FRONTIER DEVELOPMENTS PLC
ANNUAL REPORT AND ACCOUNTS 2022

DRIVING AHEAD

CONTINUOUS EVOLUTION

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 800 talented people, Frontier creates innovative genre-leading games, primarily for personal computers and videogame consoles.

Our internally developed self-published titles released to date include *Elite Dangerous*, *Planet Coaster*, *Planet Zoo*, *Jurassic World Evolution 1&2*, and *F1® Manager 2022*.

Frontier also publishes games developed by carefully selected partner studios under its Frontier Foundry games label.

ANNUAL REPORT HEADLINES

See a summary of our progress in FY22 including our financial performance and strategic highlights, together with our latest news and outlook statement

PAGE 01

OUR BUSINESS MODEL

Read about our Develop, Launch & Nurture approach to creating and publishing our genre-leading games

PAGE 08

OUR STRATEGY

Find out how we achieve repeatable success to deliver long-term sustainable growth

PAGE 11

OUR GAMES LABEL

Hear more about Frontier Foundry, our games label for publishing games developed by carefully selected partner studios

PAGE 13

OUR PEOPLE

Discover what makes our team so special and how we support and develop our talented people

PAGE 15

CONTENTS

FLYING HIGH

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 using a strategic mix of in-house and licensed IP that builds on its proven capabilities and unique track record
- Post-launch, Frontier nurtures its games for many years through community engagement and additional content
- Our major game release in FY22, *Jurassic World Evolution 2* (November 2021), was the biggest sales contributor to FY22, and in June 2022, after the end of FY22, we successfully launched a major themed expansion alongside the Jurassic World Dominion film. *Jurassic World Evolution 2* has so far delivered over £60 million of revenue (as at 31 August 2022)
- Our portfolio of established titles which released before the start of FY22 each achieved material revenues in FY22, and each game continues to deliver sales and reach new players. *Planet Zoo* performed especially well in FY22 with an annual revenue sustain rate of 94%, supported by four new paid-downloadable content (PDLC) packs released in FY22, alongside free content
- In August 2022 we successfully released *F1® Manager 2022*. As expected, initial sales have been strong for this major new annual game franchise

MORE ON PAGE 11

Frontier Foundry achieves success

- Our games label for publishing carefully selected partner developments made good progress in FY22, with three new games released
- *Warhammer 40,000: Chaos Gate – Daemonhunters* has been our biggest Foundry title to date, releasing in May 2022, to a very positive reception
- Foundry is set for future success as a material part of our business with three more titles releasing in FY23

A strong portfolio and future roadmap

- Our existing portfolio of games and PDLC continues to perform well, supported by planned new PDLC for *Jurassic World Evolution 2* and *Planet Zoo*
- Initial sales for *F1® Manager 2022*, the first title in our annual Formula 1® management game series, have been strong and in line with our expectations, giving us further confidence as we continue to develop *F1® Manager 2023* (for release in FY24)
- Our first real-time strategy game, using *Warhammer Age of Sigmar* IP licensed from Games Workshop® will launch in FY24
- We are already in development for a new title for FY25, as well as early-stage scoping for another new game in FY26

FINANCIAL HIGHLIGHTS

- The successful release of *Jurassic World Evolution 2*, together with the ongoing performance of our established portfolio of genre-leading games and our Foundry titles, delivered record revenue in FY22 of £114.0 million (growth of 26% over £90.7 million in FY21)
- Adjusted EBITDA* in FY22 was in line with expectations at £6.7 million (FY21: £11.8 million), with EBITDA at £41.1 million (FY21: £38.1 million)
- Operating profit in FY22 was reduced to £1.5 million following the previously announced one-off non-cash accounting charge following the under-performance of the major *Elite Dangerous: Odyssey* expansion which released in May 2021 (FY21: £19.9 million)
- Cash resources remain strong with £38.7 million at 31 May 2022 (31 May 2021: £42.4 million). The £3.7 million reduction during FY22 reflected a greater investment in significant game developments for release in future years, working capital movements, and the £5.0 million purchase of shares by the Employee Benefit Trust undertaken in April 2022. Cash balances at 31 August 2022 were £53.1 million

FULL FINANCIAL REVIEW ON PAGES 18 TO 20

CURRENT TRADING AND OUTLOOK

We have achieved a pleasing start to FY23. Our existing portfolio continues to perform, with *Jurassic World Evolution 2* benefitting from our themed PDLC and the hype around the Jurassic World Dominion film in June 2022, and *Planet Zoo* also seeing new PDLC. Our major new game release in FY23, *F1® Manager 2022*, launched a few weeks ago on 30 August, and initial sales have been strong, as expected. Foundry looks set for a good year with ongoing sales from *Warhammer 40,000: Chaos Gate – Daemonhunters* and three more titles to come in FY23.

Based on trading performance to date, the Board remains confident of delivering on current analyst expectations for FY23.

Over the medium term, the Board expects Frontier to continue to grow revenue by around 20% on average per annum, with any annual growth rate variability largely driven by the timing and scale of new releases in each year.

* Earnings before interest, tax, depreciation and amortisation charges related to game developments and Frontier's game technology, less investments in game developments and Frontier's game technology, and excluding share-based payment charges and other non-cash items.

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 'Develop, Launch & Nurture' model, creating a strong portfolio of game franchises.

RELEASED TITLES

ELITE DANGEROUS PAGE 25

ELITEDANGEROUS.COM

PLANET COASTER PAGE 23

PLANETCOASTER.COM

JURASSIC WORLD EVOLUTION PAGE 07

JURASSICWORLDEVOLUTION.COM

PLANET ZOO PAGE 10

PLANETZOOGAME.COM

JURASSIC WORLD EVOLUTION 2 PAGE 07

JURASSICWORLDEVOLUTION2.COM

F1® MANAGER 2022 PAGE 04

F1MANAGER.COM

FUTURE TITLES

ANNUAL FORMULA 1® MANAGEMENT GAMES PAGE 04

F1MANAGER.COM

WARHAMMER AGE OF SIGMAR REAL-TIME STRATEGY GAME PAGE 17

FRONTIER® FOUNDRY

As well as our internally developed games, we have a number of existing and future titles published under our Foundry games label.

FIND OUT MORE ON PAGE 13

ANOTHER GREAT YEAR

"The base has been established for the next decade of growth and scale."

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN

In FY22 we achieved record revenue for the second consecutive year, growing by 26%. This was achieved through the strength in depth of our portfolio and the success of new titles, most notably *Jurassic World Evolution 2*. Our most recent new game release, *F1® Manager 2022*, launched successfully at the end of August and is set to deliver a substantial contribution in FY23.

As ever, our financial success is a testament to the talent and hard work of our great team of people. I'd like to thank everyone at Frontier for their dedication and teamwork, continuing to support our games, our players and each other.

I believe our chosen business model and strategy – developing, launching and nurturing genre-leading games which best fit our expertise and competitive advantages – will continue to deliver long-term value to our stakeholders. We have an exciting roadmap of future content alongside our existing portfolio.

As announced on 10 August, in December 2022 I will be retiring from Frontier's Board after 10 years, most of which I have spent as Chairman. I am privileged to have been a witness to the success of Frontier's transition from a third-party developer to a publisher of its own titles. I am delighted to be passing my Chairman responsibility to the excellent David Wilton, who joins our Board as Non-Executive Director and Chairman Designate on 22 September 2022.

The news of my planned retirement has coincided with the announcement of another significant Board change. On 10 August 2022, Frontier's Founder, David Braben, who has been CEO since the foundation of the Company in 1994, passed the CEO baton to his long-time colleague, and proven deliverer of multiple genre-leading games, Jonny Watts, our former Chief Creative Officer. David will continue to add huge strategic value to Frontier in his new role of President and Founder. He will remain an Executive Director on the Board. As CEO, Jonny has assumed responsibility for day-to-day management of the business and delivery of Frontier's operational and longer-term strategic plans. I am looking forward to seeing Jonny now take the Company on to even greater success.

On 10 August 2022 we also announced two further Board-related changes, with James Dixon stepping up to become Chief Operating Officer (an Executive Director position on the Board), and Jessica Bourne promoted to General Counsel and Company Secretary, taking on company secretarial responsibilities from our Chief Financial Officer, Alex Bevis.

Our Board has always benefitted from a diverse membership of highly experienced, capable and motivated individuals. I believe the changes we have announced in the last 12 months, including the appointment of the terrific Ilse Howling as a Non-Executive Director in March 2022, have, and will, strengthen it even further.

It is with sadness that I sign off my last Chairman's Statement for Frontier's Annual Report. I'd like to thank David Braben for his entrepreneurial brilliance and support throughout my tenure. I cannot thank my Board colleagues enough for letting me watch, learn at and chair their meetings. I leave Frontier in a confident mood with a very talented senior leadership team. I look forward to watching Frontier's continued growth and evolution!

DAVID GAMMON
NON-EXECUTIVE CHAIRMAN
21 September 2022

"I am proud of Frontier's growth and evolution over the last 10 years."

DRIVE EVERY DECISION

F1® Manager 2022 released successfully at the end of August 2022 on Steam, Epic Games Store, PlayStation 5, Xbox Series X|S, PlayStation 4 and Xbox One. This is our first title in our multi-year exclusive 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.

Through multiple years of development in close partnership with F1®, the Frontier team has used its expertise in management games to give players the opportunity to enter the captivating, pressurised, thrilling world of the pinnacle of motorsport. As a Team Principal, players are challenged to guide an official F1® team to glory, via smart management and strategy both on and off the track.

F1MANAGER.COM

On race weekends, forge a path to success using careful planning, data, driver feedback, and intuition. The player will give detailed orders to drivers, deliver the optimal strategy, and react to unpredictable moments to achieve victory. Away from the circuit, the player will make all the key decisions and establish a long-term plan for the team, balance the books and work within the cost cap, and develop and manufacture new parts for the cars. They will scout and hire real-world staff and F1®, F2® and F3® drivers to the team, expand and improve facilities, vote on regulations and adapt to changes through multiple seasons and ups and downs.

The power is in the player's hands to control the future of an F1® team, writing the next chapter in their legacy. Drive every decision.

EMBRACING CHANGE FOR A BRIGHT FUTURE

"Our team delivered great games and content in FY22."

DAVID BRABEN
CEO FOR FY22, PRESIDENT AND FOUNDER FROM 10 AUGUST 2022

Our great teams have worked hard and successfully delivered another great year. It has been a year of change – with Frontier adapting successfully to new working practices and moving into new adjacent game genres – while growing and delivering great new games like *Jurassic World Evolution 2*. Revenue was up by 26% year-on-year, and headcount grew by over 25% – which is a real investment, increasing our development firepower for future titles.

HYBRID WORKING

During FY22 we emerged from the 2020 and 2021 Covid-19 restrictions of home working and into the new mixed model of hybrid working of in the office and at home. Our diverse teams of people were able to connect with each other both virtually and in person, with the ability once again to use our splendid studio facility. I feel those opportunities to reconnect are important for people's personal development and wellbeing, as well as being important for successful delivery of our complex content.

Like many companies we are still refining the new ways of remote and hybrid working, but we believe we are getting the balance right, which puts us in a strong position to continue to deliver great games and content which benefits all of our stakeholders. We put a lot of effort into fostering team engagement through communication and social opportunities. In July 2022 we held our biggest ever party, which saw almost 900 people (staff plus partners/families) attend a summer event which celebrated all of our games with themed zones.

OUR PEOPLE

We saw record numbers of people join us during the last 12 months, with net headcount growing by 158 people or over 25% during FY22. The benefit of this increased headcount will help us grow in future years. Growing and investing in our people is a crucial element of our strategy, and like many companies we have experienced strong competition for talent, which when combined with the negative impact of coronavirus on staff engagement and connectivity has created some challenges for staff retention. We continue to believe that our sophisticated and diverse portfolio of genre-leading games, together with our self-publishing business model and our competitive reward packages, provides an attractive home for talent, but of course we can never be complacent and we will continue to review opportunities to improve our offering.

OUR PLAYERS

Our players have continued to support us, and the wonderful communities around each of our games have continued to grow, with total all-time base game unit sales having increased by over 30% in the period. Though there is some overlap between our different titles, many of these are new players joining these communities for the first time. These communities continue to evolve over the years - many players have been members of the *Elite Dangerous* community for around 10 years since it started in 2012, while other communities, like that for *F1® Manager* are still in their early stages. I would like to thank all our players for their continued support, and we look forward to many further adventures together in the future.

OUR PORTFOLIO

FY22 saw the delivery of great games and content from our teams, most notably with *Jurassic World Evolution 2* releasing in November 2021 and *Planet Zoo* benefitting from four new PDLC packs during the financial year. The success of these new releases, when combined with our existing portfolio, drove a 26% growth in revenue to a record £114 million in FY22, and we are well set to deliver another record performance in FY23.

Our teams have delivered more great content already in FY23, with the *Jurassic World Evolution 2: Dominion Biosyn Expansion* releasing in June 2022 alongside Universal Pictures and Amblin Entertainment's Jurassic World Dominion film, another excellent PDLC pack for *Planet Zoo*, and a major new game release through the launch of *F1® Manager 2022* at the end of August 2022 (all after the end of FY22). I am particularly pleased with initial player engagement with *F1® Manager 2022*, since this is a major new sports franchise for Frontier, with annual titles scheduled for at least the next three years (2023, 2024 and 2025).

As previously reported, the one area of disappointment in FY22 was the lower than expected level of player engagement with our major *Elite Dangerous: Odyssey* expansion. Our team did a terrific job with that very ambitious expansion, which made the decision to cancel future console development and to focus our attention on PC even more difficult. We are supporting and growing our *Elite Dangerous* player community and will build on the narrative aspects of *Elite Dangerous* during FY23.

During FY22 our team working on our *Warhammer Age of Sigmar* real-time strategy game made good progress, and we look forward to bringing that game to market in FY24. Looking a little further out, we have now started development of a new internal title for FY25 and are scoping out another new game for FY26.

"I think it's fair to say that we have our strongest ever release line-up, supported by our superb existing portfolio."

OUR PORTFOLIO CONTINUED

I think it's fair to say that we have our strongest ever release line-up, supported by our superb 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 being a developer under a variety of different business models.

Foundry released three titles in FY22, with *Warhammer 40,000: Chaos Gate – Daemonhunters* quickly becoming our biggest selling Foundry title to date. Our approach to third-party publishing is resonating well with our existing and potential new partners. We have three games releasing from Foundry in FY23, *Stranded: Alien Dawn* (from Haemimont Games), *Deliver Us Mars* (from KeokeN Interactive) and *The Great War: The Western Front* (from Petroglyph Games), and we continue to expect Foundry to build and become a material part of our overall business over time.

OUR STRATEGY AND BUSINESS MODEL

We have a repeatable business model of releasing and supporting high-quality games in under-served genres where we have relevant experience, and where there is a reasonable expectation of our title becoming the dominant game in that sector. We build a community around the title, and continue to support it with free and paid content over many years, to create the longevity we have already seen with our existing titles, and hope to see with those in the future. We will use our key expertise and where applicable valuable external IP to deliver highly differentiated, best-in-class player experiences. Frontier's games are set in rich environments and take a long time to fully master, thereby yielding longevity and great value for players. This long-term engagement and loyalty of our passionate player communities will help further build the Company over the long term.

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 to create long-term sustainable growth which benefits all of our key stakeholders, through successfully publishing a growing portfolio of games. To achieve our strategic objective, we focus on three key areas:

- our portfolio strategy for our internal developments;
- our strategy for our Foundry games label; and
- our people strategy.

This third key area is crucial for our long-term success. We must continue to grow and invest in 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 have just seen with *Jurassic World Evolution 2* in FY22 and we are seeing with *F1® Manager 2022* in FY23.

We are growing our portfolio, and consequently we are increasing our development, publishing and other teams to enable us to support additional games while generating new updates 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.

BOARD CHANGES

As previously announced, after over 28 years as Frontier's CEO, in August 2022 I changed my role to become President and Founder. The excellent Jonny Watts has taken over as CEO, taking over the day-to-day Company activities, many of which he has already been doing. I will remain at Frontier, and will still be actively involved, retaining oversight and involvement in strategic direction and key external relationships.

I'd like to say a massive thank you to David Gammon, our departing Chairman, and a big welcome to David Wilton, our new Chairman. This will be my last CEO's Statement in our Annual Report, and I'd just like to thank everyone at Frontier and all of our partners and stakeholders, for your support over my many decades as Frontier's CEO. I will be actively engaged with Frontier for the foreseeable future, so you will still hear from me on a regular basis.

DAVID BRABEN
PRESIDENT AND FOUNDER
21 September 2022

A WORLD EVOLVED

JURASSIC WORLD EVOLUTION 2

Jurassic World Evolution 2 released successfully in November 2021 on PC, PlayStation 5, Xbox Series X|S, PlayStation 4 and Xbox One as a much-anticipated sequel to Frontier's highly successful *Jurassic World Evolution (2018).*

Jurassic World Evolution 2 delivers a compelling campaign mode featuring Dr Ian Malcolm (voiced by Jeff Goldblum) and Claire Dearing (voiced by Bryce Dallas Howard), a deeper, richer suite of creative tools and customisation options, over 75 awe-inspiring prehistoric species, and many more incredible features and modes. One of these is the all-new Chaos Theory mode, where players take charge as they revisit pivotal moments from the Jurassic World film franchise in a series of 'what if' scenarios. That might be realising John Hammond's original vision of Jurassic Park, one in which disaster is averted and the park is able to welcome in its very first guests, or working alongside Jurassic World founder Simon Masrani to build Jurassic World.

Authenticity is at the heart of *Jurassic World Evolution 2*. Chaos Theory mode features era-specific building sets for the specific levels, and Campaign mode plunges players right into the middle of the action where they help lead the DFW (Department of Fish and Wildlife) following the earth-shattering events of Jurassic World: Fallen Kingdom. In Challenge and Sandbox modes, players can test their park management skills or build their own ultimate Jurassic World theme park with all the tools at their disposal, including over 75 incredible prehistoric species.

In June 2022, Frontier released the *Jurassic World Evolution 2: Dominion Biosyn Expansion*, a compelling new PDLC alongside Universal Pictures and Amblin Entertainment's Jurassic World Dominion film. In the game's biggest DLC to date, park managers are invited to immerse themselves in gameplay inspired by the epic events of Jurassic World Dominion.

Additional PDLC is planned for release in FY23 to add to the four packs (including the deluxe upgrade pack) already available.

JURASSICWORLDEVOLUTION2.COM

OUR DEVELOP, LAUNCH & NURTURE BUSINESS MODEL

There is a wide variety of business models within the games industry and the larger digital entertainment sector. Our chosen model is to create and publish our own content with the ultimate aim of achieving strong financial returns on our investments over many years.

CREATING OUR CONTENT

We invest in the creation of our own games and supporting PDLC using our world-class team, supplemented by our outsource partners.

We focus on games with strong franchise potential, primarily on PC and console. Audiences on those platforms tend to value games that exhibit Frontier's key development strengths of creating deep, immersive and high-fidelity games.

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.

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.

We also use industry leading tools and technology where appropriate, particularly where a large amount of outsource work is required.

We use online channels to create and engage with player communities during game development. This practice provides a valuable source of feedback, and creating and nurturing these player communities provides excellent advocacy for each title prior to launch and long into each game's life-cycle.

Over
28 YEARS
of successful delivery across a variety of projects through multiple different business models

Over
800 PEOPLE
in our world-class team (as at 31 August 2022), which has grown by 64% in the last three years

Over
19 MILLION
base game units sold across our first five internally developed self-published titles

Over
£500 MILLION
of revenue generated since our 2013 IPO

PUBLISHING OUR CONTENT

We bring our content to market through strong product launches, directly targeting our selected player audiences and leveraging our relationships with partner platforms and distribution channels.

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.

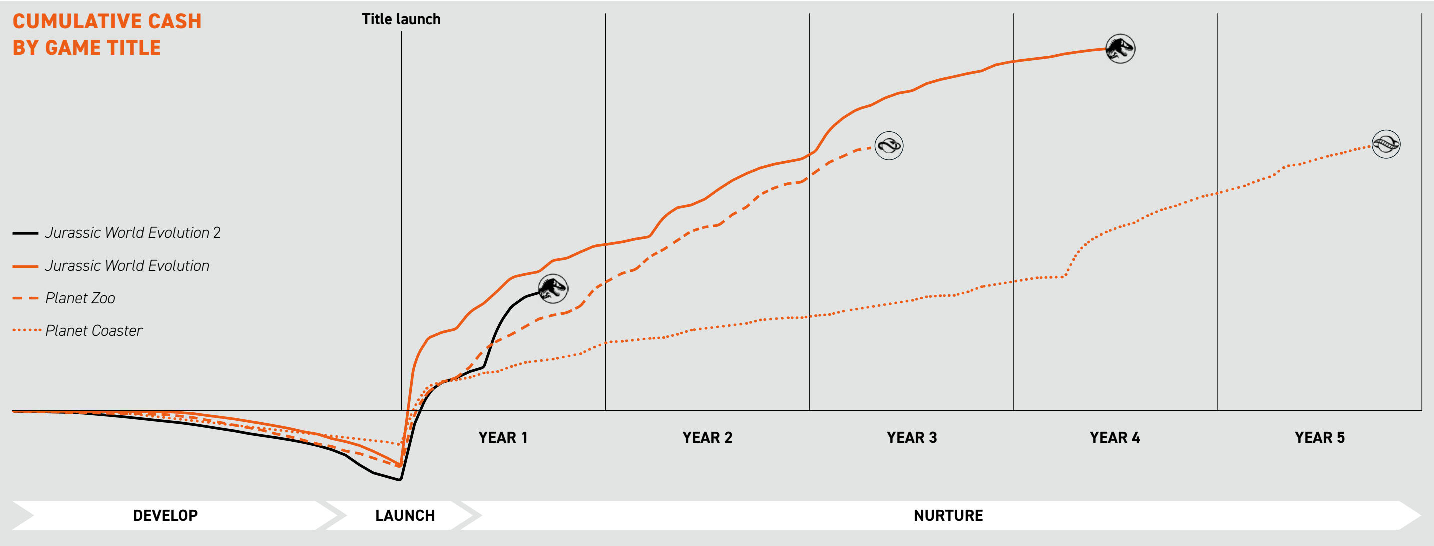
We also monitor the geographical performance of our titles, understanding and monitoring under and over performance versus expectations in each territory, and will continue to look for opportunities to tailor our price to a level more appropriate to each local economy.

We support the creation of content from carefully selected development partners, releasing that content under our Foundry games label using our internal publishing team. See page 13 for more details on our Foundry model and strategy.

How we invest to deliver financial returns through the development and publication of our own content can be described as having three distinct phases – 'Develop, Launch & Nurture'. Our development and publishing teams, together with all of our other teams, support all three phases of our model.

OUR DEVELOP, LAUNCH & NURTURE MODEL

Cumulative cash charts for our titles with a normalised launch date provide an excellent visual illustration of the Develop, Launch & Nurture phases of our business model.



DEVELOP

We tend to start our development projects with a relatively small team of people – focusing on scoping and planning. That scoping and planning is essential in determining whether we will proceed into full development. Once we have made the decision to proceed – and as we progress further through the 'Develop' phase – the number of people working on a new game development grows, and a wider range of disciplines become involved. At the peak we will usually have well over 100 Frontier people contributing to a project. If we add in outsource partner support, then the total team size could be 200 or more.

LAUNCH

As we progress towards release, our publishing team will develop and execute launch plans, which will usually be focused on establishing and supporting a community of players. This community focused approach may start six months or more before release. The 'Launch' phase is very important. We want each game release to be as positive as possible. However, it's also typically the start of a long journey of post-release engagement and nurturing, which incorporates new content and active community support.

NURTURE

Our launch goal is to achieve genre-leading status, and our 'Nurture' goal is to maintain that status for an extended period, measured in years. This is achieved through satisfying existing players with new content and community support, and by engaging with more and more players over time.

SUPPORTING OUR DEVELOP, LAUNCH & NURTURE BUSINESS MODEL

Our experience, resources and partnerships provide us with some key competitive advantages when operating under our chosen model:

- Our experience – we use our experience gained from a track record in the games industry over three decades to make good decisions and then execute on those decisions, creating games that build on our world-class expertise.
- Our people – our extensive team of people is instrumental in making authentic games that define genres and receive critical acclaim.
- Our technology – our development process uses our proprietary COBRA tools and technology to facilitate innovative features.
- Our audiences – we have passionate, engaged audiences and we strive to delight them with our continued developments.
- Our partnerships – we work with our selected partners to widen our audience, monetise our games and bring new games to market.
- Our track record of growth, evolution and innovation – our industry is constantly changing, and our performance to date, including managing rapid growth over the last few years, positions us well to continue to thrive in the ever-changing games sector.

PLANET ZOO

SIMULATION RUNS WILD

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 on to 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 their guests with prestigious animals and famous exhibits, develop their zoo, 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 ponds and streams, raise hills and carve tunnels as they build their own zoo. Players will see their animals and guests alike 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 11 PDLC packs (including a deluxe upgrade pack), with a total of four packs being released during FY22, and more planned for FY23. *Planet Zoo* also supports real-life initiatives for animal conservation and has partnered with highly acclaimed zoos such as Edinburgh Zoo, Chester Zoo and San Diego Wildlife Alliance.

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

OUR STRATEGY FOR LONG-TERM SUSTAINABLE GROWTH

We plan to further expand our Develop, Launch & Nurture strategy, with the objective of delivering long-term sustainable value to all our key stakeholders. By continuing to develop our business to achieve repeatable success, we will continue to deliver great experiences for our players, great opportunities for our people, and growing returns for our shareholders, through a combination of strong game launches, new and user-generated free and paid-for DLC releases post-launch, and active community support.

OUR PORTFOLIO STRATEGY FOR OUR INTERNAL DEVELOPMENTS

We are building a broad portfolio of franchises, each different to the last and each with the capabilities to expand over time, and each with its own great community built around it.

We will build on our strong foundations to continue to establish our position as the leader in carefully selected genres, focusing on PC and console platforms. Our focus will continue to be on sophisticated, engaging and community-focused games, with long play time potential and strong replayability.

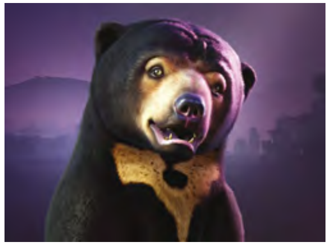
In order to maximise the return on our core skills and assets we target game genres where we believe we can deliver both high-quality, differentiated offerings using established expertise and intellectual property, and have a strong chance of successful market entry. We use this proven, rigorous and repeatable model to invest our resources with the intention of creating world-class games with strong franchise potential supported by plans for strong post-launch product support to help realise this potential.

Looking ahead we plan to consolidate our success within the management simulation genre, and we will carefully expand into adjacent genres over time. Our first real-time strategy game in FY24, incorporating *Warhammer Age of Sigmar* IP, is a great example of this careful expansion.

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 third-party licensed IP, like *Jurassic World Evolution 1&2*, the *F1® Manager* series of games and our future *Warhammer Age of Sigmar* real-time strategy game.

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 1&2*. 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 evolve, presenting ever more opportunities for new types of entertainment.

We will endeavour to continue to enhance and expand our franchises and grow their audiences using appropriate additional products, platforms, media, marketing, distribution channels and charging models.



OUR PEOPLE STRATEGY

To accelerate our progress and increase the frequency of launches we are continuing to scale-up our organisation, not just in terms of headcount, but also in terms of leadership skills, training, organisational structure, process and external partnerships.

We aim to provide great opportunities for our people to develop, by enhancing performance management systems and providing additional training and learning options.

We will build the capacity and capability of our organisation further through talent acquisition, talent management and leadership succession planning, and we will develop our leadership and management capability, including through training and learning programmes.

We seek to foster and maintain a high level of engagement across everyone at Frontier, including through open and frequent communication.

Increased investment in our people supports the growth and development of everyone at Frontier to be the best that they can be, and to have the best experience possible of working at Frontier, as they expand and nurture our portfolio of genre-leading games.

> "We aim to provide great opportunities for our people to develop, by enhancing performance management systems and providing additional training and learning options."

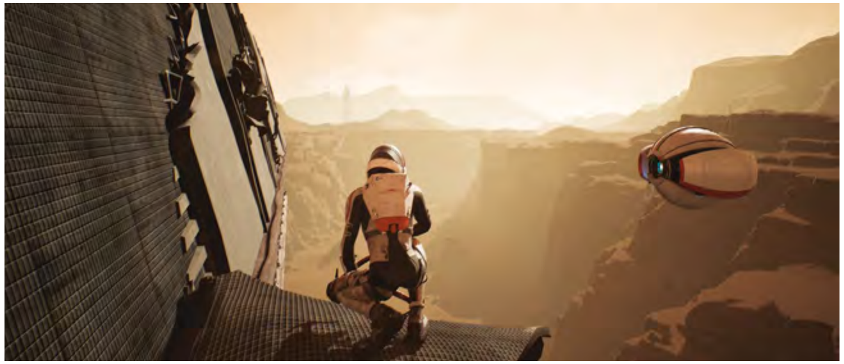
OUR STRATEGY FOR OUR FOUNDRY GAMES LABEL

By forming partnerships with quality external developers and leveraging our proven publishing expertise, Frontier Foundry aims to bring players unique and memorable new games that break boundaries and create legacies.

We will develop Foundry to become a highly trusted, well-respected, profitable and sought-after publisher of well-crafted third-party games of complementary genres and themes.

Through good decision making and strong execution, we will become a profitable, well-respected publisher of games, delivering lasting joy to our players, rewards to our development partners, satisfaction and purpose to our people, and value to our shareholders.

We invest thoughtfully and strategically in strong concepts with material market potential, backed by seasoned and professional teams, and supported by with our experienced staff in the spirit of win-win collaboration.



FRONTIER® FOUNDRY

OUR GAMES LABEL FOR THIRD-PARTY PUBLISHING

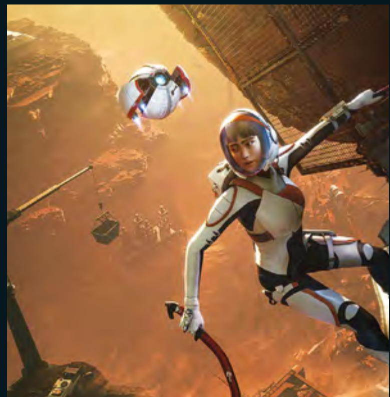
Foundry's mission is simple: expand the Company's excellent game portfolio by partnering with carefully selected developers to bring players unique and memorable new games that break boundaries and create legacies.

Our heritage as a developer ourselves, combined with our wealth of publishing experience, means that we are perfectly placed to offer third-party studios expertise and guidance throughout the development cycle, delivering and maximising the vision their creators intended.

We support our development partners with financial, developmental, operational and publishing resources to bring their games and ongoing updates to targeted player audiences. Our development partners share with us in the financial success that we deliver together.

Foundry has published five games to date, with three new titles coming in FY23.

FUTURE TITLES

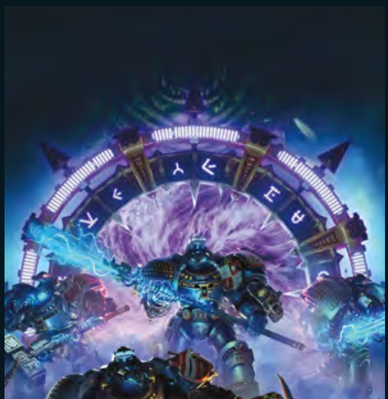


DELIVER US MARS **2023**
DELIVERUSMARS.COM

THE GREAT WAR: WESTERN FRONT **2023**
PLAYTHEGREATWAR.COM

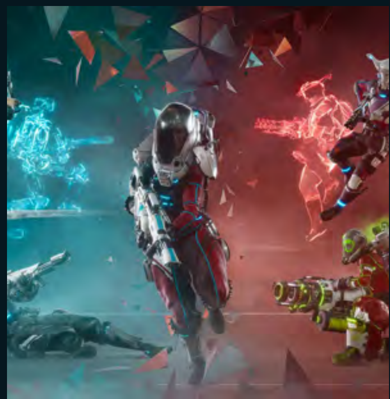
STRANDED: ALIEN DAWN **OCT '22**
STRANDEDALIENDAWN.COM

RELEASED TITLES



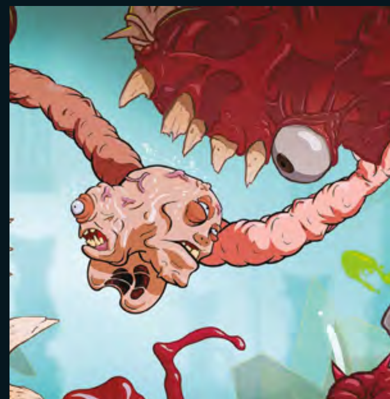
WARHAMMER 40,000: CHAOS GATE-DAEMONHUNTERS **MAY '22**
CHAOSGATE.COM

FAR: CHANGING TIDES **MAR '22**
FARCHANGINGTIDES.COM



LEMNIS GATE **SEP '21**
LEMNISGATEGAME.COM

ROLLERCOASTER TYCOON® 3 **SEP '20**
ROLLERCOASTERTYCOON3.CO.UK



STRUGGLING **AUG '20**
STRUGGLING-GAME.COM

UNLOCKING POWERFUL STORIES

WARHAMMER 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* pitches humanity's greatest weapon, the Grey Knights, against the corrupting forces of Chaos in this brutal and fast-paced turn-based tactical RPG.

"In the grim darkness of the 41st Millennium a new monstrous threat looms over the galaxy. The champions of the plague god Nurgle have begun to spread a new contagion, The Bloom. This virulent plague that spreads Nurgle's influence across worlds and mutates planets into manifestations of his twisted image.

It falls on you, the newly appointed Force Commander of the Grey Knights aboard the Baleful Edict Strike Cruiser, to take up arms and strike down the heresy before it spreads out of control."

Warhammer 40,000: Chaos Gate – Daemonhunters released successfully on PC in May 2022 to a very positive reception. It's our biggest selling Foundry title to date, which builds on Frontier's existing partnership with Games Workshop® - Frontier is internally developing a real-time strategy game which utilises Games Workshop®'s *Warhammer Age of Sigmar IP* (see page 17).

CHAOSGATE.COM

FRONTIER FOUNDRY

complex GAMES

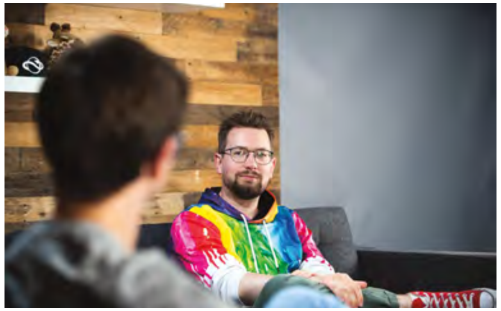
WARHAMMER OFFICIAL LICENSED PRODUCT





A STIMULATING ENVIRONMENT

Frontier employs amazing people who are instrumental in making our much-loved authentic games that define genres, break boundaries and sell millions of copies to players around the world. We share a vision of creating, launching and nurturing world-class games that put both Frontier and the games industry itself at the forefront of the global entertainment industry.









A DIVERSE TEAM OF HIGH ACHIEVERS

It is thanks to our great team of people, our technology and our growing communities of players around the world that FY22 was another record year for Frontier.

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, with a record 268 people joining us during FY22, growing our headcount to 792 people as at 31 May 2022. We continue to grow: as at 31 August 2022 our team had increased to 806 people, as we continue to recruit talented individuals to nurture our existing portfolio and support our roadmap of future titles.

Frontier recognises 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, creative and talented 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 plan our roadmap effectively 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 life-style benefits and perks. We review our rewards and remuneration structure regularly to ensure that everyone in the team continues to share in the success that they help to deliver.

Staff in Cambridge (as at 31 August 2022)

806

New joiners in FY22

268

Nationalities

46

"We believe that authentic games last a lifetime and in order for us to continue making smart and creative choices for our games, we need the smartest and most creative people in our teams."

CAREERS.FRONTIER.CO.UK

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 a globally renowned fantasy setting in which the four Grand Alliances of Order, Chaos, Death and Destruction vie for control of the Mortal Realms, a system of eight interconnected realms spawned from the Winds of Magic. This ever-growing universe sits alongside the far future dystopia of *Warhammer 40,000* as the most successful tabletop miniatures games in the world.

Frontier is working closely with the team at Games Workshop® to bring the rich world of *Warhammer Age of Sigmar* to a wider audience through an immersive real-time strategy game on both PC and console. 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 game streaming services.

The game is planned for release in FY24 (Frontier's financial year ending 31 May 2024) – so keep an eye out for news in the next 12 months!

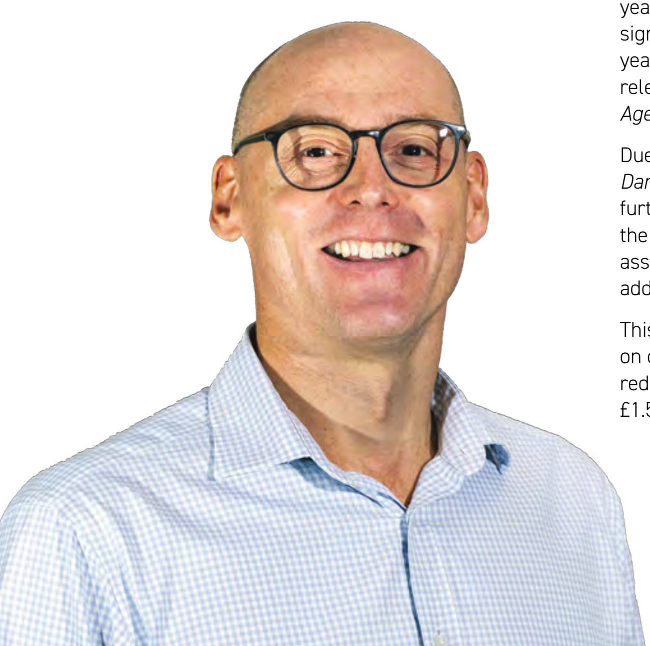
WARHAMMER AGE OF SIGMAR

WARHAMMER OFFICIAL LICENSED PRODUCT

A RECORD REVENUE PERFORMANCE

"Our growing portfolio is delivering for all of our stakeholders."

ALEX BEVIS
CHIEF FINANCIAL OFFICER



OVERVIEW

The combination of ongoing contributions from our existing titles (games which released in earlier financial years), the significant sales delivered by new game *Jurassic World Evolution 2*, and revenue achieved by our Foundry games label resulted in a record revenue performance in FY22 of £114.0 million, 26% ahead of the preceding financial year (FY21: £90.7 million).

Our strategy of developing, launching and nurturing genre-leading games continues to deliver financial performance for our shareholders, financial returns and audience expansions for our IP partners, compelling content for our players, and engaging and challenging projects for our people.

Adjusted EBITDA*, a measure of cash operating profit whereby game development costs are expensed as they are incurred, was in line with expectations in FY22 at £6.7 million (FY21: £11.8 million). The year-on-year reduction reflects greater investment in significant game developments for release in future years, including *F1® Manager 2022* which successfully released in August 2022 (in FY23), and our *Warhammer Age of Sigmar* real-time strategy game for FY24.

Due to the lower than expected engagement with *Elite Dangerous: Odyssey* on PC, and the decision to cancel further console development of this major expansion, the *Elite Dangerous: Odyssey* capitalised intangible asset was fully amortised in FY22, resulting in an additional one-off impairment charge of £7.4 million.

This non-cash accounting adjustment had no impact on cashflow, cash balances or Adjusted EBITDA, but reduced operating profit as reported under IFRS to £1.5 million (FY21: £19.9 million).

Frontier continues to benefit from a strong balance sheet, with total cash balances at 31 May 2022 of £38.7 million (31 May 2021: £42.4 million) and balances of £53.1 million at 31 August 2022. The small reduction in cash during FY22 reflected a greater investment in significant game developments for release in future years, and the £5.0 million purchase of shares by the Employee Benefit Trust undertaken in April 2022 to satisfy future share option exercises by employees.

TRADING

JURASSIC WORLD EVOLUTION 2

FY22 benefitted from the release of another successful new Frontier title, *Jurassic World Evolution* 2, which has continued to attract an expanding player base since its launch in November 2021. By 31 May 2022 *Jurassic World Evolution* 2 had achieved over 1.3 million base game units sold across all platforms and formats, excluding base game digital downloads through Microsoft's Game Pass subscription service, through which the base game became available on 17 May 2022.

The development and release of paid-downloadable content (PDLC) and free content has, as usual, been an important element of our strategy in continuing to engage and entertain existing *Jurassic World Evolution 2* players while attracting new ones. We saw strong uptake of the three separate PDLC packs available as at 31 May 2022.

In June 2022, after the end of FY22, we saw strong engagement with our compelling new PDLC, the *Jurassic World Evolution 2: Dominion Biosyn Expansion*, which released alongside Universal Pictures and Amblin Entertainment's Jurassic World Dominion film. This major new expansion for *Jurassic World Evolution 2* delivered a strong start for FY23, and additional PDLC will be released during FY23.

Jurassic World Evolution 2 had so far delivered over £60 million of total cumulative revenue as at 31 August 2022, a period covering its first 10 months from release.

OUR EXISTING GAME PORTFOLIO

Our portfolio of internally developed titles which released before FY22 – *Elite Dangerous*, *Planet Coaster*, *Jurassic World Evolution* and *Planet Zoo* – continues to reach new audiences, and each delivered material revenues in FY22. Most notably, *Planet Zoo* performed especially well, with an annual revenue sustain rate of 94% (FY22 vs. FY21), supported by four new PDLC packs releasing in FY22, alongside free content. We have new PDLC packs for *Planet Zoo* in FY23.

As previously reported, following the launch of the major *Odyssey* expansion in May 2021, *Elite Dangerous* revenue in FY22 fell below our original expectations. We are focusing on supporting and growing our player community, and will build on the narrative aspects of *Elite Dangerous* during FY23.

FRONTIER FOUNDRY

Alongside our internally developed titles, Frontier Foundry, our games label for publishing carefully selected partner developments, made good progress in FY22, with three new game releases.

Our most recent Frontier Foundry title, *Warhammer 40,000: Chaos Gate – Daemonhunters*, received a very positive reception at its launch on 5 May 2022. It quickly became our most successful Frontier Foundry title to date, with performance above expectations.

We have three more Frontier Foundry titles planned for release in FY23, and we continue to expect Frontier Foundry to become a material part of our business.

* Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation charges related to game developments and Frontier's game technology, less investments in game developments and Frontier's game technology, and excluding share-based payment charges and other non-cash items.

FINANCIAL PERFORMANCE

Our record revenue of £114.0 million in FY22 (FY21: £90.7 million) delivered a record gross profit of £73.6 million (FY21: £63.2 million) with gross margin of 65% (FY21: 70%). Our gross margin percentage tends to vary across different periods based on five factors: the split of own-IP versus licensed IP game revenue (since licensing IP attracts royalty costs), the proportion of revenue from Foundry (which tends to attract developer royalties), 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. The reduction in our gross margin percentage in FY22 versus FY21 was mainly the result of a higher proportion of sales from licensed IP games, most notably through the release of *Jurassic World Evolution 2*.

Gross research and development (R&D) expenses in the period grew by 36% to £47.5 million (FY21: £34.9 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. Outsourced work for our *F1® Manager 2022* game was particularly significant, driven by the need to deliver a large volume of assets to support the modelling of 22 race circuits and their surrounding environments. We'll be able to leverage that investment across our future *F1® Manager* titles.

Capitalisation of costs for game development related intangible assets, together with continued investment in our leading game technology, accounted for £35.2 million in the period (FY21: £27.8 million). Costs related to the development of new chargeable Frontier or Foundry content, or the development of technology to support new content, 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 FY22 represented 74% of gross R&D expenditure which is broadly consistent with prior periods (FY21: 80%, FY20: 80%).

Amortisation and impairment charges for game developments and Frontier's game technology related intangible assets grew significantly to £33.9 million in total for the period (FY21: £14.9 million) with *Elite Dangerous: Odyssey* accounting for the majority of the increase.

Amortisation charges for the *Elite Dangerous: Odyssey* expansion accounted for £8.4 million in FY22. Additionally, a one-off, non-cash impairment charge of £7.4 million was recorded in FY22, which resulted from lower than expected engagement with *Elite Dangerous: Odyssey* on PC following its launch in May 2021, and the decision to cancel further console development of this major expansion.

New games and PDLC content released in FY22 was also a factor in the year-on-year growth in the total amortisation charge, with the launch of *Jurassic World Evolution* 2, three Foundry titles, and PDLC packs for *Planet Zoo* and *Jurassic World Evolution 2*.

Net research and development expenses recorded in the income statement, being gross spend, less capitalised costs, plus amortisation and impairment charges, increased to £46.2 million in FY22 (FY21: £22.0 million). The substantial rise reflected a combination of our increased investment in newly released and future content, together with the large one-off, non-cash *Elite Dangerous: Odyssey* charge.

Sales, marketing and administrative expenses grew to £25.9 million in FY22 (FY21: £21.2 million) as a result of greater investment in marketing to support the launch of *Jurassic World Evolution* 2, our major new game release in the year, new Foundry titles, and our existing game portfolio including new PDLC releases and price promotion events.

Overall net operating expenditure in FY22 grew to £72.1 million (FY21: £43.2 million) with higher costs across all three areas: R&D, sales and marketing, and administration. The *Elite Dangerous: Odyssey* charge was also a large factor in the increase. After taking account of that charge, operating profit as reported under IFRS was reduced to £1.5 million (FY21: £19.9 million).

Adjusted EBITDA*, a measure of cash operating profit whereby game development costs are expensed as they are incurred, was in line with expectations in FY22 at £6.7 million (FY21: £11.8 million). The year-on-year reduction reflects greater investment in significant game developments for release in future years, including *F1® Manager 2022* which successfully released in August 2022 (in FY23), and our *Warhammer Age of Sigmar* real-time strategy game for FY24.

FINANCIAL PERFORMANCE CONTINUED

During FY21, Frontier elected into HMRC's Patent Box regime and made a Patent Box claim on patent-related profits from FY19 onwards. Patent Box has delivered future benefits in FY21 and FY22, including in the form of enhancements to the value of tax losses carried forward to future periods. The full effect of the benefits of the Patent Box claim will therefore be realised through cash tax benefits in the future.

Frontier also 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 £8.7 million in the income statement in FY22 (FY21: £2.4 million).

Profit after tax for FY22 was £9.6 million (FY21: £21.6 million) and basic earnings per share was 24.6p (FY21: 55.4p).

BALANCE SHEET AND CASHFLOW

We continue to benefit from a strong balance sheet, with £38.7 million of cash at 31 May 2022 (31 May 2021: £42.4 million) and £53.1 million at 31 August 2022. The £3.7 million reduction during FY22 reflected a greater investment in significant game developments for release in future years, working capital movements, and the £5.0 million purchase of shares by the Employee Benefit Trust undertaken in April 2022.

Our intangible asset values include game technology, internal game developments, Frontier Foundry game developments, third-party software and IP licences. Total intangible assets actually reduced slightly during the period to £70.8 million at 31 May 2022 (31 May 2021: £71.3 million). Significant investments in new content and technology were offset by total amortisation and impairment charges of £15.8 million for *Elite Dangerous: Odyssey*. Our investments in the period related to our own internally developed titles, including new content for our existing portfolio, our technology, and support for our Frontier Foundry partner developments.

Tangible assets relate mainly to IT equipment and the fit-out of the leased studio facility, which the Company occupied in April 2018. The net balance at 31 May 2022 was £6.6 million (31 May 2021: £6.1 million).

Following the adoption of IFRS 16 "Leases" effective for Frontier from 1 June 2019, the Company's balance sheet at 31 May 2022 includes a right-of-use asset valued at £19.5 million (31 May 2021: £21.1 million) for the Company's lease over its headquarters studio building in Cambridge. A similar figure (the difference related to timing of actual rental payments) of £20.7 million at 31 May 2022 (31 May 2021: £22.2 million) is recorded on the balance sheet as a lease liability, split between current and non-current liabilities.

Trade and other receivables due within one year totalled £24.7 million at 31 May 2022 (31 May 2021: £13.7 million) with the majority of the balance related to gross revenue due from digital distribution partners. The year-on-year increase reflected strong sales activity and content releases towards the end of FY22, including the launch of *Warhammer: Chaos Gate – Daemonhunters* in May 2022, and amounts due for *Jurassic World Evolution* 2 entering Microsoft's Game Pass subscription service in May 2022.

Trade and other payables due within one year totalled £21.8 million at 31 May 2022 (31 May 2021: £14.8 million), being mostly made up of distribution platform commissions, IP licence royalties and developer royalties due on the sales transactions not yet settled, and bonus costs and other staff-related accruals. The increase in liabilities reflected the strong trading performance towards the end of the financial year, as mentioned above.

Within non-current liabilities (amounts due after 12 months) a balance of £6.1 million is held at 31 May 2022 (31 May 2021: £9.2 million) which includes IP licence costs for the minimum guaranteed royalties payable on the licences with Formula 1® and Games Workshop®.

The current tax asset balance as at 31 May 2022 of £7.9 million (31 May 2021: £6.5 million) relates to the filed tax returns, including VGTR claims, for FY21, and the draft tax returns for FY22. In July 2022, £4.0 million was received from HMRC related to the FY21 tax returns.

The net balance for deferred tax assets less deferred tax liabilities recorded as at 31 May 2022 totalled £1.3 million (31 May 2021: £0.4 million). Deferred tax assets and liabilities have been recorded as at 31 May 2022 for the estimated values of temporary differences, and the potential value of tax deductions relating to future share option exercises. A deferred tax asset valued at £1.0 million was recognised as at 31 May 2022 for carried forward tax losses from the *Jurassic World Evolution* 2 VGTR income stream. The recognition of this asset is based on a high level of certainty that the accumulated losses will be utilised against the taxable profits projected to be generated in FY23 and FY24 by *Jurassic World Evolution* 2.

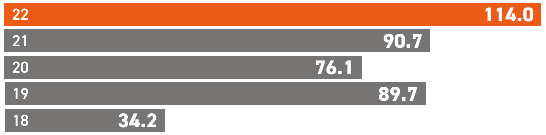
Frontier's tax arrangements concerning income streams under VGTR and Patent Box enhancements can be complex, and as at 31 May 2022 there was insufficient certainty concerning the utilisation of other tax losses to create any other deferred tax assets related to accumulated losses. Frontier's total unrecognised tax losses as at 31 May 2022 were £50.2 million (31 May 2021: £55.1 million).

ALEX BEVIS
CHIEF FINANCIAL OFFICER
21 September 2022

MEASURING OUR PERFORMANCE

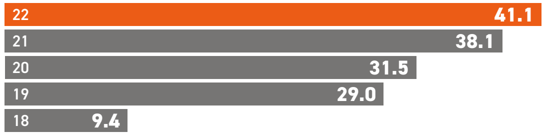
Revenue (£m)

£114.0m



EBITDA (£m)

£41.1m

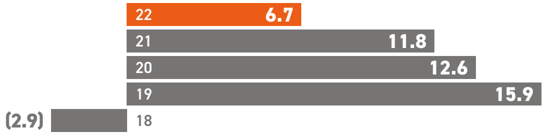


Operating profit (£m)

£1.5m

Adjusted EBITDA* (£m)

£6.7m

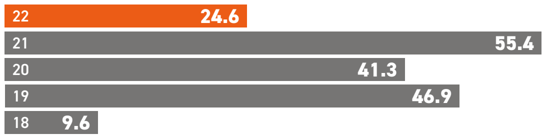


Operating margin (%)

1%

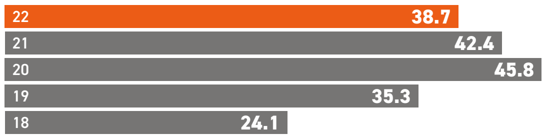
EPS (basic) (p)

24.6p



Net cash balance (£m)

£38.7m



* Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation charges related to game developments and Frontier's game technology, less investments in game developments and Frontier's game technology, and excluding share-based payment charges and other non-cash items.

ADDITIONAL PERFORMANCE MEASURES

In addition to measures of financial performance derived from IFRS reported results – revenue, operating profit, operating profit margin percentage, earnings per share and net cash balance – Frontier publishes, and provides commentary on, financial performance measurements derived from non-statutory calculations. Frontier believes these supplementary measures, when read in conjunction with the measures derived directly from statutory financial reporting, provide a better understanding of Frontier's overall financial performance.

EBITDA

EBITDA, being earnings before tax, interest, depreciation and amortisation, is commonly used by investors when assessing the financial performance of companies. It attempts to arrive at a 'cash profit' figure by adjusting operating profit for non-cash depreciation and amortisation charges. In Frontier's case, EBITDA does not provide a clear picture of the Group's cash profitability, as it adds back amortisation charges relating to game developments, but without deducting the investment costs for those developments, resulting in a profit measure which does not take into account any of the costs associated with developing games. Since EBITDA is a commonly used financial performance measure, it has been included below for the benefit of readers of the accounts who may value that measure of performance.

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Operating profit	**1,536**	19,916
Depreciation and amortisation	**32,199**	18,167
Impairment of intangible assets	**7,398**	–
EBITDA	**41,133**	38,083

ADJUSTED EBITDA

Frontier also discloses an Adjusted EBITDA measure which, in the Company's view, provides a better representation of 'cash profit' than EBITDA. Adjusted EBITDA for Frontier is defined as earnings before interest, tax, depreciation and amortisation charges related to game developments and Frontier's game technology, less investments in game developments and Frontier's game technology, and excluding share-based payment charges and other non-cash items. This effectively provides the cash profit figure that would have been achieved if Frontier expensed all game development investment as it was incurred, rather than capitalising those costs and amortising them over several years.

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Operating profit	**1,536**	19,916
Add back non-cash intangible asset amortisation charges for game developments and Frontier's game technology	**26,475**	14,896
Add back non-cash intangible asset impairment charge for game developments	**7,398**	–
Deduct capitalised investment costs in game developments and Frontier's game technology	**(35,220)**	(27,793)
Add back non-cash depreciation charges	**3,562**	2,847
Add back non-cash movements in unrealised exchange losses/(gains) on forward contracts	**474**	(223)
Add back non-cash share-based payment expenses	**2,452**	2,155
Adjusted EBITDA	**6,677**	11,798

RESEARCH AND DEVELOPMENT (R&D) EXPENSES

Research and development (R&D) expenses recorded in Frontier's income statement are arrived at after capitalising game development costs and after recording amortisation charges for games which have been released. Similar to the principles of the Adjusted EBITDA measure showing financial performance as if all game development investments were expensed as incurred, Frontier provides commentary on the difference between gross R&D expenses (before capitalisation/amortisation) and net R&D expenses (after capitalisation/amortisation). The net R&D expenses figure aligns with the R&D expenses recorded in the income statement, whereas the gross R&D expenses figure provides a better representation of 'cash spend' on R&D activities.

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Gross R&D expenses	**47,526**	34,922
Capitalised investment costs in game developments and Frontier's game technology	**(35,220)**	(27,793)
Amortisation charges for game developments and Frontier's game technology	**26,475**	14,896
Impairment of intangible assets	**7,398**	–
Net R&D expenses	**46,179**	22,025

EVOLVING COASTER PARK

SIMULATION

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 the game's roadmap, free updates have added headline features, while expanding and improving 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 purchase.

Following its continued success on PC – passing 4 million base game units sold in May 2022 – *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. The 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 that allows console players to share content.

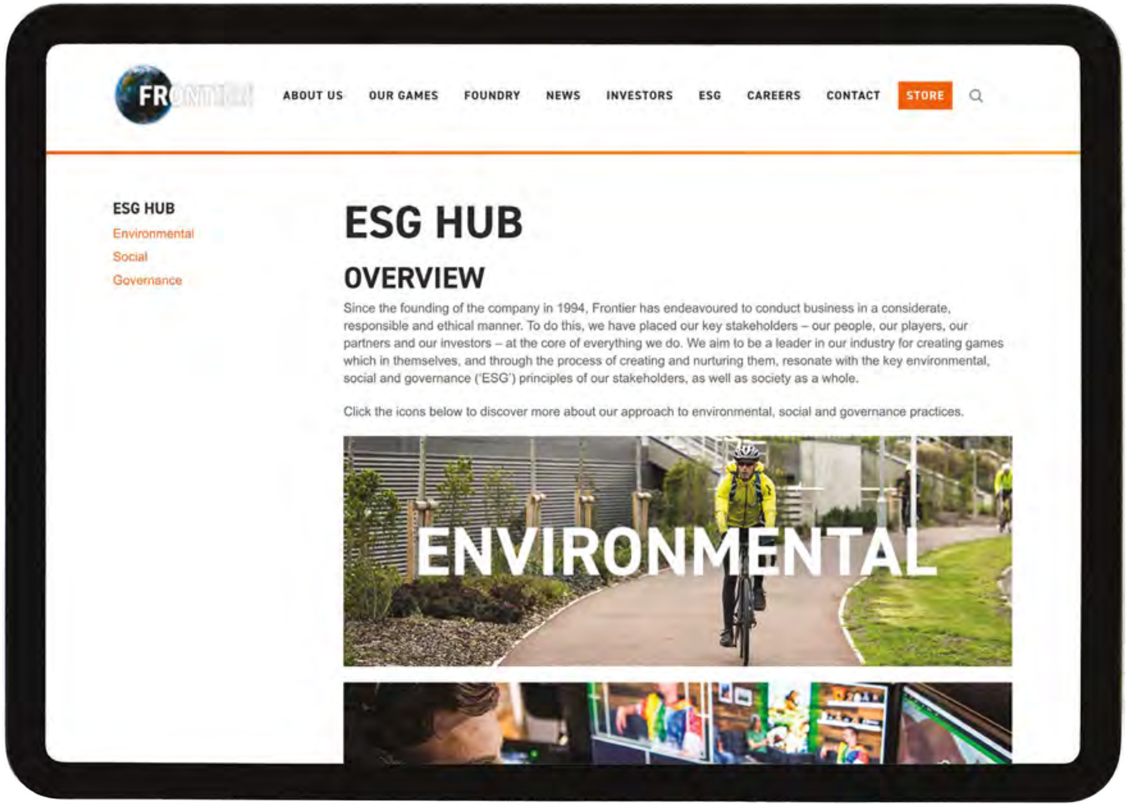
The team loves seeing the creativity of our *Planet Coaster* community across multiple platforms.

PLANETCOASTER.COM

PLANET COASTER

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.



VISIT THE HUB AT
FRONTIER.CO.UK/ESG-HUB

ESG INFORMATION HUB

In September 2021 we created a dedicated section of our website which consolidates all of our ESG information into one place. Our 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 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:

Task Force on Climate-related Financial Disclosures (TCFD) – page 38

Greenhouse gas emissions statement – page 40

Our business model – page 08

Our strategy – page 11

Our people – page 15

Our management of risk – page 26

Our corporate governance – page 41

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.

GALACTIC AMBITIONS

Elite Dangerous is now in its ninth financial year since release on PC in December 2014, coming to Xbox One in 2015 and PlayStation 4 in 2017. Since first release, Frontier has continually supported *Elite Dangerous* and Commanders with updates, free content, major expansions and personalisation opportunities, selling over 4.8 million base game units.

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.

May 2021 saw the release of the most ambitious expansion to date on PC, *Elite Dangerous: Odyssey*, marking the birth of a highly anticipated new era for Frontier's 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. As previously reported, *Odyssey* was a challenging launch and player engagement since release has fallen short of Frontier's original ambitious expectations.

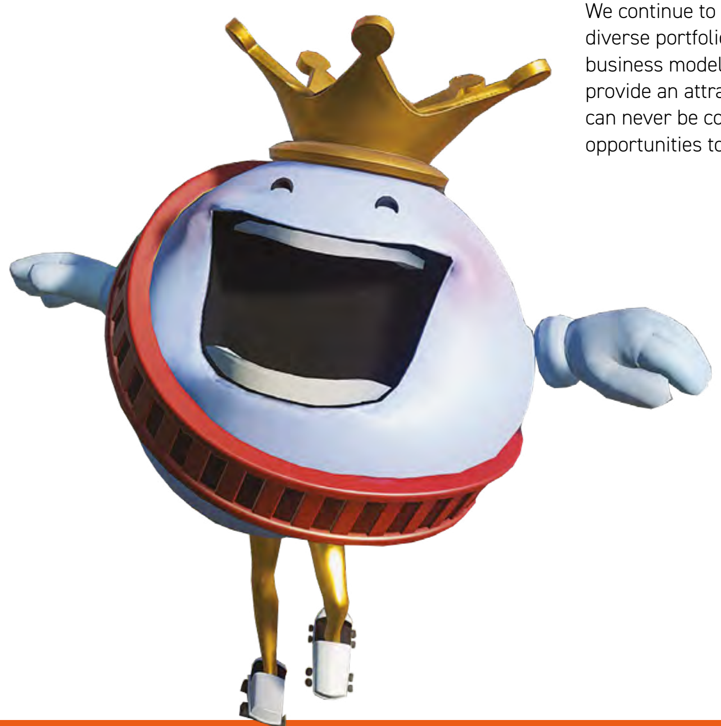
In addition to major expansion packs, *Elite Dangerous* has a strong back catalogue and future roadmap of in-game personalisation items. This rich customisation model was further enhanced by the launch of an in-game virtual currency called ARX in September 2019, which has smoothed the purchasing process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

Frontier continues to support *Elite Dangerous* and its player community, and looks forward to more and more Commanders stepping up to engage with *Odyssey* over time.

ELITEDANGEROUS.COM

EFFECTIVELY MANAGING OUR RISKS

Our people are our greatest asset, and so naturally many of our key risks relate to our people. Our strategy of nurturing and growing our portfolio of games requires a large number of talented and engaged individuals working together to produce amazing content and to deliver that content to our player communities.



The extended period of coronavirus heightened people-related risks for us, with the main challenges related to collaboration, connectivity and engagement. In our view exclusive or predominant remote working introduces additional risks around people working together, and feeling connected and engaged with each other and the Company as a whole. Of course there are great benefits from remote working too, and so finding the right balance has been, and will continue to be, important.

Recruitment rates have been at record levels in the last 12 months, but we have also seen an increase in the number of people leaving Frontier. Like many companies we have experienced strong competition for talent, which when combined with negative impact of coronavirus on staff engagement and connectivity has created those additional challenges for staff retention. We continue to believe that our sophisticated and diverse portfolio, together with our self-publishing business model and our competitive reward packages, provide an attractive home for talent, but of course we can never be complacent and we will continue to review opportunities to improve our offering.

Our ongoing success relies on making good decisions, and then executing efficiently and effectively on those decisions. Our people are at the heart of making those decisions and successfully executing our plans. We benefit from having experienced and talented groups of managers and senior leaders, and our focus is on supporting, growing and developing our managers and leaders to mitigate business risks related to decisions and execution.

Our growth plans are based on nurturing our existing titles in addition to expanding our portfolio with new titles, which helps to reduce our risks around product under-performance. 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. FY22 saw a disappointing outcome for our major *Elite Dangerous: Odyssey* expansion, and yet we still delivered record revenue, growing 26% in the year. 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.

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. 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 final category of risks relates to outside influences, namely market changes and cyber security. We continue to review and manage these risk areas carefully, with a particular focus on cyber-based risks in the last 12 months.

"Our ongoing success relies on making good decisions, and then executing efficiently and effectively on those decisions. Our people are at the heart of making those decisions and successfully executing our plans."

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 PORTFOLIO **PEOPLE** FOUNDRY	The Group continues to prioritise direct recruitment, outreach, and staff onboarding in order to ensure that our plans can be achieved. We actively accelerated our efforts on talent acquisition in 2021 and 2022 – over 268 people joined Frontier during FY22, compared with 207 new hires in FY21 and 120 recruits joining us in FY20. The skills and experience that we need for success are in high demand, both within the games industry and in adjacent technology and entertainment sectors. Our talented team, collaborative culture, strong game portfolio, and engaging business model provide strong selling points to prospective candidates. We review our remuneration packages to ensure that we remain an attractive competitive choice. Planning ahead for our future needs is visualised and reviewed through our plan of record, which also helps identify potential bottlenecks. The Group is a Tier 2 visa sponsor, to facilitate our objective to employ the best possible people from the worldwide talent pool. We also balance internal and external resources through outsourcing, which has been particularly valuable for the development of *F1® Manager 2022.*	–
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 PORTFOLIO **PEOPLE** FOUNDRY	This risk has seen the greatest increase in the last few years resulting from the disruption and change created by the coronavirus pandemic. Challenges include: the ability for existing staff to remain engaged with their colleagues and the wider Company while working from home; our ability to onboard new starters including the establishment of their formal and informal networks; the mentoring and development of staff at multiple levels; the potential loss of Company culture; flexible working expectations leading to less efficient working and the increased likelihood for people to consider opportunities at other companies. To mitigate the heightened retention and engagement risks we have substantially increased our internal Company communications in the last two years, including through Company messaging and interactive internal livestream broadcasts, the promotion of social interactions across different digital channels, and the re-establishment of social events including our largest ever staff summer party held in July 2022. We believe that our attractive project portfolio led well, 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. We continue to evaluate the impact on our teams' efficiency of the various hybrid working models we are looking to support, implementing new tools and processes to help staff adapt.	–
3 CYBER-SECURITY		
The cyber threat landscape is ever changing and a breach of confidentiality, integrity or availability of our information and systems could cause a significant impact to business operations and reputation. The increased threats from social engineering, credential theft, software vulnerabilities and theft or destruction of data, as well risks from remote working, supply chain and other global or market events elevate the cyber risk. Exposure includes that of failure of security at our partners, including Amazon, Valve, Microsoft, Sony and Nintendo. LINKS TO STRATEGY **PORTFOLIO** PEOPLE **FOUNDRY**	We have well-established cyber-security policies, processes and controls intended to prevent unauthorised access to the data of our customers, consumers or employees. We regularly review our arrangements, and during FY22 have formalised our cyber resilience framework to better protect our systems, detect threats, and respond to and recover from incidents. This includes robust risk management, training, monitoring and business continuity and recovery planning. We continually assess and improve our environment and security capabilities to ensure we are doing our utmost to protect our infrastructure. 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 become more advanced, we may be unable to anticipate these techniques or implement adequate preventative measures.	–

Description	Mitigation	Change
4 DECISION AND EXECUTION RISK 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 PORTFOLIO PEOPLE FOUNDRY	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 again illustrated in FY22 through the achievement of record annual revenue. 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. We must also continue to challenge our own internal assumptions and review wider trends to remain at the forefront of the industry. We remain confident that we can use our experience and expertise to continue to deliver on the product, technology, commercial and operational aspects that support our 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 basis for new external opportunities such as those provided through Frontier Foundry.	⊖
5 ECONOMIC AND GEOPOLITICAL RISK The Group is exposed to widespread macro-economic, currency, inflation, and regulatory risks. 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). Rising inflation and cost of utilities have both a direct impact on our overhead costs as well as an indirect impact in that rising costs are likely to absorb a larger proportion of employee income. LINKS TO STRATEGY PORTFOLIO PEOPLE FOUNDRY	The Group offers competitive remuneration packages and regularly undertakes pay reviews where inflation and other factors are taken into consideration. The Group trades globally with increasing revenue from non-GBP currencies. This creates a potential currency mismatch between cost and revenue. 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. Trading globally exposes Frontier to regulatory and geopolitical risks over which it has little forewarning and no influence.	⊖
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 PORTFOLIO PEOPLE FOUNDRY	The impact and legacy of the pandemic have 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 exciting roadmap of new titles, and supporting Frontier Foundry to become a material part of our business. To succeed in 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 in both 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.	⊖

Description	Mitigation	Change
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 PORTFOLIO PEOPLE FOUNDRY	Investing in its own COBRA technology and self-published games allows the Group to continue to innovate, and we seek to make our processes and business decisions agile and well informed so we can anticipate and exploit such changes. We believe this risk is mitigated by our track record of execution on new platforms and the flexibility demonstrated by the diverse range of video games we have successfully developed in the past. The Group is focused on the development and ownership of IP, which it believes will create the greatest long-term value for the Group, compared with other business models that Frontier could pursue such as the work-for-hire model that the Group transitioned away from in 2013–2014.	No change
8 CLIMATE CHANGE Climate change is not only a future challenge. The IPCC report in 2021 was declared a 'code red for humanity'. The IPCC, IEA and COP26 have reinforced the changes that are required to rewire the economy to a low-carbon one. The impact of climate change can be summarised as: a) the physical risks (e.g. flooding) that may cause damage and business disruption, extreme weather impact on supply chains, global warming effecting human activity, mass emigration and global economic output; and b) the transition risks in managing the shift to a low-carbon economy, and investment / expenditure to manage the transition and remain viable – the potential for reputation damage should the transition be poorly executed or risk of 'greenwashing' if announcements are not supported by actions that are measurable. LINKS TO STRATEGY PORTFOLIO PEOPLE FOUNDRY	The Group is committed to investigating and reporting on climate-related risks and opportunities in adherence to internationally accepted recommendations, such as those published by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Physical risks are mitigated in that we operate in a digital industry and therefore do not operate with a significant physical asset base, with the studio being the only material physical asset. Physical risks are further mitigated by an ever-growing global workforce. Transition risks are mitigated by continuing to reduce carbon use to minimise impact in that we produce and sell the vast majority of our content digitally and that we operate in an energy efficient building which we utilise under a flexible hybrid working model, reducing our energy footprint and the number of commuting journeys taken by our people. Although climate change is considered to be a principal risk, as is it for many other businesses, it is deemed to be a significant generic risk rather than it having a direct impact on the Group due to the nature of the Group's operations.	NEW

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

ALEX BEVIS
CHIEF FINANCIAL OFFICER
21 September 2022

KEY TO CHANGE IN RISKS

- Increase
- Decrease
- No change
- NEW New risk

ENGAGING WITH OUR STAKEHOLDERS

Statement by the Directors in relation to their statutory duty in accordance with S172(1) of the 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') has always taken its 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 2022. 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

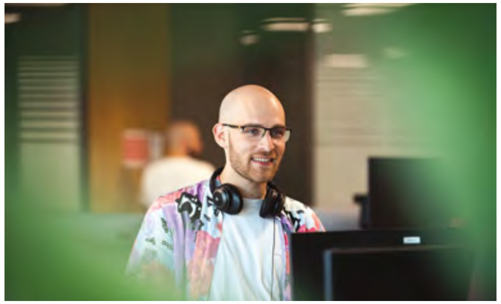
f) the need to act fairly between members of the Company.

Our business model and strategy as set out on pages 08 to 09 and 11 to 12 describe our approach to creating and publishing our content, 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 15 and 16 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 32. Our business partners share in our continued success, as explained in the business model and strategy sections of this report. 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 described on pages 11 to 12 and our current and future portfolio of games is set out on page 02. 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.

OUR PEOPLE

- Engagement has been a major focus area for us over the last few years, especially through the challenges of coronavirus. We have invested in multiple communication strategies to help everyone feel connected with each other, our projects and the Company overall. These strategies include the development of our Microsoft Teams channels for social, news and fun posts as well as for more formal communications, and the development of internal livestream broadcasts for Company updates and game news.
- We have also significantly increased the frequency and scale of our internal events including studio social events, major game celebrations and summer and winter parties.
- Frontier also 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.
- 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.
- During FY22 we created an elected staff Engagement Group to further boost communication, connectivity and inclusion.
- Frontier offers a Management Development programme for all line managers to ensure that staff are motivated and supported in their working environment.
- 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.
- 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 15 and 16.
- 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.

HOW WE ENGAGE WITH STAKEHOLDERS CONTINUED

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 FY22 our platform and channel partnerships with Steam, Microsoft, Sony, Nintendo, Epic, Genba and Humble helped to deliver record revenues for our existing portfolio of genre-leading titles.
- Our IP partners include Universal Games and Digital Platforms (*Jurassic World Evolution 1&2*), F1® (Formula One Digital Media Limited and Formula Motorsport Limited) (*F1® Manager 2022*), Games Workshop® (*Warhammer 40,000: Chaos Gate – Daemonhunters* and our *Warhammer Age of Sigmar* real-time strategy game).
- Frontier Foundry is our games label for third party publishing, which enables us to partner with other high-quality developers to bring more games to market.

SHAREHOLDERS

- Twice-yearly roadshow investor events are held 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 one-to-one meetings, fireside chat events and investor conferences.

AN EXPERIENCED TEAM

DAVID GAMMON

NON-EXECUTIVE CHAIRMAN

David joined the Board in February 2012.

After serving a highly successful full 10-year term as Chairman from 2012, in August 2022 Frontier announced that David will retire as Chairman in December 2022.

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 WILTON

NON-EXECUTIVE DIRECTOR AND CHAIRMAN DESIGNATE

David joins the Board on 22 September 2022 and will be appointed as Chairman in December 2022 when our current Chairman, David Gammon, retires from the Board after over 10 years of great service to Frontier. David brings a wealth of experience of high-growth businesses across multiple sectors, including games. Most recently, he has been CFO of Sumo Group plc ('Sumo') from where he will be retiring on 31 October 2022. He is an experienced Non-Executive Director, consultant and qualified chartered accountant with many years in corporate finance, primarily in mid-cap M&A with Rothschilds. He is currently a Non-Executive Director and Chair of the Audit Committee of CVS Group plc, the AIM quoted veterinary services group.

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

KEY TO COMMITTEE MEMBERSHIP

A Audit Committee

N Nominations Committee

R Remuneration Committee

Committee Chair

AN EXPERIENCED TEAM CONTINUED

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.

A N R

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.

ILSE HOWLING
NON-EXECUTIVE DIRECTOR

Ilse joined the Board in March 2022.

Ilse's executive career included 12 years at the BBC, including four years as Head of Digital Marketing and Communication.

Ilse went on to lead the Freeview platform (an ITV, Channel 4, BBC, Sky, and Arqiva joint venture) from a start-up to becoming the UK's largest TV service in her 10 years as Managing Director. She then oversaw the creation of the Freeview Play on-demand TV service, building a multi-disciplinary launch team and leading interactions with multiple stakeholders.

Ilse's non-executive career has included roles at digital technology companies and charitable organisations including chairing the United Kingdom Committee for UNICEF.

Ilse is currently Chair of the Education Development Trust, a global commercial/social enterprise providing education services and consultancy in the UK, the Middle East, Africa and Asia.

A N R

DAVID BRABEN
PRESIDENT AND FOUNDER

David was the founding shareholder of Frontier in January 1994 and CEO for over 28 years until August 2022, when Frontier announced David's transition to his new role of President and Founder. Jonny Watts, previously Frontier's Chief Creative Officer, was promoted to Chief Executive Officer to lead the next phase of the Company's evolution.

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), was 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.

N

AN EXPERIENCED TEAM CONTINUED

JONNY WATTS
CHIEF EXECUTIVE OFFICER

Jonny joined the Board in February 2012.

Jonny has over 30 years' experience in gaming. He joined Frontier 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.

After serving as Chief Creative Officer over 10 years from 2012, Jonny stepped up to the Chief Executive Officer role in August 2022 to lead the next phase of the Company's evolution.

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.

N

ALEX BEVIS
CHIEF FINANCIAL OFFICER

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 10-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.

Alex served as Company Secretary from joining until August 2022, when Jessica Bourne was promoted to General Counsel and Company Secretary to take on those responsibilities.

JAMES DIXON
CHIEF OPERATING OFFICER

James has over 28 years' experience working with David Braben and Jonny Watts at Frontier. Over this time, he has gained experience in every area of game development, prior to moving to an operational role covering a wide variety of disciplines and where he has been integral to Frontier's success, particularly during the significant scale-up phases of the last decade.

James joined the Board as Chief Operating Officer in August 2022, providing support to Jonny Watts as he transitions into his CEO role, and to the whole Board as Frontier continues to grow and evolve.

KEY TO COMMITTEE MEMBERSHIP

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

The Directors present their report for the Group and Company together with the financial statements for the year to 31 May 2022. The financial statements are prepared in accordance with UK-adopted 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 32). Information on the financial risk management strategy is given within that report and in note 24 to the financial statements.

GOING CONCERN

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 have adequate resources to continue in operational existence for the period to 30 November 2023 ('the going concern period'). The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

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 2022 of £38.7 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, reflects assessments of current and future market conditions and the impact this may have on cash resources. Management has considered the potential impacts to revenue and costs due to Covid-19 and the current macroeconomic conditions arising from the ongoing Ukraine crisis.

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 has 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 2023.

The sensitivities included in the stress testing include the following potential scenarios for 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 have been no significant recoverability issues; and
- should a more extreme downside scenario occur the Group could take further mitigating actions by reducing discretionary spend.

Having considered all of the above, including the current strong cash position, no current impact on debtor recoverability and the 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 2023. The financial statements for the year ended 31 May 2022 are therefore prepared under the going concern basis.

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 2022 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 2021	2021 %	Acquired in the financial year*	Sold in the financial year	**Holding as at 31 May 2022**	**2022 %**
David Gammon	290,000	0.7	–	10,000	**280,000**	**0.7**
David Braben	12,899,953	32.8	–	–	**12,899,953**	**32.7**
David Walsh	–	–	19,016	19,016	**–**	**–**
Jonny Watts	20,000	0.1	–	–	**20,000**	**0.1**
Charles Cotton	171,884	0.4	3,750	–	**175,634**	**0.4**
Alex Bevis	17,000	–	19,930	19,930	**17,000**	**–**
James Mitchell	120,044	0.3	–	–	**120,044**	**0.3**
Total	13,518,881	34.3	42,696	48,946	**13,512,631**	**34.3**

* Including shares acquired through option or warrant exercises.

Details regarding Directors' equity transactions are included in the Remuneration Report on page 46.

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 UK-adopted 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;

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS CONTINUED

- 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 £47.5 million in the year (FY21: £34.9 million).

DIVIDEND

The Directors are not recommending the payment of a dividend (FY21: £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.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) is an industry-led group which helps investors understand their financial exposure to climate risk and works with companies to disclose this information in a clear and consistent way. Frontier supports the aims and principles of the TCFD, and has provided the appropriate information in our 2022 Annual Report. In meeting the requirements of Listing Rule 9.8.6 R, the Board has concluded that we comply with all recommended disclosures.

Disclosures	Recommended disclosures	Response
A. GOVERNANCE		
Disclose the organisation's governance around climate-related risks and opportunities.	1. Describe the Board's oversight of climate-related risks and opportunities.	The Frontier Developments plc Board of Directors reviews key climate-related risks and opportunities and oversees mitigation strategies as part of an annual review of Frontier's principal and emerging risks. James Dixon, Frontier's Chief Operating Officer, has specific Board member responsibility for ESG matters, including climate change and sustainability.
	2. Describe management's role in assessing and managing climate-related risks and opportunities.	Executive management reviews ESG topics regularly, feeding into the Board's annual review process. Executive management ensures that climate-related risks are properly managed and that opportunities are continually identified to reduce the Group's carbon footprint. See frontier.co.uk/esg-hub.
B. STRATEGY		
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	3. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Short term (2021–2025): due to the nature of the business and our digital focused business model, we do not anticipate any significant climate-related risks that would have a material financial impact on the Group over the short term. Only 8.2% of our games in FY22 were released onto physical disc, which is much lower than many publishers in our industry. We operate an energy efficient building which we utilise under a flexible hybrid working model, reducing our energy footprint and the number of commuting journeys taken by our people. Medium term (2025–2035) and long term (2035–2050): due to the nature of the business and our digital focused business model, we do not anticipate any significant climate-related risks that would have a material financial impact on the Group over the medium term or long term.
	4. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	N/A – no significant climate-related risks identified that would have a material financial impact on the Group.
	5. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	N/A – no significant climate-related risks identified that would have a material financial impact on the Group.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

Disclosures	Recommended disclosures	Response
C. RISK MANAGEMENT		
Disclose how the organisation identifies, assesses, and manages climate-related risks.	6. Describe the organisation's processes for identifying and assessing climate-related risks.	The Group has processes in place for identifying, evaluating and managing the principal risks, which could have an impact upon the Group's financial performance. The Board has considered the potential impact of regulatory change that could occur in the short to medium term and is satisfied that material changes would not be required to business processes due to the nature of the business.
	7. Describe the organisation's processes for managing climate-related risks.	See above – A. Governance – Frontier is in the process of introducing a new structure to identify climate-related risks to be reported to the Board annually including making decisions to mitigate, transfer, accept or control those risks.
	8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	As part of the Group's risk management, within the detailed risk register, climate-related risks are determined alongside other principal risk areas, e.g. talent acquisition, talent retention and engagement and decision and execution risk. The assessment is quantified via a likelihood/impact matrix to determine the overall net risk after mitigation.
D. METRICS AND TARGETS		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	9. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Initial metrics as outlined in 2020: • Scope 1 and Scope 2 emissions; • green energy usage; and • BREEAM rating of Frontier's studio. Initial target as outlined in 2020: • annual 1% reduction in relative net CO_2e emissions per employee per year. See frontier.co.uk/esg-hub.
	10. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	GHG emissions are disclosed as per the SECR requirements for Scope 1, Scope 2 and Scope 3. An assessment has been carried out for Scope 3 emissions, which fall under the materiality threshold. See GHG/SECR disclosure on page 40 and frontier.co.uk/esg-hub.
	11. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Frontier has committed to short-term targets: • annual 1% reduction in relative net CO_2e emissions per employee per year; • to continue to source 100% of electricity that has been sustainably generated from green and renewable sources; and • zero waste to landfill.

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 studio 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 saving 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 studio areas.

Although Frontier has good energy efficiency, measures are always taken, where possible, to increase energy efficiency further. During the year signage has been introduced in studio meeting rooms to remind staff to keep the temperature at around 22°C. Energy compliance audits are carried out periodically under the Energy Savings Opportunity Scheme (ESOS).

Scope 1 emissions refers to emissions from activities owned or controlled by Frontier 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 2022, no air conditioning nor refrigeration leakage has been found in any of the units.

Scope 2 refers to indirect emissions from the consumption of purchased electricity from facilities owned or under the operational control of Frontier. Actual and estimated data has been collected from direct meter readings and meter readings included on supplier invoices.

Scope 3 emissions are emissions that are as a consequence of Frontier's actions, but the source is not owned or controlled, and that are not classed as Scope 2 emissions. This includes emissions from business travel in rental or employee-owned vehicles where Frontier is responsible for purchasing the fuel.

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
Intensity ratio	Emissions per employee
Target	Annual 1% reduction in relative net CO_2e emissions per employee per year

	Consumption used to calculate emissions	**12 months to 31 May 2022**		Consumption used to calculate emissions	12 months to 31 May 2021	
GHG emission source	**kWh**	**tCO_2e**	**tCO_2e/employee**	kWh	tCO_2e	tCO_2e/employee
Scope 1	**24,741**	**5**	**0.01**	17,740	3	0.01
Scope 2	**1,481,074**	**286**	**0.36**	1,278,880	272	0.43
Total		**291**	**0.37**		275	0.44

* The total of any excluded emission sources is estimated to be less than 5% of Frontier Developments plc's total reported emissions.

SUBSTANTIAL SHAREHOLDERS

At 31 August 2022 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	32.7
Tencent Holdings	3,386,252	8.6
Invesco (Oppenheimer Funds)	3,000,000	7.6
Swedbank Robur	2,300,000	5.8
T Rowe Price International (London)	1,268,578	3.2

* 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
CHIEF FINANCIAL OFFICER
21 September 2022

EFFECTIVE AND EFFICIENT GOVERNANCE

The coronavirus pandemic created many challenges, but our continued success, including the delivery of record revenue in FY22, demonstrates the strength of our chosen model of launching and then nurturing our games.

CHAIRMAN'S INTRODUCTION AND SUMMARY

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 10 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's Statement (pages 05–06) Strategic Report (pages 1–32)
2	Understand and meet shareholder needs and expectations	Investor relations – Corporate Governance Report (page 45) S172 Statement – (pages 30–32)
3	Understand and meet wider stakeholder needs and social responsibilities	Strategy and business model – Strategic Report (pages 08–09 and 11–12) Corporate culture and social responsibility – Corporate Governance Report (page 45) Our People – (pages 15–16) Our Impact – (page 24) S172 Statement – (pages 30–32)
4	Embedded risk management	Strategy and business model – Strategic Report (pages 08–09 and 11–12) Principal risks and uncertainties (pages 26–29) Internal control and business risk – Corporate Governance Report (page 44)
5	A well-functioning and balanced Board	Board of Directors (pages 33–35) Board overview – Corporate Governance Report (pages 42–43)
6	Board experience, skills and capabilities	Board of Directors (pages 33–35) Board overview – Corporate Governance Report (pages 42–43)
7	Performance of the Board and continuous improvement	Board overview – Corporate Governance Report (pages 42–43)
8	Corporate culture based on ethical values and behaviours	Corporate culture and social responsibility – Corporate Governance Report (page 45)
9	Effective governance structures which support good decision making	Chairman's introduction and summary – Corporate Governance Report (page 41) Board overview – Corporate Governance Report (pages 42–43) Board Committee reports – Corporate Governance Report (pages 43–44)
10	Communication of Company governance and performance	Chairman's introduction and summary – Corporate Governance Report (page 41) Board Committee reports – Corporate Governance Report (pages 43–44)

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.

The schedule of matters reserved for the attention and resolution of the Board includes:

- 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 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 2022 the Board met on 13 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 composition of the Board of Directors is illustrated on pages 33 to 35. We have announced a number of changes to the Board in 2022, including the planned departure of David Gammon in December 2022 after over 10 years of great service, and the transition of CEO responsibilities from David Braben to Jonny Watts.

The Board of Frontier Developments plc at the end of this calendar year 2022 will comprise nine Directors:

- our new Non-Executive Chairman, David Wilton;
- four further Non-Executive Directors – Charles Cotton, David Walsh, James Mitchell and Ilse Howling; and
- four Executive Directors – Jonny Watts (CEO), David Braben (President and Founder), Alex Bevis (CFO) and James Dixon (COO).

Our Board is supported by Jessica Bourne, General Counsel and Company Secretary, who took over company secretarial responsibilities from Alex Bevis on 10 August 2022.

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 Officer have distinct roles; the principal responsibility of the Chairman is the effective operation of the Board of Directors, while the Chief Executive Officer 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 six Non-Executive Directors (the Non-Executive Chairman and the five 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. David has a diverse range of business interests and it is the Board's belief that David's extensive experience helps to create appropriate levels of challenge to the Executive Directors, ensuring that independent decisions are reached. David's financial background provides useful insight to ensure that the long-term interests of shareholders are always properly considered.

DAVID WILTON

David joins the Board in 22 September 2022 and will be appointed as Chairman in December 2022 when our current Chairman, David Gammon, retires from the Board after over 10 years of great service to Frontier. David brings a wealth of experience of high-growth businesses across multiple sectors, including games. Most recently, he has been CFO of Sumo Group plc ('Sumo') from where he will be retiring on 31 October 2022. He is an experienced Non-Executive Director, consultant and qualified chartered accountant with many years in corporate finance, primarily in mid-cap M&A with Rothschilds. He is currently a Non-Executive Director and Chair of the Audit Committee of CVS Group plc, the AIM quoted veterinary services group.

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 and these options have now been fully exercised. 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.

BOARD OVERVIEW CONTINUED

DAVID WALSH

At the AGM in October 2018 David Walsh transitioned from an Executive role as Chief Operations 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.

ILSE HOWLING

Ilse joined the Board in March 2022 as a newly appointed Non-Executive Director. Ilse's executive career included 12 years at the BBC and she went on to lead the Freeview platform. Ilse's non-executive career has included roles at digital technology companies and charitable organisations including chairing the United Kingdom Committee for UNICEF. Ilse is currently Chair of the Education Development Trust, a global commercial/social enterprise providing education services and consultancy in the UK, the Middle East, Africa and Asia. Ilse's extensive experience within the digital and media industries 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. As at 21 September 2022, its members are David Gammon (Committee Chair), Charles Cotton, David Walsh and Ilse Howling. The Committee is supported by Alex Bevis (CFO).

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 2022 the Audit Committee met on two occasions and both of these meetings were attended by the external Auditor, Ernst & Young.

Key areas of activity

The significant issues considered by the Audit Committee during the year were as follows:

- revenue recognition;
- capitalisation of development costs;
- impairment of capitalised development costs, including the impairment of *Elite Dangerous: Odyssey;*
- taxation, including focus on Video Games Tax Relief, Patent Box and RDEC; and
- share-based payments.

Other activities considered by the Audit Committee during the year were as follows:

- review of the Annual Report and Accounts;
- FRC review of the 2021 Annual Report and Accounts;
- review of the external Auditor's findings from the prior year audit;
- environmental, social and governance matters;
- review of key accounting policies;
- internal control and risk management reviews;
- external audit performance review; and
- treasury policy and foreign exchange risk review.

FRC REVIEW

During the year the Financial Reporting Council (FRC) reviewed Frontier's 2021 Annual Report and Accounts in relation to its review of UK corporate reporting in 2021/22 (in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures). Frontier received a letter from the FRC asking Frontier to explain the following:

- the increase in its unrecognised tax losses and how the amounts relate to the tax rate reconciliation;
- the basis on which it concluded that the losses did not qualify for recognition as a deferred tax asset; and
- why its SECR disclosures did not include its energy consumption information.

The letter also included a schedule of minor improvements to consider in the preparation of the Company's next Annual Report and Accounts, where the FRC believed that users of the accounts could benefit from increased disclosure. Frontier provided a response covering the specific explanations requested and on 18 May 2022 the FRC confirmed that the matter was brought to a satisfactory conclusion.

The FRC's review provides no assurance that the Annual Report and Accounts are correct in all material aspects. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Frontier's management and the Audit Committee welcomed the comments received by the FRC, have incorporated the matters raised into the Annual Report and Accounts where appropriate and are supportive of its goal of increasing transparency in corporate reporting.

REMUNERATION COMMITTEE

The Remuneration Committee comprises only independent Non-Executive Directors. As at 21 September 2022, its members are David Gammon (Committee Chair), Charles Cotton, David Walsh and Ilse Howling. The Committee is supported by Alex Bevis (CFO) 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 2022 the Remuneration Committee met on three occasions.

Key areas of activity

The key areas of activity considered by the Remuneration Committee during the year were as follows:

- 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; and
- bonus scheme assessment and implementation.

BOARD COMMITTEES CONTINUED

NOMINATIONS COMMITTEE

As at 21 September 2022, the Nominations Committee comprises David Walsh (Committee Chair), David Gammon, Charles Cotton, Ilse Howling 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 2022 the Nominations Committee met on seven occasions.

Key areas of activity

The key areas of activity considered by the Nominations Committee during the year were as follows:

- Board composition and the assessment of the need for further Non-Executives;
- planning and managing Board role transitions including Chairman and CEO; and
- review of senior positions required to strengthen the organisation and succession planning.

ATTENDANCE AT MEETINGS DURING THE YEAR

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

KEY

● Attended meeting
— Not on Committee

* Appointed on 2 March 2022; attended three of three meetings since appointment.

AUDITOR INDEPENDENCE

Frontier Developments plc's external Auditor is Ernst & Young LLP, which has served the Company from the 31 May 2020 year end to date. The external audit function provides independent review and audit. It is the responsibility of the Audit Committee to review and monitor the external Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements as well as developing and implementing policy on the engagement of the external Auditor to supply non-audit services.

The Audit Committee monitors procedures to ensure the rotation of external audit partners every five years and audit managers every seven years. The current audit partner is Anup Sodhi and this is his third year with the Company. There are no non-audit services. The audit fees are set out in note 6.

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 is necessary. 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 the coronavirus pandemic 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 SpecialEffect, 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 President and Founder, David Braben, is personally active in the promotion of computer science in the UK. David is one of the founders of the Raspberry Pi Foundation and continues to contribute to discussions on local and national government policy regarding computer science.

ANNUAL GENERAL MEETING

The AGM will be held at:
The Trinity Centre
24 Science Park
Milton Road
Cambridge
CB4 0FN

On: 8 November 2022

At: 9.30am (GMT)

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

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

Shareholders are invited to submit written questions in advance of the meeting. Questions should be sent to the Company Secretary, Jessica Bourne, 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 83 to 86.

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

REMUNERATION REPORT

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

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

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

REMUNERATION COMMITTEE TERMS OF REFERENCE

The Remuneration Committee comprises four Non-Executive Directors of the Company: David Gammon (Committee Chair), David Walsh, Charles Cotton and Ilse Howling. The Committee is supported by Alex Bevis (CFO) 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 have been made since.

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 2021 a bonus of £186,357 (being 69.4% of salary) was paid to David Braben, a bonus of £179,436 (being 64.6% of salary) was paid to Alex Bevis and a bonus of £179,436 (being 66.8% of salary) was paid to Jonny Watts.

The bonus scheme related to these payments was established on 1 June 2020, covering the performance of the financial year to 31 May 2021. 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 FY22, the Company set another annual bonus scheme with similar performance-based characteristics and this is due to be paid in October 2022. A similar scheme will operate for FY23, with payment due in September 2023 based on performance in the year to 31 May 2023.

EQUITY AWARDS

In the year to 31 May 2022 (FY22), David Braben was awarded an option over 10,910 Ordinary Shares under the Long Term Incentive Plan, with Alex Bevis and Jonny Watts being awarded an option over 10,510 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.

An additional option over 1,181 Ordinary Shares under the Company Share Option Plan was awarded to Alex Bevis and Jonny Watts in recognition of their importance to Frontier's future performance.

The calculation method and performance conditions of these awards are consistent with the awards issued to each Executive Director since FY18.

COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

EQUITY AWARDS CONTINUED

In FY21 the three Executive Directors were each awarded an option over 9,662 Ordinary Shares under the Long Term Incentive Plan.

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.

DIRECTORS' REMUNERATION (AUDITED)

The remuneration of the Directors that served during FY22 was as follows:

Current Directors	Salary/fee £'000	Bonus £'000	Pension contribution £'000	Option exercises £'000	Taxable benefits £'000	FY22 Total £'000	FY21 Total £'000
Executive							
David Braben	269	186	–	–	1	456	498
Jonny Watts	269	179	–	–	1	449	2,547
Alex Bevis	278	179	–	549	1	1,007	4,947
Non-Executive							
David Gammon	100	–	–	–	–	100	348
David Walsh	48	–	–	243	–	291	267
Charles Cotton	48	–	–	–	–	48	1,240
Ilse Howling*	13	–	–	–	–	13	–
James Mitchell**	–	–	–	–	–	–	–
Total	**1,025**	**544**	**–**	**792**	**3**	**2,364**	**9,847**

* Ilse Howling was appointed on 2 March 2022.

** James Mitchell waived his fee.

Share warrants were issued to the Non-Executive Directors in connection with the IPO in 2013 (see note 22 to the accounts).

The expense recognised in the statement of comprehensive income for the Directors' share options was £776,530 (FY21: £740,385), with the amount attributable to the highest paid Director being £448,388 (FY21: £417,228).

EQUITY TRANSACTIONS

ALEX BEVIS

On 13 September 2021, Alex Bevis exercised options over 19,930 Ordinary Shares at an exercise price of £0.005 per share. Following the exercise, Alex Bevis sold 19,930 Ordinary Shares at a price of £27.55 per share.

DAVID GAMMON

On 14 September 2021, Rockspring, a company David Gammon is a Director of, sold 10,000 Ordinary Shares at a price of £27.00 per share.

CHARLES COTTON

On 22 October 2021, Charles Cotton purchased 3,750 Ordinary Shares at a price of £26.67 per share.

DAVID WALSH

On 16 February 2022, David Walsh exercised options over 2,563 Ordinary Shares at an exercise price of £0.005 per share. Following the exercise, David Walsh sold 2,563 Ordinary Shares at a price of £13.50 per share.

On 29 March 2022, David Walsh exercised options over 16,453 Ordinary Shares at an exercise price of £0.005 per share. Following the exercise, David Walsh sold 16,453 Ordinary Shares at an average price of £12.64 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
21 September 2022

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements been properly prepared in accordance with UK-adopted International Accounting Standards as applied in accordance with Section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Group	Parent company
Consolidated statement of financial position as at 31 May 2022	Statement of financial position as at 31 May 2022
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	Related notes 1 to 25 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cashflows for the year then ended	
Related notes 1 to 25 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards 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 below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest 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:

- understanding the process undertaken by management to perform the going concern assessment, including the evaluation of the macroeconomic impact of the Ukraine crisis and remaining impact of Covid-19 on the Group and the Group's access to available sources of liquidity;
- 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 2023;
- 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 macroeconomic conditions arising from the Ukraine crisis and the impact of this on the Group going forward;

CONCLUSIONS RELATING TO GOING CONCERN CONTINUED

- comparing the current trading performance to management's going concern forecast by obtaining the latest available management accounts and latest available Group cash report to identify any issues with current trading and cashflows;
- 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 2023.

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 2023.

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 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 procedures on specific balances of one component (Frontier Developments Inc.) 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 100% of EBITDA, 100% of revenue and 100% of total assets.
Key audit matters	• Revenue recognition. • Capitalisation of internally generated development costs. • Impairment of intangibles. • Creative industry tax relief.
Materiality	• Overall Group materiality of £1.2m which represents 3% of EBITDA.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected Frontier Developments plc as a full scope component, and Frontier Developments Inc. as a specific scope component.

For Frontier Developments plc (the 'full scope component'), we performed an audit of the complete financial information. For Frontier Developments Inc. (the 'specific scope component') 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.

The reporting components where we performed audit procedures accounted for 100% (2021: 100%) of the Group's EBITDA, 100% (2021: 100%) of the Group's revenue and 100% (2021: 100%) of the Group's total assets. For the current year, the full scope component contributed 99% (2021: 99%) of the Group's EBITDA, 99% (2021: 99%) of the Group's revenue and 99% (2021: 99%) of the Group's total assets. The specific scope component contributed 1% (2021: 1%) of the Group's EBITDA, 1% (2021: 1%) of the Group's revenue and 1% (2021: 1%) of the Group's total assets.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT CONTINUED

TAILORING THE SCOPE CONTINUED

The remaining component, Frontier Games Limited, represents 0% of the Group's EBITDA. For this component, 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.

CHANGES FROM THE PRIOR YEAR

Our scoping and total coverage have remained consistent compared to prior year.

INVOLVEMENT WITH COMPONENT TEAMS

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

CLIMATE CHANGE

The Group has determined that climate change is not expected to have a significant impact on their operations given they operate in a digital industry with no significant physical asset base, as described in the Task Force on Climate-related Financial Disclosures and on pages 26 to 29 in the principal risks and uncertainties, which form part of the 'other information', rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risks, physical and transition, and ensuring that the effects of climate risks disclosed have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cashflows, being intangible assets. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

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 (£114.0 million; 2021: £90.7 million) *Refer to the accounting policies (page 63); and note 4 of the consolidated financial statements (pages 65 and 66)* 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 are entering into new and evolving revenue streams, 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 99% 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 has been further agreed through to third-party bank statements to evidence subsequent cash receipt, without issue; • the remaining 1% 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 2022. For all significant contract assets and contract liabilities, we have inspected the terms and conditions of these contracts, and 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; and • we have audited the disclosures within the annual report and accounts with reference to the requirements of IFRS.	• 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 2022 is materially correct on the basis of our procedures performed.

KEY AUDIT MATTERS CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Capitalisation of internally generated development costs (additions – £35.2 million; 2021: £27.8 million) *Refer to the accounting policies (page 61); and note 9 of the consolidated financial statements (page 69)* During the year, the Group has capitalised £35.2 million (2021: £27.8 million) 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 at which capitalisation should commence, the nature of costs to be capitalised and the point at which amortisation should commence. There is a risk that the costs capitalised do not meet the criteria for capitalisation in accordance with IAS 38.	The procedures we carried out included the following: • 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 management's calculation and specifically challenged whether each of the cost types meets 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; and • we have audited the disclosures within the annual report and accounts with reference to the requirements of IFRS.	• Our audit procedures did not identify any material misstatements with respect to the capitalisation of internally generated development costs.
Impairment of intangible assets (net book value – £70.8 million; 2021: £71.3 million) *Refer to the accounting policies (pages 61 and 62); and note 9 of the consolidated financial statements (page 69)* 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 exceeds the net realisable value. Judgement is required in determining the key inputs to the impairment model, including future revenues and costs. During the year, management has recognised a one-off charge for impairment amounting to £7.4 million; this brought the net book value of the *Elite Dangerous* assets to £nil.	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 that the likelihood of impairment on each game is low; • we recalculated the mathematical accuracy of the impairment models; • we assessed the appropriateness of the discount rate used by management by recalculating based upon relevant inputs, benchmarking against peers and performing reverse stress testing; • we assessed management's forecast accuracy by comparing actual performance against budget in recent years and sensitised the model accordingly; • we compared the carrying value of the cash generating unit to the recoverable amount established by management; • we performed sensitivity analysis and reverse stress testing of the key assumptions in the model; • we compared the assumptions in the impairment model to the strategic plans and knowledge of the business gained through the audit; and • we have audited the disclosures within the annual report and accounts with reference to the requirements of IFRS.	• We concluded that the impairment adjustment recorded for *Elite Dangerous* was appropriately recognised. No further impairment adjustments were required for other intangible assets. • We have concluded that the methodology applied is reasonable, that the forecast period is appropriate and that the impairment models are mathematically accurate. Management have also established a reliable methodology for determining the underlying assumptions, including forecast revenues and costs.

KEY AUDIT MATTERS CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Creative industry tax relief (income tax credit – £8.7 million; 2021: £2.4 million) *Refer to the accounting policies (page 64); and notes 7, 16 and 18 of the consolidated financial statements (pages 67, 68, 72 and 73)* The tax environment for the Group is complex as a result of the following reliefs claimed which include both technical complexity and care to avoid inappropriately claiming different types of relief on the same underlying profits: • Video Games Tax Relief (VGTR) provides additional tax relief on qualifying expenditure incurred in developing video games; • Patent Box relief, which has the effect of taxing profits generated from the patent at a lower rate; and • R&D tax credits – additional tax relief is available on R&D related expenditure. In addition, the Group have brought forward losses which could be offset against future taxable profits. Judgement is required to determine whether this will be required given the level of relief from the above claims and in turn whether a deferred tax asset should be recognised.	With the assistance of EY specialists: • we obtained a copy of the certificate necessary to obtain VGTR and performed a review of the key elements, to assess the eligibility for VGTR; • we reviewed management's documentation as to the types of costs to be included in the claim in comparison to the scheme rules and our knowledge of other claims; • for significant costs, we linked them into our other audit work performed or perform separate detailed testing, as necessary; • we also reviewed management's taxable profit forecasts and determined the appropriateness of any deferred tax assets recognised as a result; and • we have audited the disclosures within the annual report and accounts with reference to the requirements of IFRS.	• Our audit procedures did not identify any material misstatements with respect to the reliefs claimed for the period and resulting current and deferred tax.

In the prior year, our Auditor's Report included key audit matters in relation to revenue recognition, capitalisation of internally generated development costs and impairment of intangibles. In the current year, due to the increased magnitude of the creative industry tax relief received by the Group we have identified this as a key audit matter, as described above.

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 £1.2 million (2021: £1.1 million), which is 3% (2021: 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 £1.2 million (2021: £1.1 million), which is 3% (2021: 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% (2021: 75%) of our planning materiality, namely £0.9 million (2021: £0.9 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, which is also consistent with our previous experience of the Group.

OUR APPLICATION OF MATERIALITY CONTINUED

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 (2021: £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 01 to 47, other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Report of the Directors have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In 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 Report of the Directors.

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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on pages 36–37, 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.

Our approach was as follows:

- 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; and
- in response to the nature of the Group's operations and the GDPR compliance requirements in place surrounding customer data, the audit team has 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.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the Company on 27 October 2021 to audit the financial statements for the year ended 31 May 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and re-appointments is three years, covering the years ended 31 May 2020 to 31 May 2022.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

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
21 September 2022

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2022

	Notes	**12 months to 31 May 2022 £'000**	12 months to 31 May 2021 £'000
Revenue	4	**114,032**	90,688
Cost of sales		**(40,420)**	(27,538)
Gross profit		**73,612**	63,150
Research and development expenses	6	**(46,179)**	(22,025)
Sales and marketing expenses		**(12,339)**	(7,269)
Administrative expenses		**(13,558)**	(13,940)
Operating profit		**1,536**	19,916
Net finance costs		**(592)**	(731)
Profit before tax	6	**944**	19,185
Income tax	7	**8,684**	2,373
Profit for the year attributable to shareholders		**9,628**	21,558

All the activities of the Group are classified as continuing.

	Notes	**12 months to 31 May 2022 p**	12 months to 31 May 2021 p
Earnings per share	8		
Basic earnings per share		**24.6**	55.4
Diluted earnings per share		**23.7**	53.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2022

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Profit for the year	**9,628**	21,558
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(19)**	23
Total comprehensive income for the year attributable to the equity holders of the parent	**9,609**	21,581

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2022
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2022 £'000	31 May 2021 £'000
Non-current assets			
Intangible assets	9	**70,833**	71,318
Property, plant and equipment	10	**6,640**	6,078
Right-of-use asset	11	**19,484**	21,108
Deferred tax assets	18	**1,348**	384
Total non-current assets		**98,305**	98,888
Current assets			
Trade and other receivables	12	**24,705**	13,741
Current tax assets	16	**7,867**	6,468
Cash and cash equivalents	13	**38,699**	42,423
Total current assets		**71,271**	62,632
Total assets		**169,576**	161,520
Current liabilities			
Trade and other payables	14	**(21,797)**	(14,768)
Lease liability	11	**(1,461)**	(1,419)
Deferred income	15	**(2,466)**	(2,180)
Total current liabilities		**(25,724)**	(18,367)
Net current assets		**45,547**	44,265
Non-current liabilities			
Provisions	17	**(56)**	(41)
Lease liability	11	**(19,278)**	(20,739)
Other payables	14	**(6,148)**	(9,219)
Total non-current liabilities		**(25,482)**	(29,999)
Total liabilities		**(51,206)**	(48,366)
Net assets		**118,370**	113,154
Equity			
Share capital	19	**197**	197
Share premium account	19	**36,468**	36,079
Equity reserve		**(12,769)**	(9,351)
Foreign exchange reserve		**(18)**	1
Retained earnings		**94,492**	86,228
Total equity		**118,370**	113,154

These financial statements were approved by the Directors on 21 September 2022 and signed on their behalf by:

ALEX BEVIS
DIRECTOR

The accompanying accounting policies and notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2022

	Notes	Share capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
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	19	2	1,490	–	–	–	1,492
Share-based payment charges	22	–	–	2,155	–	–	2,155
Share-based payment transfer relating to option exercises and lapses		–	–	(1,770)	–	1,770	–
Employee Benefit Trust cash outflows from share purchases		–	–	(10,000)	–	–	(10,000)
Employee Benefit Trust net cash inflows from option exercises		–	–	1,189	–	–	1,189
Deferred tax movements posted directly to reserves	7	–	–	–	–	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
Profit for the year		–	–	–	–	9,628	9,628
Other comprehensive income:							
Exchange differences on translation of foreign operations		–	–	–	(19)	–	(19)
Total comprehensive income for the year		–	–	–	(19)	9,628	9,609
Issue of share capital net of expenses	19	–	389	–	–	–	389
Share-based payment charges	22	–	–	2,452	–	–	2,452
Share-based payment transfer relating to option exercises and lapses		–	–	(1,376)	–	1,376	–
Employee Benefit Trust cash outflows from share purchases		–	–	(5,000)	–	–	(5,000)
Employee Benefit Trust net cash inflows from option exercises		–	–	506	–	–	506
Deferred tax movements posted directly to reserves	7	–	–	–	–	(2,740)	(2,740)
Transactions with owners		–	389	(3,418)	–	(1,364)	(4,393)
At 31 May 2022		**197**	**36,468**	**(12,769)**	**(18)**	**94,492**	**118,370**

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MAY 2022

	Notes	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Profit before taxation		**944**	19,185
Adjustments for:			
Depreciation and amortisation	6	**32,199**	18,167
Impairment of intangible assets	6	**7,398**	–
Movement in unrealised exchange losses/(gains) on forward contracts		**474**	(223)
Share-based payment expenses	22	**2,452**	2,155
Interest expense		**–**	88
Interest received		**(57)**	(48)
Payment of interest element of lease liabilities		**649**	691
Research and Development Expenditure Credit (RDEC)	18	**(375)**	–
Working capital changes:			
Change in trade and other receivables		**(10,964)**	(1,233)
Change in trade and other payables		**4,465**	119
Change in provisions		**15**	15
Cash generated from operations		**37,200**	38,916
Taxes received		**3,956**	38
Net cashflows from operating activities		**41,156**	38,954
Investing activities			
Purchase of property, plant and equipment		**(2,500)**	(1,375)
Expenditure on intangible assets		**(36,243)**	(31,502)
Interest received		**57**	48
Net cashflows used in investing activities		**(38,686)**	(32,829)
Financing activities			
Proceeds from issue of share capital	19	**389**	1,492
Employee Benefit Trust cash outflows from share purchases	22	**(5,000)**	(10,000)
Employee Benefit Trust cash inflows from option exercises		**506**	1,189
Payment of principal element of lease liabilities	11	**(1,419)**	(1,377)
Payment of interest element of lease liabilities	11	**(649)**	(691)
Interest paid		**–**	(88)
Net cashflows used in financing activities		**(6,173)**	(9,475)
Net change in cash and cash equivalents from continuing operations		**(3,703)**	(3,350)
Cash and cash equivalents at beginning of year		**42,423**	45,751
Exchange differences on cash and cash equivalents		**(21)**	22
Cash and cash equivalents at end of year		**38,699**	42,423

The Group restated the FY21 consolidated statement of cashflows format to start from profit before taxation instead of operating profit. This method provides more comprehensive information which would be useful to the reader of the consolidated and Company financial statements.

The accompanying accounting policies and notes form part of the financial statements.

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. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies apply to both Group and Company financial statements, unless otherwise indicated.

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 UK-adopted IASs. The financial information has been prepared on the basis of all applicable IFRSs, including all IASs, Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are applicable to the financial period.

Except for the application of UK-adopted IASs, for which there are no material differences from IFRSs as issued by the IASB and adopted by the EU when applied to the Group, accounting policies have been applied consistently to all years presented unless otherwise stated.

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

GOING CONCERN BASIS

The Group and Company's forecasts and projections, taking account of current cash resources and reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the period to 30 November 2023 ('the going concern period'). 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 and the ongoing Ukraine crisis

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 2022 of £38.7 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 and the current macroeconomic conditions arising from the ongoing Ukraine crisis. 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 2023.

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.

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 2023. The financial statements for the year ended 31 May 2022 are therefore prepared under the going concern basis.

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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after the Group's annual period starts. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- 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)

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

CAPITALISATION OF INTANGIBLE ASSETS

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

- game technology, which includes Frontier's game engine and other technology which supports the development and publication of games;
- game developments, which include development of self-published games and 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 and commercially 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.

AMORTISATION OF INTANGIBLE ASSETS

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. Amortisation commences upon completion of the asset. The estimated useful lives of current development projects, namely game technology and game developments, are between one 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'.

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.

Third-party software is amortised on a straight line basis over its useful economic life on commencement of use of the asset, which is typically 2.5 years.

IP licences are amortised on launch of the relevant game in line with financial performance of the game.

Amortisation charges for intangible assets that relate to game developments, game 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.

RESEARCH ACTIVITIES

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. A long-term growth rate is calculated and applied to project future cashflows after the third year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IMPAIRMENT OF NON-FINANCIAL ASSETS CONTINUED

The Group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase costs. These risks in relation to climate related matters are included as key assumptions where they materially impact the measure of recoverable amount. These assumptions have been included in the cashflow forecasts in assessing value in use amounts.

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	– shorter of the lease term or the useful life of the underlying asset

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.

Property, plant and equipment are also assessed for impairment. Refer to the accounting policies in the 'Impairment of non-financial assets' section section.

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 to 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 within 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.

Right-of-use assets are also subject to impairment. Refer to the accounting policies in the 'Impairment of non-financial assets' section.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL ASSETS AT AMORTISED COST

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, except for financial assets designated at fair value through profit and loss (FVTPL). Any change in their value through impairment or reversal of impairment is recognised in the income statement.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For other financial assets at amortised cost, the Group determines whether there has been a significant increase in credit risk since initial recognition. The Group recognises 12-month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

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 of their inception.

FINANCIAL LIABILITIES AT AMORTISED COST

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.

The Group's financial liabilities include trade and other payables, deferred income and lease liability.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FINANCIAL LIABILITIES AT AMORTISED COST CONTINUED

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).

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 – 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 (EBT)

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 the Group expects to be entitled in exchange for the goods or services.

Revenue includes income from the commercial release of full games and early access versions of self-published games, paid downloadable content, virtual currency, 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 of 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. Assessment is carried out by management each year as to whether a constructive obligation to provide free downloadable content or updates is created, with no such instances occurring in the financial year.

Revenue from pre-orders of self-published games, whereby receipt of advance payment takes place, is deferred and then recognised when the Group meets its performance obligations upon commercial release of the game.

The Group also receives licence revenue from providers of subscription services. The Group's customers are the providers of online subscription services which will typically pay the Group a fee to include a product within their wider subscription package. For such arrangements the Group does not have control in relation to the arrangements between the subscription providers and their subscribers and as such the provider and not the consumer of the subscription service is considered to be the Group's customer. Licence revenue associated with subscription services is recognised, in accordance with IFRS 15, at the point in time when the Group has met its performance obligations associated with that service, which is when the customer is provided with the right to use licence for the game to be made available on a subscription service.

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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

SEGMENT REPORTING

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

SHARE-BASED PAYMENT TRANSACTIONS

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Research and development 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. The Group claimed research and development tax relief under the Small or Medium-sized Enterprise (SME) scheme in FY21.

GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments.

The Group elected into the Research and Development Expenditure Credit (RDEC) scheme in FY22 due to the Company now being defined as a 'large company' for taxation purposes.

The RDEC relates to the corporation tax relief receivable relating to qualifying research and development expenditure in the relevant periods and is offset against the related costs and therefore presented within research and development expenses in the income statement.

FOREIGN CURRENCIES

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

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

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

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS

Accounting judgements – the Group applies judgement in how it applies its accounting policies, which do not involve estimation, which could materially affect the numbers disclosed in these financial statements. The key judgements, without estimation, that could have the most significant effect on the amounts recognised in these financial statements are as follows:

CAPITALISATION OF DEVELOPMENT COSTS

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 2022 are £70.8 million (31 May 2021: £71.3 million).

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 of £1.0 million was recognised as at 31 May 2022 for carried forward tax losses from the *Jurassic World Evolution 2* VGTR income stream. The recognition of this asset is based on a high level of certainty that the accumulated losses will be utilised against the taxable profits projected to be generated in FY23 and FY24 by *Jurassic World Evolution 2*. A deferred tax asset for the remaining carried forward tax losses of £50.2 million has not been recognised as at 31 May 2022 due to uncertainty on the timing of the utilisation of those losses.

Significant estimates – the preparation of financial statements in accordance with UK-adopted International Financial Reporting Standards (IFRSs) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the longer term:

IMPAIRMENT OF CAPITALISED DEVELOPMENT COSTS

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. Estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

The Group recognised an impairment loss of £7.4 million during the year ended 31 May 2022 in respect of *Elite Dangerous: Odyssey*, with further information included in note 9.

USEFUL LIFE OF CAPITALISED DEVELOPMENT COSTS

Amortisation of capitalised development costs, included within intangible assets, is calculated over the useful economic lives of the assets on a straight line basis. The estimates of useful economic lives are reviewed at least annually for any changes to this estimate.

The estimates of useful life for capitalised development costs continue to be between one and five years.

SHARE-BASED PAYMENTS

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes option pricing model or the Monte Carlo simulation. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 22.

4. SEGMENT INFORMATION

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

Management information is reported as one operating segment, being revenue from 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.

Other revenue mainly related to royalty income in both FY22 and FY21.

4. SEGMENT INFORMATION CONTINUED

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Publishing revenue	**113,555**	90,471
Other revenue	**477**	217
Total revenue	**114,032**	90,688
Cost of sales	**(40,420)**	(27,538)
Gross profit	**73,612**	63,150
Research and development expenses	**(46,179)**	(22,025)
Sales and marketing expenses	**(12,339)**	(7,269)
Administrative expenses	**(13,558)**	(13,940)
Operating profit	**1,536**	19,916
Net finance costs	**(592)**	(731)
Profit before tax	**944**	19,185
Income tax	**8,684**	2,373
Profit for the year attributable to shareholders	**9,628**	21,558

5. EMPLOYEE REMUNERATION

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

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Wages and salaries	**29,358**	24,962
Social security costs	**3,012**	2,384
Pension costs	**2,901**	2,262
Share-based compensation (note 22)	**2,452**	2,155
Total staff costs	**37,723**	31,763

Included in the above payroll costs is £17,167k (FY21: £15,714k) 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 year was:

	12 months to 31 May 2022	12 months to 31 May 2021
Research and development	**610**	496
Sales, marketing and administrative	**106**	88
Total average number of employees	**716**	584

REMUNERATION OF DIRECTORS

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Directors' emoluments (including bonuses)	**1,363**	1,545
Aggregate gains on the exercise of share options	**792**	8,144
Non-Executive fees	**201**	116
Non-Executive consultancy fees	**8**	42

EMOLUMENTS OF HIGHEST PAID DIRECTOR

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Emoluments (including bonuses and share option gains)	**1,007**	4,947

For detailed Directors' remuneration disclosures refer to the Remuneration Report on page 46.

6. PROFIT BEFORE TAX

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
This is stated after charging:		
Amortisation of intangible assets (note 9):		
Cost of sales	**1,738**	—
Research and development expenses	**26,475**	14,896
Administrative expenses	**424**	424
Impairment of intangible assets (note 9):		
Research and development expenses	**7,398**	—
Depreciation of tangible assets (note 10):		
Research and development expenses	**1,453**	738
Administrative expenses	**485**	485
Depreciation of right-of-use asset (note 11):		
Administrative expenses	**1,624**	1,624
Research and development costs expensed*	**12,306**	7,129
Foreign exchange gains	**75**	726
Grants towards research and development including the Research and Development Expenditure Credit	**375**	—
Auditor remuneration – audit of the parent and Group	**154**	110

* Research and development costs expensed is defined as research and development expenses of £46.2 million (FY21: £22.0 million) less the amortisation and impairment charges for game developments and Frontier's game technology of £33.9 million (FY21: £14.9 million).

7. TAXATION ON ORDINARY ACTIVITIES

The major components of the income tax credit for FY22 and FY21 are:

Consolidated income statement	**12 months to 31 May 2022 £'000**	12 months to 31 May 2021 £'000
Current tax:		
Credit in respect of current year	**(3,471)**	(2,512)
Adjustments in respect of prior years	**(1,509)**	(1,616)
Total current tax	**(4,980)**	(4,128)
Deferred tax:		
(Credit)/charge in respect of current year	**(4,507)**	684
Adjustments in respect of prior years	**552**	1,071
Relating to changes in tax rates	**251**	—
Total deferred tax (note 18)	**(3,704)**	1,755
Total taxation credit reported in the income statement	**(8,684)**	(2,373)

Consolidated equity	**12 months to 31 May 2022 £'000**	12 months to 31 May 2021 £'000
Deferred tax related to items recognised in equity during the year:		
Net change in share option exercises	**2,740**	(3)

7. TAXATION ON ORDINARY ACTIVITIES CONTINUED

Reconciliation of total tax credit at statutory tax rates:

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Profit on ordinary activities before taxation	**944**	19,185
Tax on profit on ordinary activities at standard statutory tax rate 19% (2021: 19%)	**179**	3,652
Factors affecting tax expense for the year:		
Expenses not deductible for tax purposes	**80**	13
Adjustments in respect of prior years	**(957)**	(545)
Tax rate benefit on surrender of tax losses	**(850)**	(415)
Losses on which deferred tax previously not recognised	**(878)**	–
Research and development tax credits	**–**	(816)
Video Games Tax Relief enhanced deductions on which credits claimed	**(3,864)**	(2,430)
Benefit of Patent Box	**(2,665)**	(1,430)
Deferred tax not recognised	**20**	(402)
Effect of changes in tax rate	**251**	–
Taxation credit	**(8,684)**	(2,373)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, deferred taxes have therefore been measured using the tax rate at the date that the deferred tax asset or liability unwinds of 19–25% (31 May 2021: 19%).

For FY22 the Group has recorded a total corporation tax credit of £8.7 million (FY21: £2.4 million). The Group benefits from the enhanced tax deductions available from the Video Games Tax Relief (VGTR) scheme. The Group also benefits from the Patent Box relief that reduced the taxable profits for *Jurassic World Evolution*, *Jurassic World Evolution 2* and *Planet Zoo* during the year.

The Group recognised a prior year adjustment of £957k during the year as a result of *Jurassic World Evolution 2's* Video Games Tax Relief claim in the final FY21 corporation tax return after receiving the final certificate from the British Film Institute (BFI) in March 2022, in which the surrender of losses were carried forward.

The tax rate benefit on surrender of tax losses of £850k is the additional 6% tax benefit received in respect of surrendering the current year losses for the VGTR tax credit at 25% for the following trades: *Elite Dangerous*, *F1® Manager 2022* and *Warhammer Age of Sigmar*.

Due to the increased certainty of the *Jurassic World Evolution 2* forecast for FY23 and FY24, the Group recognised a deferred tax asset of £878k in respect of the £4.6 million of losses carried forward for this VGTR trade (note 18).

The Group claimed research and development tax relief under the Small or Medium-sized Enterprise (SME) scheme in FY21. The Group elected into the Research and Development Expenditure Credit (RDEC) scheme in FY22. The Research and Development (R&D) tax credit in FY22 is offset against and recognised in research and development expenses. The tax charge applied to R&D tax credit is currently included within deferred tax assets (note 18), which is due to the Group making a taxable loss in FY22.

During the year, deferred tax not recognised relates to the tax effected tax saving on the employee share scheme deduction of £78k, netting off with the unrecognised tax losses movement of £58k for trades other than *Jurassic World Evolution 2*. The movement on employee share scheme deduction of £78k is the deferred tax movement of £306k posted to the income statement at a tax rate of 19%, less the current tax deduction of £228k. Unrecognised tax losses movement of £58k is the net of £5.0 million brought forward losses now utilised and the £4.7 million current year loss carried forward, tax effected at 19%. Refer to note 18 for more details on tax losses.

The losses do not have an expiry date.

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.

	12 months to 31 May 2022	12 months to 31 May 2021
Profit attributable to shareholders (£'000)	**9,628**	21,558
Weighted average number of shares	**39,172,987**	38,909,932
Basic earnings per share (p)	**24.6**	55.4

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.

	12 months to 31 May 2022	12 months to 31 May 2021
Profit attributable to shareholders (£'000)	**9,628**	21,558
Diluted weighted average number of shares	**40,606,756**	40,471,633
Diluted earnings per share (p)	**23.7**	53.3

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

	12 months to 31 May 2022	12 months to 31 May 2021
Weighted average number of shares	**39,172,987**	38,909,932
Dilutive effect of share options	**1,433,769**	1,561,701
Diluted average number of shares	**40,606,756**	40,471,633

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 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
Additions	2,724	32,496	330	—	35,550
Disposals	—	(222)	—	—	(222)
At 31 May 2022	**19,733**	**129,393**	**2,390**	**11,185**	**162,701**
Amortisation and impairment					
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
Amortisation charges	2,115	24,360	424	1,738	28,637
Impairment charge	—	7,398	—	—	7,398
Disposals	—	(222)	—	—	(222)
At 31 May 2022	**9,173**	**77,970**	**1,651**	**3,074**	**91,868**
Net book value at 31 May 2022	**10,560**	**51,423**	**739**	**8,111**	**70,833**
Net book value at 31 May 2021	9,951	50,685	833	9,849	71,318

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.

The Group recognised an impairment loss of £7.4 million during FY22 in respect of *Elite Dangerous*: *Odyssey* as a result of lower than expected engagement with *Elite Dangerous*: *Odyssey* on PC following its launch in May 2021 and the decision to cancel further console development of this major expansion. The value in use recoverable amount of *Elite Dangerous*: *Odyssey* at 31 May 2022 is £nil (31 May 2021: no impairment charge) using a pre-tax discount rate of 9% (31 May 2021: 9%). No reasonable possible change in key assumptions for other intangible assets would result in an impairment charge.

10. PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
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
Additions	5	2,495	—	2,500
At 31 May 2022	**868**	**6,651**	**5,358**	**12,877**
Depreciation				
At 31 May 2020	396	1,999	681	3,076
Charge for the year	150	738	335	1,223
At 31 May 2021	546	2,737	1,016	4,299
Charge for the year	150	1,453	335	1,938
At 31 May 2022	**696**	**4,190**	**1,351**	**6,237**
Net book value at 31 May 2022	**172**	**2,461**	**4,007**	**6,640**
Net book value at 31 May 2021	317	1,419	4,342	6,078

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:

	12 months to 31 May 2022 £'000	12 months to 31 May 2021 £'000
Research and development expenses	**1,453**	738
Administration expenses	**485**	485
Total	**1,938**	1,223

11. LEASES

GROUP AND COMPANY

	Right-of-use asset £'000
Cost	
At 31 May 2020	24,356
Additions	–
At 31 May 2021	24,356
Additions	–
At 31 May 2022	**24,356**
Depreciation	
At 31 May 2020	1,624
Charge for the year	1,624
At 31 May 2021	3,248
Charge for the year	1,624
At 31 May 2022	**4,872**
Net book value at 31 May 2022	**19,484**
Net book value at 31 May 2021	21,108

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 year:

	31 May 2022 £'000	31 May 2021 £'000
At 1 June	**22,158**	23,535
Accretion of interest	**649**	691
Lease payments	**(2,068)**	(2,068)
At 31 May	**20,739**	22,158
Current	**1,461**	1,419
Non-current	**19,278**	20,739

The table below sets out the maturity profile of the contractual undiscounted payments at the year end:

	31 May 2022 £'000	31 May 2021 £'000
In not more than three months	**517**	517
In more than three months but less than one year	**1,551**	1,551
In more than one year but less than five years	**8,272**	8,272
In more than five years	**13,959**	16,027
At 31 May	**24,299**	26,367

The discount rate applied to the lease is 3%.

12. TRADE AND OTHER RECEIVABLES

	Consolidated year ended		Company year ended	
	31 May 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Trade receivables (note 20)	**20,316**	9,770	**20,316**	9,768
Intercompany receivables (note 20)	**–**	–	**803**	5,357
Derivative financial instruments (note 20)	**–**	283	**–**	283
Prepayments and other debtors	**4,021**	3,408	**3,996**	3,387
Social security and other taxes	**368**	280	**359**	273
Total trade and other receivables	**24,705**	13,741	**25,474**	19,068

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

Intercompany receivables are trading balances, non-interest bearing and payable on demand.

No receivables are past their due date. The majority of receivables are balances with third-party distributors. The increase year on year is due to the timing of key game launches around the year end.

The amounts owed from related Group undertakings in the Company accounts represent amounts owed from Frontier Games Limited and Frontier Developments Inc. Due to the increase in activity in Frontier Games Limited during the year, the Company now intends the Company and Frontier Games Limited to settle on a net basis the amounts owed to/by each entity and hence the balances are presented on a net basis in the current year.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following balances by currency:

	Consolidated year ended		Company year ended	
	31 May 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Great British Pounds (GBP)	**18,825**	23,804	**18,825**	23,804
US Dollars (USD)	**17,279**	15,920	**16,954**	15,559
Euros (EUR)	**2,592**	2,695	**2,592**	2,695
Canadian Dollars (CAD)	**3**	4	**3**	4
Total cash and cash equivalents	**38,699**	42,423	**38,374**	42,062

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

14. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

	Consolidated year ended		Company year ended	
	31 May 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Trade payables	**3,836**	2,648	**3,836**	2,648
Intercompany payables	**–**	–	**238**	4,856
Accruals and other payables	**16,488**	11,094	**16,488**	11,073
Derivative financial instruments (note 20)	**191**	–	**191**	–
Financial liabilities	**20,515**	13,742	**20,753**	18,577
Accruals and other payables	**103**	96	**103**	96
Other taxation and social security	**1,179**	930	**1,179**	930
Total trade and other payables	**21,797**	14,768	**22,035**	19,603

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.

Intercompany payables are trading balances, non-interest bearing and payable on demand.

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

The amounts owed to related Group undertakings in the Company accounts represent amounts owed to Frontier Games Limited and Frontier Developments Inc. Due to the increase in activity in Frontier Games Limited during the year, the Company now intends the Company and Frontier Games Limited to settle on a net basis the amounts owed to/by each entity and hence the balances are presented on a net basis in the current year.

NON-CURRENT LIABILITIES

	Consolidated year ended		Company year ended	
	31 May 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Other payables	**6,148**	9,219	**6,148**	9,219

Other payables within non-current liabilities are minimum guarantees payable that are due to IP licence holders. The payment terms range between one and 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 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Deferred income	**2,466**	2,180	**2,466**	2,138

	Consolidated year ended		Company year ended	
	31 May 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
At 1 June	**2,180**	1,673	**2,138**	1,576
Deferred during the year	**2,912**	1,718	**2,912**	1,718
Recognised as revenue during the year	**(2,626)**	(1,211)	**(2,584)**	(1,156)
At 31 May	**2,466**	2,180	**2,466**	2,138

All deferred income is expected to be released during the next 12 months.

All deferred revenue recognised as revenue during FY22 and FY21 related to amounts included in deferred income at the beginning of the year or deferred revenue during the year.

The deferred income balance at 31 May 2022 is in respect of *Elite Dangerous* virtual currency and disc sales of *Jurassic World Evolution 2* and *Planet Coaster Console* that are still within the distribution channel. The deferred income balance at 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.

15. DEFERRED INCOME CONTINUED

Deferred income released during FY22 was £227k for *Elite Dangerous* lifetime expansion passes, £390k for *Jurassic World Evolution* disc sales, £1,532k for *Planet Coaster Console* disc sales and £477k for *Elite Dangerous* virtual currency. Deferred income released during FY21 was £240k for *Elite Dangerous* lifetime expansion passes, £224k for *Jurassic World Evolution* disc sales and £747k for *Elite Dangerous* virtual currency.

Income deferred during FY22 was in relation to £1,341k for *Jurassic World Evolution 2* disc sales, £1,218k for *Planet Coaster Console* disc sales and £353k for *Elite Dangerous* virtual currency. Income deferred during FY21 was in relation to £205k for *Jurassic World Evolution* disc sales, £638k for *Planet Coaster Console* disc sales and £875k for *Elite Dangerous* virtual currency.

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

16. CURRENT TAX ASSETS

Current tax assets in the statement of financial position are as follows:

	Consolidated year ended		Company year ended	
	31 May 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Current tax assets	**7,867**	6,468	**4,482**	5,682

The Group has recognised current tax assets of £7.9 million at 31 May 2022 which relates to Video Games Tax Relief claims for FY21 and FY22.

17. PROVISIONS

GROUP AND COMPANY

	31 May 2022 £'000	31 May 2021 £'000
At 1 June	**41**	27
Provided for in the year	**15**	14
At 31 May	**56**	41

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.

18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated income statement	
	31 May 2022 £'000	31 May 2021 £'000	**12 months to 31 May 2022 £'000**	12 months to 31 May 2021 £'000
Short-term temporary differences	**80**	46	**(34)**	17
Intangible and tangible fixed assets	**(2,700)**	(5,349)	**(2,649)**	1,676
Potential future share option exercises	**2,924**	5,687	**23**	62
Research and Development Expenditure Credit	**71**	–	**(71)**	–
Losses available for offsetting against future taxable income	**973**	–	**(973)**	–
Deferred tax (benefit)/expense			**(3,704)**	1,755
Net deferred tax assets	**1,348**	384		
Reflected in the statement of financial position as follows:				
Deferred tax assets	**4,048**	5,733		
Deferred tax liabilities	**(2,700)**	(5,349)		
Net deferred tax assets	**1,348**	384		

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, deferred taxes have therefore been measured using the tax rate at the date that the deferred tax asset or liability unwinds of 19–25% (31 May 2021: 19%).

The Group elected into the Research and Development Expenditure Credit (RDEC) scheme in FY22. The total RDEC claim during the year ended 31 May 2022 is £375k. A deferred tax asset of £71k (19% of the total RDEC claim) has been recognised due to the timing difference of the utilisation of the RDEC tax charge. The RDEC tax charge will be carried forward to reduce the corporation tax liability in the future.

Accumulated UK tax losses as at 31 May 2022 are provisionally estimated to be £54.8 million (31 May 2021: £52.7 million). The actual accumulated UK tax losses as at 31 May 2021 increased to £55.1 million after preparing the final FY21 corporation tax return. The increase of £2.5 million is mainly due to the Video Games Tax Relief (VGTR) for *Jurassic World Evolution 2*, which was claimed in the final FY21 corporation tax return upon receiving the final certificate from the British Film Institute (BFI) in March 2022.

The accumulated UK tax losses movement of £0.3 million during the year is the net of the unrecognised brought forward losses utilised of £5.0 million and the recognised current year loss created and not utilised on the non-VGTR trade of £4.7 million.

18. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

Out of the £54.8 million of tax losses carried forward as at 31 May 2022, £4.6 million of tax losses from the *Jurassic World Evolution 2* VGTR income stream were recognised as a deferred tax asset. The recognition of this asset is based on a high level of certainty that the accumulated losses will be utilised against the taxable profits projected to be generated in FY23 and FY24 by *Jurassic World Evolution 2*.

Frontier's tax arrangements concerning income streams under VGTR and Patent Box enhancements can be complex, and as at 31 May 2022 there was insufficient certainty concerning the utilisation of other tax losses to create any other deferred tax assets related to accumulated losses. It is anticipated that Patent Box deductions and Video Games Tax Relief enhanced deductions will continue to be available in future periods which will continue to have a significant impact on the taxable losses of the Group and therefore the utilisation of brought forward losses. Taking the above into account in line with forecasts for future years, the Group does not expect to utilise the unused tax losses in the foreseeable future. Frontier's total unrecognised tax losses as at 31 May 2022 were £50.2 million (31 May 2021: £55.1 million).

The losses do not have an expiry date.

19. SHARE CAPITAL AND SHARE PREMIUM

GROUP AND COMPANY

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

	Number	Nominal value £
At 31 May 2020	38,911,810	194,559
Shares issued on option exercises and warrants	431,794	2,159
At 31 May 2021	39,343,604	196,718
Shares issued on option exercises and warrants	79,745	399
At 31 May 2022	**39,423,349**	**197,117**

From 1 June 2021 to 31 May 2022 79,745 Ordinary Shares of 0.5p were allotted as fully paid at a premium of 487p, being the exercise of share options by employees and warrants by the Non-Executive Directors. The average market value was 1,974p on the day of allotment.

For detailed information of the exercise of options and warrants refer to page 75 to 77 of the financial statements.

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

	£'000
At 31 May 2020	34,589
Shares issued on option exercises and warrants	1,490
At 31 May 2021	36,079
Shares issued on option exercises and warrants	389
At 31 May 2022	**36,468**

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 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Financial assets at amortised cost				
Trade and other receivables (note 12)	**20,316**	10,053	**21,119**	15,408
Cash and cash equivalents (note 13)	**38,699**	42,423	**38,374**	42,062
Total	**59,015**	52,476	**59,493**	57,470

	Consolidated year ended		Company year ended	
	31 May 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Financial liabilities at amortised cost				
Trade and other payables (note 14)	**26,663**	22,961	**26,901**	27,796
Deferred income (note 15)	**2,466**	2,180	**2,466**	2,138
Lease liability (note 11)	**20,739**	22,158	**20,739**	22,158
Total	**49,868**	47,299	**50,106**	52,092

20. FINANCIAL ASSETS AND LIABILITIES

DERIVATIVE FINANCIAL INSTRUMENTS

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

	Consolidated year ended		Company year ended	
	31 May 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Derivative financial (liabilities)/assets				
Forward foreign exchange contracts – held for trading	**(191)**	283	**(191)**	283

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 FY22 or FY21.

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 Limited, 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 Limited 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), an HMRC-approved Company Share Option Plan (from January 2014), two unapproved schemes (one pre-July 2013 and one post-January 2014), an HMRC-approved Sharesave scheme (October 2017, May 2018, October 2018, April 2019, October 2019, March 2020, October 2020, March 2021, October 2021 and March 2022) and a Long Term Incentive Plan (November 2017, January 2018, May 2018, October 2018, October 2019, October 2020, November 2020 and October 2021). The share option grants for employees typically vest after three years with a contractual term of 10 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	**31 May 2022 Number**	31 May 2021 Number
30 July 2012	2012 EMI scheme	2012–2022	89	**21,300**	73,370
15 May 2013	2013 EMI scheme	2014–2023	95	**2,000**	2,000
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	**42,700**	44,100
15 September 2014	Company Share Option Plan	2017–2024	257.5	**60,480**	67,330
15 September 2014	Unapproved options	2017–2024	257.5	**40,900**	43,106
15 September 2014	Unapproved options	2015–2024	257.5	**288,350**	287,144
10 March 2015	Company Share Option Plan	2018–2025	230	**33,200**	39,200
10 March 2015	Unapproved options	2018–2025	230	**16,500**	16,500
21 September 2015	Company Share Option Plan	2018–2025	193.5	**24,600**	29,600
21 September 2015	Unapproved options	2018–2025	193.5	**11,000**	13,800
8 September 2016	Company Share Option Plan	2019–2026	174	**19,000**	30,750
8 September 2016	Unapproved options	2019–2026	174	**36,000**	41,500
9 February 2017	Company Share Option Plan	2020–2027	278	**10,700**	25,200
31 May 2017	Unapproved options	2020–2027	406	**7,389**	7,389
31 May 2017	Unapproved options	2020–2027	250	**100,000**	100,000
1 November 2017	Sharesave	2020–2021	952	**–**	1,890
10 November 2017	Company Share Option Plan	2020–2027	1,094	**30,008**	37,842
10 November 2017	Long Term Incentive Plan	2020–2027	0.5	**51,999**	97,588
8 May 2018	Sharesave	2021	1,044	**–**	13,586
17 October 2018	Company Share Option Plan	2021–2028	1,130	**39,025**	49,192
17 October 2018	Long Term Incentive Plan	2021–2028	0.5	**96,804**	131,576
8 October 2018	Sharesave	2021–2022	904	**–**	25,626
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

22. SHARE OPTIONS CONTINUED

Date of grant	Scheme or warrant type	Period when exercisable	Price in pence	**31 May 2022 Number**	31 May 2021 Number
1 April 2019	Sharesave	2022	783	**17,957**	39,736
4 October 2019	Company Share Option Plan	2022–2029	1,002	**35,940**	44,261
4 October 2019	Long Term Incentive Plan	2022–2029	0.5	**270,127**	283,315
4 October 2019	Sharesave	2022–2023	832	**17,009**	20,926
25 March 2020	Sharesave	2023	947	**10,084**	10,920
8 October 2020	Sharesave	2023–2024	2,040	**7,240**	26,326
9 October 2020	Company Share Option Plan	2023–2030	2,455	**35,040**	46,148
9 October 2020	Long Term Incentive Plan	2023–2030	0.5	**83,818**	90,804
27 November 2020	Company Share Option Plan	2023–2030	2,410	**4,976**	6,220
27 November 2020	Long Term Incentive Plan	2023–2030	0.5	**1,175**	1,373
25 March 2021	Sharesave	2024	1,972	**12,240**	33,924
4 October 2021	Long Term Incentive Plan	2024–2031	0.5	**3,048**	–
8 October 2021	Sharesave	2024–2025	2,124	**4,382**	–
15 October 2021	Company Share Option Plan	2024–2031	2,540	**65,272**	–
15 October 2021	Long Term Incentive Plan	2024–2031	0.5	**113,388**	–
17 March 2022	Sharesave	2025	972	**146,807**	–
Total number of share options and warrants				**1,807,088**	1,828,872

Movements in the number of share options and warrants outstanding:

	Group and Company year ended	
	31 May 2022 Number	31 May 2021 Number
Opening balance	**1,828,872**	2,446,996
Granted	**364,872**	214,599
Exercised	**(253,517)**	(767,086)
Lapsed	**(133,139)**	(65,637)
Closing balance	**1,807,088**	1,828,872
Weighted average exercise price on closing balance	**434.2**	374.2

The share-based compensation charge in the income statement in FY22 was £2,452,372 (FY21: £2,154,816), of which £nil (FY21: £nil) 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.

22. SHARE OPTIONS CONTINUED

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 year, together with the assumptions used in determining the fair value, are summarised below:

	Sharesave March 2022	LTIP October 2021	LTIP October 2021	CSOP October 2021	Sharesave October 2021
Share price at date of grant (p)	1,236.0	2,440.0	2,475.0	2,475.0	2,490.0
Exercise price (p)	972.0	0.5	0.5	2,540.0	2,124.0
Expected time to expiry (years)	5.55	5.55	5.55	5.55	5.55
Risk-free interest rate (%)	1.92	1.67	1.58	1.58	1.77
Expected dividend yield on shares (%)	—	—	—	—	—
Expected volatility of share price (%)	50.84	48.95	48.05	48.05	48.69
Fair value of options granted (p)	674.0	2,440.0	2,475.0	1,105.0	1,261.0

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 174,211 Ordinary Shares. The Group funded the EBT £5.0 million in April 2022 and the EBT purchased 378,042 Ordinary Shares from the market. The EBT had no other assets or liabilities at 31 May 2022 outside of its interest in 443,531 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 2022 £'000**	**Creditor balance 31 May 2022 £'000**	Expense paid 31 May 2021 £'000	Creditor balance 31 May 2021 £'000
Chris Sawyer – royalties	**395**	**–**	470	–

	Group and Company year ended	
Connected party	**Change in value of loan expense paid 31 May 2022 £'000**	Change in value of loan expense paid 31 May 2021 £'000
Contribution to EBT to purchase shares on market	**5,000**	10,000
Voluntary contribution to the Trust to repay outstanding loan balance during year ended 31 May 2022	**(5,000)**	(10,000)
Movement in year	**–**	–
Opening loan balance	**–**	–
Closing loan balance	**–**	–

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The actual remuneration of the Directors, who are the key management personnel of the Group, is disclosed in the Remuneration Report. The contractual employee benefits are set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	31 May 2022 £'000	31 May 2021 £'000
Short-term employee benefits (including aggregate gains on the exercise of share options)	**2,364**	9,846
Post-employment benefits	**–**	–
Other long-term benefits	**–**	–
Termination benefits	**–**	–
IFRS 2 share-based payment charge	**777**	740

Consultancy fees are paid to Tumbling Dice Ltd, a company in which David Walsh is a common director, amounting to £8k in FY22 (FY21: £nil). The amount outstanding as at 31 May 2022 is £4k (31 May 2021: £nil).

Consultancy fees are paid to Rockspring Ltd, a company in which David Gammon is a common director, amounting to £nil in FY22 (FY21: £42k). The amount outstanding as at 31 May 2022 is £nil (31 May 2021: £nil).

24. FINANCIAL INSTRUMENT RISKS

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and Company are 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 and Company are 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).

In order to minimise credit risk the Group endeavours only to deal with counterparties which are demonstrably creditworthy. The Group deals with a low number of counterparties, which are all deemed to be quality counterparties.

The Group's management considers all financial assets, not impaired, for each reporting date to be of good credit quality, including those past due. 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.

Set out below is the information about the credit risk exposure on the Group and Company's trade and other receivables using a provision matrix:

	Consolidated year ended 31 May 2022						Consolidated year ended 31 May 2021					
	Days past due						Days past due					
	Current £'000	**<30 days £'000**	**30–60 days £'000**	**61–90 days £'000**	**>91 days £'000**	**Total £'000**	Current £'000	<30 days £'000	30–60 days £'000	61–90 days £'000	>91 days £'000	Total £'000
Expected credit loss rate	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**		0.0%	0.0%	0.0%	0.0%	0.0%	
Estimated total gross carrying amount at default	**20,316**	**–**	**–**	**–**	**–**	**20,316**	10,053	–	–	–	–	10,053
Expected credit loss	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–

	Company year ended 31 May 2022						Company year ended 31 May 2021					
	Days past due						Days past due					
	Current £'000	**<30 days £'000**	**30–60 days £'000**	**61–90 days £'000**	**>91 days £'000**	**Total £'000**	Current £'000	<30 days £'000	30-60 days £'000	61-90 days £'000	>91 days £'000	Total £'000
Expected credit loss rate	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**		0.0%	0.0%	0.0%	0.0%	0.0%	
Estimated total gross carrying amount at default	**21,119**	**–**	**–**	**–**	**–**	**21,119**	15,408	–	–	–	–	15,408
Expected credit loss	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–

24. FINANCIAL INSTRUMENT RISKS CONTINUED

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 note 20, 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 2022			Consolidated year ended 31 May 2021			**Company year ended 31 May 2022**			Company year ended 31 May 2021		
	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	**3**	**17,279**	**2,592**	4	15,920	2,695	**3**	**16,954**	**2,592**	4	15,559	2,695

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

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 2022 £'000	31 May 2021 £'000	**31 May 2022 £'000**	31 May 2021 £'000
Effect of a 5% change in relevant exchange rate on:				
Income statement	**2,099**	1,934	**2,100**	1,935
Equity	**1,950**	1,380	**1,962**	1,388

24. FINANCIAL INSTRUMENT RISKS CONTINUED

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

	Consolidated				Company			
	Current		Non-current		Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
At 31 May 2022								
Trade and other payables	**16,983**	**3,532**	**6,148**	**–**	**17,221**	**3,532**	**6,148**	**–**
Deferred income	**1,395**	**1,071**	**–**	**–**	**1,395**	**1,071**	**–**	**–**
Lease liability	**730**	**731**	**6,297**	**12,981**	**730**	**731**	**6,297**	**12,981**
At 31 May 2021								
Trade and other payables	12,915	827	9,219	–	17,750	827	9,219	–
Deferred income	1,171	1,009	–	–	1,171	967	–	–
Lease liability	710	709	6,114	14,625	710	709	6,114	14,625

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 2021 £'000	Cashflows	Other	**31 May 2022 £'000**
Current lease liabilities	1,419	(1,419)	1,461	**1,461**
Non-current lease liabilities	20,739	(649)	(812)	**19,278**
Total liabilities from financing activities	22,158	(2,068)	649	**20,739**

25. SUBSIDIARY AUDIT EXEMPTION

Frontier Games Limited (registered company number: 12553555) is exempt from the requirements relating to the audit of individual accounts for the year ended 31 May 2022 by virtue of Section 479A of the Companies Act 2006.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2022
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2022 £'000	31 May 2021 £'000
Non-current assets			
Investments	21	**–**	–
Intangible assets	9	**70,833**	71,318
Property, plant and equipment	10	**6,640**	6,078
Right-of-use asset	11	**19,484**	21,108
Deferred tax assets	18	**1,348**	384
Total non-current assets		**98,305**	98,888
Current assets			
Trade and other receivables	12	**25,474**	19,068
Current tax assets	16	**4,482**	5,682
Cash and cash equivalents	13	**38,374**	42,062
Total current assets		**68,330**	66,812
Total assets		**166,635**	165,700
Current liabilities			
Trade and other payables	14	**(22,035)**	(19,603)
Lease liability	11	**(1,461)**	(1,419)
Deferred income	15	**(2,466)**	(2,138)
Total current liabilities		**(25,962)**	(23,160)
Net current assets		**42,368**	43,652
Non-current liabilities			
Provisions	17	**(56)**	(41)
Lease liability	11	**(19,278)**	(20,739)
Other payables	14	**(6,148)**	(9,219)
Total non-current liabilities		**(25,482)**	(29,999)
Total liabilities		**(51,444)**	(53,159)
Net assets		**115,191**	112,541
Equity			
Share capital	19	**197**	197
Share premium account	19	**36,468**	36,079
Equity reserve		**(12,769)**	(9,351)
Retained earnings		**91,295**	85,616
Total equity		**115,191**	112,541

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 £7,043k (FY21: £20,810k).

These financial statements were approved by the Directors on 21 September 2022 and signed on their behalf by:

ALEX BEVIS
DIRECTOR

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2022

	Notes	Share capital £'000	Share premium account £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
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	19	2	1,490	—	—	1,492
Share-based payment charges	22	—	—	2,155	—	2,155
Share-based payment transfer relating to option exercises and lapses		—	—	(1,770)	1,770	—
Employee Benefit Trust cash outflows from share purchases		—	—	(10,000)	—	(10,000)
Employee Benefit Trust net cash inflows from option exercises		—	—	1,189	—	1,189
Deferred tax movements posted directly to reserves	7	—	—	—	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
Profit for the year		—	—	—	7,043	7,043
Total comprehensive income for the year		—	—	—	7,043	7,043
Issue of share capital net of expenses	19	—	389	—	—	389
Share-based payment charges	22	—	—	2,452	—	2,452
Share-based payment transfer relating to option exercises and lapses		—	—	(1,376)	1,376	—
Employee Benefit Trust cash outflows from share purchases		—	—	(5,000)	—	(5,000)
Employee Benefit Trust net cash inflows from option exercises		—	—	506	—	506
Deferred tax movements posted directly to reserves	7	—	—	—	(2,740)	(2,740)
Transactions with owners		—	389	(3,418)	(1,364)	(4,393)
At 31 May 2022		**197**	**36,468**	**(12,769)**	**91,295**	**115,191**

FRONTIER DEVELOPMENTS PLC (THE 'COMPANY')

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

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the members of the Company will be held at The Trinity Centre located at 24 Cambridge Science Park, Milton Road, Cambridge CB4 0FN, on 8 November 2022 at 9.30am (GMT) for the following purposes:

ORDINARY RESOLUTIONS

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

Resolution 1. To receive and adopt the financial statements for the year ended 31 May 2022 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 Ilse Howling, who retires and offers herself for re-appointment, as a Director.

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

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

Resolution 9. To re-appoint Jonathan Watts, who retires and offers himself for re-appointment, as a Director.

Resolution 10. To re-appoint James Dixon, who retires and offers himself for re-appointment, as a Director.

Resolution 11. To re-appoint David Wilton, who retires and offers himself for re-appointment, as a Director.

Resolution 12. To re-appoint Ernst & Young LLP as the Company's Auditor's 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 13. To authorise the Directors of the Company (the 'Directors') to determine the Auditor's remuneration for the ensuing year.

Resolution 14. 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 £65,705.58, 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 2023, 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 RESOLUTIONS

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

Resolution 15. That, subject to the passing of resolution 14 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 14 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 £19,711.67 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 2023, 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.

Resolution 16. That the Company be, and it is hereby, generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of Act) of ordinary shares of £0.005 each in the capital of the Company ('Ordinary Shares'), provided that:

(a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 3,942,335 (representing 10 per cent of the Company's issued ordinary share capital as at 21 September 2022);

(b) the minimum price which may be paid for such Ordinary Shares is £0.005 per share (exclusive of expenses);

(c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share cannot be more than an amount equal to the higher of:

i. 105 per cent of the average of the closing middle market price for an Ordinary Share as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days immediately prior to the day the purchase is made; and

ii. an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out;

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of 15 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company; and

(e) the Company may make a contract or contracts to purchase Ordinary Shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

DAVID GAMMON
CHAIRMAN
21 September 2022

REGISTERED OFFICE:
Frontier Developments plc
26 Science Park
Milton Road
Cambridge
CB4 0FP

EXPLANATION OF THE RESOLUTIONS

Resolutions 1 to 14 (inclusive) will all be proposed as ordinary resolutions. This means that, for each of these ordinary resolutions to be passed on a poll, members representing a simple majority of the total voting rights of the members voting (by proxy) must vote in favour of the resolution.

Resolutions 15 and 16 will be proposed as special resolutions. This means that, for each of these resolutions to be passed on a poll, members representing not less than 75% of the total voting rights of the members voting (by proxy) must vote in favour of the resolution.

RESOLUTION 1: APPROVAL OF ANNUAL REPORT AND ACCOUNTS

Resolution 1 proposes that the Company's annual accounts for the year ended 31 May 2022, together with the Report of the Directors and Auditor's report on these accounts be received, considered and adopted.

RESOLUTIONS 2 TO 11: ELECTION AND RE-ELECTION OF DIRECTORS

Resolutions 2 to 11 deal with the election of those Directors who were appointed since the last Annual General Meeting and the re-election of those Directors who were directors at the last Annual General Meeting, who shall each retire as Directors in accordance with the Articles of Association of the Company and, being eligible, offer themselves for re-election as Directors of the Company.

Biographical details for each of the Directors are available online at https://www.frontier.co.uk/investors/director-biographies-and-committees.

RESOLUTIONS 12 AND 13: RE-APPOINTMENT AND REMUNERATION OF AUDITOR

Resolution 12 relates to the re-appointment of Ernst & Young LLP as the Company's Auditor to hold office until the next Annual General Meeting of the Company whilst resolution 13 will be proposed to authorise the Directors to set the Auditor's remuneration.

RESOLUTION 14: ALLOTMENT OF SHARE CAPITAL

Resolution 14 grants the Directors general authority to allot ordinary shares in the capital of the Company or to grant rights to subscribe for, or to convert any security into, such shares in the Company up to an aggregate nominal amount of £65,705.58, representing approximately 33 per cent of the Company's current issued ordinary share capital.

RESOLUTION 15: DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS

Section 561(1) of the Companies Act 2006 requires that on an allotment of new shares for cash, such shares must first be offered to existing shareholders in proportion to the number of shares that they each hold at that time. The Directors believe that there may be circumstances when it is in the best interests of the Company to allot new ordinary shares either on an entirely non-pre-emptive basis or in a way that departs from the statutory requirements set out in the Companies Act 2006.

Accordingly, resolution 15 grants the Directors general authority to allot equity securities and to sell treasury shares for cash (a) an open offer of equity securities by way of a rights issue; and (b) otherwise than in connection with a rights issue, up to an aggregate nominal amount equal to £19,711.67, representing approximately 10 per cent of the Company's current issued ordinary share capital, as if section 561 of the Companies Act 2006 did not apply to any such allotment.

RESOLUTION 16: AUTHORITY FOR MARKET PURCHASES OF OWN SHARES

Resolution 16 grants the Directors authority to make limited market purchases of ordinary shares. The authority is limited to a maximum aggregate number of 3,942,335 ordinary shares (representing approximately 10 per cent of the share capital in issue as at the latest practicable date before publication of this document) and resolution 16 sets out the minimum and maximum prices payable for the purchase by the Company of ordinary shares, exclusive of expenses. Any purchases of ordinary shares would be made by means of market purchase through the London Stock Exchange.

The authority will be exercised only if the Directors believe that to do so would be in the best interest of shareholders generally.

In accordance with the recommendation of the Investment Association, this resolution is being proposed as a special resolution.

Should Resolution 16 be passed at the Annual General Meeting and the Directors decided to proceed with the market purchases of ordinary shares, if applicable such share purchase by the Company would not proceed unless arrangements can be put in place to ensure that the David Braben and his wife (the "Concert Party") percentage interest in ordinary shares will not increase as a result of any future purchases by the Company of its own shares or a waiver is sought from the Panel on Takeovers and Mergers (the "Panel") in respect of such increases (and independent shareholder approval is granted), since the date of notice, based on the total issued share capital of the Company (excluding treasury shares) and the Concert Party's percentage interest in the ordinary shares, any purchases by the Company of its own shares could result in the Concert Party having to make a mandatory offer to all Shareholders under Rule 9 of the UK Takeover Code.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company but must attend the meeting to represent you.

2. 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 9.30am (GMT) on 4 November 2022 (being not more than 48 hours (excluding non-working days) prior to the time fixed for the meeting). (being not more than 48 hours (excluding non-working days) prior to the time fixed for the meeting), or by logging on to www.signalshares.com and following the instructions. You may request a hard copy Form of Proxy directly from the registrars, Link Group.

   If you require any assistance in locating the above documents, please contact Link Group on 0131 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00am and 5.30pm (London time) Monday to Friday excluding public holidays in England and Wales. Alternatively, you can email your enquiry to shareholderenquiries@linkgroup.co.uk

   Note: shareholders should be discouraged from emailing a copy of the Form of Proxy and should log online or submit a hard copy as our team won't accept emailed copies. Should there be a time we are required to accept an email copy this will require to be supported by an Indemnity from the client.

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 6.30pm (GMT) on 4 November 2022 (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 6.30pm (GMT) on such date being not more than 48 hours (excluding non-working days) prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.

7. As at 21 September 2022, the Company's issued share capital comprised 39,423,349 ordinary shares of £0.005 each. Each ordinary share carries the right to one vote at a general meeting of the Company therefore, the total number of voting rights in the Company on 21 September 2022 is 39,423,349.

8. 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.

9. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member.

COMPANY SECRETARY
Jessica Bourne

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

WEBSITE
www.frontier.co.uk

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

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

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

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

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

REGISTRAR
LINK GROUP
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

FIVE-YEAR SUMMARY

	12 months to 31 May 2022	12 months to 31 May 2021	12 months to 31 May 2020	12 months to 31 May 2019	12 months to 31 May 2018
Revenue	**£114.0m**	£90.7m	£76.1m	£89.7m	£34.2m
Operating profit	**£1.5m**	£19.9m	£16.6m	£19.4m	£2.8m
Operating margin (%)	**1%**	22%	22%	22%	8%
EBITDA*	**£41.1m**	£38.1m	£31.5m	£29.0m	£9.4m
Adjusted EBITDA**	**£6.7m**	£11.8m	£12.6m	£15.9m	(£2.9m)
EPS (basic)	**24.6p**	55.4p	41.3p	46.9p	9.6p
Net cash balance	**£38.7m**	£42.4m	£45.8m	£35.3m	£24.1m

* Earnings before interest, tax, depreciation and amortisation.

** Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation charges related to game developments and Frontier's game technology, less investments in game developments and Frontier's game technology, and excluding share-based payment charges and other non-cash items.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

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.

CARBON BALANCED PAPER
WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP014703

Produced by
designportfolio

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