate to a public listed company, through the consideration of best practice guidelines and aspects of the UK Corporate Governance Code. 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 6–9) Strategic Review (pages 1–39)
2	Understand and meet shareholder needs and expectations	Investor relations – Corporate Governance Report (page 49) S172 Statement (pages 38–39)
3	Understand and meet wider stakeholder needs and social responsibilities	Strategy and business model – Strategic Review (pages 10–13) Corporate culture and social responsibility – Corporate Governance Report (page 49) Our people (pages 34–35) Our impact (pages 36–38) S172 Statement (pages 38–39)
4	Embedded risk management	Strategy and business model – Strategic Review (pages 10–13) Risk Review (pages 28–30) Internal control and business risk – Corporate Governance Report (page 48)
5	A well-functioning and balanced Board	Board of Directors (pages 40–41) Board overview – Corporate Governance Report (pages 46–47)
6	Board experience, skills and capabilities	Board of Directors (pages 40–41) Board overview – Corporate Governance Report (pages 46–47)
7	Performance of the Board and continuous improvement	Board overview – Corporate Governance Report (pages 46–47)
8	Corporate culture based on ethical values and behaviours	Corporate culture and social responsibility – Corporate Governance Report (page 49) Our people (pages 34–35) Our impact (pages 36–38) S172 Statement (pages 38–39)
9	Effective governance structures which support good decision making	Chairman's introduction and summary – Corporate Governance Report (page 45) Board overview – Corporate Governance Report (pages 46–47) Board Committee reports – Corporate Governance Report (page 47–48)
10	Communication of Company governance and performance	Chairman's introduction and summary – Corporate Governance Report (page 45) Board Committee reports – Corporate Governance Report (page 47–48)

CORPORATE GOVERNANCE REPORT CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

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 2020 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 40 and 41. 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, the Chief Creative Officer and the 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 an annual formal Board assessment process based on a QCA structured questionnaire. As a result of these annual assessments, each year actions are taken to improve, refine 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 principal responsibility of the Chairman is the effective operation of the Board of Directors, while 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.

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 2020 the Audit Committee met on three occasions and all the meetings were attended by the external Auditor (Grant Thornton in August 2019 and Ernst & Young in October 2019 and January 2020).

Key areas of activity

- Financial reporting
- Internal control and risk management reviews
- External audit performance review, including the appointment of Ernst & Young as Auditor for FY20
- Significant audit issues
- Changes in standard for accounting and financial reporting
- 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, Head of HR.

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 2020 the Remuneration Committee met on two 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

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

BOARD COMMITTEES CONTINUED
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 2020 the Nominations Committee met on two occasions.

Key areas of activity
- Board composition and the assessment of the need for further Non-Executives
- Review of senior positions required to strengthen the organisation and succession planning

AUDITOR INDEPENDENCE
Frontier Developments' external Auditor is Ernst & Young LLP, which has served the Company since 2019. 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 and 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.

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.

During Covid-19 investor relations activities have continued largely as before, with phone or video meetings replacing face-to-face meetings.

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 people, its players, its shareholders, 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 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: 21 October 2020

At: 9.15am (BST)

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 86 and 87.

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.

In view of the evolving Covid-19 situation shareholders should take note of the Covid-19 update set out in the explanatory notes to the Notice of the AGM on page 87.

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 Chair), David Walsh and Charles Cotton. The Committee is supported by Alex Bevis, CFO and Company Secretary, and Yvonne Dawes, Head of HR. 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 current remuneration policy was approved by the Remuneration Committee in FY19:

"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 annual benchmarking reports in 2017, 2018 and 2019 for AIM companies.

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 FY20, effective 1 August 2020, the salary for all three Executive Directors was increased to £249,000, which was broadly in line with AIM benchmarking analysis reviewed by the Committee in May/June 2020.

ANNUAL BONUS

In September 2019 bonuses of £159,750 (being 76% of salary) each were paid to David Braben and Alex Bevis; a bonus of £192,600 (being 92% of salary) was paid to Jonathan Watts; and a bonus of £15,600 (being bonus earned prior to his transition to a Non-Executive Director role) was paid to David Walsh.

These bonuses were the second of two payments due under a two-year bonus scheme; the first payment was an interim payment in December 2018. The bonus scheme related to these two payments was established in 1 June 2017, which covered a two-year period ending on 31 May 2019; and was 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. For FY20 the Company is returning to a more typical annual bonus scheme but with similar performance-based characteristics and this is due to be paid in September 2020.

EQUITY

In the year to 31 May 2020 (FY20) each of the three Executive Directors was awarded an option over 21,449 Ordinary Shares under the Long Term Incentive Plan, to vest in three years dependent on achieving certain total shareholder return performance targets over that three year vesting period. The calculation method and performance conditions of these awards are consistent with the awards issued to each Executive Director in FY18 and FY19.

An additional LTIP option over 97,276 Ordinary Shares was awarded to Jonny Watts, Frontier's Chief Creative Officer and one of the Company's three Executive Directors. This additional award was granted to Mr Watts in recognition of his importance to Frontier's future performance through his creative leadership, team management and game development experience. This additional LTIP option vests in three years dependent on the achievement of certain minimum Company financial performance thresholds.

In FY19 the three Executive Directors were each awarded an option over 16,935 Ordinary Shares under the Long Term Incentive Plan.

PENSION CONTRIBUTIONS, MEDICAL INSURANCE AND OTHER BENEFITS

Until 1 April 2020, two Executive Directors were members of the Group's pension scheme and the other Executive Director received a pension contribution into a private personal scheme. The Group's pension scheme includes auto-enrolment of a 5% employer contribution effective 1 August 2018. These benefits are the same as adopted for all UK-based staff.

From 1 April 2020 all three Executive Directors opted out of Company pension arrangements and their annual salary was increased in recognition of these decisions as at that date.

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 20 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	FY20 Total £'000	FY19 Total £'000
Executive						
David Braben	220	160	9	1	390	309
Jonathan Watts	220	193	9	1	423	331
Alex Bevis	220	160	10	1	391	309
Non-Executive						
David Gammon	69	—	—	—	69	66
David Walsh	42	16	—	—	58	159
Charles Cotton	38	—	—	—	38	36
James Mitchell*	—	—	—	—	—	—
Total	**809**	**529**	**28**	**3**	**1,369**	**1,210**

* James Mitchell waived his fee.

CORPORATE GOVERNANCE

REMUNERATION REPORT CONTINUED FOR THE YEAR ENDED 31 MAY 2020

DIRECTORS' REMUNERATION (AUDITED)

The expense recognised in the statement of comprehensive income for the Directors' share options (including Non-Executive Directors) was £821,148 (2019: £570,318), with the amount attributable to the highest paid Director being £328,216 (2019: £293,339).

During the year to 31 May 2020 Rockspring, a UK company, exercised options over 170,742 Ordinary Shares at an average exercise price of 117.1p per share. Following the exercise, Rockspring sold 80,000 of these Ordinary Shares at a price of £10.32 per share. David Gammon, Frontier's Non-Executive Chairman, is a Director of Rockspring and, together with his family, is beneficially interested in these shares (2019: £nil).

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
9 September 2020

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FRONTIER DEVELOPMENTS PLC

OPINION

In our opinion:

- Frontier Development plc's group financial statements and parent company financial statements (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 2020 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Frontier Developments plc which comprise:

Group	Parent company
Consolidated balance sheet as at 31 May 2020	Balance sheet as at 31 May 2020
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 25 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 25 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 to the parent company financial statements, as applied in accordance with the provisions 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 below. We are independent of the group and 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

Key audit matters	• Revenue recognition • Capitalisation of internally generated development costs • Impairment of intangibles
Audit scope	• We performed an audit of the complete financial information of 1 component, Frontier Developments plc. Analytical review procedures were performed over Frontier Developments Inc. • The components where we performed full or specific audit procedures accounted for 99% of EBITDA, 99% of Revenue and 99% of Total assets.
Materiality	• Overall group materiality of £0.9m which represents 3% of EBITDA.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF FRONTIER DEVELOPMENTS PLC

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 which 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition (£76.1m, 2019: £89.7m) *Refer to the Accounting policies (*page 68*); and Note 4 of the Consolidated Financial Statements (*page 69*)* We assessed revenue recognition as a fraud risk as revenue forms the basis for certain of the Group's key performance indicators, including EBITDA. We have identified two specific risks in respect of revenue recognition: - • The group are entering into new and evolving revenue streams, which require further judgement around the recognition and measurement principles, presenting the risk that revenue is recognised incorrectly. • Manual journal entries are required to ensure that revenue is recognised appropriately and in the correct period. However, owing to the manual nature of these adjustments, there may be a higher risk of error or potential management override.	The procedures we carried out included the following: • We performed walkthroughs of significant classes of revenue transactions to understand significant processes and to identify and assess the design effectiveness of key management controls over data input and IT. • We have tested a sample of third-party sales reports (quarterly and monthly where applicable) back to the underlying revenue recognised to ensure the completeness, occurrence and accuracy of the revenue recognised. • We traced a sample of revenue transactions relating to own sales through the internal Magento system to both the Magento sales report and Worldpay settlement report to verify that the transaction was valid. • We have performed cut-off testing for a sample of revenue items booked either side of year end by agreeing to supporting documentation to ensure that revenue was only recognised for software in the period in which the performance obligation was fulfilled. • We selected a sample of post year-end credit notes to ensure that, where the credit note relates to the audit period, that these credit notes were appropriately provided for in the financial statements. • We have performed an analytical review by revenue stream and platform to assess unexpected trends and patterns that could be indicative of incorrect revenue recognition, without issue. • For a sample of contract assets and contract liabilities, we have reviewed the terms and conditions of the contract, recalculated the amount of revenue to be recognised in comparison to amounts billed and recalculated the resulting contract asset/contract liability. Where relevant, we have compared the contract asset to the statement received post year end from the Platform and the cash receipt. comparison to amounts billed and recalculated the resulting contract asset/contract liability. Where relevant, we have compared the contract asset to the statement received post year end from the Platform and the cash receipt.	Our audit of journal entries in relation to revenue has not identified any instances of management override. We concluded that revenue recognised in the year as at 31 May 2020 is materially correct on the basis of our procedures performed.

KEY AUDIT MATTERS CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Capitalisation of internally generated development costs (Additions – £19.8m, 2019: £13.4m) *Refer to the Accounting policies (*page 66*); and Note 10 of the Consolidated Financial Statements (*page 72) During the year, the group has capitalised £19.8m (2019: £13.4m) of development costs in relation to various projects. IFRS requires development costs to be capitalised only under specific circumstances highlighted as follows: • It is technically feasible to complete the intangible asset; • There is clear intention to complete; • Ability to use or sell the intangible asset exists; • There are adequate technical, financial and other resources to complete the asset; • Future economic benefits are probable; and • Expenditure can be measured reliably. Judgement is therefore required to establish the point at which capitalisation should commence, the nature of costs to be capitalised and the point at which amortisation should commence. 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.	The procedures we carried out included the following: • We have reviewed management's assessment of how the capitalisation criteria have been achieved on each title. • We have tested whether the costs relate to a technologically feasible project, assessed the future economic benefit to be generated by the product and associated cashflows and the useful economic life assigned. • We have walked through management's process for evaluating and monitoring the development plans, corroborating to source documentation, working with the development team to gain an understanding of the projects they are working on and the nature of costs incurred and benchmarking against similar projects. • For salary costs, we have validated a sample of amounts back to underlying payroll records and met with the project managers to ensure the time related to capital activity. • For overheads, we have reperformed management's calculation and specifically challenged whether each of the cost types meet the definition of "directly attributable" as per IAS 38. • For other costs, we have validated a sample of items to purchase invoices to ensure that they relate to a valid addition and have been recorded correctly.	Our audit procedures did not identify any material misstatements with respect to the capitalisation of internally generated development costs.
Impairment of intangible assets (£52.7m, 2019: £36.5m) *Refer to the Accounting policies (*page 66*); and Note 10 of the Consolidated Financial Statements (*page 72*)* The carrying values of intangible assets are primarily made up of capitalised franchise assets related to self-published software and licence amounts. Risk exists that an impairment adjustment is required where the carrying values of these assets exceed their net realisable value. Judgement is required in determining the key inputs to the impairment models, including future revenues, costs and discount rates.	The procedures we carried out included the following: • We audited the underlying cash flows used in the value in use calculations; these procedures included performing an assessment of historic budgets vs actuals and assessing the feasibility of meeting the forecasts based upon product pipelines. • We performed our own sensitivity and break-even analyses over management's calculations for different assumptions. • Recalculated the mathematical accuracy of the impairment models. • Assessed the appropriateness of the discount rate used by management by benchmarking management's rate against peers and performing reverse stress testing. • Assessed management's forecast accuracy by comparing actual performance against budget in recent years and sensitised the model accordingly. • Compared the carrying value of the cash generating unit to the recoverable amount established by management. • Performed sensitivity analyses and reverse stress testing of the key assumptions in the model. • Compared the assumptions in the impairment model to the strategic plans and knowledge of the business gained through our audit. • Reviewed the financial statement disclosures for compliance with accounting standards.	• In our opinion, the key assumptions applied in the value in use calculations were reasonable, and our own sensitivity and break-even analyses over management's calculations for different assumptions demonstrated that the likelihood of impairment on each game is low. Consequently, we concluded that we are satisfied that no impairment adjustment is required.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF FRONTIER DEVELOPMENTS PLC

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected Frontier Developments plc as a full scope component. Given this covered substantially all of the Group, when considering both size and risk, we designated the only other component, Frontier Developments Inc, as a review scope component. For Frontier Developments plc ("full scope component"), we performed an audit of the complete financial information.

The reporting components where we performed audit procedures accounted for 99% of the Group's EBITDA, 99% of the Group's Revenue and 99% of the Group's Total assets, all of which were addressed through the audit of the full scope component, Frontier Developments plc.

Of the remaining component, Frontier Developments Inc, which represents 1% of the Group's EBITDA, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

INVOLVEMENT WITH COMPONENT TEAMS

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £0.9 million, which is 3% of EBITDA. We believe that EBITDA provides us with the best benchmark, given the profit focus of the Group and that it is the key performance indicator used by stakeholders of the business.

We determined materiality for the Parent Company to be £0.9 million, which is 3% of EBITDA, which is consistent with the approach adopted for the entire group.

During the course of our audit, we reassessed initial materiality and updated for the final EBITDA result for the year.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £0.5m. We have set performance materiality at this percentage due to it being a first-year audit.

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 52, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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 directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

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

As explained more fully in the directors' responsibilities statement set out on page 42, 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 and 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 https://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.

ANUP SODHI (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF ERNST & YOUNG LLP, STATUTORY AUDITOR
LUTON
9 September 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2020

	Notes	31 May 2020 £'000	Restated* 31 May 2019 £'000
Revenue	4	**76,089**	89,669
Cost of sales		**(24,532)**	(35,021)
Gross profit		**51,557**	54,648
Research and development expenses		**(16,014)**	(14,891)
Sales and marketing expenses		**(5,747)**	(7,852)
Administrative expenses		**(13,172)**	(12,536)
Operating profit		**16,624**	19,369
Finance income		**(401)**	289
Profit before tax	7	**16,223**	19,658
Income tax	8	**(329)**	(1,668)
Profit for the period attributable to shareholders		**15,894**	17,990

All the activities of the Group are classified as continuing.

	Notes	31 May 2020 p	Restated 31 May 2019 p
Earnings per share	9		
Basic earnings per share		**41.3**	46.9
Diluted earnings per share		**39.4**	44.7

* Restated for a deferred tax adjustment as per note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2020

	31 May 2020 £'000	Restated* 31 May 2019 £'000
Profit for the period	**15,894**	17,990
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(6)**	(4)
Total comprehensive income for the period attributable to the equity holders of the parent	**15,888**	17,986

* Restated for a deferred tax adjustment as per note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2020 £'000	Restated* 31 May 2019 £'000
Non-current assets			
Intangible assets	10	**52,668**	36,450
Property, plant and equipment	11	**5,926**	6,352
Right-of-use asset	12	**22,732**	—
Deferred tax asset	19	**6,175**	3,185
		87,501	45,987
Current assets			
Trade and other receivables	13	**12,284**	5,178
Current tax asset	17	**2,377**	141
Cash and cash equivalents	14	**45,751**	35,332
		60,412	40,651
Total assets		**147,913**	86,638
Current liabilities			
Trade and other payables	15	**(13,669)**	(9,026)
Lease liability		**(1,337)**	—
Deferred income	16	**(1,439)**	(1,036)
Current tax liabilities	17	**—**	(966)
		(16,445)	(11,028)
Net current assets		**43,967**	29,623
Non-current liabilities			
Provisions	18	**(27)**	(13)
Lease liability		**(22,198)**	—
Deferred income	16	**(234)**	(465)
Other payables	15	**(8,237)**	(939)
Deferred tax liabilities	19	**(4,038)**	—
		(34,734)	(1,417)
Total liabilities		**(51,179)**	(12,445)
Net assets		**96,734**	74,193
Equity			
Share capital	20	**195**	194
Share premium account		**34,589**	34,390
Equity reserve		**(925)**	(3,073)
Foreign exchange reserve		**(22)**	(16)
Retained earnings		**62,897**	42,698
Total equity		**96,734**	74,193

* Restated for a deferred tax adjustment as per note 2.

These financial statements were approved by the Directors on 9 September 2020 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 2020

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2018	193	34,132	780	(12)	20,195	55,288
Profit for the year	–	–	–	–	17,990	17,990
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(4)	–	(4)
Total comprehensive income/(expense) for the year	–	–	–	(4)	17,990	17,986
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
Deferred tax movements posted directly to reserves – restated*	–	–	–	–	2,000	2,000
Transactions with owners	1	258	(3,853)	–	4,513	919
At 31 May 2019 – restated*	194	34,390	(3,073)	(16)	42,698	74,193
Adjustment for adoption of IFRS 16 – lease accounting	–	–	–	–	1,313	1,313
At 1 June 2019 (adjusted)	194	34,390	(3,073)	(16)	44,011	75,506
Profit for the year	–	–	–	–	15,894	15,894
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(6)	–	(6)
Total comprehensive income/(expense) for the year	–	–	–	(6)	15,894	15,888
Issue of share capital net of expenses	1	199	–	–	–	200
Share-based payment charges	–	–	1,947	–	–	1,947
Share-based payment transfer relating to option exercises and lapses	–	–	(510)	–	510	–
EBT share inflows from issues and/or purchases	–	–	–	–	–	–
EBT share outflows from option exercises	–	–	711	–	–	711
Tax credits on share options taken directly to reserves	–	–	–	–	–	–
Deferred tax movements posted directly to reserves	–	–	–	–	2,482	2,482
Transactions with owners	1	199	2,148	–	2,992	5,340
At 31 May 2020	**195**	**34,589**	**(925)**	**(22)**	**62,897**	**96,734**

* Restated for a deferred tax adjustment as per note 2.

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MAY 2020

	31 May 2020 £'000	31 May 2019 £'000
Cash generated from operations	**32,415**	32,312
Taxes received	**—**	480
Cashflow from operating activities	**32,415**	32,792
Investing activities		
Purchase of property, plant and equipment	**(666)**	(2,269)
Expenditure on intangible assets	**(21,044)**	(14,981)
Interest received	**330**	289
Cashflow from investing activities	**(21,380)**	(16,961)
Financing activities		
Proceeds from issue of share capital	**200**	259
Employee Benefit Trust net cash inflow/(outflow)	**711**	(4,882)
Payment of lease liabilities and related interest	**(1,551)**	—
Cashflow from financing activities	**(640)**	(4,623)
Net change in cash and cash equivalents from continuing operations	**10,395**	11,208
Cash and cash equivalents at beginning of period	**35,332**	24,124
Exchange differences on cash and cash equivalents	**24**	—
Cash and cash equivalents at end of period	**45,751**	35,332

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

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	31 May 2020 £'000	31 May 2019 £'000
Operating profit	**16,624**	19,369
Depreciation and amortisation	**14,870**	9,600
EBITDA	**31,494**	28,969
Movement in unrealised exchange gains on forward contracts	**(91)**	(340)
Share-based payment expenses	**1,947**	1,564
Operating cashflows before movements in working capital	**33,350**	30,193
Net changes in working capital:		
Change in trade and other receivables	**(7,046)**	1,542
Change in trade and other payables	**6,097**	575
Change in provisions	**14**	2
Cash generated from operations	**32,415**	32,312

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

1. CORPORATE INFORMATION

Frontier Developments plc (the 'Group') develops and publishes 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

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 the 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.

PRIOR YEAR ADJUSTMENT

During the preparation of the tax accounting for the Group and Company for FY20, an error was identified in relation to the absence of a deferred tax asset on potential future share option exercises.

The Company benefits from corporation tax deductions when employees exercise share options, and under IAS12 a deferred tax asset should be recognised in the statement of financial position for potential future share options exercises, using the market price of the Company's shares as at the relevant financial year end date, in this case 31 May 2019.

This absence of a deferred tax asset in the reported accounts has resulted in the following correcting restatement for FY19:

- a reduction in the income tax charge within the FY19 income statement of £580,000
- a credit directly to retained earnings as at 31 May 2019 of £2,000,000
- an increase in deferred tax assets of £2,580,000 as at 31 May 2019
- an increase in net assets of £2,580,000 as at 31 May 2019

When calculating the theoretical gains from potential future share option exercises, the element of the deferred tax asset which can be credited to the income statement is limited to the sum of the IFRS2 share charges previously recorded in the income statement relating to that particular share option.

Any excess theoretical gain is allocated directly to reserves. In this case, the majority of the asset as at 31 May 2019 has been credited directly to reserves, with a smaller element being posted as a restatement to the income statement for FY19.

The adjustments to the financial statements for FY19 for this restatement are set out below.

Consolidated Income Statement for the 12 months to 31 May 2019 – extracts

£'000	Reported	Adjustment	Restated
Profit before tax	19,658		19,658
Income tax	(2,248)	580	(1,668)
Profit for the period attributable to shareholders	17,410	580	17,990

Earnings per share for the 12 months to 31 May 2019

Pence	Reported	Adjustment	Restated
Basic earnings per share	45.4	1.5	46.9
Diluted earnings per share	43.2	1.5	44.7

Consolidated Statement of Financial Position at at 31 May 2019 – extracts

£'000	Reported	Adjustment	Restated
Deferred tax asset	605	2,580	3,185
Retained earnings	40,118	2,580	42,698

Company Statement of Financial Position at at 31 May 2019 – extracts

£'000	Reported	Adjustment	Restated
Deferred tax asset	605	2,580	3,185
Retained earnings	40,177	2,580	42,757

There is no cashflow implication from these restatements.

2. BASIS OF PREPARATION CONTINUED

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 and Company therefore continue to adopt the going concern basis in preparing their financial statements.

ASSESSMENT OF GOING CONCERN DUE TO COVID-19

The Group's day to day working capital requirements are expected to be met through the current cash and cash equivalent resources at the balance sheet date of 31 May 2020 of £45.8 million along with expected cash inflows from current business activities. The Group has forecast that there will be sufficient income for a period of at least 12 months from the date of the financial statements to support the Groups operational activities.

The Annual Plan approved by the Board of Directors, which has been used to assess going concern, incorporates the impacts and considerations to revenue and costs due to Covid-19. The Annual Plan also reflects assessments of current and future market conditions and the impact this may have on cash resources.

The Group has also performed reverse stress testing on the Annual Plan in respect of potential downside scenarios to identify the break point of current cash resources and to identify when current liquidity resources may fall short of requirements. The Group have also identified mitigating actions that could be reasonably taken to enable it to continue it's operations for at least the next 12 months.

The sensitivities included in the reverse stress testing include the following potential scenarios to revenue:

- All third-party distributors cease to continue to operate resulting in a severe reduction of revenue for the Group
- Operations at our largest third-party distributor are disrupted resulting in a significant reduction of revenue for the Group
- Operations at several third-party distributors are disrupted resulting in a significant reduction of revenue for the Group

As expected, all of the scenarios resulted in an accelerated use of current cash resources however, in all scenarios tested the current cash resources were sufficient to support the Group's activities. This is due to a variety of factors:

- The Group currently has significant cash reserves to maintain the current level of operations
- The Group is able to continue all planned development milestones whilst working from home and has successfully deployed all scheduled releases
- The Group has been able to continue with current headcount growth plans and has sustained a high level of recruitment
- The demand for products has increased during the lockdown restrictions and there has been no impact to debtor recoverability
- Should a more extreme downside scenario occur the Group could take further mitigating actions by reducing discretionary spend

Having considered all of the above, including the current strong cash position, no current impact on debtor recoverability and the increased demand for products, the Directors are satisfied that there are sufficient resources to continue operations for a period of at least 12 months from the date of these financial statements. The financial statements for the year ended 31 May 2020 are therefore prepared under the going concern basis.

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 intercompany 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 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

- Amendments to References to the Conceptual Framework in IFRS standards (effective 1 January 2020).
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective 1 January 2020).
- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020).

OTHER STANDARDS

The following new standards, amended standards and interpretations became effective as at 1 January 2019 but did not have a material impact on the Group's financial statements:

- IFRIC INTERPRETATIONS 23 – Uncertainty over Income Tax Treatments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

3. ACCOUNTING POLICIES CONTINUED
NEW STANDARDS
IFRS 16 "Leases"
Changes in accounting policies – IFRS 16
The Group has applied IFRS 16 "Leases" in the current year, being the year ended 31 May 2020. The initial date of application is 1 June 2019.

IFRS 16 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 a lessee 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.

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

Currently the Group has just one material lease that falls within the scope of IFRS 16, being a property lease for its Cambridge Science Park building. The Group does not have any leases whereby they act as the lessor.

The details of the accounting policy are set out below and also include a description of the impact of adoption of this new lease within the financial statements.

Accounting policy for IFRS 16 "Leases"
At the point of inception of a contract the Group will assess if the contract is for, or contains, a lease. For all contracts that the Group is lessee for, a right-of-use asset is recognised alongside a corresponding lease liability. The Group utilises the short-term lease assets (for leases of 12 months or less) and the low value assets exemptions. The Group does not hold any contracts whereby it is the lessor.

The lease liability is initially measured as the present value of all future lease payments that are due, but not paid, at the commencement date. The discount factor used for the calculation of the present value is the Group's incremental borrowing rate.

Lease payments are defined as the following elements:

- fixed payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is then remeasured using the effective interest method. This method increases the lease liability to reflect the interest on the liability and is reduced by the lease payment actually made to result in the carrying amount.

The right-of-use asset is initially measured at cost.

The cost of the asset is defined as the following elements:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives; and
- any initial direct costs incurred by the lessee.

The asset is subsequently measured at cost less accumulated depreciation and any applicable impairment loss.

The depreciation period is the shorter of the lease term or the useful life of the underlying asset. The depreciation period starts at the commencement date of the lease.

The right-of-use asset is presented within the same category as that which the underlying asset would be presented if the asset were owned and not leased. The Group recognises the asset within property, plant and equipment.

TRANSITION
The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information, in respect of those leases the Group previously treated as operating leases. The Group has measured the right-of-use asset as if IFRS 16 was applied at the lease commencement and has discounted the value using the incremental borrowing rate at the date of adoption.

The incremental rate of borrowing for the Group has been set at 3%.

The lease liabilities at 1 June 2019 can be reconciled to the operating lease commitments as at 31 May 2019 as follows:

	£'000
Operating lease commitments at 31 May 2019	**29,123**
Weighted average incremental borrowing rate	3%
Discounted operating lease commitments	24,356
Lease liabilities at 1 June 2019	24,356

3. ACCOUNTING POLICIES CONTINUED

PRACTICAL EXPEDIENTS

The Group has made use of the practical expedient specified within IFRS 16 not to reassess all contracts already in place to determine whether a contract is or contains a lease. Therefore the definition of a lease under IAS 17 will continue to apply to those leases entered into before 1 June 2019.

IMPACTS ON LESSEE ACCOUNTING

Applying IFRS 16 changes the way the Group accounts for leases in the following areas.

Under IFRS 16, all leases (except those covered by an exemption) are recognised as a right-of-use asset and a lease liability in the consolidated statement of financial position.

Rent-free periods are recognised as part of the initial measurement of the right-of-use asset, whereas previously they would have been recognised as a reduction in rental expenses in the income statement.

Right-of-use assets will be subject to impairment tests in accordance with IAS 36 “Impairment of Assets”.

The income statement costs are now recorded as depreciation within administrative expenses as depreciation of the right-of-use assets and within net interest as the interest on the lease liabilities. This replaces an expense for rent on a straight line basis which would have been recorded in administrative expenses.

The debit/(credit) effect of the adoption of IFRS 16 as at 1 June 2019 was as follows:

	£'000
Assets	
Right-of-use asset	24,356
Total assets	**24,356**
Liabilities	
Lease liability	(24,356)
Trade and other payables	1,313
Total liabilities	**(23,043)**
Total adjustments on equity	
Retained earnings	**(1,313)**

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. Judgements around capitalisation are based on the information available at initial recognition. Economic success of any development is based upon expected future cashflow where this can be measured reliably 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 2020 are £52,668k (2019: £36,450k).

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. Judgement around amortisation periods is needed to ensure the useful economic life of a game is relevant to the expected period of customer demand.

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 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 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 for carried forward tax losses has not been recognised as at 31 May 2020 due to uncertainty on the timing of the utilisation of those losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

3. ACCOUNTING POLICIES CONTINUED

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED

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 four categories:

- game technology which includes Frontier's game engine and other technology which supports the development and publication of games;
- game developments which include development of self-published games and titles under Frontier Foundry;
- third-party software (which includes software bought from suppliers for use within the Group's activities); and
- IP licenses which are based on the minimum guarantees payable by Frontier to the IP owner.

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 directly 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. 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. Amortisation charges for intangible assets that relate to game developments, technology and third-party software are expensed in research and development expenses. Amortisation charges for IP licenses are typically charged to cost of sales, which reflects the IP license royalties which our minimum guarantees relate to.

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 which are expensed as incurred. 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.

Value in use 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.

3. ACCOUNTING POLICIES CONTINUED

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

3. ACCOUNTING POLICIES CONTINUED
SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED
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 recognised as an amount that reflects the consideration to which an entity expects to be entitled in exchanges for the goods or services.

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.

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.

Revenue received from the virtual currency is recognised once the performance obligation has been satisfied and the customer has redeemed the virtual currency on paid downloadable content.

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 and warrants 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 or the Monte Carlo simulation. 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.

3. ACCOUNTING POLICIES CONTINUED

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED

Income taxes continued

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.

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.

The Group typically satisfies its performance obligations at the point that the product becomes available to the customer and payment has been received up front.

In both the period ended 31 May 2020 and the period ended 31 May 2019, other revenue mainly related to royalty income.

	12 months to 31 May 2020 £'000	12 months to 31 May 2019 £'000
Self-publishing revenue	**75,924**	89,476
Other revenue	**165**	193
	76,089	89,669

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

5. EMPLOYEE REMUNERATION

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

	31 May 2020 £'000	31 May 2019 £'000
Staff remuneration	**21,900**	18,870
Social security costs	**1,850**	1,626
Pension costs	**1,830**	1,497
Share-based compensation	**1,947**	1,564
	27,527	23,557

Included in the above payroll costs for the year ended 31 May 2020 is £10,653,387 (2019: £8,368,105) 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 2020	31 May 2019
Research and development	**427**	371
Sales, marketing and administrative	**69**	49
	496	420

REMUNERATION OF DIRECTORS

	31 May 2020 £'000	31 May 2019 £'000
Directors' emoluments (including bonuses)	**2,097**	1,049
Non-Executive fees	**113**	79
Non-Executive consultancy fees	**50**	49

EMOLUMENTS OF HIGHEST PAID DIRECTOR

	31 May 2020 £'000	31 May 2019 £'000
Emoluments	**403**	321
Pension	**18**	10

For detailed Directors' remuneration disclosures refer to page 51 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 2020 £'000	31 May 2019 £'000
Minimum lease payments due within one year	**–**	1,945
Minimum lease payments due within one to five years	**–**	7,771
Minimum lease payments due in greater than five years	**–**	19,407
Total	**–**	29,123

Group lease payments recognised as an expense during the year ended 31 May 2020 amounted to £nil (31 May 2019: £1,953,924).

The lease payments in the year ended 31 May 2019 relate to lease agreements for office buildings.

The Group applied IFRS 16 "Leases" at 1 June 2019 and has recognised a right-of-use asset in the statement of financial position.

7. PROFIT BEFORE TAX

	31 May 2020 £'000	31 May 2019 £'000
This is stated after charging:		
Amortisation of intangible assets	**12,155**	8,717
Depreciation of tangible assets	**1,092**	883
Depreciation of right-of-use asset	**1,623**	–
Research and development costs expensed	**4,810**	7,057
Foreign exchange losses	**(299)**	302
Auditor remuneration:		
Audit of the parent and Group	**102**	60
Audit related assurance services	**–**	9
Operating leases	**–**	1,954

8. TAXATION ON ORDINARY ACTIVITIES

ANALYSIS OF THE CHARGE/(CREDIT) IN THE PERIOD

	31 May 2020 £'000	Restated* 31 May 2019 £'000
UK corporation tax based on the results for the year	**(226)**	1,759
Adjustments for prior periods	**555**	(91)
Tax on profit on ordinary activities	**329**	1,668

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% (2019: 19%) as follows:

	31 May 2020 £'000	Restated* 31 May 2019 £'000
Profit on ordinary activities before taxation	**16,223**	19,658
Tax on profit on ordinary activities at standard rate	**3,082**	3,738
Factors affecting tax expense for the year:		
Expenses not deductible for tax purposes	**44**	385
Adjustments to tax charge in respect of previous periods	**555**	(91)
Income not taxable	**59**	–
Tax rate changes	**293**	–
Research and development tax credits	**(650)**	(262)
Video Games Tax Relief enhanced deductions	**(1,617)**	(608)
Deferred tax not recognised	**36**	–
Utilisation of deferred tax losses unrecognised in prior year	**–**	(605)
Corporation tax deductions for employee share option exercises	**(1,473)**	(371)
Utilisation of tax losses in current year	**–**	(1,916)
Adjustment to tax for share options	**–**	1,978
Restatement adjustment*	**–**	(580)
Total amount of tax	**329**	1,668

* Restated for a deferred tax adjustment as per note 2.

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 2020 the Group has recorded a corporation tax charge of £0.3 million (FY19: a restated credit of £1.7 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

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 2020	Restated* 31 May 2019
Profit attributable to shareholders (£'000)	**15,894**	17,990
Weighted average number of shares	**38,483,762**	38,337,119
Basic earnings per share (p)	**41.3**	46.9

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 2020	Restated* 31 May 2019
Profit attributable to shareholders (£'000)	**15,894**	17,990
Diluted weighted average number of shares	**40,316,894**	40,254,488
Diluted earnings per share (p)	**39.4**	44.7

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

	31 May 2020	31 May 2019
Weighted average number of shares	**38,483,762**	38,337,119
Dilutive effect of share options	**1,833,132**	1,917,369
Diluted average number of shares	**40,316,894**	40,254,488

* Restated for a deferred tax adjustment as per note 2.

10. INTANGIBLE ASSETS

GROUP AND COMPANY

The Group and Company intangible assets comprise game technology, game developments, third-party software and IP licences. Game technology includes Frontier's COBRA game engine and other technology which supports the development and publication of games. The game developments category includes capitalised development costs for base game and PDLC assets for both internally developed games and games developed by partners within the Frontier Foundry third-party publishing games label. Third-party software includes subscriptions to development and business software. Intangible assets for IP licences are recognised at the execution of the licence, based on the minimum guarantees payable by Frontier to the IP owner.

	Game technology £'000	Game developments £'000	Third-party software £'000	IP licences £'000	Total £'000
Cost					
At 31 May 2018	5,467	42,818	428	1,336	50,049
Additions	1,295	12,141	168	1,377	14,981
At 31 May 2019	6,762	54,959	596	2,713	65,030
Additions	2,396	17,369	497	8,111	28,373
At 31 May 2020	**9,158**	**72,328**	**1,093**	**10,824**	**93,403**
Amortisation and impairment					
At 31 May 2018	4,428	15,130	305	—	19,863
Amortisation charges	365	7,469	178	705	8,717
At 31 May 2019	4,793	22,599	483	705	28,580
Amortisation charges	796	10,408	320	631	12,155
At 31 May 2020	**5,589**	**33,007**	**803**	**1,336**	**40,735**
Net book value at 31 May 2020	**3,569**	**39,321**	**290**	**9,488**	**52,668**
Net book value at 31 May 2019	1,969	32,360	113	2,008	36,450

The majority of amortisation charges for intangible assets are expensed within research and development expenses. Amortisation charges for IP licences are typically charged to cost of sales, which reflects the IP licence royalties which the minimum guarantees relate to.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
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
Additions	13	643	10	666
At 31 May 2020	**863**	**2,781**	**5,358**	**9,002**
Depreciation				
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
Charge for the period	150	607	335	1,092
At 31 May 2020	**396**	**1,999**	**681**	**3,076**
Net book value at 31 May 2020	**467**	**782**	**4,677**	**5,926**
Net book value at 31 May 2019	604	746	5,002	6,352

Leasehold improvements 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 2020 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 2020 £'000	Year ended 31 May 2019 £'000
Research and development expenses	**464**	347
Administration expenses	**628**	536
Total	**1,092**	883

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

12. LEASES

	Right of use asset £'000	Total £'000
Cost		
At 31 May 2018	**–**	–
Additions	**–**	–
At 31 May 2019	**–**	–
Additions	**24,356**	24,356
At 31 May 2020	**24,356**	24,356
Depreciation		
At 31 May 2018	**–**	–
Charge for the period	**–**	–
At 31 May 2019	**–**	–
Charge for the period	**1,624**	1,624
At 31 May 2020	**1,624**	1,624
Net book value at 31 May 2020	**22,732**	22,732
Net book value at 31 May 2019	**–**	–

The right of use asset relates to the leased building in the Science Park in Cambridge which was occupied from April 2018.

Depreciation charges were expensed within administrative expenses in the income statement.

Set out below are the carrying amounts of lease liabilities (included under current and non-current liabilities on the statement of financial position) and the movements during the period:

	31 May 2020 £'000
At 1 June 2019 (restated)	24,356
Accretion of interest	730
Lease payments	(1,551)
At 31 May 2020	**23,535**
Current	1,337
Non-current	22,198

The table below sets out the maturity profile of the contractual undiscounted payments as at 31 May 2020

	£'000
In not more than three months	517
In more than three months but less than one year	1,551
In more than one year but less than five years	10,340
In more than five years	16,027
At 31 May 2020	**28,435**

The discount rate applied to the lease is 3%.

13. TRADE AND OTHER RECEIVABLES

	Consolidated year ended		Company year ended	
	31 May 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Trade receivables, gross	**9,740**	2,932	**9,677**	2,930
Intercompany receivable	**—**	—	**287**	3,992
Prepayments and other debtors	**2,197**	2,015	**2,233**	1,992
Social security and other taxes	**347**	231	**342**	228
Total trade and other receivables	**12,284**	5,178	**12,539**	9,142

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.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following balances by currency:

	Consolidated year ended		Company year ended	
	31 May 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Cash at bank and in hand				
Great British Pounds (GBP)	**32,055**	24,206	**32,055**	24,206
US Dollars (USD)	**12,433**	9,324	**12,274**	5,348
Euros (EUR)	**1,262**	1,798	**1,262**	1,798
Canadian Dollars (CAD)	**1**	4	**1**	4
Financial assets	**45,751**	35,332	**45,592**	31,356

15. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

	Consolidated year ended		Company year ended	
	31 May 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Trade payables	**2,635**	3,056	**2,636**	3,056
Intercompany payable	**—**	—	**48**	10
Accruals	**10,345**	5,307	**10,329**	5,292
Financial liabilities	**12,980**	8,363	**13,013**	8,358
Derivative financial instruments	**—**	31	**—**	31
Other taxation and social security	**689**	632	**689**	632
Total trade and other payables	**13,669**	9,026	**13,702**	9,021

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. The majority of the increase in accruals is the commission due to third-party distributors for revenue balances due.

NON-CURRENT LIABILITIES

	Consolidated year ended		Company year ended	
	31 May 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Other payables	**8,237**	939	**8,237**	939
Total other payables	**8,237**	939	**8,237**	939

Other payables within non-current liabilities are minimum guarantees payable that are due to IP licence holders. The payment terms range from 12 months to six years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

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

	Consolidated year ended		Company year ended	
	31 May 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Deferred income – current	**1,439**	1,036	**1,390**	989
Deferred income – non-current	**234**	465	**185**	370
Total deferred income	**1,673**	1,501	**1,575**	1,359

The deferred revenue balance for the year ended 31 May 2020 is in respect of *Elite Dangerous* lifetime expansion passes, *Elite Dangerous* virtual currency and disc sales of *Jurassic World Evolution* that are still within the distribution channel.

Deferred revenue released during the period ended 31 May 2020 was £230k for *Elite Dangerous* lifetime expansion passes and £397k for Jurassic World Evolution disc sales.

Revenue deferred during the period ended 31 May 2020 was in relation to *Elite Dangerous* virtual currency at £797k (2019: £nil).

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 2020 the remaining accounting life of the franchise lifetime expansion passes is considered to be one and a half years.

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

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

17. CURRENT TAX ASSETS AND LIABILITIES
Current tax assets and liabilities in the statement of financial position were as follows:

	Consolidated year ended		Company year ended	
	31 May 2020 £'000	Restated* 31 May 2019 £'000	**31 May 2020 £'000**	Restated* 31 May 2019 £'000
Current tax asset	**2,377**	141	**2,374**	81
Current tax liability	**–**	(966)	**–**	(966)

* Restated for a deferred tax adjustment as per note 2.

The Group have recognised a current tax asset of £2.4 million at 31 May 2020 which relates to Video Games Tax Credit claims for the 12 months ended 31 May 2019.

18. PROVISIONS
PROVISIONS FOR DILAPIDATIONS

	Group and Company year ended	
	31 May 2020 £'000	31 May 2019 £'000
Opening balance	**13**	11
Provided for in the period	**14**	2
At period end	**27**	13

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

19. DEFERRED TAX ASSETS AND LIABILITIES

	Group and Company year ended	
	31 May 2020 £'000	Restated* 31 May 2019 £'000
Accelerated capital allowances	**(4,038)**	—
Short-term temporary differences	**63**	—
Tax losses	**—**	605
Non-qualifying assets	**365**	—
Potential future share option exercises	**5,747**	2,580
Total asset/(liability)	**2,137**	3,185
Balance brought forward	**3,185**	—
Movement in year	**(1,048)**	3,185
Balance carried forward asset/(liability)	**2,137**	3,185

* Restated for a deferred tax adjustment as per note 2.

A net deferred tax asset has been recognised in the statement of financial position for the Group and Company as at 31 May 2020 of £2.1 million (FY19 restated net asset of £3.2 million).

Accumulated UK tax losses at 31 May 2020 are provisionally estimated to be £20 million (31 May 2019 restated: £19.8 million). Deferred tax assets for these losses have not been recognised due to uncertainty on the timing of the utilisation of the losses. This uncertainty of timing relates to the streaming of profits between the Group's main trade and its VGTR streamed earnings from its different games. The losses do not have an expiry date.

20. SHARE CAPITAL

GROUP AND COMPANY

The movement during the year on the Group and Company's issued share capital was as follows:

	Number	Nominal value £
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
Shares issued on option exercises and warrants	170,742	854
As at 31 May 2020	**38,911,810**	**194,559**

From 1 June 2019 to 31 May 2020 170,742 Ordinary Shares of 0.5p were allotted as fully paid at a premium of 117p, being the exercise of warrants by a Non-Executive Director. The market value was 1,040p on the day of allotment.

For detailed information of the exercise of warrants refer to page 52 of the financial statements.

21. 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 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Financial assets at amortised cost				
Trade and other receivables	**9,740**	2,932	**9,964**	6,922
Cash and cash equivalents	**45,751**	35,332	**45,592**	31,356
Total	**55,491**	38,264	**55,556**	38,278

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

21. FINANCIAL ASSETS AND LIABILITIES

DERIVATIVE FINANCIAL INSTRUMENTS

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

	Consolidated year ended		Company year ended	
	31 May 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Derivative financial liabilities				
Forward foreign exchange contracts – held for trading	**–**	(31)	**–**	(31)

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 2020 or 2019.

	Consolidated year ended		Company year ended	
	31 May 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Financial liabilities at amortised cost				
Trade and other payables	**12,980**	8,363	**13,013**	8,358
Lease liability	**1,337**	—	**1,337**	—
Total	**14,317**	8,363	**14,350**	8,358

22. 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, USA.

The Company holds a £100 investment in Frontier Games Ltd., a company registered in the UK. This represents 100% of the Ordinary Share capital of the company, which is engaged in game development services for the Group.

The registered address of Frontier Games Ltd. is 26 Science Park, Milton Road, Cambridge CB4 0FP, UK.

23. 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, April 2019, October 2019 and March 2020) and a Long Term Incentive Plan (November 2017, January 2018, May 2018, October 2018 and October 2019). 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	**2020 Number**	2019 Number
30 July 2012	2012 EMI scheme	2012–2022	89	**87,970**	116,543
15 May 2013	2013 EMI scheme	2014–2023	95	**4,000**	4,000
8 July 2013	Unapproved pre-IPO warrants	2013–2023	95	**13,158**	65,790
15 July 2013	Unapproved IPO warrants	2013–2023	127	**29,528**	147,638
21 March 2014	Company Share Option Plan	2017–2024	224.5	**62,500**	74,000
15 September 2014	Company Share Option Plan	2017–2024	257.5	**91,980**	134,330
15 September 2014	Unapproved options	2017–2024	257.5	**138,250**	164,100
15 September 2014	Unapproved options	2015–2024	257.5	**288,350**	288,350
10 March 2015	Company Share Option Plan	2018–2025	230	**63,750**	80,330
10 March 2015	Unapproved options	2018–2025	230	**29,000**	29,000
21 September 2015	Company Share Option Plan	2018–2025	193.5	**38,500**	82,400
21 September 2015	Unapproved options	2018–2025	193.5	**13,800**	37,200
8 September 2016	Company Share Option Plan	2019–2026	174	**67,750**	154,000
8 September 2016	Unapproved options	2019–2026	174	**132,750**	156,000
9 February 2017	Company Share Option Plan	2020–2027	278	**52,310**	92,000
9 February 2017	Unapproved options	2020–2027	278	**25,000**	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	**66,896**	72,111
10 November 2017	Company Share Option Plan	2020–2027	1,094	**102,682**	106,772
10 November 2017	Long Term Incentive Plan	2020–2027	0.5	**144,781**	145,904
8 May 2018	Sharesave	2021–2028	1,044	**14,066**	14,616
17 October 2018	Company Share Option Plan	2021–2028	1,130	**52,670**	65,908
17 October 2018	Long Term Incentive Plan	2021–2028	0.5	**139,108**	142,756
8 October 2018	Sharesave	2021–2028	904	**26,957**	31,177
6 February 2019	Company Share Option Plan	2022–2029	886	**3,386**	3,386
6 February 2019	Long Term Incentive Plan	2022–2029	0.5	**558**	558
1 April 2019	Sharesave	2022–2029	783	**43,020**	52,255
4 October 2019	Company Share Option Plan	2022–2029	1,002	**52,771**	—
4 October 2019	Long Term Incentive Plan	2022–2029	0.5	**294,432**	—
4 October 2019	Sharesave	2022–2029	832	**23,217**	—
26 February 2020	Company Share Option Plan	2023–2030	1,188	**2,525**	—
25 March 2020	Sharesave	2023–2030	947	**11,775**	—
				2,446,996	2,625,680

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MAY 2020

23. SHARE OPTIONS CONTINUED

Movements in the number of share options and warrants outstanding:

	Group and Company year ended	
	2020 Number	2019 Number
Opening balance	**2,625,680**	2,595,088
Granted	**415,839**	324,021
Exercised	**(510,085)**	(148,850)
Lapsed	**(84,438)**	(144,579)
Closing balance	**2,446,996**	2,625,680
Weighted average exercise price on closing balance	**299.8**	295.3

The share-based compensation charge in the profit and loss was £1,946,725 (31 May 2019: £1,563,629), of which £8,541 (31 May 2019: £16,712) 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 or the Monte Carlo simulation. Details of the fair value granted in the period, together with the assumptions used in determining the fair value, are summarised below:

	Sharesave March 2020	CSOP February 2020	Sharesave October 2019	CSOP October 2019	LTIP October 2019
Share price at date of grant (p)	947	1,188	832	1,002	1,002
Exercise price (p)	947	1,188	832	1,002	0.5
Expected time to expiry (years)	4.56	4.56	4.56	4.56	4.56
Risk-free interest rate (%)	1.28	1.45	1.47	1.47	1.47
Expected dividend yield on shares (%)	—	—	—	—	—
Expected volatility of share price (%)	55.64	53.86	53.43	53.43	53.43
Fair value of options granted (p)	439.2	538.7	375.0	451.6	1,001.5

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 339,343 Ordinary Shares. The EBT had no other assets or liabilities at 31 May 2020 outside of its interest in 163,325 Ordinary Shares.

24. 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 2020 £'000**	**Creditor balance 31 May 2020 £'000**	Expense paid 31 May 2019 £'000	Creditor balance 31 May 2019 £'000
Chris Sawyer – royalties	**14**	**–**	34	—
Marjacq Micro Limited – sales commission	**–**	**–**	13	—

24. RELATED PARTY TRANSACTIONS CONTINUED

GROUP AND COMPANY YEAR ENDED

Connected party	**Change in value of loan expense paid 31 May 2020 £'000**	Change in value of loan expense paid 31 May 2019 £'000
EBT – share options exercised by employees	**–**	(133)
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)
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 2020 £'000	31 May 2019 £'000
Directors' emoluments (including bonuses)	**1,309**	1,167
Non-Executive fees	**125**	83
Non-Executive consultancy fees	**50**	49

Consultancy fees are paid to Rockspring Ltd, a company in which David Gammon is a common director, amounting to £50k (2019: £49k). The amount outstanding at 31 May 2020 is £5k (2019: £5k).

25. 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 21. 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 21).

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 2020			Consolidated year ended 31 May 2019			**Company year ended 31 May 2020**			Company year ended 31 May 2019		
	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	**1**	**12,433**	**1,262**	4	9,324	1,798	**1**	**12,274**	**1,262**	4	5,348	1,798

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

FINANCIAL STATEMENTS

25. FINANCIAL INSTRUMENT RISKS CONTINUED

RISK MANAGEMENT OBJECTIVES AND POLICIES 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 2020 £'000	31 May 2019 £'000	**31 May 2020 £'000**	31 May 2019 £'000
Effect of a 5% change in relevant exchange rate on:				
Income statement	**2,108**	2,365	**2,112**	2,356
Equity	**1,148**	724	**1,158**	724

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 due 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 2020				
Trade and other payables	**12,017**	**963**	**8,237**	**—**
At 31 May 2019				
Trade and other payables	7,810	553	—	—

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 2020				
Trade and other payables	**12,050**	**963**	**8,237**	**—**
At 31 May 2019				
Trade and other payables	7,804	553	—	—

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.

Changes in liabilities arising from financing activities

	1 June 2019 £'000	Cashflows	Other	31 May 2020 £'000
Current lease liabilities	1,337	—	—	1,337
Non-current lease liabilities	23,019	(1,551)	730	22,198
Total liabilities from financing activities	**24,356**	**(1,551)**	**730**	**23,535**

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2020 £'000	Restated* 31 May 2019 £'000
Non-current assets			
Intangible assets	10	**52,668**	36,450
Property, plant and equipment	11	**5,926**	6,352
Right-of-use asset	12	**22,732**	—
Deferred tax asset	19	**6,175**	3,185
		87,501	45,987
Current assets			
Trade and other receivables	13	**12,539**	9,142
Current tax asset	17	**2,374**	81
Cash and cash equivalents	14	**45,592**	31,356
		60,505	40,579
Total assets		**148,006**	86,566
Current liabilities			
Trade and other payables	15	**(13,702)**	(9,021)
Lease liability		**(1,337)**	—
Deferred income	16	**(1,390)**	(989)
Current tax liabilities	17	**—**	(966)
		(16,429)	(10,976)
Net current assets		**44,076**	29,603
Non-current liabilities			
Provisions	18	**(27)**	(13)
Lease liability		**(22,198)**	—
Deferred income	16	**(185)**	(370)
Other payables	15	**(8,237)**	(939)
Deferred tax liabilities	19	**(4,038)**	—
		(34,685)	(1,322)
Total liabilities		**(51,114)**	(12,298)
Net assets		**96,892**	74,268
Equity			
Share capital	20	**195**	194
Share premium account		**34,589**	34,390
Equity reserve		**(925)**	(3,073)
Retained earnings		**63,033**	42,757
Total equity		**96,892**	74,268

* Restated for a deferred tax adjustment as per note 2.

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 £15,971K (2019: £17,994K).

These financial statements were approved by the Directors on 9 September 2020 and signed on their behalf by:

ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY

COMPANY STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MAY 2020

	31 May 2020 £'000	31 May 2019 £'000
Cash generated from operations	**36,346**	28,536
Taxes received	**–**	480
Cashflow from operating activities	**36,346**	29,016
Investing activities		
Purchase of property, plant and equipment	**(666)**	(2,269)
Expenditure on intangible assets	**(21,044)**	(14,981)
Interest received	**240**	289
Cashflow from investing activities	**(21,470)**	(16,961)
Financing activities		
Proceeds from issue of share capital	**200**	259
Employee Benefit Trust net cash inflow/(outflow)	**711**	(4,882)
Payment of lease liabilities and related interest	**(1,551)**	–
Cashflow from financing activities	**(640)**	(4,623)
Net change in cash and cash equivalents from continuing operations	**14,236**	7,432
Cash and cash equivalents at beginning of period	**31,356**	23,924
Exchange differences on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of period	**45,592**	31,356

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

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	31 May 2020 £'000	31 May 2019 £'000
Operating profit	**16,732**	19,385
Depreciation and amortisation	**14,870**	9,600
EBITDA	**31,602**	28,985
Movement in unrealised exchange gains on forward contracts	**(91)**	(345)
Share-based payment expenses	**1,947**	1,564
Operating cashflows before movements in working capital	**33,458**	30,204
Net changes in working capital:		
Change in trade and other receivables	**(3,306)**	(2,279)
Change in trade and other payables	**6,180**	609
Change in provisions	**14**	2
Cash generated from operations	**36,346**	28,536

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2018	193	34,132	780	20,250	55,355
Profit for the year	—	—	—	17,994	17,994
Total comprehensive income for the year	—	—	—	17,994	17,994
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
Deferred tax movements posted directly to reserves – restated*	—	—	—	2,000	2,000
Transactions with owners	1	258	(3,853)	4,513	919
At 31 May 2019 – restated*	194	34,390	(3,073)	42,757	74,268
Adjustment for adoption of IFRS 16 – lease accounting	—	—	—	1,313	1,313
At 1 June 2020 (adjusted)	194	34,390	(3,073)	44,070	75,581
Profit for the year	—	—	—	15,971	15,971
Total comprehensive income for the year	—	—	—	15,971	15,971
Issue of share capital net of expenses	1	199	—	—	200
Share-based payment charges	—	—	1,947	—	1,947
Share-based payment transfer relating to option lapses	—	—	(510)	510	—
EBT share inflows from issues and/or purchases	—	—	—	—	—
EBT share outflows from option exercises	—	—	711	—	711
Tax credits on share options taken directly to reserves	—	—	—	—	—
Deferred tax movements posted directly to reserves	—	—	—	2,482	2,482
Transactions with owners	1	199	2,148	2,992	5,340
At 31 May 2020	**195**	**34,589**	**(925)**	**63,033**	**96,892**

* Restated for a deferred tax adjustment as per note 2.

NOTICE OF ANNUAL GENERAL MEETING

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 21 October 2020 at 9.15 a.m. (BST) 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 2020 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 Ernst & Young LLP as the Company's Auditor 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's (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 £64,853.02, 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 2021, 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 a 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 £19,455.91 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 2021, 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
9 September 2020

Registered office:

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

EXPLANATORY NOTES

To the notice of Annual General Meeting

COVID-19 UPDATE

The Board considers the Annual General Meeting an important opportunity to present to shareholders the Company's performance and strategic priorities. In normal circumstances, the Board values greatly the opportunity to meet shareholders in person. However, in view of the evolving COVID-19 situation and the ongoing government restrictions on social distancing in response to COVID-19, the Company is planning for the Annual General Meeting this year to be run as a closed meeting. **Shareholders will not be allowed to attend the Annual General Meeting in person and are encouraged to appoint the Chairman of the meeting as their proxy. Anyone seeking to attend in person will be refused entry.** The Company will make arrangements for a quorum to be present to transact the formal business of the meeting as set out in the notice.

Instead of attending this year's AGM, shareholders are asked to exercise their votes by submitting their proxy by post, by no later than 9.15 a.m. (BST) on 19 October 2020, being 48 hours (excluding non-working days) before the time fixed for holding the Annual General Meeting. **Shareholders can only appoint the "Chairman of the meeting" as proxy, as no other proxy will be permitted to attend the meeting.** In addition, should a shareholder have a question that they would have raised at the meeting, we ask that they send it by e-mail to ir@frontier.co.uk. The Company will publish these questions (other than any questions which the Directors consider to be frivolous or vexatious, or which cannot be addressed for legal or regulatory reasons) and answers on its website as soon as practicable after the Annual General Meeting.

The Board will keep these Annual General Meeting arrangements under review and the Board will update shareholders via the Regulatory News Service ("RNS") as appropriate, with any such announcements also uploaded to the Company's website (https://www.frontier.co.uk). The Company encourages shareholders to check its website regularly for the latest information on the arrangements for the 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. **However, given the limitations on physical participation we recommend shareholders appoint the Chairman of the meeting as their proxy, as physical attendance at the meeting by others will be restricted in line with our Articles of Association and current guidance and legislation.**
2. 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.
3. 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.
4. 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. (BST) on 19 October 2020 (being not more than 48 hours (excluding non-working days) prior to the time fixed for the meeting).
5. 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.
6. 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. (BST) on 19 October 2020 (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. (BST) 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.
7. 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:
   - 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.
8. 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.

ADVISORS AND COMPANY INFORMATION

COMPANY SECRETARY AND CFO
Alexander 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)

BROKER AND NOMINATED ADVISOR
LIBERUM CAPITAL LIMITED
Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY

JOINT BROKER
JEFFERIES INTERNATIONAL LIMITED
68 Upper Thames Street
London EC4V 3BJ

AUDITOR
ERNST & YOUNG LLP
1 Cambridge Business Park
Cowley Road
Cambridge CB4 0WZ

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 2020

	31 May 2020	31 May 2019	31 May 2018	31 May 2017	31 May 2016
Revenue	**£76.1m**	£89.7m	£34.2m	£37.4m	£21.4m
Operating profit	**£16.6m**	£19.4m	£2.8m	£7.8m	£1.2m
Operating margin (%)	**22%**	22%	8%	21%	6%
EBITDA*	**£31.5m**	£29.0m	£9.4m	£12.7m	£4.9m
EPS (basic)	**41.3p**	46.9p	9.6p	22.7p	4.2p
Operating cashflow**	**£13.6m**	£16.8m	(£2.8m)	£3.4m	(£2.7m)
Net cash balance	**£45.8m**	£35.3m	£24.1m	£12.6m	£8.6m

* Earnings before interest, tax, depreciation and amortisation.

** EBITDA excluding non-cash items less investments in game developments and game technology.

FINANCIAL STATEMENTS

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Frontier Developments plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Amadeus Silk, 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. Both the printer and the paper mill are registered to ISO 14001.

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FRONTIER DEVELOPMENTS PLC
26 SCIENCE PARK
MILTON ROAD
CAMBRIDGE CB4 0FP