CREATING. NURTURING. GROWING.

FRONTIER DEVELOPMENTS PLC
ANNUAL REPORT AND ACCOUNTS 2021

CREATING.
NURTURING.
GROWING.

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 680 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.

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FINANCIAL HIGHLIGHTS

- Our established portfolio of genre-leading games, supported by our nurturing approach to post-release development, delivered record financial results in FY21, through continued strong engagement with our games and our downloadable content on new and existing platforms
- Record revenue of £90.7 million (FY20: £76.1 million) reflected substantial contributions from all four of our existing games franchises, together with our first revenues from Frontier Foundry, our games label for third-party publishing
- Strong trading performance and effective portfolio management delivered record operating profit, as reported under IFRS, of £19.9 million for FY21 (FY20: £16.6 million), with operating profit margin maintained at 22%, matching the performance achieved in both FY20 and FY19
- Cash balances of £42.4 million at 31 May 2021 (31 May 2020: £45.8 million) even after investment of £14.0 million during the year in Frontier and Frontier Foundry games planned for release in future periods

FULL FINANCIAL REVIEW ON PAGES 38 TO 41

STRATEGIC HIGHLIGHTS

Frontier's launch and nurture portfolio strategy continues to deliver

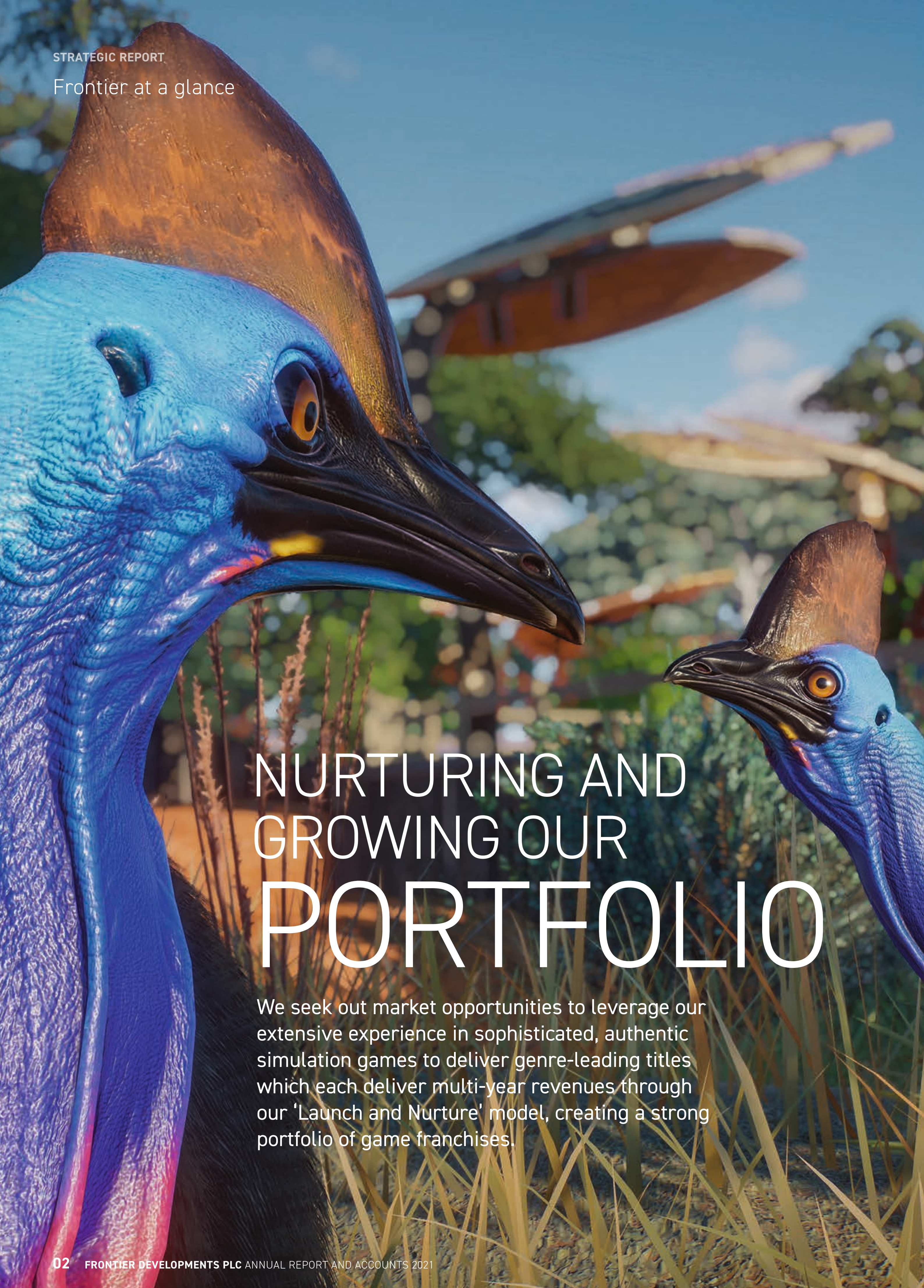
- Frontier plays to its strengths by creating deep, immersive and high fidelity games that build on its proven capabilities and unique track record
- Post-launch, Frontier nurtures its games for many years through community engagement and additional content
- FY21 saw the announcement and release of *Elite Dangerous: Odyssey*, our most ambitious expansion yet for our iconic space simulation franchise
- *Planet Coaster* expanded its audience through its release on Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5
- *Jurassic World Evolution* accelerated the growth of its player base by launching on Nintendo Switch
- *Planet Zoo* continued to delight existing fans and attract new players, supported by a range of popular PDLC packs
- All four games continued to deliver strong sales on existing platforms

Frontier Foundry builds momentum

- First revenue in Frontier Foundry in FY21, our games label for third-party publishing
- Six titles signed for future release, with at least three in FY22, including: *Lemnis Gate*; *FAR: Changing Tides* and *Warhammer 40,000: Chaos Gate – Daemonhunters*
- Set for future success as a material part of our business, with a target of at least four titles expected to launch per year from FY23 onwards

Our strongest ever future roadmap

- *Jurassic World Evolution 2* revealed for release on 9 November 2021 (in FY22) – a much-anticipated sequel which builds upon our ground-breaking and immersive 2018 management simulation
- The first of our annual Formula 1® management games will release during the 2022 F1 season, as part of our exclusive licence for Formula 1® management games
- Our *Warhammer Age of Sigmar* IP real-time strategy game, licenced from Games Workshop, will launch in FY23



NURTURING AND GROWING OUR PORTFOLIO

We seek out market opportunities to leverage our extensive experience in sophisticated, authentic simulation games to deliver genre-leading titles which each deliver multi-year revenues through our 'Launch and Nurture' model, creating a strong portfolio of game franchises.

FRONTIER RELEASED TITLES

ELITE DANGEROUS

Elite Dangerous – available for Windows PC, Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5 – 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 created by Frontier at its full galactic proportions. Our ambitious expansion, *Elite Dangerous: Odyssey*, landed on PC in May 2021, marking 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 breath-taking new scenery, engage in first-person combat and explore with unrestricted freedom from a feet-on-the-ground perspective.

ELITEDANGEROUS.COM

PLANET COASTER

Planet Coaster – available for Windows PC, Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5 – 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. Originally launching on PC only in November 2016, we expanded the *Planet Coaster* community even further in November 2020 with the release of *Planet Coaster: Console Edition* for Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5.

PLANETCOASTER.COM

JURASSIC WORLD EVOLUTION

Jurassic World Evolution – available for Windows PC, Microsoft Xbox One and Sony PlayStation 4 – evolves players' relationships with the *Jurassic World* film franchise, placing them in control of operations on the legendary island of Isla Nublar and the surrounding islands of the Muertes Archipelago. Players create and manage their own *Jurassic World* as they bioengineer new dinosaur breeds, 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 further expanded the *Jurassic World Evolution* player community with its release on Nintendo Switch in November 2020.

JURASSICWORLDEVOLUTION.COM

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. We continue to provide our players with the opportunity to expand their zoos with regular new content.

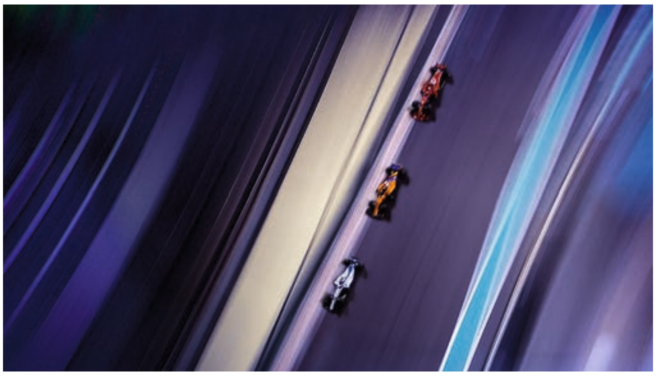
PLANETZOOGAME.COM

FRONTIER FUTURE TITLES

JURASSIC WORLD EVOLUTION 2

In June 2021, we revealed our much-anticipated sequel to the highly successful *Jurassic World Evolution*, building upon our ground-breaking and immersive 2018 management simulation. Releasing on 9 November 2021, *Jurassic World Evolution 2* introduces a compelling new narrative campaign, incredible new features, and more awe-inspiring dinosaurs brought to life with captivating authenticity. Together with expanded construction and more customisation options, the result is an even bigger and better *Jurassic World* game.

JURASSICWORLDEVOLUTION2.COM



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). Our first game will release during the 2022 F1 season.

WARHAMMER AGE OF SIGMAR REAL-TIME STRATEGY GAME

In May 2020, Frontier announced an exclusive IP licence with Games Workshop to develop and publish its first 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.

FRONTIER® FOUNDRY

Frontier Foundry is our games label for publishing titles from third-party developers. 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 FY21 we released two titles under Frontier Foundry: *RollerCoaster Tycoon® 3: Complete Edition* on PC and Nintendo Switch, and *Struggling* on PC and Nintendo Switch. We have six future titles signed, with at least three planned for release in FY22.

READ MORE PAGES 30 - 33

STRUGGLING

Frontier Foundry's debut third-party published title, *Struggling*, launched in August 2020 on PC 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.

ROLLERCOASTER TYCOON® 3: COMPLETE EDITION

September 2020 saw the return of a timeless icon, published by Frontier Foundry. Packed full with enhanced visuals, optimised controls, and both *Soaked!* and *Wild!* expansion packs, this latest incarnation of the genre-defining classic is available on PC and Nintendo Switch.

LEMNIS GATE

This exciting turn-based combat strategy shooter with revolutionary four-dimensional gameplay, comes to PC, PlayStation 5, Xbox Series X|S, PlayStation 4 and Xbox One in September 2021. Developed by Ratloop Games Canada, *Lemnis Gate* tasks players with defeating opponents in brain-bending 1v1 and 2v2 arena matches.

FAR: CHANGING TIDES

Swapping sand dunes for sea waves, *FAR: Changing Tides* expands on the inhospitable world created by developers, Okomotive, in their multi award-winning debut title, *FAR: Lone Sails*. Players control Toe, a hero trapped in a drowned landscape with little chance of survival. Finding an abandoned ship, the journey to safety will take players across the horizon in a desperate bid for freedom as Toe seeks answers about what happened to their home. *FAR: Changing Tides* is scheduled for release in calendar year 2022 on PC, Xbox Series X/S, PlayStation 5, Xbox One, PlayStation 4, Switch.

WARHAMMER 40,000®: CHAOS GATE – DAEMONHUNTERS

Developed by Complex Games, Canada, *Warhammer 40,000: Chaos Gate – Daemonhunters* will pitch humanity's greatest weapon, the Grey Knights, against the corrupting forces of Chaos in this brutal and fast-paced, turn-based tactical RPG. Players will experience the ruthless, merciless combat of the 41st millennium, following the journey of these elite warriors through an exciting new narrative. *Warhammer 40,000: Chaos Gate – Daemonhunters* will release on PC in 2022.

FURTHER TITLES

Frontier Foundry has signed a further three as yet unrevealed titles so far, including a project with experienced developer Haemimont Games. Our initial target is to achieve at least four releases per year from FY23 onwards, with Frontier Foundry becoming a material part of Frontier's overall business.

A REMARKABLE YEAR

DAVID GAMMON **NON-EXECUTIVE CHAIRMAN**

"Our 'Launch & Nurture' strategy continues to deliver."

Delivering record financial results in FY21 is a testament to the strength of our portfolio of game franchises which is a product of the talent and hard work of our great team of people. I'd like to thank everyone at Frontier for their dedication and teamwork; supporting our games, our players and each other through the challenges of 2020 and 2021.

As we begin a trial of hybrid office/home working we can reflect back on the terrific output from our teams in FY21 while almost exclusively working from home: the continued support of *Planet Zoo* through new content as it entered its second year; reaching new audiences for both *Planet Coaster* and *Jurassic World Evolution* as a result of adding new digital platforms to their distribution; the successful release and remarkable technical achievement of *Elite Dangerous: Odyssey*; and launching our first Frontier Foundry titles.

Frontier's 'Launch & Nurture' strategy continues to deliver, with our four game franchises together reporting record revenues of £91 million in FY21. 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 consistently high return business models in the games industry.

Building on an existing successful game with a compelling sequel is an example of our desire to maintain genre leadership, reduce risk and deliver strong margins. We were therefore very pleased to announce *Jurassic World Evolution 2*

in June 2021 for release later in calendar year 2021. This launch, now confirmed for 9 November 2021, builds on the strong foundations of *Jurassic World Evolution*, which we released in 2018 and is our biggest selling game to date.

Our future roadmap is an exciting mix of support and expansion for our existing franchises while creating new genre-leading titles. We look forward to bringing our first Formula 1® management game to PC and console during the 2022 F1 season as part of our licence to release a game each year over at least four F1 seasons. In FY23 (the 12 months to 31 May 2023) we have our exciting *Warhammer Age of Sigmar* real-time strategy game scheduled for release.

Alongside our internally developed games we have a rich portfolio of future titles through development partnerships under our Frontier Foundry games label. We have at least three games planned for release in FY22 which have now all been announced: *Lemnis Gate*; *FAR: Changing Tides* and *Warhammer 40,000*: *Chaos Gate – Daemonhunters*. Our strategy to engage our resources and experience to bring carefully selected opportunities from other development studios is now ready and set up for success.

We have always taken a responsible and considerate approach to running our business, with our strategy of growing and nurturing our games and our staff being a critical pillar to achieving long-term sustainable success. ESG (Environmental, Social, Governance) has emerged in recent years as a key consolidation of important topics for consideration by Company stakeholders – usually employees, customers and investors - for many businesses and industries. Recently we created a dedicated section of our website which consolidates all of our ESG information into one place. This new ESG hub enables our investors, our players and our people to access all of the latest Frontier news, data, statements and policies relating to ESG topics. Find out more by heading to https://www.frontier.co.uk/ESG-hub

We have a strong and well-aligned Board of Directors, with seven highly experienced, capable and motivated individuals. During FY21 we continued to engage together through regular meetings, almost all through video conference calls. With the lifting of restrictions we look forward to more opportunities to again hold in-person Board meetings. Regardless of the format of our interaction, there is always debate and challenge, supported by detailed management information and facilitated by each of our different areas of expertise, business experiences and individual perspectives.

As a Board we believe that we have the optimal model and long-term strategy for Frontier, which builds upon our strengths and manages our risks. The successful execution of that strategy is achieved through our great people, and I'd like to thank them again for their tremendous professionalism and contribution in FY21. We look to the future with confidence based on our great team, our successful portfolio, our passionate player communities, our very supportive national and international shareholders, and our exciting roadmap of games.

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN
8 September 2021

WHAT SETS FRONTIER APART?

680+ PEOPLE

a world-class team (as at 31 August 2021)

27+

years of long, successful and varied experience

14m+

base game units across 4 self-published titles

£300m+

of self-published revenue since 2013 IPO

- COBRA game development technology
- Clear and dependable Launch and Nurture strategy
- Developer-led approach
- Strong, growing portfolio
- Proven, trusted partner for IP owners
- Successfully proven lower risk/higher return opportunity selection
- Publishing capability for own developments and third-party titles

DAVID BRABEN FOUNDER AND CEO

"I am really excited about our roadmap of future releases."

DAVID BRABEN
FOUNDER AND CEO

EMBRACING CHANGE

The games industry has always experienced, and driven, significant change, adaptation and evolution over its many decades within the wider entertainment industry. I believe it's that long experience and expectation of change that has allowed the games industry to deal positively with the challenges from the coronavirus pandemic, that has created so much disruption and change to the world in the last 18 months.

At Frontier we had grown used to our teams working together closely in the same physical space to create amazing, complex and immersive game experiences for our communities of players. In March 2020 this quickly changed to almost 100% home working – we changed our long-established processes dramatically, with our teams continuing to connect and collaborate with each other, but through video conference calls and other sharing tools.

I am proud of how well everyone has made the best of the change in our working arrangements, and we know that for some people it has provided them with greater personal flexibility while also allowing greater focus on individual tasks with task-based working hardly affected. For other things, particularly when people work together as a creative group, we have found there is no substitute for collaboration within the same physical space. On our large and complex projects, which regularly require a lot of teamwork to identify and overcome technical and creative challenges, human interactions work better face-to-face.

There is also the challenge of training and mentoring staff, and enabling everyone to establish new working connections while maintaining their existing ones – team building at its core. Learning by osmosis has always been a very important element of the development of our people alongside more structured training, particularly for our graduates and more junior staff, but also for new joiners at all levels. Needless to say, attempting to learn by osmosis through Teams or Zoom calls during the pandemic has been less than ideal.

We will soon be starting a trial period of a hybrid working model which is a blend of studio based working and remote working which we hope will deliver the best of both worlds: the benefits of home working combined with the physical collaboration opportunities that working together in the studio delivers.

Our excellent team continues to grow, increasing 22% during FY21 to 634 as at 31 May 2021 (31 May 2020: 520). By 31 August 2021 we had further expanded to 680 people, and we continue to recruit talented individuals to nurture our existing portfolio and support our roadmap of future titles. We have successfully added well over 200 people to the team remotely during the extended period of home working over the last 18 months, which is a testament to the efforts of our managers and our onboarding process.

OUR PORTFOLIO

FY21 saw the announcement (in June 2020) and release (in May 2021) of *Elite Dangerous: Odyssey* on PC, our most ambitious development project to date: the addition of first-person on-foot gameplay into our 1:1 galactic simulation of the whole Milky Way. This meant bringing the human scale to a galaxy nearly 100,000 light years across. Completing this large and complex expansion without the benefits of face-to-face collaboration was challenging, and despite a successful alpha period, unfortunately the launch was hindered by connectivity issues, and this turned the positive reception of the alpha to one of negativity. Despite its initial challenges, hundreds of thousands of players are enjoying the experience. I am delighted with the underlying achievement by our team, and remain confident that more and more players will upgrade to *Odyssey* over time as we continue to refine the experience.

Our releases in FY21 related to existing games, which is a great illustration of our model of nurturing genre-leading game franchises post-launch. I have already mentioned the ambitious *Odyssey* expansion for *Elite Dangerous*, and our other three successful game franchises delivered new content too; *Planet Zoo* saw three new PDLC packs during the financial year alongside free updates; *Planet Coaster* came to console with *Planet Coaster: Console Edition* for the Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5; and *Jurassic World Evolution* benefitted from a major new platform launch in the period, with *Jurassic World Evolution: Complete Edition* coming to Nintendo Switch. I am delighted that our post-launch support model continues to support both our players and our investors, with a record revenue performance delivered in FY21 from our four existing successful franchises.

Turning to our future releases, I am really excited about our roadmap of future releases. We have been working on *Jurassic World Evolution 2* for around two years, and so it was a lovely moment to reveal the news in June 2021 that we would be releasing a sequel to our best-selling game to date. It's now in its final stages of development and will be released into the wild on 9 November 2021. With our annual Formula 1® management game series starting in calendar year 2022, and our first ever real-time strategy game which utilises *Warhammer Age of Sigmar* IP a little further out, I think it's fair to say that we have our strongest ever release line-up, supported by our strongest ever existing portfolio. Looking further out into 2023 and beyond, I am delighted to say that we continue to have even more great game opportunities.

FRONTIER FOUNDRY

Frontier Foundry is our own games label for third-party publishing, which 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. We take a developer-led approach to publishing, benefitting from our long and varied experience of a being a developer under a variety of different business models. Our approach is resonating well with potential partners, and we are delighted with our future line-up, with six great titles scheduled from six different teams, including at least three titles coming in this financial year. This makes FY22 an important year for Frontier Foundry, as it builds to become a material part of our overall business.

STRATEGIC REPORT

OUR INDUSTRY

The coronavirus pandemic has been an interesting time for the games market. Lockdowns around the world helped to boost demand for digital entertainment, and the gradual transition towards interactivity within the wider industry that started long ago, with younger age groups in particular giving video games as their top chosen source of entertainment, has accelerated under coronavirus. As expected, there is evidence that a good proportion of this extra demand came from new players in addition to existing ones. For Frontier, the immersive and stimulating nature of our games has, we hope, provided enjoyment to a larger and more diverse audience who will stay with us for the long term, supported by our nurturing approach to our games post-launch.

Through these challenging times the games industry has further cemented its number one spot as the largest sector within the $300+ billion entertainment industry, which includes games, film, TV and music. While we are often associated with PC games, we have a strong track record of success on multiple platforms, as illustrated by our launch of *Planet Coaster* on both old and new generation PlayStation and Xbox consoles in November 2020. Our platform successes in FY21 extended to Nintendo Switch with our first titles releasing in the period, notably with *Jurassic World Evolution: Complete Edition* which also released in November 2020.

STRATEGIC REPORT CONTINUED

OUR INDUSTRY CONTINUED

Our main development focus remains 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, influencers and social media.

New business models, namely the rise of subscriptions and streaming services, have been prominent in the last few years. We have participated successfully with subscription models like Microsoft's Games Pass and we'll continue to consider all commercial opportunities that best expand our audience while delivering strong returns for our development efforts. We are pleased to have added the Epic Games Store as a platform partner in the last 18 months, with both *Elite Dangerous* and *Jurassic World Evolution* featuring as part of Epic's free games weeks, delivering incremental base game revenue in addition to substantial audience expansions which benefits PDLC sales. Streaming services for games have not yet gained much traction, likely held back by technical considerations and player inertia, but we'll continue to consider these opportunities as they arise.

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 coronavirus stay-at-home restrictions from March 2020 onwards. 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 96% of Frontier's revenue in FY21, with only 4% from sales of physical discs (FY20: 3%).

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 sustained 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 continued success.

In the medium term we are 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 2021, 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 game development technology platform. The Company's focus is on identifying, developing and delivering top-quality titles with long play times.

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. In FY21 we were delighted to achieve record annual revenue without a new major release – all of our revenue came from existing game franchises. In FY22 we expect a major step-up in total revenue through the launch of *Jurassic World Evolution 2*, on top of the significant ongoing contributions from our existing portfolio.

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 scale-up the number of major releases we are able to deliver each year. 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 for future release, including at least three in FY22. We are looking to achieve at least four 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
8 September 2021

CURRENT TRADING AND OUTLOOK

Our existing game franchise portfolio continues to perform well. Engagement with our *Elite Dangerous* player community is gradually improving, and we remain confident that more and more players will upgrade to *Odyssey* over time as we continue to improve and refine the experience. We continue to see strong sales of *Planet Zoo* (supported by new PDLC), *Planet Coaster* and *Jurassic World Evolution*, illustrating the benefits of our multi-franchise launch and nurture model.

Our biggest launch in FY22, *Jurassic World Evolution 2*, will release on 9 November 2021, and we expect it to deliver a strong performance over the Holiday season (Thanksgiving and Christmas). In FY22 we'll continue to support all of our existing titles. In particular, *Planet Zoo* will benefit from engaging new PDLC content; we already have seven popular packs with the *Africa* pack the latest to be released in June 2021, at the start of FY22. Frontier Foundry will deliver at least three new releases in FY22, with *Lemnis Gate*, *FAR: Changing Tides* and *Warhammer 40,000: Chaos Gate – Daemonhunters* all announced for release in this financial year.

Based on the anticipated ongoing performance of our existing portfolio, combined with an exciting new release schedule for FY22, the Board's projected revenue range for FY22 is £130 million to £150 million, implying an annual growth rate of 43% to 65% above the record revenue reported for FY21.

Looking further out, for FY23, the Board's projected revenue range is £160 million to £180 million, based on the anticipated performance of our current and future game franchises, together with a growing contribution from our games label for third-party publishing, Frontier Foundry.

OUR MULTI-FRANCHISE BUSINESS MODEL

KEY STRENGTHS

OUR PEOPLE
Our team is instrumental in making authentic games that define genres and receive critical acclaim.

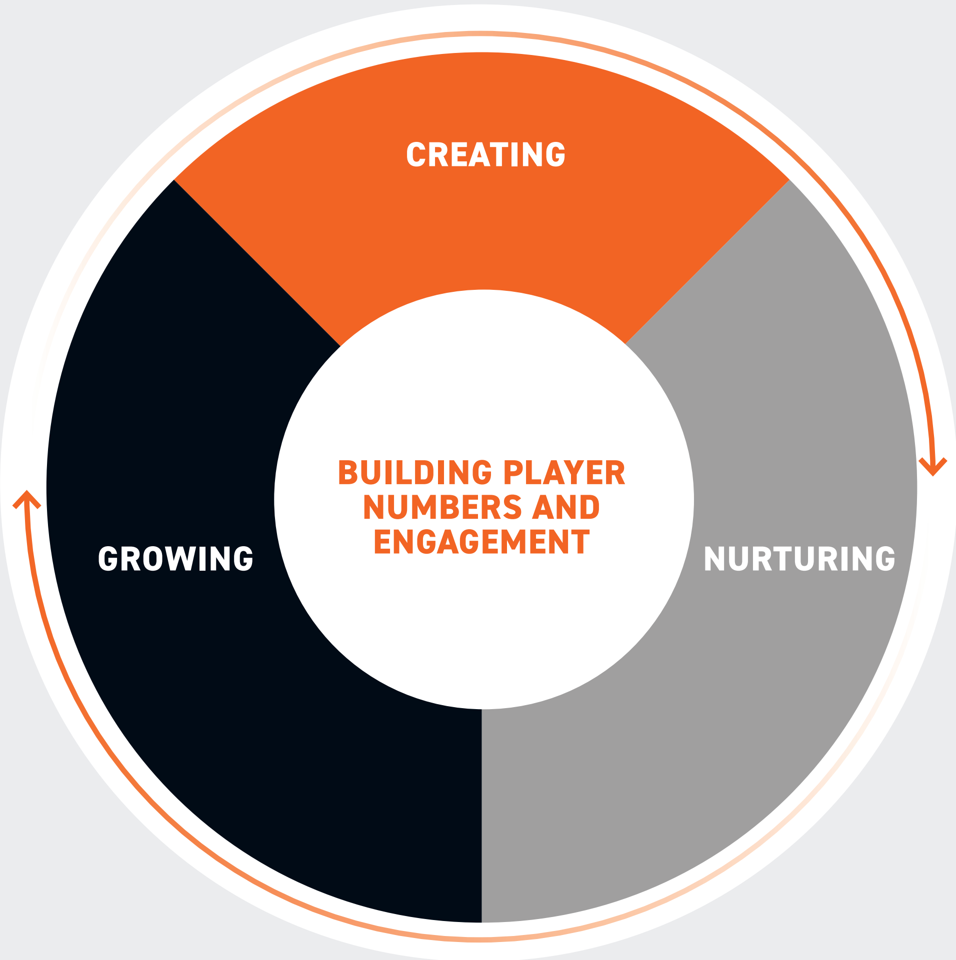
RESEARCH AND DEVELOPMENT
We continue to invest in the necessary facilities to develop our games and support our world-class team.

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

AUDIENCE
We have a passionate, engaged audience and we strive to delight them with our continued developments.

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

CREATING, NURTURING AND GROWING TO ACHIEVE REPEATABLE SUCCESS



CREATING
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.

NURTURING
Boosting player experience and 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.

GROWING
Expanding our team and building relationships

Frontier grows its resources, portfolio, player base and partnerships to deliver long-term success.

STAKEHOLDER VALUE

OUR PEOPLE

We supported our people during the challenges of coronavirus, who worked hard together to deliver for each other, our players and our investors. We sustained strong annual bonuses for FY21.

PLAYERS

New content and/or platforms for all four of our existing game franchises.

>14 million base game units of self-published games sold (as at 31 May 2021).

COMMERCIAL PARTNERS

Continued strong sales performance of *Jurassic World Evolution* including release on Nintendo Switch. *Jurassic World Evolution 2* announced for FY22. First annual F1 management game coming for 2022 season. *Warhammer Age of Sigmar* real-time strategy scheduled for FY23. Platform relationships strengthened and major additions with Epic and Nintendo Switch.

SHAREHOLDERS

Record financial results in FY21. Operating profit margin maintained at 22%. Cash balances of £42.4 million (as at 31 May 2021).

DEVELOPERS

Six development partners signed for future Frontier Foundry game releases.

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 coronavirus, and now as we carefully and selectively transition back to the studio we will strive to maximise the efficiency and effectiveness of office working, starting with a six-month trial period of hybrid office/home working.

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.

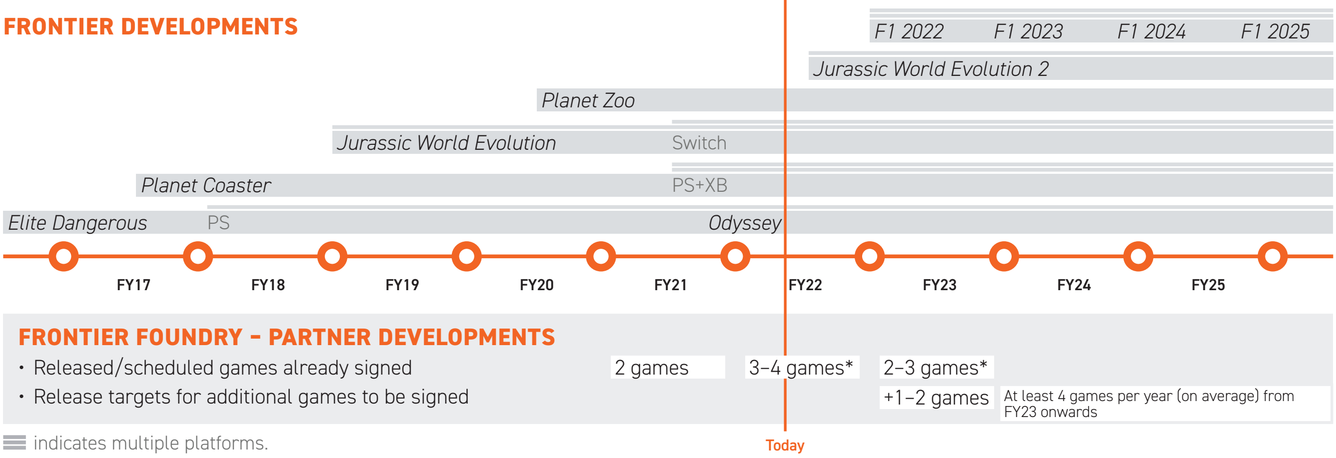
A dedicated team monitors progress based on sentiment towards the games, success of each of the distribution channels and platforms, and the up-take of additional content both free and paid, allowing us to reach the widest possible audience over time. Free content is a valuable tool to help retain and 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 internal developments
- We are targeting to release at least four Frontier Foundry games per year from FY23 onwards
- We have the potential to further accelerate through acquisition



* Total of six already signed for planned release in FY22 & FY23.

CREATING AND NURTURING 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. In May 2021 we released *Elite Dangerous: Odyssey* on PC, a major expansion to the *Elite Dangerous* experience through the addition of first-person on-foot gameplay.

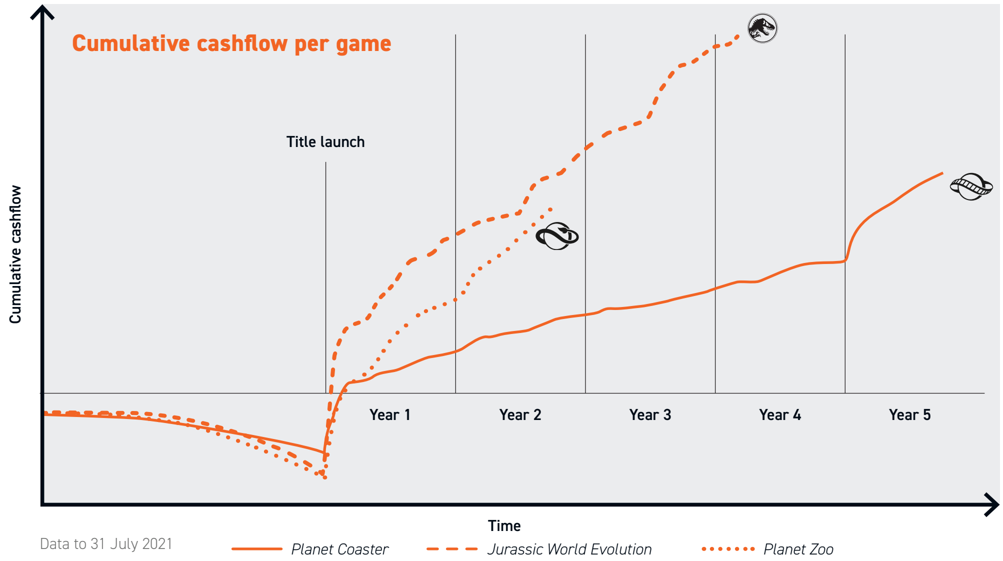
With *Planet Coaster*, we were releasing a title in competition with an established and well-loved franchise, *RollerCoaster Tycoon® 3*. Frontier developed *RollerCoaster Tycoon® 3* for Atari in 2004 when we were a work-for-hire business and it was a very successful game for over a decade. The success 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 fifth year of release, with our talented team further expanding the *Planet Coaster* audience through its launch on the Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5; in November 2020. 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, with our player base continuing to grow through our nurturing model of supporting the base game with both free content and PDLC packs. As we progressed from *Zoo Tycoon* to *Jurassic World Evolution* and *Planet Zoo* and shortly to *Jurassic World Evolution 2*, 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. *Jurassic World Evolution 2* builds on the solid foundations of our learning from all of our experiences in this genre, including the specific success of our biggest game to date, *Jurassic World Evolution*.

LAUNCHING AND NURTURING A GAME FRANCHISE

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

We continually measure our performance using key performance indicators.



Data to 31 July 2021

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.

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.

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.

During 2020 we signed and announced two strategically important IP licences with Formula 1® and Games Workshop.

Our partnership with Formula 1® provides us with an exclusive annual opportunity to deliver an engaging management game to the exciting world of Formula 1® on multiple platforms. Our first game will release during the 2022 Formula 1® season, building on our long experience in the wide management simulation genre.

Our Games Workshop partnership gives us the exclusive multi-platform opportunity to develop a compelling real-time strategy game to the rich world of *Warhammer Age of Sigmar*. Delivering on this exciting partnership for a FY23 release will draw on our varied experience while entering a new genre for us, of real-time strategy games.

In June 2021 we revealed our partnership with Universal for a sequel to our biggest selling game to date, with *Jurassic World Evolution 2* announced for release on 9 November 2021.

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*, *Jurassic World Evolution 2* 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 will continue to grow Frontier Foundry, our games label for third-party publishing, as we work with carefully selected development partners to deliver engaging new experience. We have six titles signed for future release, including at least three titles for FY22. We are looking for Frontier Foundry to achieve at least four 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.

THE ODYSSEY HAS BEGUN

DECEMBER 2014

release date

400 BILLION

star systems to explore

1

BAFTA nomination

Elite Dangerous is now in its eighth financial year since release on PC in December 2014, coming to Xbox One in 2015 and PlayStation 4 in 2017. Since first release we have continued to support *Elite Dangerous* and our Commanders with updates, free content, major expansions and personalisation opportunities.

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.

In May 2021 we released our most ambitious expansion to date, *Elite Dangerous: Odyssey*, on PC. *Odyssey* marks the birth of a highly anticipated new era for our long-running definitive space simulation, allowing players to touch down on countless new planets powered by stunning new tech, see breath-taking new scenery, engage in first-person combat and explore with unrestricted freedom from a feet-on-the-ground perspective.

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 was 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.

We continue to support *Elite Dangerous* and our player community, and look forward to more and more Commanders stepping up to engage with *Odyssey* over time.

ELITEDANGEROUS.COM

EVOLVING COASTER PARK SIMULATION

PLANET COASTER

NOVEMBER 2016

release date

250,000+

player created workshop items

11

paid DLC packs

Planet Coaster was successfully launched on PC 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* expanded its audience in November 2020 through its arrival on console, launching simultaneously on Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5. Our team did an amazing job in bringing the creativity of *Planet Coaster* to console audiences, including the delivery of Frontier Workshop – a brand new tool which allows our console players to share content.

We love seeing the creativity of our *Planet Coaster* community on all platforms.

PLANETCOASTER.COM

BUILD YOUR OWN JURASSIC WORLD

JURASSIC WORLD EVOLUTION

JUNE 2018	8	7
release date	paid DLC packs	Islands

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 features Jeff Goldblum as the voice of Dr. Ian Malcolm, who guides players through the moral choices and tactical decisions that will test their building and management skills as they attempt to successfully run their own *Jurassic World*. He is joined by Bryce Dallas Howard as operations manager Claire Dearing and BD Wong as geneticist Dr. Henry Wu in an all-new story that touches on key characters and events from across the *Jurassic World* franchise.

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 further expanded the *Jurassic World Evolution* player community with its release on Nintendo Switch in November 2020 through the release of *Jurassic World Evolution: Complete Edition*.

In June 2021 we revealed our much-anticipated sequel, *Jurassic World Evolution 2*, which introduces a compelling new narrative campaign, incredible new features, and more awe-inspiring dinosaurs brought to life with captivating authenticity. Together with expanded construction and more customisation options, the result is an even bigger and better *Jurassic World* game.

JURASSICWORLDEVOLUTION.COM

SIMULATION RUNS WILD

PLANET ZOO

50+
authentic animals

NOVEMBER 2019
release date

7
PDLC packs to date

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 seven PDLC packs, with three packs releasing during FY21: the *Australia* pack, the *Aquatic* pack and the *Southeast Asia* pack. Our seventh pack, the *Africa* pack, released after the start of FY22, in June 2021.

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

A WORLD EVOLVED

Unveiled in June 2021, *Jurassic World Evolution 2* is the much-anticipated sequel to the highly successful *Jurassic World Evolution*, which builds upon the groundbreaking and beloved 2018 dinosaur park management simulation, offering players a thrilling front seat as they take charge of their own *Jurassic World* park.

With a brand-new immersive narrative campaign voiced by cast members from across the *Jurassic World* film franchise, exciting new features, four engaging game modes, and an enhanced and expanded roster of dinosaurs, *Jurassic World Evolution 2* provides fans with everything they need to create authentic and compelling *Jurassic World* experiences.

In *Jurassic World Evolution 2*, for the very first time, players will build their parks beyond the confines of the Muertes Archipelago. Each location brings new terrain and fresh challenges for players to contend with using deep, detailed management tools and creative options. Across this range of beautiful new biomes, including dense forests and scorched deserts, they'll contain, conserve and care for more than 75 prehistoric species, including all-new, highly requested flying and marine reptiles and returning community-favourite dinosaurs. These majestic prehistoric creatures feel more alive than ever, displaying brand new behaviours as they interact with each other, fight for dominance and react intelligently to the world around them.

Boasting four fantastic game modes, players can experience a bold new era for the *Jurassic World Evolution* video game franchise. Set immediately after the Earth-shattering events of *Jurassic World: Fallen Kingdom*, Campaign mode lets players immerse themselves in an original *Jurassic World* story as they lead efforts to control, conserve and contain dinosaurs alongside an iconic cast of characters from the films, including Dr. Ian Malcolm (voiced by Jeff Goldblum) and Claire Dearing (voiced by Bryce Dallas Howard).

For those looking to unleash their creativity, Sandbox mode delivers everything players need to create their perfect Park, while Chaos Theory mode offers a re-imagined take on pivotal moments from the *Jurassic World* film franchise as players strive to make their own mark and change the course of events. Finally, for those that want to test their mastery of the game, there is Challenge mode.

Jurassic World Evolution 2 will release on 9 November 2021 on PC, PlayStation®5, Xbox Series X|S, PlayStation®4 and Xbox One.

JURASSICWORLDEVOLUTION2.COM

A PROVEN TRACK RECORD

In March 2020 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 during the 2022 F1 season.

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 video gaming streaming services. The game is planned for release in Frontier's financial year ending 31 May 2023 (FY23).

We are 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 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.

Frontier Foundry successfully released two games in FY21 and we have six titles signed for future release, with at least three planned for FY22. 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 at least four releases per year from FY23 onwards, helping to expand the overall Company's portfolio into new genres and platforms.

Frontier Foundry's first two titles, *RollerCoaster Tycoon® 3: Complete Edition* and *Struggling* released in FY21. We have announced *Lemnis Gate*, *FAR: Changing Tides* and *Warhammer 40,000: Chaos Gate – Daemonhunters* for release in FY22.

STRUGGLING

In August 2020 Frontier Foundry announced the flash-launch of *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 available on PC and Nintendo Switch.

ROLLERCOASTER TYCOON® 3: COMPLETE EDITION

In September 2020 Frontier Foundry announced *RollerCoaster Tycoon® 3: Complete Edition*, the genre-defining classic amusement park management game, releasing onto Nintendo Switch and PC.

RollerCoaster Tycoon® 3: Complete Edition captures all the ingenuity and depth of the original game and brings it up to date for current gaming platforms with lush high definition visuals, widescreen support and a completely reimagined control system specially designed for the Nintendo Switch.

RollerCoaster Tycoon® 3: Complete Edition includes the much-loved *Soaked!* and *Wild!* Expansions. You can control park finances, shops, services and staff to succeed in dozens of scenarios and realise your dreams of becoming a successful amusement park tycoon. If you prefer to let your imagination run wild without restrictions, jump into Sandbox Mode where you have all the creative tools in the game from the get-go.

LEMNIS GATE

In August 2020 Frontier Foundry unveiled, *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 will launch on PC, PlayStation 4 and Xbox One in September 2021.

FAR: CHANGING TIDES

In June 2021 Frontier Foundry announced a publishing partnership with Swiss based development team, Okomotive, on their next title, *FAR: Changing Tides*. The game was unveiled at the PC Gaming Show and is currently due for release in calendar year 2022 on Xbox Series X/S, PlayStation 5, Xbox One, PlayStation 4, Switch, Steam and Epic Store.

Swapping sand dunes for sea waves, *FAR: Changing Tides* expands on the inhospitable world created by developers, Okomotive, in their multi award-winning debut title, *FAR: Lone Sails*. Players control Toe, a hero trapped in a drowned landscape with little chance of survival. Finding an abandoned ship, the journey to safety will take players across the horizon in a desperate bid for freedom as Toe seeks answers about what happened to their home.

With the same captivating art style, meditative side scrolling gameplay and haunting soundtrack from composer Joel Schoch as *FAR: Lone Sails*, the next entry into the world created by Okomotive will present fans with a fresh experience as they sail the high seas and scour the deepest ocean floors, later this year.

WARHAMMER 40,000®: CHAOS GATE – DAEMONHUNTERS

In June 2021 Frontier Foundry announced *Warhammer 40,000®: Chaos Gate – Daemonhunters*, a new game in partnership with world-renowned *Warhammer 40,000* creator Games Workshop®.

Developed by Complex Games, Canada, *Warhammer 40,000: Chaos Gate – Daemonhunters* will pitch humanity's greatest weapon, the Grey Knights, against the corrupting forces of Chaos in this brutal and fast-paced, turn-based tactical RPG.

Armoured in faith and shielded by devotion, the Grey Knights' very existence is rooted in mystery: the possession of any unsanctioned knowledge about their secretive brotherhood is punishable by death. In *Warhammer 40,000: Chaos Gate – Daemonhunters*, players will experience the ruthless, merciless combat of the 41st millennium, following the journey of these elite warriors in a narrative penned by acclaimed New York Times bestselling author, Aaron Dembski-Bowden.

Warhammer 40,000: Chaos Gate – Daemonhunters will release on PC in calendar year 2022 (and in Frontier's FY22) on PC. This exciting new title will build on Frontier's existing partnership with Games Workshop®: Frontier have previously announced their *Warhammer® Age of Sigmar®* real-time strategy title, which is currently in development.

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, which is expected to be either FY22 or FY23.

OTHER TITLES

In addition to the projects mentioned above, we have two further exciting titles planned for FY23. Our initial target for Frontier Foundry is to achieve at least four releases per year from FY23 onwards. With at least three planned for FY22, Frontier Foundry is well set for successful growth.

EFFECTIVELY MANAGING OUR RISKS IN A DYNAMIC INDUSTRY DURING A GLOBAL PANDEMIC

The global pandemic has changed our business, as it has done for so many companies. The biggest change has been the enforced period of remote working for the majority of our workforce. Collaboration is a very important element of our success in developing sophisticated and engaging games and content, and so the extended lack of opportunities for teams to work together in the same physical space has been a challenge. On the other hand, task-based work can be very efficient at home as it can often be a less distracting place to work compared to a busy office environment. In our view it's not appropriate to simply add a 'pandemic risk' to the risk register which is regularly reviewed by the Board. Instead we have considered the resulting impact of the coronavirus pandemic on the various risk items within our register – for example the increased risks of lower levels of engagement through reduced physical team interaction, leading to inefficiencies, underperformance and/or retention issues.

While coronavirus has created a lot of change in the last 18 months, we are well placed as a company which is used to reacting to and creating change, to deal with those challenges. Our industry is used to regular and significant changes in terms of business model, competition and technology.

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 acts to reduce the overall risk to the Company of each subsequent new game that we develop. In fact, in FY21 we achieved record financial results without a new game launch, which illustrated the strength of our chosen model of launching and then nurturing our games.

As part of our publishing operations we engage with elements of our core audience for each new game early, and then during development, which also greatly helps mitigate the risk of bringing an entirely new game to market.

Our profitability has increased since our move to self-publishing through our scale-up of resources and the growth of our portfolio. 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 pre-VGTR operating profit margins of 22% consecutively achieved in FY19, FY20 and FY21 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 Group, 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		
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 200 people joined Frontier during FY21, growing headcount to over 630 as at 31 May 2021. We have continued to recruit during the challenges of the pandemic, with an actual acceleration in the rate of recruitment compared to pre-coronavirus levels. 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 has increased the cost of hiring talent from the EU but has not slowed us down.	No change
2 TALENT RETENTION AND ENGAGEMENT		
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	This area of risk has seen the greatest increase during coronavirus for a number of reasons: the ability for existing staff to remain engaged with their colleagues and the wider Company while working at home, our ability to on board new starters including the establishment of their formal and informal networks, the mentoring and development of staff at multiple levels, the loss of Company culture, the increased likelihood for people to consider opportunities at other companies, and finally the resistance of some staff to returning to some level of studio-based working. During the pandemic we substantially increased our internal Company communications, including through both Company messaging and more social interactions across different channels. However, we firmly believe that getting back to some level of studio-based collaborative working for the majority of people is really important in addressing those risk factors just mentioned. Beyond the challenges of remote working we believe that our attractive project portfolio, our talented staff and our 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

KEY TO CHANGE IN RISKS

- Increase
- Decrease
- No change

Principal risks and uncertainties continued

Description | **Mitigation** | **Change**

3 CYBER-SECURITY

Description

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

Mitigation

We have well-established 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. We are not complacent and we regularly review our arrangements. During FY21 we hired a dedicated Information Security specialist. Despite our best efforts there remains a risk that a cyber attack may remain undetected for a prolonged period of time, and since 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.

We maintain insurance policies to mitigate our risk, although 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.

4 DECISION AND EXECUTION RISK

Description

The Group has been successful as both a work-for-hire developer and as a self-publishing developer, with the Company now 100% focused on self-publishing its own games alongside partner developed titles since its transition of business models in 2013. While successful project execution is very important under both models, inherently both the rewards and the risks under a publishing model are probably greater, as this model necessitates both good decisions in terms of project selection combined with strong execution against those decisions.

LINKS TO STRATEGY INVEST DEVELOP PUBLISH

Mitigation

Frontier has a long history of good decision making and strong project execution.

The Group's approach to project selection focuses on identifying opportunities to create genre-leading games with strong launch capabilities, which can be nurtured post-release to deliver long-term sustainable returns. The strength of this approach was illustrated in FY21 through the achievement of record financial results without a new game release. However, Frontier cannot be complacent about decision making and our rigorous project selection process is regularly reviewed.

Complacency is our enemy on execution as well – we must push ourselves to retain our strong execution record. The coronavirus pandemic has increased execution risk through reduced collaboration which has resulted in inefficiencies and reduced alignment. The impact is greater on larger projects and this was certainly a factor in the challenged release of *Elite Dangerous: Odyssey* in May 2021. We look forward to an increase of in-studio working but we cannot rely fully on this. We must continue to challenge our own internal assumptions and those wider trends to remain at the forefront of the industry. Overall the Group remains confident that it can use its experience and expertise to continue to deliver on the product, technology, commercial and operational aspects that support its strategy.

The Frontier Foundry games label for third-party publishing introduces different kinds of decision and execution risk compared to our internal developments, which we are managing with a strong team of dedicated staff with experience of managing third-party developments. We apply 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.

5 CURRENCY RISK

Description

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

Mitigation

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 foreign exchange contracts have been used to cover a portion of the foreign currency income and thus give some degree of certainty over the rate of exchange. The Group will continue to review the most effective way of managing transaction and translation risks.

Description	Mitigation	Change

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

The pandemic has increased the pressure on our ability to manage growth, mainly through risk areas already covered: the engagement and retention of our staff and the execution of our projects.

Currently we are firmly focused on three areas: supporting our existing portfolio, delivering on our excited roadmap of new titles, and supporting Frontier Foundry to become a material part of our business.

To succeed on our plans, we must have clear decisions, achievable plans, good communication and engaged staff.

To support all of our people in delivering on our goals, we invest in suitable training for key staff and in key internal systems. The Group's Board includes experienced Non-Executive Directors who ensure risks are managed regularly and objectively, and who ensure that we remain focused on our priorities. Our cash resources give us the freedom to invest in our long-term success, and we prudently manage liquidity by monitoring forecast cash inflows and outflows both in the short and medium term, as well as our long-term investment needs and opportunities. We provide appropriate resources and attention on external opportunities to develop our game portfolio and business, such as those opportunities identified through the Group's Frontier Foundry games label.

Change: 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.

Change: No change

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

ALEX BEVIS
CFO AND COMPANY SECRETARY
8 September 2021

KEY TO CHANGE IN RISKS

- Increase
- Decrease
- No change

A RECORD YEAR FROM A GREAT PORTFOLIO

ALEX BEVIS CFO AND COMPANY SECRETARY

"We look to the future with confidence."

OVERVIEW

Our existing portfolio of games, supported by new content and new platforms for those games through our nurturing post-release model, delivered record financial results in FY21 with revenue of £90.7 million (FY20: £76.1 million) and operating profit of £19.9 million (FY20: £16.6 million). The fact that we delivered record numbers without releasing a major new game demonstrates the success of our "Launch and Nurture" model. As ever our financial performance reflects the hard work of our talented people who continue to support our global game communities. We look to the future with confidence based on our growing team, our great portfolio, our exciting roadmap and our strong financials.

TRADING

All four of our genre-leading game franchises benefitted from new content and/or new platforms during FY21. Our strategy of supporting and nurturing our titles post-release continues to pay dividends, with all of our titles providing material financial contributions in FY21 through both base game sales and PDLC. We supported our growing *Planet Zoo* player community, our most recent game which released in November 2019, with three PDLC packs in FY21. We now have seven packs in total as at 8 September 2021. Alongside free content, PDLC packs help to keep the game fresh for existing players while helping to entice new players to join the *Planet Zoo* community, resulting in additional revenue from the newly released PDLC as well as existing PDLC and the base game. *Planet Coaster* and *Jurassic World Evolution* revenues benefitted from new platforms, while sales on their existing platforms continue to perform strongly. *Planet Coaster*, which launched on PC in November 2016, came to console in November 2020 with *Planet Coaster: Console Edition* for Xbox Series X|S, Xbox One, PlayStation 4 and PlayStation 5. *Jurassic World Evolution*, which released in June 2018 on PC, Xbox One and PlayStation 4, further expanded its audience through the launch of *Jurassic World Evolution: Complete Edition* on Nintendo Switch in November 2020. *Elite Dangerous* benefitted from both new channels and new content in the period. In November 2020 *Elite Dangerous* released on the Epic Games Store, including participation in Epic's Free Games Week at launch which significantly increased the player base while generating additional revenue. In May 2021 we released our most ambitious expansion to date for *Elite Dangerous*, *Elite Dangerous: Odyssey*, which generated launch revenues on PC in that month. The overall reception to this major content update has been disappointing, but we are confident that as we improve and enhance the *Odyssey* experience we will see more and more Commanders engaging with the expansion.

Alongside our internally developed portfolio, Frontier Foundry, our games label for third-party publishing, delivered its first revenues in FY21 through the release of *Struggling* and *RollerCoaster Tycoon® 3: Complete Edition*, with each title launching on PC and Nintendo Switch. Frontier Foundry is set to grow significantly in FY22 with the release of at least three new titles.

The performance of our four game franchises together with Frontier Foundry generated total revenue in FY21 of £90.7 million (FY20: £76.1 million). Delivering a record sales performance without a major new game launch shows the strength of our strategy to support our games post-launch. Our primary sales strategy is through digital distribution, working with key partners like Steam, Epic, Humble and Genba on PC and with console owners: Microsoft for Xbox, Sony for PlayStation and more recently Nintendo for Switch. Digital sales represented 96% of revenue in FY21, with only 4% from sales of physical discs (FY20: 3%), despite the release of physical discs for *Planet Coaster* on its release on Xbox and PlayStation in November 2020.

Gross profit was £63.1 million in the year (FY20: £51.6 million) with gross margin at 70% (FY20: 68%). Our gross margin percentage tends to vary across different periods based on four main factors: the split of own-IP versus licensed IP game revenue (since licensing IP attracts royalty costs), variations in commission rates on digital stores (for example Steam versus Epic), revenue from subscription models such as Microsoft's Game Pass, and the proportion of revenue derived from the sale of physical discs. Our gross margin percentage in FY21 increased by 2% versus FY20 mainly through a higher proportion of sales from own-IP games together with higher subscription model revenue from Microsoft and Epic.

Gross research and development (R&D) expenses in the period grew by 42% to £34.9 million (FY20: £24.6 million). The substantial year-on-year growth reflected our continued investment to support our growth strategy through three main areas: investment in our team including significant headcount growth; investment in our portfolio through greater outsourcing activity which allows our internal teams to focus on the most value-adding development work; and investment in Frontier Foundry development partner projects.

Capitalisation of costs for game development related intangible assets, together with continued investment in our leading game technology, accounted for £27.8 million in the period (FY20: £19.8 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 FY21 represented 80% of gross R&D expenditure which is consistent with prior periods (FY20: 80%).

Amortisation charges for game development and game technology related intangibles grew to £14.9 million for the period (FY20: £11.2 million). The increase released a full year of amortisation for *Planet Zoo*, which released half way through FY20, together with amortisation charges for releases during FY21; *Planet Zoo* PDLC packs; new platform launches for *Planet Coaster* and *Jurassic World Evolution*; and *Elite Dangerous: Odyssey*.

Net research and development expenses recorded in the income statement, being gross spend, less capitalised costs, plus amortisation charges, increased to £22.0 million in FY21 (FY20: £16.0 million) with the majority of the rise related to amortisation charges.

Sales, marketing and administrative expenses totalled £21.2 million in FY21 (FY20: £18.9 million) as a result of greater investment in marketing to support our portfolio combined with the slightly higher administration costs.

Overall net operating expenditure in FY21 grew to £43.2 million (FY20: £34.9 million) with higher costs across all three areas: R&D, Sales & Marketing, and Administration.

Operating profit grew by 20% to £19.9 million in FY21 (FY20: £16.6 million) which is a Company record. Operating margin of 22% was achieved in FY21, which is consistent with the performance in both FY20 and FY19.

EBITDA (earnings before interest, tax, depreciation and amortisation) increased to £38.1 million (FY20: £31.5 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'.

Frontier benefits from enhanced corporate tax deductions on certain expenditures under the Video Games Tax Relief (VGTR) scheme and under the R&D Tax Credits scheme, both of which help to reduce taxable profits. Frontier also benefitted during the period from tax deductions related to employee share option gains. The combination of the enhanced tax deductions on expenditures and share option tax deductions in the period, together with tax adjustments for prior periods, generated a corporation tax credit of £2.4 million in the income statement in FY21 (FY20: corporation tax charge of £0.3 million).

Financial review continued

TRADING CONTINUED

During FY21, Frontier elected into HMRC's Patent Box Regime and made a patent box claim on patent-related profits from FY19 onwards. The patent box claim had little impact on the FY21 income statement tax credit, however, as the benefits were realised through a substantial increase in the tax losses carried forward to future periods. The effect of the patent box claim will therefore be realised through cash tax benefits in the future.

Profit after tax for FY21 grew by 36% to £21.6 million (FY20: £15.9 million) and basic earnings per share increased 34% to 55.4p (FY20: 41.3p).

BALANCE SHEET AND CASHFLOW

We continue to benefit from a strong balance sheet, with £42.4 million of cash at 31 May 2021 (31 May 2020: £45.8 million). The total net cash outflow during the year of £3.3 million (FY20: net cash inflow of £10.4 million) included £10 million of investment in Frontier shares purchased by our Employee Benefit Trust, and therefore net cash would have grown by £6.7 million in FY21 excluding those shares purchases. Operating cashflow, which is effectively a measure of 'cash profit' being EBITDA excluding non-cash items less investments in game developments and Frontier's game technology related intangible assets, was £12.2 million in FY21 (FY20: £13.6 million).

Intangible assets includes game technology, internal game developments, Frontier Foundry game developments, third-party software and IP licences. Total intangible assets increased by £18.6 million to £71.3 million at 31 May 2021 (31 May 2020: £52.7 million). The majority of the growth related to investments in our own internally developed titles, including new content and platform releases for our existing portfolio, together with investments in Frontier Foundry partner developments.

Tangible assets relate mainly to IT equipment and the fit-out of the leased office facility, which the Company occupied in April 2018. The net balance at 31 May 2021 was £6.1 million (31 May 2020: £5.9 million).

Following the adoption of IFRS 16 "Leases" effective for Frontier from 1 June 2019, the Company's balance sheet at 31 May 2021 includes a right-of-use asset valued at £21.1 million (FY20: £22.7 million) for the Company's lease over its headquarters office building in Cambridge. A similar figure (the difference related to timing of actual rental payments) of £22.2 million at 31 May 2021 (31 May 2020: £23.5 million), is recorded on the balance sheet as a lease liability, split between current and non-current liabilities.

Trade and other receivables totalled £13.7 million at the end of the period (31 May 2020: £12.3 million) with the majority of the balance related to gross revenue due from digital distribution partners.

Trade and other payables totalled £14.8 million (31 May 2020: £13.7 million) being mostly made up of distribution platform commissions due on the sales transactions not yet settled, and bonus costs and other staff related accruals.

Within non-current liabilities (amounts due after 12 months) a balance of £9.2 million is held at 31 May 2021 (31 May 2020: £8.2 million) which includes IP licence costs for the minimum guaranteed royalties payable on the licences signed with Formula 1® and Games Workshop in FY20.

The current tax asset balance as at 31 May 2021 of £6.5 million (31 May 2020: £2.4 million) relates to the tax returns, including VGTR claims, for FY19 and FY20, and for the draft tax return for FY21. In June 2021 £4.0 million was received from HMRC related to the FY19 and FY20 tax returns.

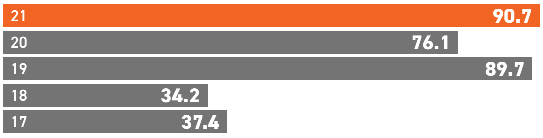
Deferred tax assets and liabilities have been recorded as at 31 May 2021 for the estimated values of temporary differences, and the potential value of tax deductions relating to future share option exercises. The net balance for deferred tax assets less deferred tax liabilities recorded as at 31 May 2021 totalled £0.4 million (31 May 2020: £2.1 million). Due to the expected continued benefit from enhanced tax deduction schemes in future periods and the streaming of profits and losses in different trades, a deferred tax asset for carried forward tax losses has not been recognised as at 31 May 2021 as it is uncertain when they will be utilised. The same situation applied at 31 May 2020. The estimated tax value of losses carried forward at 31 May 2021 is £10.0 million (31 May 2020: £3.8 million).

ALEX BEVIS
CFO AND COMPANY SECRETARY
8 September 2021

KEY PERFORMANCE INDICATORS

Revenue (£m)

£90.7m

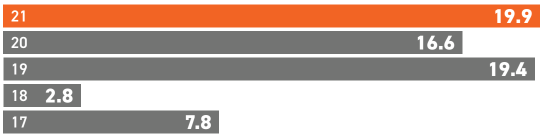


EBITDA* (£m)

£38.1m

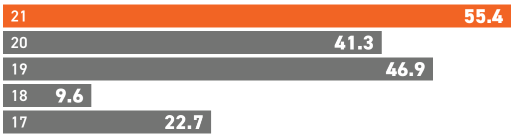
Operating profit (£m)

£19.9m



EPS (basic) (p)

55.4p

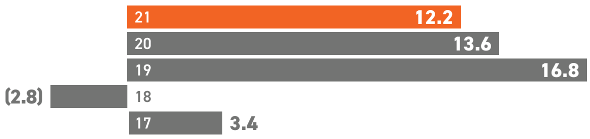


Operating margin (%)

22%

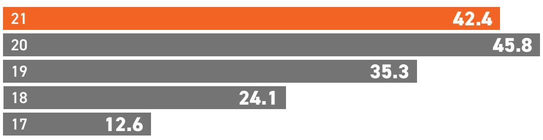
Operating cashflow** (£m)

£12.2m



Net cash balance (£m)

£42.4m



* Earnings before interest, tax, depreciation and amortisation.

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

NURTURING

A SAFE, COLLABORATIVE AND REWARDING PLACE TO WORK

Frontier employs amazing people who are instrumental in making authentic 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.

680
staff in Cambridge
(as at 31 August 2021)

36
nationalities

>200
new joiners in FY21

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 practices, technical knowledge and First Aid and Mental Health First Aid programmes.

GROWING OUR TEAM

Our Frontier team continues to expand, giving us more opportunities to nurture and grow our game portfolio. We are on track with our ambitious hiring and scale-up plans, which have enabled us to increase our average new hires per month from ten in FY20 to 17 in FY21. Our headcount grew to 634 people at the end of FY21, and continues to increase rapidly in FY22. As at 31 August 2021 our team had grown to 680 people, and we continue to recruit talented individuals to nurture our existing portfolio and support our roadmap of future titles.

It is thanks to our great team of people, our technology, and our growing communities of gamers around the world, that FY21 was another record year for Frontier, despite the continued challenges of the pandemic.

Frontier recognise that there is still a lack of diversity within the games industry. As we continue to develop and grow our team, our aspiration is to increase and empower others across all diverse backgrounds to join our brilliant industry filled with like-minded and creative individuals.

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.

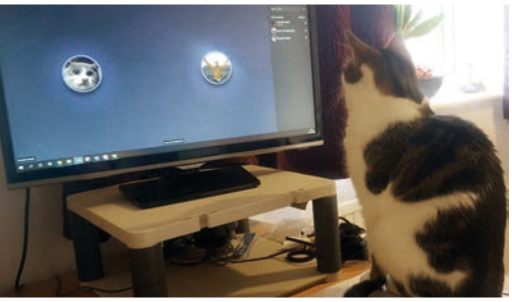
As a self-publishing developer, we effectively plan our roadmap in order to optimise team work schedules. A healthy work-life balance is an important part of our culture and we support this through offering a range of family-focused benefits as well.

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 medical and lifestyle 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.

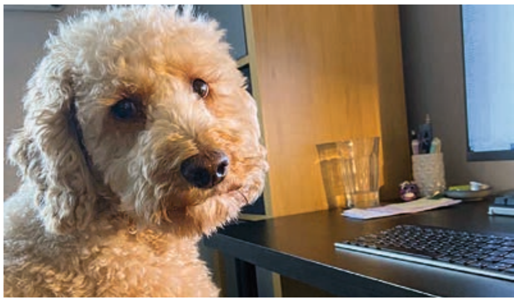
LIFE IN LOCKDOWN

A VISUAL RECORD OF WORKING THROUGH THE PANDEMIC

We've developed various different strategies for connecting our people and keeping them engaged during the pandemic. These photos are part of our 'Time Capsule Initiative' – a chance for our people to share one image which they felt represented their experience of working during the pandemic.








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.

ESG INFORMATION HUB

In September 2021 we created a dedicated section of our website which consolidates all of our ESG information into one place. This new ESG hub enables our investors, our players and our people to access all of the latest Frontier news, data, statements and policies relating to Environmental, Social and Governance topics. Find out more by heading to www.frontier.co.uk/esg-hub.

ESG IN THIS ANNUAL REPORT

The best place to access our latest ESG information is by visiting the ESG hub mentioned above. However, this Annual Report also contains the following items which are associated with ESG topics:

Greenhouse gas emissions statement – page 51

Our people strategy – page 42

Our business model – page 12

Our management of risk – page 34

Our corporate governance – page 53

FUTURE 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.

ENGAGING WITH OUR STAKEHOLDERS

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 2021. 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 12 to 15 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 42 and 43 display 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 56. Our business partners share in our continued success and we discuss our ongoing approach to these partnerships in our Future Plans section on page 24. We set out on page 45 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 8 to 11 and our current and future portfolio of games is set out on pages 2 to 5. 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

- Prior to the pandemic, Frontier Friday events were 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 while enjoying food and drinks on site. We look forward to the return of staff events such as these, as we believe they are an important way for people to maintain and grow their network, and to strengthen Company culture.
- 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 Sharesave equity 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 42 and 43.
- 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

- 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.
- Outside of the roadshow schedules, there are regular opportunities for investors to meet with the CEO and CFO through 1-2-1 meetings, fireside chat events, and investor conferences.

BUSINESS PARTNERS

- Frontier benefits from strong ongoing business relationships created throughout its long history of success, including partnerships with video game platform and channel partners, IP owners and developers.
- During FY21 our platform and channel partnerships with Steam, Epic, Microsoft, Sony and Nintendo helped to deliver record revenues for our existing portfolio of genre-leading titles.
- 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.
- In June 2021 we revealed *Jurassic World Evolution 2*, a much-anticipated sequel to our biggest selling title to date, in partnership Universal Games and Digital Platforms.
- Frontier Foundry is our games label for third partner publishing, which enables us to partner with other high-quality developers to bring more games to market.

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 directorship of Raspberry Pi Trading Limited and L'Escargot Sur Mer Limited and he acts as an advisor to IQ Capital Partners LLP and Thought Machine 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, NED at queuing and ticketing management company Accesso Technology Group plc, 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. David was group strategy advisor to Marshall of Cambridge (Holdings) 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 30 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 track record in high-growth technology companies. Current roles include director of semiconductor and software company XMOS Ltd.; membership of the Investment Committee of Cambridge Enterprise; the Advisory Panel of Cambridge Innovation Capital; Deputy Chairman of Cambridge Ahead; and a Fellow Commoner at St. Edmund's College Cambridge. He is also a member of the Board of Trustees of the American University of Sharjah (AUS) and AUS Enterprises. As the founder and Chairman of Cambridge Phenomenon Ltd., he co-authored two books, The Cambridge Phenomenon 50 Years of Innovation and Enterprise and The Cambridge Phenomenon: Global Impact.

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.

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 40 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, including investing in companies that can help reduce our carbon footprint. 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 over 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 2021

The Directors present their report for the Group and Company together with the financial statements for the year to 31 May 2021. The financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act (2006) (IFRSs).

BUSINESS REVIEW

A review of the Group's development performance and future development is provided in the Strategic Report (see pages 1 to 47). Information on the financial risk management strategy is given within that report and in note 24 to the financial statements.

GOING CONCERN

The Group's forecasts lead to a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. As at 31 August 2021 the Group's cash balances totalled £43.0 million. In addition the Group has an overdraft facility with Barclays Bank plc of £4 million.

SHARE ISSUES

Details of shares issued during the year are given in the Financial Review and in note 19 to the financial statements. The Company has one class of Ordinary Shares which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company, with the exception of shares held by the Employee Benefit Trust (EBT) 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 2021 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 2020	2020 %	Acquired in the financial year*	Sold in the financial year	**Holding as at 31 May 2021**	**2021 %**
David Gammon	337,462	0.9	12,500	59,962	**290,000**	**0.7**
David Braben	12,899,953	33.2	—	—	**12,899,953**	**32.8**
David Walsh	3,500	—	12,021	15,521	**—**	**—**
Jonny Watts	40,000	0.1	91,037	111,037	**20,000**	**0.1**
Charles Cotton	156,586	0.4	67,165	51,927	**171,824**	**0.4**
Alex Bevis	17,000	—	209,279	209,279	**17,000**	**—**
James Mitchell	120,044	0.3	—	—	**120,044**	**0.3**
Total	13,574,545	34.9	392,002	447,726	**13,518,821**	**34.3**

* Including shares acquired through option or warrant exercises.

Details regarding Directors' equity transactions are included in the Remuneration Report on page 60.

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 Group and Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act (2006) (IFRSs). 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 Group and Company 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 Group and Company's financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and 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 9 of the financial statements). The Group's gross research and development spend to support its strategy was £34.9 million in the year (FY20: £24.6 million).

DIVIDEND
The Directors are not recommending the payment of a dividend (FY20: £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 B. 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 2021, 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 2021

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 2021		31 May 2020	
GHG emission source	(tCO_2e)	(tCO_2e/ employee)	(tCO_2e)	(tCO_2e/ employee)
Scope 1	Immaterial	Immaterial	Immaterial	Immaterial
Scope 2	272	0.4	373	0.72
Statutory total (scope 1 and 2)	272	0.4	373	0.72

SUBSTANTIAL SHAREHOLDERS

At 31 August 2021 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	32.8
Tencent Holdings	3,386,252	8.6
Swedbank Robur	3,172,359	8.1
Oppenheimer Funds	3,000,000	7.6
Canaccord Genuity Wealth Management	1,453,268	3.7

* 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
8 September 2021

EFFECTIVE AND EFFICIENT GOVERNANCE

CHAIRMAN'S INTRODUCTION AND SUMMARY

As I noted in my Chairman's Statement earlier in this report, the last 18 months have been a remarkable period for Frontier for many reasons. The coronavirus pandemic has created many challenges, but our continued success, including the delivery of record financial results, demonstrates the strength of our chosen model of launching and then nurturing our games. I believe our history of sustainable growth can also be attributed to our approach to running our business. 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 8-11) Strategic Review (pages 1-47)
2	Understand and meet shareholder needs and expectations	Investor relations – Corporate Governance Report (page 56) S172 Statement – (pages 46-47)
3	Understand and meet wider stakeholder needs and social responsibilities	Strategy and business model – Strategic Review (pages 12-15) Corporate culture and social responsibility – Corporate Governance Report (page 57) Our People –(page 42-45) Our Impact – (page 45) S172 Statement – (pages 46-47)
4	Embedded risk management	Strategy and business model – Strategic Review (pages 12-15) Risk Review (pages 34-37) Internal control and business risk – Corporate Governance Report (page 56)
5	A well-functioning and balanced Board	Board of Directors (pages 48-49) Board overview – Corporate Governance Report (pages 54-55)
6	Board experience, skills and capabilities	Board of Directors (pages 48-49) Board overview – Corporate Governance Report (pages 54-55)
7	Performance of the Board and continuous improvement	Board overview – Corporate Governance Report (pages 54-55)
8	Corporate culture based on ethical values and behaviours	Corporate culture and social responsibility – Corporate Governance Report (page 57)
9	Effective governance structures which support good decision making	Chairman's introduction and summary – Corporate Governance Report (page 53) Board overview – Corporate Governance Report (pages 54-55) Board Committee reports – Corporate Governance Report (pages 55-56)
10	Communication of Company governance and performance	Chairman's introduction and summary – Corporate Governance Report (page 53) Board Committee reports – Corporate Governance Report (pages 55-56)

Corporate governance report continued
For the year ended 31 May 2021

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 2021 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 (EBT) in respect of the operation of share option schemes.

The composition of the Board of Directors is illustrated on pages 48 to 49. 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, Chief Creative Officer and Chief Financial Officer (who is also the Company Secretary). As per the individual biographies, the Directors have a range of experience and provide a balance of skills, experience and knowledge to the Board.

The Board, led by the Chairman, regularly reviews the overall performance of the Board and makes adjustments to ensure the structure and focus of the Board meet the evolving requirements of the Company. In 2018 the Board established 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 30 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 2021 the Audit Committee met on five occasions and four of these meetings were attended by the external Auditor, Ernst & Young.

Key areas of activity

- Financial reporting
- Internal control and risk management reviews
- External audit performance review
- 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 2021 the Remuneration Committee met on four occasions.

Key areas of activity

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

NOMINATIONS COMMITTEE

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

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

In the financial year to 31 May 2021 the Nominations Committee met on six 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

Corporate governance report continued
For the year ended 31 May 2021

ATTENDANCE AT MEETINGS DURING THE PERIOD

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

Key

● Attended meeting

— Not on Committee

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, 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 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 a one of the founders of the Raspberry Pi Foundation and continues to contribute to discussions on local and national government policy regarding computer science.

ANNUAL GENERAL MEETING

The AGM will be held at:

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

On:

27 October 2021

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 93 and 94.

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 94.

Remuneration report
For the year ended 31 May 2021

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. Since then, benchmarking analysis is carried out each year to ensure the Company's remuneration arrangements align with other AIM companies of a similar size.

Based on the 2016 report and the annual benchmarking analysis, the Remuneration Committee made changes to the various components of Directors' remuneration in FY16, FY17 and FY18. No substantial changes were made in FY19 or FY20.

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

Effective 1 August 2021, the salary for all three Executive Directors was increased to £272,500, which was broadly in line with AIM benchmarking analysis reviewed by the Committee in June/July 2021.

ANNUAL BONUS

In September 2020 bonuses of £252,213 (being 101.3% of salary) each were paid to David Braben and Alex Bevis; a bonus of £302,655 (being 121.5% of salary) was paid to Jonny Watts.

The bonus scheme related to these payments was established on 1 June 2019, covering the performance of the financial year to 31 May 2020. The bonus is 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 FY21, the Company set another annual bonus scheme but with similar performance-based characteristics and this is due to be paid in September 2021. A similar scheme will operate for FY22, with payment due in September 2022 based on performance in the year to 31 May 2022.

EQUITY AWARDS

In the year to 31 May 2021 (FY21) each of the three Executive Directors was awarded an Option over 9,662 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 since FY18.

In FY20 the three Executive Directors were each awarded an Option over 21,449 Ordinary Shares under the Long Term Incentive Plan. An additional LTIP option over 97,279 Ordinary Shares was awarded to Jonny Watts in recognition of his importance to Frontier's future performance.

PENSION CONTRIBUTIONS, MEDICAL INSURANCE AND OTHER BENEFITS

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 19 to the accounts).

DIRECTORS' REMUNERATION (AUDITED)

The remuneration of the Directors was as follows:

Current Directors	Salary/fee £'000	Bonus £'000	Pension contribution £'000	Option exercises £'000	Taxable benefits £'000	FY21 Total £'000	FY20 Total £'000
Executive							
David Braben	245	252	—	—	1	498	390
Jonny Watts	245	303	—	1,998	1	2,547	423
Alex Bevis	245	252	—	4,449	1	4,947	391
Non-Executive							
David Gammon	78	—	—	270	—	348	69
David Walsh	40	—	—	227	—	267	58
Charles Cotton	40	—	—	1,200	—	1,240	38
James Mitchell*	—	—	—	—	—	—	—
Total	**893**	**807**	**—**	**8,144**	**3**	**9,847**	**1,369**

* James Mitchell waived his fee.

Remuneration report continued
For the year ended 31 May 2021

DIRECTORS' REMUNERATION (AUDITED) CONTINUED

The expense recognised in the statement of comprehensive income for the Directors' share options (including Non-Executive Directors) was £740,385 (2020: £821,148), with the amount attributable to the highest paid Director being £417,228 (2020: £328,216).

EQUITY TRANSACTIONS

ALEX BEVIS

On 11 September 2020, Alex Bevis exercised options over 200,000 Ordinary Shares at an exercise price of £2.50 per share. Following the exercise, Alex Bevis sold 200,000 Ordinary Shares at a price of £23.86 per share.

On 1 March 2021, Alex Bevis exercised options over 9,279 Ordinary Shares at an average exercise price of £5.17 per share. Following the exercise, Alex Bevis sold 9,279 Ordinary Shares at an average price of £24.24 per share.

JONNY WATTS

On 11 September 2020, Jonny Watts exercised options over 67,389 Ordinary Shares at an average exercise price of £1.99 per share. Following the exercise, Jonny Watts sold 87,389 Ordinary Shares at a price of £23.86 per share.

On 1 March 2021, Jonny Watts exercised options over 23,648 Ordinary Shares at an average exercise price of £2.03 per share. Following the exercise, Jonny Watts sold 23,648 Ordinary Shares at an average price of £24.19 per share.

DAVID GAMMON

On 11 September 2020, David Gammon exercised options over 12,500 Ordinary Shares at an exercise price of £2.30 per share. Following the exercise, David Gammon sold 59,962 Ordinary Shares at a price of £23.86 per share.

CHARLES COTTON

On 21 October and 22 October 2020, Charles Cotton exercised options over 50,000 Ordinary Shares at an average exercise price of £2.26 per share. Following the exercise, Charles Cotton sold 50,000 Ordinary Shares at an average price of £26.25 per share.

On 16 September 2020, Ann Cotton, a person closely associated with Charles Cotton, sold 1,927 Ordinary Shares at a price of £25.98 per share.

On 11 March and 12 March 2021, Charles Cotton purchased, in aggregate, 17,165 Ordinary Shares at an average price of £25.92 per share.

DAVID WALSH

On 16 September 2020, David Walsh exercised options over 7,389 Ordinary Shares at an exercise price of £4.06 per share. Following the exercise, David Walsh sold 7,389 Ordinary Shares at a price of £26.01 per share.

On 1 March 2021, David Walsh exercised options over 4,632 Ordinary Shares at an average exercise price of £10.36 per share. Following the exercise, David Walsh sold 4,632 Ordinary Shares at an average price of £24.32 per share.

On 21 October 2020, David Walsh sold 3,500 Ordinary Shares at an average price of £25.91 per share.

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
8 September 2021

Independent Auditor's report to the members of Frontier Developments plc

OPINION

In our opinion:

- Frontier Developments 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with Section 408 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 (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 May 2021 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 May 2021	Statement of financial position as at 31 May 2021
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 cashflows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 24 to the financial statements including a summary of significant accounting policies
Consolidated statement of cashflows for the year then ended	
Related notes 1 to 24 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 accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards to the parent company financial statements, as applied in accordance with Section 408 of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- inspecting management's internal assessments regarding the Group and parent company's ability to continue to adopt the going concern basis of accounting during the going concern review period to 30 November 2022;
- inspecting and reperforming the sensitivity/stress testing performed by management, such as the loss of revenue from key Platforms and other significant reductions to future revenues;
- assessing the rigour of the stress testing to determine whether they were sufficiently severe in the context of historic results and the Group's principal risks;
- challenging the reasonableness of the underlying forecasts utilised by management through comparing these against historical actual amounts and confirming the consistency of the forecasts with the budget approved by the Board. Our challenge in this regard included analysing the Company's revenue split by each major title, as well as the expected performance of these titles over the assessment period;
- considering the Group's net cash position through confirming cash balances held at the balance sheet date through to bank confirmations received directly from third-party banks. We have further confirmed the facilities held by the Company at the balance sheet date, as well as confirming that no such facilities contain covenants and therefore no covenant compliance considerations are required;
- giving specific consideration surrounding the ongoing Covid-19 pandemic and the impact of this on the Group going forward, through understanding the (largely positive) impact felt on an industry-wide scale, as confirmed through third-party industry reviews. Our conclusions in this regard were aligned with management, in that the pandemic has generated a net operational benefit to the Company but this benefit has not been included in the forecast for going concern purposes;
- comparing the current trading performance to management's Covid-19 forecast by obtaining the latest available management accounts and latest available Group cash report to identify any issues with current trading and cashflows;

Independent Auditor's report continued to the members of Frontier Developments plc

CONCLUSIONS RELATING TO GOING CONCERN CONTINUED

- considering the further mitigating actions available to the Group, such as further cost mitigations, and the feasibility of management being able to execute such mitigating actions, when considering the likelihood of the stress testing and sensitivity analysis;
- enquiring of any events or conditions expected outside of the going concern period that may impact upon the ongoing resilience of the business. No such events or conditions were identified; and
- reviewing the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern across the going concern review period to 30 November 2022.

We are satisfied that the base case and sensitised positions adopted by the Directors are reasonable in the context of the positive trading environment for the Group's titles throughout the Covid-19 pandemic and given the balance sheet position and cash generation record.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for the period to 30 November 2022.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or Company's ability to continue as a going concern.

OVERVIEW OF OUR AUDIT APPROACH

Audit scope	• We performed an audit of the complete financial information of one component, Frontier Developments plc, the audit of specific account balances in Frontier Developments Inc (specific scope) and analytical review procedures and other review scope procedures for the remaining component, Frontier Games Limited. The components where we performed full or specific audit procedures accounted for 99% of EBITDA, 99% of Revenue and 99% of Total assets.
Key audit matters	• Revenue Recognition. • Capitalisation of internally generated development costs. • Impairment of intangibles.
Materiality	• Overall Group materiality of £1.1m which represents 3% of EBITDA.

AN OVERVIEW OF THE SCOPE OF THE PARENT COMPANY AND GROUP AUDITS

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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, and Frontier Developments Inc as a specific scope component. The specific scope component contributed 1% of the Group's EBITDA (FY20: 0%), 1% of the Group's Revenue (FY20: 0%) and 1% of the Group's Total assets (FY20: 0%). The audit scope of this component may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant balances tested for the Group. We performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

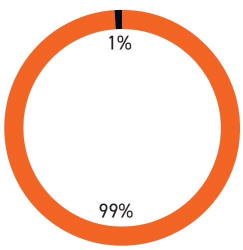
Given the combination of the full scope and specific scope entities covered substantially all of the Group, when considering both size and risk, we designated the remaining component, Frontier Games Limited, as a review scope component. For Frontier Developments plc ('full scope component'), we performed an audit of the complete financial information.

The reporting components where we performed audit procedures accounted for 100% of the Group's EBITDA (FY20: 100%), 100% of the Group's revenue (FY20: 100%) and 100% of the Group's total assets (FY20: 100%), all of which were addressed through the audit of the full scope component, Frontier Developments plc and specific scope audit of Frontier Developments Inc.

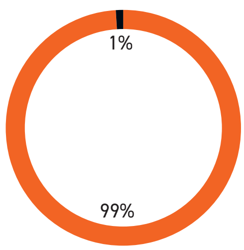
For Frontier Games Limited which represents represent 0% of the Group's EBITDA (FY20: 0%), we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

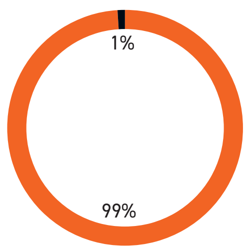
EBITDA



REVENUE



TOTAL ASSETS



Full scope components
Specific scope components
Other procedures

AN OVERVIEW OF THE SCOPE OF THE PARENT COMPANY AND GROUP AUDITS CONTINUED

CHANGES FROM THE PRIOR YEAR

One new component was present within the Group in the current year, Frontier Games Limited. Our review of this component has confirmed that this does not contribute any material balances to the consolidated Group accounts. As such, our scoping has remained consistent in the current year, as well as our total coverage.

INVOLVEMENT WITH COMPONENT TEAMS

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

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 (£90.7m, 2020: £76.1m) *Refer to the accounting policies (page 75); and note 4 of the consolidated financial statements (page 77)* We assessed revenue recognition as a fraud risk as revenue forms the basis for certain of the Group's key performance indicators, including EBITDA. The Group is 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 financial controls. • We have tested a total of 93.3% of current year revenue through to third-party sales reports (quarterly and monthly where applicable), agreeing these amounts back to the underlying revenue recognised to test the completeness, occurrence and existence of the revenue recognised. A representative sample of these reports have been further agreed through to third-party bank statements to evidence subsequent cash receipt, without issue. • The remaining 6.7% of revenue materially relates to Frontier's internal game store. We have traced a representative sample of revenue transactions relating to own sales through the internal Magento system to Magento sales reports, which are in turn traced through to third-party Worldpay settlement reports and third-party bank statements, to verify that the transaction was valid and accurate. • We have performed cut-off testing through performing analytical procedures to identify any balances around our year-end date warranting further investigation. We note that due to the nature of Frontier's revenue (being recognised through manual month-end journals), the key risk surrounding cut-off relates to the level of accrued and deferred income posted as at 31 May 2021. For all significant contract assets and contract liabilities, we have inspected the terms and conditions of these contracts, recalculated the amount of revenue to be recognised in comparison to amounts billed and 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. • We have performed detailed testing procedures surrounding Frontier's deferred income balance, predominantly relating to virtual currency balances held by customers and awaiting use within Frontier's *Elite Dangerous* game. We have assessed and recalculated management's breakage calculations for this balance, in line with relevant accounting guidance. • We have inspected the terms of all key contracts held by Frontier in relation to revenue recognition, including all key Platforms. We have given consideration to these contracts against the relevant accounting standard (namely IFRS 15) to ensure appropriate accounting treatment has been made. • We selected a sample of post-year-end credit notes to check 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. • We have tested a sample of journal entries in relation to revenue through applying criteria in regard to both quantum and risk profile, such as significantly sized manual journal postings.	• 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 to 31 May 2021 is materially correct on the basis of our procedures performed.

Independent Auditor's report continued to the members of Frontier Developments plc

KEY AUDIT MATTERS CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Capitalisation of internally generated development costs (Additions – £27.8m, 2020: £19.8m) *Refer to the accounting policies (page 73); and note 9 of the consolidated financial statements (page 79)* During the year, the Group has capitalised £27.8m (2020: £19.8m) 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 is 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 in which capitalisation should commence, the nature of costs to be capitalised and the point in 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 have performed walkthrough procedures to fully understand the process of capitalisation, as well as identifying key controls in place within the process to prevent or detect and correct errors; • We have compared the treatment adopted by Frontier against UK listed peers, noting that a number also capitalised similar development costs; • We have inspected management's assessment of how the capitalisation criteria have been achieved for a sample of titles (being a combination of key and representative items); • 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, enquiring of 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 vouched a sample of amounts back to underlying payroll records and met with the project managers to test whether the time related to capital activity. • For overheads, we have reperformed managements calculation and specifically challenged whether each of the cost types meet the definition of "directly attributable" as per IFRS. • For other costs, we have vouched a sample of items to purchase invoice to determine whether they relate to a valid addition and have been correctly recorded.	• Our audit procedures did not identify any material misstatements with respect to the capitalisation of internally generated development costs.
Impairment of intangible assets (£71.3m, 2020: £52.7m) *Refer to the accounting policies (page 73); and note 9 of the consolidated financial statements (page 79)* The carrying value 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 value of these assets exceed the net realisable value. Judgement is required in determining the key inputs to the impairment model, including future revenues and costs.	• The procedures we carried out included the following: • We have performed walkthrough procedures to fully understand the process of impairment, as well as identifying key controls in place within the process to prevent or detect and correct errors. • We audited the underlying cashflows used in the value in use calculation including performing an assessment of historic budgets vs actuals and assessing the feasibility of meeting the forecasts based upon pipelines. • We performed our own sensitivity and break-even analyses over management's calculations for different assumptions, which demonstrated the likelihood of impairment on each game is low. • Recalculated the mathematical accuracy of the impairment models. • Assessed the appropriateness of the discount rate used by management by recalculating based upon relevant inputs, benchmarking 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 analysis 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 the audit. • Inspected the financial statement disclosures for compliance with the accounting standards.	• 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 no impairment adjustment is required.

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 £1.1 million (2020: £0.9 million), which is 3% (2020: 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 £1.1 million (2020: £0.9 million), which is 3% (2020: 3%) of EBITDA. This 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 75% (2020: 50%) of our planning materiality, namely £0.9 million (2020: £0.5 million). We have set performance materiality at this percentage due to our expectation of misstatements being low in both number and value, combined with our review of management oversight through entity level controls. Based on our prior experience, the aggregate of corrected and uncorrected misstatements has been less than 25% of our materiality. Our increase from 50% to 75% in the current period reflects our prior year audit being an initial audit with greater uncertainty.

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 £0.1 million (2020: £0.1 million), 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 60, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information within the Annual Report.

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.

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 course of 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 themselves. 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.

Independent Auditor's report continued
to the members of Frontier Developments plc

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 50, 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.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Companies Act 2006, International Financial Reporting Standards, AIM Rules for Listed Companies, General Data Protection Regulations, HM Revenue & Customs regulations and other UK Tax Legislation.
- We understood how Frontier Developments plc is complying with those frameworks by considering the potential for override of entity level controls or other inappropriate influence over the financial reporting process (such as efforts by management to manage earnings), understanding the culture of honesty and ethical behaviour within the Company over our term as Auditor of the Company, and observing whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place. Our work performed over the controls present within Frontier Developments plc has also evidenced a high level of fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We performed detailed testing around a sample of manual journal postings made specifically to revenue, corroborating these balances where necessary to underlying supporting documentation. The results of this procedure did not identify any such instances of irregularities, including fraud.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by understanding which areas of the business present potential fraud risk areas (through assessing the presence of opportunities, incentives or potential rationalisation to commit such acts of fraud), understanding where these risks could present themselves and subsequently identifying the process level controls in place to prevent, or detect and correct them. Combining this with our review of entity level controls, which have evidenced management's behaviour and the culture embedded within the Company, we have gained a detailed understanding of the overall susceptibility to fraud.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved direct enquiries with those charged with governance, as well as through meetings held with the Group's internal legal department. We further performed specific analyses and testing of legal expenses incurred in the period to ascertain the nature of such costs and confirm they did not relate to non-compliance with applicable laws and regulations.
- In response to the nature of the Group's operations and the GDPR compliance requirements in place surrounding customer data, the audit team have engaged IT specialists to develop a detailed understanding of the processes and controls in place to prevent non-compliance with such laws and regulations. These procedures have found a suitable environment to prevent such breaches.

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
8 September 2021

Consolidated income statement for the year ended 31 May 2021

	Notes	31 May 2021 £'000	31 May 2020 £'000
Revenue	4	**90,688**	76,089
Cost of sales		**(27,538)**	(24,532)
Gross profit		**63,150**	51,557
Research and development expenses		**(22,025)**	(16,014)
Sales and marketing expenses		**(7,269)**	(5,747)
Administrative expenses		**(13,940)**	(13,172)
Operating profit		**19,916**	16,624
Finance costs		**(731)**	(401)
Profit before tax	6	**19,185**	16,223
Income tax	7	**2,373**	(329)
Profit for the period attributable to shareholders		**21,558**	15,894

All the activities of the Group are classified as continuing.

	Notes	31 May 2021 p	31 May 2020 p
Earnings per share	8		
Basic earnings per share		**55.4**	41.3
Diluted earnings per share		**53.3**	39.4

Consolidated statement of comprehensive income for the year ended 31 May 2021

	31 May 2021 £'000	31 May 2020 £'000
Profit for the period	**21,558**	15,894
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**23**	(6)
Total comprehensive income for the period attributable to the equity holders of the parent	**21,581**	15,888

Consolidated statement of financial position as at 31 May 2021 (REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2021 £'000	Restated* 31 May 2020 £'000
Non-current assets			
Intangible assets	9	**71,318**	52,668
Property, plant and equipment	10	**6,078**	5,926
Right-of-use asset	11	**21,108**	22,732
Deferred tax asset	18	**384**	2,137
		98,888	83,463
Current assets			
Trade and other receivables	12	**13,741**	12,284
Current tax asset	16	**6,468**	2,377
Cash and cash equivalents	13	**42,423**	45,751
		62,632	60,412
Total assets		**161,520**	143,875
Current liabilities			
Trade and other payables	14	**(14,768)**	(13,669)
Lease liability		**(1,419)**	(1,337)
Deferred income	15	**(2,180)**	(1,439)
		(18,367)	(16,445)
Net current assets		**44,265**	43,967
Non-current liabilities			
Provisions	17	**(41)**	(27)
Lease liability		**(20,739)**	(22,198)
Deferred income	15	**–**	(234)
Other payables	14	**(9,219)**	(8,237)
		(29,999)	(30,696)
Total liabilities		**(48,366)**	(47,141)
Net assets		**113,154**	96,734
Equity			
Share capital	19	**197**	195
Share premium account		**36,079**	34,589
Equity reserve		**(9,351)**	(925)
Foreign exchange reserve		**1**	(22)
Retained earnings		**86,228**	62,897
Total equity		**113,154**	96,734

* Restated for a presentation adjustment as per note 2.

These financial statements were approved by the Directors on 8 September 2021 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 2021

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 1 June 2019	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 net cash inflows from option exercises	–	–	711	–	–	711
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
Profit for the year	–	–	–	–	21,558	21,558
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	23	–	23
Total comprehensive income for the year	–	–	–	23	21,558	21,581
Issue of share capital net of expenses	2	1,490	–	–	–	1,492
Share-based payment charges	–	–	2,155	–	–	2,155
Share-based payment transfer relating to option exercises and lapses	–	–	(1,770)	–	1,770	–
EBT cash outflows from share purchases	–	–	(10,000)	–	–	(10,000)
EBT net cash inflows from option exercises	–	–	1,189	–	–	1,189
Deferred tax movements posted directly to reserves	–	–	–	–	3	3
Transactions with owners	2	1,490	(8,426)	–	1,773	(5,161)
At 31 May 2021	**197**	**36,079**	**(9,351)**	**1**	**86,228**	**113,154**

Consolidated statement of cashflows for the year ended 31 May 2021

	31 May 2021 £'000	31 May 2020 £'000
Cash generated from operations	**38,916**	32,415
Taxes received	**38**	–
Cashflow from operating activities	**38,954**	32,415
Investing activities		
Purchase of property, plant and equipment	**(1,375)**	(666)
Expenditure on intangible assets	**(31,502)**	(21,044)
Interest received	**48**	330
Cashflow from investing activities	**(32,829)**	(21,380)
Financing activities		
Proceeds from issue of share capital	**1,492**	200
Employee Benefit Trust cash outflows from share purchases	**(10,000)**	–
Employee Benefit Trust cash inflows from option exercises	**1,189**	711
Payment of principal element of lease liabilities	**(1,377)**	(820)
Payment of interest element of lease liabilities	**(691)**	(731)
Interest paid	**(88)**	–
Cashflow from financing activities	**(9,475)**	(640)
Net change in cash and cash equivalents from continuing operations	**(3,350)**	10,395
Cash and cash equivalents at beginning of period	**45,751**	35,332
Exchange differences on cash and cash equivalents	**22**	24
Cash and cash equivalents at end of period	**42,423**	45,751

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

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	31 May 2021 £'000	31 May 2020 £'000
Operating profit	**19,916**	16,624
Depreciation and amortisation	**18,167**	14,870
EBITDA	**38,083**	31,494
Movement in unrealised exchange gains on forward contracts	**(223)**	(91)
Share-based payment expenses	**2,155**	1,947
Operating cashflows before movements in working capital	**40,015**	33,350
Net changes in working capital:		
Change in trade and other receivables	**(1,233)**	(7,046)
Change in trade and other payables	**119**	6,097
Change in provisions	**15**	14
Cash generated from operations	**38,916**	32,415

Notes to the financial statements for the year ended 31 May 2021

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 consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 FY21, an error was identified in relation to the presentation of deferred tax in the prior year.

The presentation error identified does not change the tax reporting to the tax authorities, nor is there any income statement or earnings per share impact. It only affects the Statement of Financial Position.

IAS 12 requires that deferred tax balances are presented on a net basis where there is a legally enforceable right to offset and the balances relate to the same tax jurisdiction. As the deferred tax balances relate to the UK and the future recoverable and payable amounts can be legally offset, an adjustment has therefore been recorded to present the deferred tax on a net basis on the face of the consolidated statement of financial position and the Company statement of financial position.

This presentation adjustment has the impact of reducing deferred tax liabilities at 31 May 2020 from £4,038,000 previously stated to £nil, and reducing deferred tax assets by £4,038,000 from £6,175,000 previously stated to £2,137,000.

There is no change to the nature and values of the underlying deferred tax assets and liabilities at 31 May 2020 as set out in note 19 of the FY20 Annual Report and Accounts.

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, based on the Group's forecasts and projections for the period to 30 November 2022. 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 (including treasury deposits) at the balance sheet date of 31 May 2021 of £42.4 million along with expected cash inflows from current business 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 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 scenarios both consider a reduction in predicted revenues, however the reduction would need to be severe in order to prevent the Group from continuing as a going concern and is considered to be highly unlikely to occur. The Group have also identified mitigating actions that could be reasonably taken, if required, to offset the reduction of cash inflows, to enable it to continue its operations for the period to 30 November 2022.

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

- severe operational disruption across all third-party distributors resulting in a significant reduction of revenue for the Group; and
- some operational disruption across all third-party distributors resulting in a reduction of revenue for the Group.

As expected, 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 has been able to continue with current headcount growth plans and has sustained a high level of recruitment to support the roadmap;
- there has been no impact to debtor recoverability; and
- should a more extreme downside scenario occur the Group could take further mitigating actions by reducing discretionary spend.

Notes to the financial statements continued for the year ended 31 May 2021

2. BASIS OF PREPARATION CONTINUED

ASSESSMENT OF GOING CONCERN DUE TO COVID-19 CONTINUED

Having considered all of the above, including the current strong cash position, no current impact on debtor recoverability and the continued strong trading performance for the Group, the Directors are satisfied that there are sufficient resources to continue operations for the period to 30 November 2022. The financial statements for the year ended 31 May 2021 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

- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective 1 January 2021)
- COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 (effective 1 April 2021)

OTHER STANDARDS

The following new standards, amended standards and interpretations became effective as at 1 January 2020 but did not have a material impact on the Group's financial statements:

- Extension of the Temporary Exemption from applying IFRS 9 – Amendments to IFRS 4

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 cashflows, 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 game at each period-end date. The net book values of the Group and Company intangible assets including rights acquired at 31 May 2021 are £71,318k (2020: £52,668k).

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 losses has not been recognised as at 31 May 2021 due to uncertainty on the timing of the utilisation of those losses.

3. ACCOUNTING POLICIES CONTINUED
SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED
ACCOUNTING POLICIES
Intangible assets
Intangible assets are measured at historical cost and are amortised on a straight line basis over their expected useful economic life. They comprise four categories:

- game technology which includes Frontier's game engine and other technology which supports the development and publication of games;
- game developments which includes development of self-published games and also titles under Frontier Foundry;
- third-party software which includes software bought from suppliers for use within the Group's activities; and
- IP licences 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 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. 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.

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.

Notes to the financial statements continued for the year ended 31 May 2021

3. ACCOUNTING POLICIES CONTINUED

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED

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.

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.

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).

3. ACCOUNTING POLICIES CONTINUED

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED

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.

Employee Benefit Trust

As the Company is deemed to have control of its 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 exchange 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 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, 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.

3. ACCOUNTING POLICIES CONTINUED

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED

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.

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.

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.

Management information is reported as one operating segment, being revenue from publishing games and revenue from other 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 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 2021 and the period ended 31 May 2020, other revenue mainly related to royalty income.

	12 months to 31 May 2021 £'000	12 months to 31 May 2020 £'000
Publishing revenue	**90,471**	75,924
Other revenue	**217**	165
	90,668	76,089

5. EMPLOYEE REMUNERATION

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

	31 May 2021 £'000	31 May 2020 £'000
Staff remuneration	**24,962**	21,900
Social security costs	**2,384**	1,850
Pension costs	**2,262**	1,830
Share-based compensation	**2,155**	1,947
	31,763	27,527

Included in the above payroll costs for the year ended 31 May 2021 is £15,714,243 (2020: £10,653,387) capitalised within intangible fixed assets (see note 9). 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 2021	31 May 2020
Research and development	**496**	427
Sales, marketing and administrative	**88**	69
	584	496

REMUNERATION OF DIRECTORS

	31 May 2021 £'000	31 May 2020 £'000
Directors' emoluments (including bonuses)	**1,545**	2,097
Aggregate gains on the exercise of share options	**8,144**	683
Non-Executive fees	**158**	113
Non-Executive consultancy fees	**42**	50

EMOLUMENTS OF HIGHEST PAID DIRECTOR

	31 May 2021 £'000	31 May 2020 £'000
Emoluments (including bonuses and share option gains)	**4,947**	403
Pension	**–**	18

For detailed Directors' remuneration disclosures refer to page 59 of the financial statements.

Notes to the financial statements continued
for the year ended 31 May 2021

6. PROFIT BEFORE TAX

	31 May 2021 £'000	31 May 2020 £'000
This is stated after charging:		
Amortisation of intangible assets	**15,320**	12,155
Depreciation of tangible assets	**1,223**	1,092
Depreciation of right-of-use asset	**1,624**	1,623
Research and development costs expensed	**7,129**	4,810
Foreign exchange gains/(losses)	**726**	(299)
Auditor remuneration:		
Audit of the parent and Group	**110**	102

7. TAXATION ON ORDINARY ACTIVITIES

ANALYSIS OF THE (CREDIT)/CHARGE IN THE PERIOD

	31 May 2021 £'000	31 May 2020 £'000
UK corporation tax based on the results for the year	**(1,828)**	(226)
Adjustments for prior periods	**(545)**	555
Tax on profit on ordinary activities	**(2,373)**	329

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% (2020: 19%) as follows:

	31 May 2021 £'000	31 May 2020 £'000
Profit on ordinary activities before taxation	**19,185**	16,223
Tax on profit on ordinary activities at standard rate	**3,652**	3,082
Factors affecting tax expense for the year:		
Expenses not deductible for tax purposes	**13**	44
Adjustments to tax charge in respect of previous periods	**(545)**	555
Income not taxable	**—**	59
Tax rate changes	**—**	293
Tax rate benefit on surrender of tax losses	**(415)**	—
Utilisation of tax losses in current year	**(816)**	(650)
Video Games Tax Relief enhanced deductions	**(2,430)**	(1,617)
Benefit of patent box	**(1,430)**	—
Deferred tax not recognised	**(402)**	36
Corporation tax deductions for employee share option exercises	**—**	(1,473)
Total amount of tax	**(2,373)**	329

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 2021 the Group has recorded a corporation tax credit of £2.4 million (FY20: a charge of £0.3 million).

8. 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 2021	31 May 2020
Profit attributable to shareholders (£'000)	**21,558**	15,894
Weighted average number of shares	**38,909,932**	38,483,762
Basic earnings per share (p)	**55.4**	41.3

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 2021	31 May 2020
Profit attributable to shareholders (£'000)	**21,558**	15,894
Diluted weighted average number of shares	**40,471,633**	40,316,894
Diluted earnings per share (p)	**53.3**	39.4

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

	31 May 2021	31 May 2020
Weighted average number of shares	**38,909,932**	38,483,762
Dilutive effect of share options	**1,561,701**	1,833,132
Diluted average number of shares	**40,471,633**	40,316,894

9. 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 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
Additions	7,851	25,138	620	361	33,970
Transfer	—	(347)	347	—	—
At 31 May 2021	**17,009**	**97,119**	**2,060**	**11,185**	**127,373**
Amortisation and impairment					
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
Amortisation charges	1,469	13,427	424	—	15,320
At 31 May 2021	**7,058**	**46,434**	**1,227**	**1,336**	**56,055**
Net book value at 31 May 2021	**9,951**	**50,685**	**833**	**9,849**	**71,318**
Net book value at 31 May 2020	3,569	39,321	290	9,488	52,668

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.

Notes to the financial statements continued
for the year ended 31 May 2021

10. PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
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
Additions	—	1,375	—	1,375
At 31 May 2021	**863**	**4,156**	**5,358**	**10,377**
Depreciation				
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
Charge for the period	150	738	335	1,223
At 31 May 2021	**546**	**2,737**	**1,016**	**4,299**
Net book value at 31 May 2021	**317**	**1,419**	**4,342**	**6,078**
Net book value at 31 May 2020	467	782	4,677	5,926

Leasehold improvements related to the fit-out of a new leased building in the Science Park in Cambridge which was occupied from April 2018.

Depreciation charges were apportioned to the income statement as follows:

	Year ended 31 May 2021 £'000	Year ended 31 May 2020 £'000
Research and development expenses	**738**	464
Administration expenses	**485**	628
Total	**1,223**	1,092

11. LEASES
GROUP AND COMPANY

	Right-of-use asset £'000	Total £'000
Cost		
At 31 May 2019	—	—
Additions	24,356	24,356
At 31 May 2020	24,356	24,356
Additions	—	—
At 31 May 2021	**24,356**	24,356
Depreciation		
At 31 May 2019	—	—
Charge for the period	1,624	1,624
At 31 May 2020	1,624	1,624
Charge for the period	1,624	1,624
At 31 May 2021	**3,248**	**3,248**
Net book value at 31 May 2021	**21,108**	**21,108**
Net book value at 31 May 2020	22,732	22,732

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

Depreciation charges are 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:

	£'000
At 1 June 2020	23,535
Accretion of interest	691
Lease payments	(2,068)
At 31 May 2021	**22,158**
Current	1,419
Non-current	20,739

The table below sets out the maturity profile of the contractual undiscounted payments as at 31 May 2021.

	£'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	13,959
At 31 May 2021	**26,367**

The discount rate applied to the lease is 3%.

Notes to the financial statements continued
for the year ended 31 May 2021

12. TRADE AND OTHER RECEIVABLES

	Consolidated year ended		Company year ended	
	31 May 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Trade receivables, gross	**10,053**	9,740	**9,768**	9,677
Intercompany receivable	**–**	–	**5,357**	287
Prepayments and other debtors	**3,408**	2,197	**3,670**	2,233
Social security and other taxes	**280**	347	**273**	342
Total trade and other receivables	**13,741**	12,284	**19,068**	12,539

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

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

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following balances by currency:

	Consolidated year ended		Company year ended	
	31 May 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Cash at bank and in hand				
Great British Pounds (GBP)	**23,804**	32,055	**23,804**	32,055
US Dollars (USD)	**15,920**	12,433	**15,559**	12,274
Euros (EUR)	**2,695**	1,262	**2,695**	1,262
Canadian Dollars (CAD)	**4**	1	**4**	1
Financial assets	**42,423**	45,751	**42,062**	45,592

14. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

	Consolidated year ended		Company year ended	
	31 May 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Trade payables	**2,648**	2,635	**2,648**	2,636
Intercompany payable	**–**	–	**4,856**	48
Accruals and other payables	**11,190**	10,345	**11,169**	10,329
Financial liabilities	**13,838**	12,980	**18,673**	13,013
Derivative financial instruments	**–**	–	**–**	–
Other taxation and social security	**930**	689	**930**	689
Total trade and other payables	**14,768**	13,669	**19,603**	13,702

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.

14. TRADE AND OTHER PAYABLES CONTINUED
NON-CURRENT LIABILITIES

	Consolidated year ended		Company year ended	
	31 May 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Other payables	**9,219**	8,237	**9,219**	8,237
Total other payables	**9,219**	8,237	**9,219**	8,237

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 five years.

15. DEFERRED INCOME

Deferred income in the statement of financial position can be analysed as follows:

	Consolidated year ended		Company year ended	
	31 May 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Deferred income – current	**2,180**	1,439	**2,138**	1,390
Deferred income – non-current	**–**	234	**–**	185
Total deferred income	**2,180**	1,673	**2,138**	1,575

The deferred income balance for the year ended 31 May 2021 is in respect of *Elite Dangerous* lifetime expansion passes, *Elite Dangerous* virtual currency and disc sales of *Jurassic World Evolution* and *Planet Coaster Console* that are still within the distribution channel.

Deferred income released during the period ended 31 May 2021 was £227k for *Elite Dangerous* lifetime expansion passes, £223k for *Jurassic World Evolution* disc sales, £599k for *Planet Coaster Console* disc sales and £747k for *Elite Dangerous* virtual currency.

Income deferred during the period ended 31 May 2021 was in relation to £205k for *Jurassic World Evolution* disc sales, £1.2 million for *Planet Coaster Console* disc sales and £875k for *Elite Dangerous* virtual currency.

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 2021 the remaining accounting life of the franchise lifetime expansion passes is considered to be less than 12 months.

The deferred income 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.

16. 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 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Current tax asset	**6,468**	2,377	**5,682**	2,374

The Group have recognised a current tax asset of £6.5 million at 31 May 2021 which relates to Video Games Tax Credit claims for FY19, FY20 and FY21.

17. PROVISIONS

	Group and Company year ended	
	31 May 2021 £'000	31 May 2020 £'000
Opening balance	**27**	13
Provided for in the period	**14**	14
At period end	**41**	27

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.

Notes to the financial statements continued for the year ended 31 May 2021

18. DEFERRED TAX ASSETS AND LIABILITIES

	Group and Company year ended	
	31 May 2021 £'000	31 May 2020 £'000
Short-term temporary differences	**46**	63
Intangible and tangible fixed assets	**(5,349)**	(3,673)
Potential future share option exercises	**5,687**	5,747
Total net asset/(liability)	**384**	2,137
Net balance brought forward – asset/(liability)	**2,137**	3,185
Movement in year	**(1,753)**	(1,048)
Net balance carried forward – asset/(liability)	**384**	2,137

A net deferred tax asset has been recognised in the statement of financial position for the Group and Company as at 31 May 2021 of £0.3 million (31 May 2020: net asset of £2.1 million).

Accumulated UK tax losses at 31 May 2021 are provisionally estimated to be £53 million (31 May 2020: £20 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.

19. 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 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
Shares issued on option exercises and warrants	431,794	2,159
As at 31 May 2021	**39,343,604**	**196,718**

From 1 June 2020 to 31 May 2021 431,794 Ordinary Shares of 0.5p were allotted as fully paid at a premium of 345p, being the exercise of share options by employees and warrants by the Non-Executive Directors. The average market value was 2,644p on the day of allotment.

For detailed information of the exercise of options and warrants refer to page 60 of the financial statements.

20. FINANCIAL ASSETS AND LIABILITIES

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

	Consolidated year ended		Company year ended	
	31 May 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Financial assets at amortised cost				
Trade and other receivables	**10,053**	9,740	**14,142**	9,964
Cash and cash equivalents	**42,423**	45,751	**42,062**	45,592
Total	**52,476**	55,491	**56,204**	55,556

20. FINANCIAL ASSETS AND LIABILITIES CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS

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

	Consolidated year ended		Company year ended	
	31 May 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Derivative financial assets				
Forward foreign exchange contracts – held for trading	**283**	60	**283**	60

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 2021 or 2020.

	Consolidated year ended		Company year ended	
	31 May 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Financial liabilities at amortised cost				
Trade and other payables	**13,838**	12,980	**18,673**	13,013
Lease liability	**1,419**	1,337	**1,419**	1,337
Total	**15,257**	14,317	**20,092**	14,350

21. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company holds a £6 investment in Frontier Developments Inc., a company registered in the US. This represents 100% of the Ordinary Share capital of the company, which is engaged in publisher support services for the Group.

The registered address of Frontier Developments Inc. is 500 N. Rainbow Blvd, Suite 300, Las Vegas NV 89107, 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.

22. SHARE OPTIONS

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

The Group operates two EMI schemes (pre-July 2013), a HMRC-approved Company Share Option Plan (from January 2014), two unapproved schemes (one pre-July 2013 and one post-January 2014), a HMRC-approved Sharesave scheme (October 2017, May 2018, October 2018, April 2019, October 2019, March 2020, October 2020 and March 2021) and a Long Term Incentive Plan (November 2017, January 2018, May 2018, October 2018, October 2019, October 2020 and November 2020). 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	**2021 Number**	2020 Number
30 July 2012	2012 EMI scheme	2012–2022	89	**73,370**	87,970
15 May 2013	2013 EMI scheme	2014–2023	95	**2,000**	4,000
8 July 2013	Unapproved pre-IPO warrants	2013–2023	95	**13,158**	13,158
15 July 2013	Unapproved IPO warrants	2013–2023	127	**29,528**	29,528
21 March 2014	Company Share Option Plan	2017–2024	224.5	**44,100**	62,500
15 September 2014	Company Share Option Plan	2017–2024	257.5	**67,330**	91,980
15 September 2014	Unapproved options	2017–2024	257.5	**43,106**	138,250
15 September 2014	Unapproved options	2015–2024	257.5	**287,144**	288,350
10 March 2015	Company Share Option Plan	2018–2025	230	**39,200**	63,750
10 March 2015	Unapproved options	2018–2025	230	**16,500**	29,000
21 September 2015	Company Share Option Plan	2018–2025	193.5	**29,600**	38,500
21 September 2015	Unapproved options	2018–2025	193.5	**13,800**	13,800
8 September 2016	Company Share Option Plan	2019–2026	174	**30,750**	67,750
8 September 2016	Unapproved options	2019–2026	174	**41,500**	132,750
9 February 2017	Company Share Option Plan	2020–2027	278	**25,200**	52,310
9 February 2017	Unapproved options	2020–2027	278	**—**	25,000
31 May 2017	Company Share Option Plan	2020–2027	406	**—**	7,389
31 May 2017	Unapproved options	2020–2027	406	**7,389**	22,167
31 May 2017	Unapproved options	2020–2027	250	**100,000**	300,000
1 November 2017	Sharesave	2020–2027	952	**1,890**	66,896
10 November 2017	Company Share Option Plan	2020–2027	1,094	**37,842**	102,682
10 November 2017	Long Term Incentive Plan	2020–2027	0.5	**97,588**	144,781
8 May 2018	Sharesave	2021–2028	1,044	**13,586**	14,066
17 October 2018	Company Share Option Plan	2021–2028	1,130	**49,192**	52,670
17 October 2018	Long Term Incentive Plan	2021–2028	0.5	**131,576**	139,108
8 October 2018	Sharesave	2021–2028	904	**25,626**	26,957
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	**39,736**	43,020
4 October 2019	Company Share Option Plan	2022–2029	1,002	**44,261**	52,771
4 October 2019	Long Term Incentive Plan	2022–2029	0.5	**283,315**	294,432
4 October 2019	Sharesave	2022–2029	832	**20,926**	23,217
26 February 2020	Company Share Option Plan	2023–2030	1,188	**—**	2,525
25 March 2020	Sharesave	2023–2030	947	**10,920**	11,775
8 October 2020	Sharesave	2023–2030	2,040	**26,326**	—
9 October 2020	Company Share Option Plan	2023–2030	2,455	**46,148**	—
9 October 2020	Long Term Incentive Plan	2023–2030	0.5	**90,804**	—
27 November 2020	Company Share Option Plan	2023–2030	2,410	**6,220**	—
27 November 2020	Long Term Incentive Plan	2023–2030	0.5	**1,373**	—
25 March 2021	Sharesave	2024–2031	1,972	**33,924**	—
				1,828,872	2,446,996

22. SHARE OPTIONS CONTINUED

Movements in the number of share options and warrants outstanding:

	Group and Company year ended	
	2021 Number	2020 Number
Opening balance	**2,446,996**	2,625,680
Granted	**214,599**	415,839
Exercised	**(767,086)**	(510,085)
Lapsed	**(65,637)**	(84,438)
Closing balance	**1,828,872**	2,446,996
Weighted average exercise price on closing balance	**374.2**	299.8

The share-based compensation charge in the profit and loss was £2,154,816 (31 May 2020: £1,946,725), of which £nil (31 May 2020: £8,541) 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 2021	LTIP November 2020	CSOP November 2020	LTIP October 2020	CSOP October 2020	Sharesave October 2020
Share price at date of grant (p)	1,972	2,410	2,410	2,455	2,455	2,040
Exercise price (p)	1,972	0.5	2,410	0.5	2,455	2,040
Expected time to expiry (years)	5.03	5.03	5.03	5.03	5.03	5.03
Risk-free interest rate (%)	1.61	1.32	1.32	1.34	1.34	1.37
Expected dividend yield on shares (%)	—	—	—	—	—	—
Expected volatility of share price (%)	52.63	53.19	53.19	52.84	52.84	52.70
Fair value of options granted (p)	921.7	2,409.5	1,126.5	2,454.5	1,142.0	947.7

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 Ocorian Limited (formerly Estera 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 339,459 Ordinary Shares. The Group funded the EBT £10,000,000 in September 2020 and the EBT purchased 415,834 Ordinary Shares from the market. The EBT had no other assets or liabilities at 31 May 2021 outside of its interest in 239,700 Ordinary Shares.

23. RELATED PARTY TRANSACTIONS

One shareholder receives 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 2021 £'000**	**Creditor balance 31 May 2021 £'000**	Expense paid 31 May 2020 £'000	Creditor balance 31 May 2020 £'000
Chris Sawyer – royalties	**470**	**–**	14	—

Notes to the financial statements continued for the year ended 31 May 2021

23. RELATED PARTY TRANSACTIONS CONTINUED

GROUP AND COMPANY YEAR ENDED

Connected party	Change in value of loan expense paid 31 May 2021 £'000	Change in value of loan expense paid 31 May 2020 £'000
Contribution to EBT to purchase shares on market	**10,000**	–
Voluntary contribution to the Trust to repay outstanding loan balance during year ended 31 May 2021	**(10,000)**	–
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 2021 £'000	31 May 2020 £'000
Directors' emoluments (including bonus)	**1,545**	1,309
Aggregate gains on the exercise of share options	**8,144**	683
Non-Executive fees	**158**	125
Non-Executive consultancy fees	**42**	50

Consultancy fees are paid to Rockspring Ltd, a company in which David Gammon is a common director, amounting to £42k (2020: £50k). The amount outstanding at 31 May 2021 is £nil (2020: £5k).

24. FINANCIAL INSTRUMENT RISKS

RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group's risk management is coordinated in close cooperation with the Board of Directors.

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

Credit risk

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

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

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

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

Foreign currency risk

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

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

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

	Consolidated year ended 31 May 2021			Consolidated year ended 31 May 2020			Company year ended 31 May 2021			Company year ended 31 May 2020		
	CAD £'000	USD £'000	EUR £'000	CAD £'000	USD £'000	EUR £'000	CAD £'000	USD £'000	EUR £'000	CAD £'000	USD £'000	EUR £'000
Assets	**4**	**15,920**	**2,695**	1	12,433	1,262	**4**	**15,559**	**2,695**	1	12,274	1,262

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

24. FINANCIAL INSTRUMENT RISKS CONTINUED

RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Foreign currency 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 2021 £'000	31 May 2020 £'000	**31 May 2021 £'000**	31 May 2020 £'000
Effect of a 5% change in relevant exchange rate on:				
Income statement	**1,934**	2,108	**1,935**	2,112
Equity	**1,380**	1,148	**1,388**	1,158

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 2021				
Trade and other payables	**13,011**	**827**	**9,219**	**–**
At 31 May 2020				
Trade and other payables	12,017	963	8,237	–

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 2021				
Trade and other payables	**16,862**	**827**	**9,219**	**–**
At 31 May 2020				
Trade and other payables	12,050	963	8,237	–

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 2020 £'000	Cashflows	Other	31 May 2021 £'000
Current lease liabilities	1,337	(1,337)	1,419	1,419
Non-current lease liabilities	22,198	(2,068)	609	20,739
Total liabilities from financing activities	**23,535**	**(3,405)**	**2,028**	**22,158**

Company statement of financial position as at 31 May 2021 (REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2021 £'000	Restated* 31 May 2020 £'000
Non-current assets			
Intangible assets	9	**71,318**	52,668
Property, plant and equipment	10	**6,078**	5,926
Right-of-use asset	11	**21,108**	22,732
Deferred tax asset	18	**384**	2,137
		98,888	83,463
Current assets			
Trade and other receivables	12	**19,068**	12,539
Current tax asset	16	**5,682**	2,374
Cash and cash equivalents	13	**42,062**	45,592
		66,812	60,505
Total assets		**165,700**	143,968
Current liabilities			
Trade and other payables	14	**(19,603)**	(13,702)
Lease liability		**(1,419)**	(1,337)
Deferred income	15	**(2,138)**	(1,390)
		(23,160)	(16,429)
Net current assets		**43,652**	44,076
Non-current liabilities			
Provisions	17	**(41)**	(27)
Lease liability		**(20,739)**	(22,198)
Deferred income	15	**–**	(185)
Other payables	14	**(9,219)**	(8,237)
		(29,999)	(30,647)
Total liabilities		**(53,159)**	(47,076)
Net assets		**112,541**	96,892
Equity			
Share capital	19	**197**	195
Share premium account		**36,079**	34,589
Equity reserve		**(9,351)**	(925)
Retained earnings		**85,616**	63,033
Total equity		**112,541**	96,892

* Restated for a presentation 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 £17,302k (2020: £15,971k).

These financial statements were approved by the Directors on 8 September 2021 and signed on their behalf by:

ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY

Company statement of cashflows for the year ended 31 May 2021

	31 May 2021 £'000	31 May 2020 £'000
Cash generated from operations	**38,736**	36,346
Taxes received	**38**	–
Cashflow from operating activities	**38,774**	36,346
Investing activities		
Purchase of property, plant and equipment	**(1,375)**	(666)
Expenditure on intangible assets	**(31,502)**	(21,044)
Interest received	**48**	240
Cashflow from investing activities	**(32,829)**	(21,470)
Financing activities		
Proceeds from issue of share capital	**1,492**	200
Employee Benefit Trust cash outflows from share purchases	**(10,000)**	–
Employee Benefit Trust cash inflows from option exercises	**1,189**	711
Payment of principal element of lease liabilities	**(1,377)**	(820)
Payment of interest element of lease liabilities	**(691)**	(731)
Interest paid	**(88)**	–
Cashflow from financing activities	**(9,475)**	(640)
Net change in cash and cash equivalents from continuing operations	**(3,530)**	14,236
Cash and cash equivalents at beginning of period	**45,592**	31,356
Exchange differences on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of period	**42,062**	45,592

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

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	31 May 2021 £'000	31 May 2020 £'000
Operating profit	**19,952**	16,732
Depreciation and amortisation	**18,167**	14,870
EBITDA	**38,119**	31,602
Movement in unrealised exchange gains on forward contracts	**(223)**	(91)
Share-based payment expenses	**2,155**	1,947
Operating cashflows before movements in working capital	**40,051**	33,458
Net changes in working capital:		
Change in trade and other receivables	**(5,322)**	(3,306)
Change in trade and other payables	**3,993**	6,180
Change in provisions	**14**	14
Cash generated from operations	**38,736**	36,346

Company statement of changes in equity for the year ended 31 May 2021

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
At 1 June 2019	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 exercises and lapses	–	–	(510)	510	–
EBT net cash inflows from option exercises	–	–	711	–	711
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
Profit for the year	–	–	–	20,810	20,810
Total comprehensive income for the year	–	–	–	20,810	20,810
Issue of share capital net of expenses	2	1,490	–	–	1,492
Share-based payment charges	–	–	2,155	–	2,155
Share-based payment transfer relating to option exercises and lapses	–	–	(1,770)	1,770	–
EBT cash outflows from share purchases	–	–	(10,000)	–	(10,000)
EBT net cash inflows from option exercises	–	–	1,189	–	1,189
Deferred tax movements posted directly to reserves	–	–	–	3	3
Transactions with owners	2	1,490	(8,426)	1,773	(5,161)
At 31 May 2021	**197**	**36,079**	**(9,351)**	**85,616**	**112,541**

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 27 October 2021 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 2021 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 (the 'Directors') to determine the Auditor's 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 £65,587.04, 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 2022, 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 £19,676.11 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 2022, 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
8 September 2021

Registered office:

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

Notice of Annual General Meeting continued

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 despite recent announcements by the UK government and the removal of the majority of COVID-19 restrictions, the Board considers that there remains a degree of uncertainty around the relaxation of restrictions and what this means for the holding of the Annual General Meeting . The Board's current intention is to proceed with holding the Annual General Meeting as an open meeting. It is however unclear as to what restrictions may be in place on the day of the Annual General Meeting and it remains the Board's priority to ensure the health and wellbeing of all stakeholders. Given the evolving nature of the situation, it may become necessary to make alternative arrangements for the Annual General Meeting and the manner in which it is held, should the restrictions that are in place at the time of the meeting restrict or prevent Shareholders from attending in person. Accordingly, the Board strongly encourages Shareholders not to attend the Annual General Meeting in person, and strongly encourages all Shareholders to vote on the resolutions to be proposed at the Annual General Meeting by proxy and appoint the Chair of the Meeting as their proxy. Should you still wish to attend in person, we kindly ask that you register your interest in attending by emailing ir@frontier.co.uk. Please note that it may be necessary to place restrictions on the number of attendees and/or prescribe other entry requirements.

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 Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 9.15 a.m. (BST) on 25 October 2021 (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 Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL, 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 25 October 2021 (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.

Five-year summary
for the year ended 31 May 2021

	31 May 2021	31 May 2020	31 May 2019	31 May 2018	31 May 2017
Revenue	**£90.7m**	£76.1m	£89.7m	£34.2m	£37.4m
Operating profit	**£19.9m**	£16.6m	£19.4m	£2.8m	£7.8m
Operating margin (%)	**22%**	22%	22%	8%	21%
EBITDA*	**£38.1m**	£31.5m	£29.0m	£9.4m	£12.7m
EPS (basic)	**55.4p**	41.3p	46.9p	9.6p	22.7p
Operating cashflow**	**£12.2m**	£13.6m	£16.8m	(£2.8m)	£3.4m
Net cash balance	**£42.4m**	£45.8m	£35.3m	£24.1m	£12.6m

* Earnings before interest, tax, depreciation and amortisation.

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

Advisors and Company information

COMPANY SECRETARY AND CFO
Alexander Bevis

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in England and Wales)

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London EC2Y 9LY

JOINT BROKER
JEFFERIES INTERNATIONAL LIMITED
68 Upper Thames Street
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AUDITOR
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Cowley Road
Cambridge CB4 0WZ

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

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

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