FRONTIER

FRONTIER DEVELOPMENTS PLC
ANNUAL REPORT AND ACCOUNTS 2023

ENTERING NEW REALMS

GROWING AND EVOLVING

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

Frontier creates innovative genre-leading games, primarily for personal computers and video game consoles, with a growing team of over 900 talented people.

The main studio is in Cambridge, UK, with a second smaller studio in Winnipeg, Canada, following Frontier's acquisition of Complex Games in 2022.

Frontier's self-published game portfolio includes *Elite Dangerous*, *Planet Coaster*, *Planet Zoo*, *Jurassic World Evolution*, *Jurassic World Evolution 2*, *F1® Manager 2022*, *F1® Manager 2023*, and *Warhammer 40,000: Chaos Gate - Daemonhunters*.

In November 2023, Frontier will release *Warhammer Age of Sigmar: Realms of Ruin*, incorporating the globally popular Games Workshop IP in a real-time strategy game, a new market segment for Frontier.

Frontier looks forward with confidence, based on a world-class team and a renewed strategy to deliver sustainable growth and financial performance through selecting, developing, launching, and nurturing genre-leading games in carefully selected market segments.

ANNUAL REPORT HEADLINES

See a summary of our progress in FY23 including our financial performance and strategic highlights, together with our latest news and outlook statement

PAGE 01

OUR BUSINESS MODEL

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

PAGE 08

OUR STRATEGY

Hear more about how we achieve repeatable success to deliver long-term sustainable growth

PAGE 11

OUR PEOPLE

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

PAGE 14

OUR GAMES

Learn more about our portfolio of genre-leading games

Warhammer Age of Sigmar: Realms of Ruin PAGE 04
F1® Manager 2023 PAGE 07
Jurassic World Evolution 2 PAGE 10
Warhammer 40,000: Chaos Gate – Daemonhunters PAGE 13
Planet Zoo PAGE 16
Planet Coaster PAGE 22
Elite Dangerous PAGE 24

CONTENTS

REFINING OUR STRATEGY

STRATEGIC HEADLINES

A THRIVING AND GROWING PORTFOLIO

- Frontier's post-launch nurturing strategy delivered another strong performance in FY23, with games released before the start of the financial year delivering 72% of the total revenue in the period.
- *Jurassic World Evolution 2*, created in collaboration with Universal Products & Experiences and released in November 2021, was the biggest revenue contributor in the portfolio for FY23, benefitting from new content in the period including two major PDLC packs inspired by Universal Pictures and Amblin Entertainment's *Jurassic World* franchise.
- In August 2022 Frontier further expanded its portfolio with the release of *F1® Manager 2022*, the first title in an annual series of *Formula 1®* management games, which sold over 800,000 units in FY23.
- The second annual title in the *Formula 1®* series, *F1® Manager 2023*, released in July 2023 (in FY24). This second iteration of the series has achieved good reviews and a positive reception from players, although initial sales were lower than expected.
- Support for *F1® Manager 2023* continues whilst plans for *F1® Manager* in 2024 are developed.
- In November 2023, Frontier's first entry into the popular real-time strategy (RTS) genre will be released. *Warhammer Age of Sigmar: Realms of Ruin*, set within Games Workshop's globally popular Warhammer IP , gives unique perspectives on the in-game action with unprecedented visual fidelity, and introduces an innovative control system to the proven gameplay mechanics of the genre, allowing console players to fully experience the RTS genre for the first time.
- Frontier has a strong position in the creative management simulation (CMS) genre, and development of further CMS games continues – the first is on track for release in FY25, with another title now in development for release in FY26.

MORE ON PAGE 11

FIRST ACQUISITION

- In November 2022, Frontier added a new development team through the acquisition of experienced game development studio Complex Games Inc. (Complex). This followed the successful collaboration between Complex and Frontier on the development and publication of the turn-based strategy game *Warhammer 40,000: Chaos Gate – Daemonhunters*, the biggest selling title in the portfolio of games published by Foundry.
- The acquisition has created a core development footprint for Frontier in Canada, a region with an extensive and growing talent pool for videogame development, and the team is in the process of scaling-up to support future growth.
- Integration activities and growth plans for Complex are on track, and the acquisition delivered modest accretive financial benefits in FY23, as expected.

MORE ON PAGE 18

CLOSURE OF FRONTIER FOUNDRY

- In June 2023 Frontier confirmed the closure of its third-party publishing label, Frontier Foundry (Foundry), following the completion of a strategic review.
- The decision has already enabled a heightened level of operational focus to be applied to Frontier's own internally developed portfolio of titles.

MORE ON PAGE 17

FY23 FINANCIAL HEADLINES

- Revenue of £104.6 million (FY22: £114.0 million) was achieved through the ongoing performance of games which released in earlier financial years, sales from *F1® Manager 2022* which released in August 2022, and modest contributions from new Foundry titles released during the period.
- Adjusted EBITDA* was a loss of £4.6 million (FY22: profit of £6.7 million), reflecting lower revenues achieved in FY23 versus the prior period and investment in titles for release in future years as Frontier gears up to deliver two new game releases per financial year from FY24 onwards.
- Operating profit in FY23 was negatively impacted by £28.7 million of non-cash intangible asset impairment and accelerated amortisation charges resulting from the closure of Foundry and a prudent re-assessment of the overall future performance of the *F1® Manager* franchise following lower than expected initial sales of *F1® Manager 2023*. The incremental non-cash charges resulted in an operating loss of £26.6 million in the period (FY22: profit of £1.5 million).
- Frontier continues to be well capitalised, with a cash balance at the end of FY23 (on 31 May 2023) of £28.3 million and £24.8 million as at the end of August 2023. The net cash outflow of £10.4 million in FY23 was after outflows of £10.9 million for the acquisition of Complex and £3.0 million for the purchase of shares in the Employee Benefit Trust. Cash would have grown in FY23 if the acquisition and share purchases are disregarded.

FULL FINANCIAL REVIEW ON PAGES 17 TO 19

CURRENT TRADING AND OUTLOOK

We have achieved a solid start to FY24, which began on 1 June 2023, through the ongoing performance of the existing portfolio over the summer.

The release of *F1® Manager 2023* in July 2023 has so far not delivered the expected sales contribution, but any revenue shortfall in FY24 is expected to be offset by continued strong performance across the rest of the portfolio, as well as confirmed but as yet unannounced additional revenue streams, including for *F1® Manager 2023*.

The big new game release for FY24 is still to come, with *Warhammer Age of Sigmar: Realms of Ruin* scheduled for release in November 2023. Our marketing campaign for launch kicked off strongly with our presence at Gamescom at the end of August.

The Board continues to be comfortable with market expectations for FY24, with consensus revenue at £108 million and consensus Adjusted EBITDA* loss of £9 million.

The Board is confident that the Company can return to attractive levels of financial performance over the medium-term, based on the strength of its existing portfolio and planned new releases, underpinned by the refocusing of its strategy.

* 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 impairment charges, share-based payment charges and other non-cash items.

NURTURING AND EXPANDING 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 'Select, Develop, Launch & Nurture' model, creating a strong portfolio of games.

RELEASED TITLES

ELITE DANGEROUS
ELITEDANGEROUS.COM

MORE ON PAGE 24

JURASSIC WORLD EVOLUTION
JURASSICWORLDEVOLUTION.COM

JURASSIC WORLD EVOLUTION 2
JURASSICWORLDEVOLUTION2.COM

MORE ON PAGE 10

PLANET COASTER
PLANETCOASTER.COM

MORE ON PAGE 22

PLANET ZOO
PLANETZOOGAME.COM

MORE ON PAGE 16

WARHAMMER 40,000: CHAOS GATE – DAEMONHUNTERS
CHAOSGATE.COM

MORE ON PAGE 13

F1® MANAGER 2022
F1MANAGER.COM

F1® MANAGER 2023
F1MANAGER.COM

ANNUAL FORMULA 1® MANAGEMENT GAMES

MORE ON PAGE 07

FUTURE TITLES

WARHAMMER AGE OF SIGMAR: REALMS OF RUIN
AOSREALMSOFRUIN.COM

MORE ON PAGE 04

A YEAR OF TRANSITION

"The Board is confident that the Company can return to attractive levels of financial performance."

It has been an interesting and eventful time at Frontier. I joined the Board on 22 September 2022 and became Chairman at the start of December 2022, succeeding David Gammon, who had been Chairman for 10 years. My thanks go to my predecessor for his significant contribution to the evolution of Frontier throughout his tenure. There have been several other changes to the Board with Jonny Watts becoming Chief Executive Officer and David Braben moving to the role of President and Founder in August 2022. Alongside those changes, James Dixon stepped up to join the Board as Chief Operating Officer and Jessica Bourne was promoted to the role of General Counsel and Company Secretary.

More recently, on 1 June, Charles Cotton retired as a Non-Executive Director after nearly seven years on the Board, and I thank him for his contribution. On the same day, Leslie-Ann Reed joined the Board as Non-Executive Director and Chair of the Audit Committee.

I have long admired Frontier and the games it develops and publishes, and I am honoured to have been asked to join the team. I believe in Frontier's strategy to Select, Develop, Launch, & Nurture genre-leading games that best fit Frontier's expertise and competitive advantages to deliver long-term value to our stakeholders.

The financial year that ended 31 May 2023 was a challenging one. In January 2023 we announced a reset of our revenue expectations following a lower-than-expected sales contribution from *F1® Manager 2022*, the general sales underperformance across the portfolio during the Christmas holiday period, and the poorer than expected performance of the Foundry games. Subsequently, we took the difficult decision to cease all activity relating to acquiring new third-party titles within Foundry. We took this opportunity to refocus and reset, with all of the Group's efforts on Frontier's own internally developed portfolio of titles.

For FY23 we are reporting a loss before interest and taxation of £26.6 million after incremental non-cash charges totalling £28.7 million relating to the closure of Foundry and a cautious assessment of the future performance of the *F1® Manager* franchise following the initial underperformance of *F1® Manager 2023* which released in July 2023.

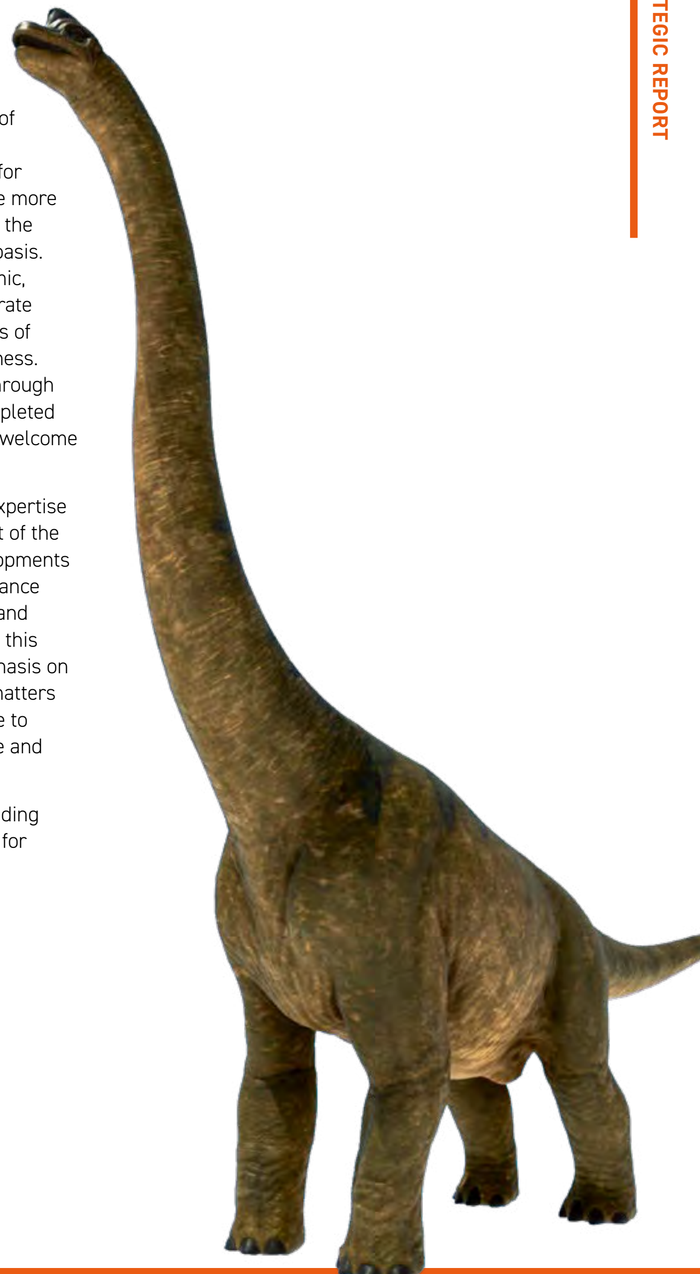
The Board is confident that the Company can return to attractive levels of financial performance over the medium-term, based on the strength of its existing portfolio and planned new releases.

Frontier is a people business. We have a team of talented people who work hard to develop and publish our games. I am very grateful to them for their dedication and commitment. We now have more than 900 people, some of whom are working in the studio, some remotely and others on a hybrid basis. In common with many businesses post-pandemic, we are constantly considering how best to operate to safeguard and accommodate the preferences of our people while efficiently managing the business. For the first time we have had people join us through acquisition, when on 1 November 2022 we completed the acquisition of developer Complex Games. I welcome all our new joiners to the Frontier team.

We want to ensure that the Board's time and expertise is utilised to support the strategic development of the Group. We consider updates on industry developments and market trends. The Board takes its governance responsibilities very seriously. The structures and processes we have in place are summarised in this Annual Report. We are placing increasing emphasis on environmental, social, and governance (ESG) matters to ensure we have the right framework in place to enable our business to operate in a sustainable and responsible way.

I would like to thank all our stakeholders, including our people, our players, and our shareholders, for their support.

DAVID WILTON
CHAIRMAN
12 September 2023



CONQUER THE MORTAL REALMS

In May 2020, Frontier announced an exclusive IP 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 : REALMS OF RUIN

AOSREALMSOFRUIN.COM

Warhammer Age of Sigmar: Realms of Ruin is set in Ghur, the savage Realm of Beasts, an inhospitable, violent land where only the strongest survive. In the single-player campaign, the forces of Order dispatch the celestial, reforged champions known as the Stormcast Eternals to reclaim this realm. After establishing a precarious foothold in this dangerous place, their fortress settlement is under serious threat from the Kruleboyz, the sinister and violent Orruk faction who call Ghur their home. When this Stormcast detachment's leader, Sigrun, learns about a source of arcane power that can protect against the Kruleboyz, they venture into the swamplands at great risk to obtain it – beginning the campaign's twisted cinematic tale of desperate survival.

When the Stormcast Eternals venture out into Ghur and after a perilous journey, they reach the location of a powerful artefact – yet they find it bound in the ethereal chains of the Nighthaunt, the servants of Nagash, who unleash a storm of wraiths to defend it. The Nighthaunt bring swarms of ghostly apparitions and diabolical horrors to the battlefield in *Realms of Ruin*, taking advantage through sheer strength in numbers. As well as appearing as antagonists in the campaign, the Nighthaunt are fully playable in Conquest Mode and multiplayer, with a wide range of units inspired by their tabletop counterparts. Conquest Mode is the repeatable single-player challenge mode that pits players against a series of unpredictable combat scenarios.

Co-written with Black Library author Gavin Thorpe, this rich *Age of Sigmar* narrative is based on the Dawnbringer Crusades from the tabletop game's most recent edition.

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 IP 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.

Warhammer Age of Sigmar: Realms of Ruin will launch on 17 November 2023 for PC via Steam and the Epic Games Store, PlayStation® 5, and Xbox Series X|S. Pre-orders are now available across all platforms.

OFFICIALLY LICENSED

GETTING BACK ON TRACK

I was delighted to step up to the role of CEO in August 2022, having worked with David Braben and the team at Frontier for many years. I continue to be amazed every day by what our talented teams are able to deliver – we have terrific people and an exceptional culture of quality and creativity.

Since I took up the baton from David last summer, our Board and our senior management team have been investing more time in reviewing our future plans. We are conscious that our financial performance over the last two years has not been good enough, and although there is always room for improvement on project execution and operational delivery, I firmly believe that the majority of our financial challenges have been driven by some of the decisions that we collectively made over the last five to six years, which did not always result in the expected financial outcomes for the Company. Foundry is an obvious recent example of this, where our financial and operational investments across seven diverse, externally developed games over a four-year period did not deliver a positive return.

With a greater focus on decision making, particularly around project selection, the good news is that we remain very positive about the internal project decisions that we have taken in the last two to three years. In particular, we are excited about the upcoming release of *Warhammer Age of Sigmar: Realms of Ruin* and the own-IP creative management simulation game we are developing for release in FY25.

I am delighted to announce that we are now starting work on a further creative management simulation game for release in FY26, a genre where we have a strong track record.

GAME SELECTION

In January 2024 we'll be celebrating 30 years since David Braben founded Frontier in 1994. That has provided the perfect context in which to look back at our games, and re-evaluate what makes a 'Frontier' game when it comes to our project selection decisions.

Analysing our successes, and also where we have had our greatest challenges, we have defined four project selection pillars: Strategic, Experience, Gameplay, and Longevity.

1. STRATEGIC

We need to be strategic in our selection process. We seek out opportunities to achieve 'first' or 'best' status in viable, currently under-served, market segments where we can be the top title in that segment. We choose projects which build upon existing IP, Frontier experience or technology. We aim to select projects which have strong potential to be profitable within one month of launch and to achieve 100% return on investment within one year. So far, we have achieved this with open-world simulations of galaxies, rollercoasters, zoos, and dinosaurs.

2. EXPERIENCE

It is all about the player's experience. We want to deliver a game which is authentic and accurate to its subject matter, and to nurture or engage with existing communities around those games. We provide non-linear emergent gameplay, with player-enhanced experiences and player-led narratives. We seek an engaging and satisfying player onboarding experience both at launch and post-release.

3. GAMEPLAY

We make sophisticated and challenging games that provide player agency and choice. We offer deeply rewarding playstyles, with multiple options for problem-solving. To support the principles of 'easy to pick up, challenging to master', our games have layered complexity.

4. LONGEVITY

We seek to provide open-ended experiences, with the potential for substantial, sustainable, and profitable post-release content. We nurture our games post-release with ongoing live project support, often through both free and paid content. We enjoy making games that offer creative building, especially where communities of players can share their creations. We aim to support competitive and cooperative play and socialisation both in and out of game. We actively seek to create hooks that keep our communities engaged.

OUR GAME GENRES

These four game selection pillars align strongly with our most successful segment, which we call creative management simulation (CMS). We consider ourselves to be leaders in CMS games, as evidenced by our success with *Planet Coaster*, *Planet Zoo*, *Jurassic World Evolution* and *Jurassic World Evolution 2*. This is a market space where we know we can find opportunities to deliver genre-leading games, and we will continue to focus on this segment. We are in full development for a CMS game for release in FY25, and we have another CMS game scheduled for FY26.

Alongside our strategy for CMS games, we will continue to expand into carefully selected new genres, with a focus on segments which share characteristics with the CMS genre and which therefore align closely to the four selection pillars.

"We are confident that our future projects will deliver."

OUR GAME GENRES CONTINUED

Our *F1® Manager* game series, being an annual sport management game, leverages our CMS expertise. We delivered a solid first game with *F1® Manager 2022*, with over 850,000 units sold. For *F1® Manager 2023*, which released in July 2023, initial sales have been below the level achieved by the first game, despite good reviews and a positive reception from players. We continue to support *F1® Manager 2023* as we develop our plans for *F1® Manager* in 2024.

Looking ahead to November 2023, I am excited about the release of *Warhammer Age of Sigmar: Realms of Ruin*, our first foray into the real-time strategy genre. We are pleased with the early pre-release reaction to the game and are excited to continue to work to build real-time strategy into a strategic pillar for the Company.

We were pleased to welcome the team from Complex Games, developers of *Warhammer 40,000: Chaos Gate – Daemonhunters*, to Frontier in November 2022 through our first acquisition. Their expertise in turn-based strategy games has given us a strong entry into another new genre, which we are already working to build upon.

The final genre is open-world space simulation. With *Elite Dangerous*, our first self-published game which fully released on PC in December 2014, we captured the imagination of space simulation fans around the world. After nearly 10 years since its first public beta, we have greatly exceeded the original vision for the game.

OUR PEOPLE

During FY23 we grew our headcount through both the 800 and the 900 people milestones, finishing with 915 people as at 31 May 2023, across all of our teams. Organic growth is as strong as ever, with over 230 people choosing to join us during the period, and a further 18 people joining us from Complex Games through the acquisition we completed in November 2022.

Growing and investing in our people is a crucial element of our strategy, as we seek to both nurture and expand our game portfolio. For some of our development teams that means growth in terms of both headcount and capability, and over time we will look to increase the number of our development teams in order to grow the number of projects that we can support at any one time.

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 hub for talent.

In the last few years, engagement and communication has emerged as an important element of our people strategy, which was vital during the pandemic and with the emergence of hybrid and remote working as new models of collaboration. It's important that everyone across Frontier understands and is excited by our current projects and our future plans, so we invest time in communicating to everyone across the studio through regular internal livestreams, along with offering regular opportunities to celebrate, socialise and learn.

I'd like to take the opportunity to thank everyone at Frontier for their hard work and support during the year.

OUR PLAYERS

Our players continue to respond positively to the content that we provide to them, through new game releases, free content and updates, and paid content like PDLC packs. Our publishing strategy is very much community focused – we aim to identify, create and nurture communities of players for each of our titles. That aim is best supported where we have opportunities to provide engaging new content, with *Planet Zoo* and *Jurassic World Evolution 2* being particularly good examples of that in FY23, with multiple packs releasing for each title during the period.

We were pleased to add a new player community in the last 12 months, with the release of *F1® Manager 2022* in August 2022 and *F1® Manager 2023* which released in July 2023.

We are currently in the midst of creating what we hope will be another big new community of players, with *Warhammer Age of Sigmar: Realms of Ruin* scheduled for release in November 2023.

As ever, we remain very much player focused, since ultimately all of our success is dependent on what we deliver and how we deliver to our target audiences, and I would like to thank all our players for their continued support.

OUR SHAREHOLDERS

Our financial performance over the last two financial years has been disappointing, and I'd like to thank our shareholders for their patience and support during what has been a challenging time for us. We continue to believe that we have a solid strategic plan, with a pipeline of releases which will get us back on track to deliver the sustainable and growing revenue and profitability that we should be able to achieve with our world-class team of people.

JONNY WATTS
CHIEF EXECUTIVE OFFICER
12 September 2023

REWRITE EVERY RACE

F1® Manager 2023 released in July 2023, digitally only, on Steam, Epic Games Store, PlayStation 5, Xbox Series X|S, PlayStation 4 and Xbox One, followed by the physical release for all console versions in August 2023. This is the second instalment of 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.

F1® MANAGER 2023

F1MANAGER.COM

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.

On race weekends, players 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, work within the cost cap, and develop and manufacture new parts for the cars. They will scout and hire real-world staff along with 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.

Introduced for *F1® Manager 2023*, players can now relive key moments from the 2023 FIA Formula One World Championship™ with the brand-new Race Replay mode, which features two types of unique scenarios. In Starting Grid, players take control of a team of their choice in a full race which replicates the track conditions and grid positions from its real-world counterpart. Race Moments, meanwhile, challenges fans to take control of a specific scenario part-way through the real Grand Prix, aiming to achieve a set objective before the chequered flag is waved, capturing key strategic calls from throughout a thrilling season.

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.

F1 MANAGER 22

F1 MANAGER 23

Formula 1 LICENSED PRODUCT

EVOLVING OUR BUSINESS MODEL

There are a wide variety of business models within the games industry and the wider 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. This year we have introduced 'Select' to our existing 'Develop, Launch, & Nurture' model to emphasise and demonstrate the importance of our selection process.

OUR MODEL

SELECT

We seek out opportunities to create genre-leading games in proven but under-served markets, with a focus on segments that align with our experience and expertise. We have a particularly strong track record in the creative management simulation (CMS) segment. In certain spaces we have achieved repeated success, with *Jurassic World Evolution* (June 2018) and *Jurassic World Evolution 2* (November 2021) in the 'dinosaur park management' segment being a recent example. We also seek out opportunities to expand into genres which share characteristics with the CMS segment – we refer to these as adjacent genres. Our upcoming real-time strategy game – *Warhammer Age of Sigmar: Realms of Ruin* – is a great example of that.

DEVELOP

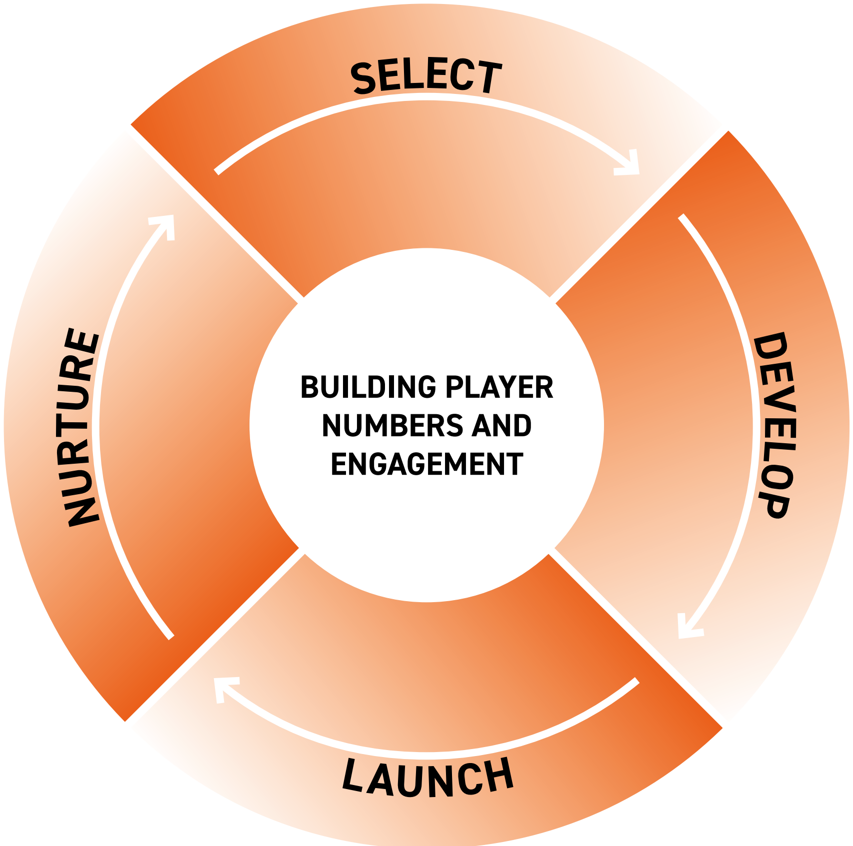
We start our development projects with a relatively small team of people – focusing on scoping and planning. Scoping and planning is essential in determining whether we will proceed into full development. Once we have made the decision to proceed – and as we progress further through the 'Develop' phase – 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.



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 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.

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 games, we plan for the long-term and how best to support and sustain the audience for each one.
- A dedicated team monitors progress based on sentiment towards the games, the success of each of the distribution channels and platforms, and the 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 overperformance 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 have also supported the creation of content from carefully selected development partners, releasing that content under our Foundry games label using our internal publishing team.
- How we invest to deliver financial returns through the development and publication of our own content can be described as having four distinct phases – 'Select, Develop, Launch & Nurture'. Our development and publishing teams, together with all of our other teams, support all four phases of our model.

SUPPORTING OUR 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.

CREATE YOUR OWN JURASSIC WORLD

Jurassic World Evolution 2 successfully launched in November 2021 on PC, PlayStation 5, Xbox Series X|S, PlayStation 4 and Xbox One as a much-anticipated sequel to Frontier's ground-breaking management simulation, *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 across six films in the *Jurassic World* and franchise in a series of 'what if' scenarios, such as taking on John Hammond's original vision of Jurassic Park, where disaster is averted and the park is able to welcome in its very first guests, or working alongside 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 Department of Fish and Wildlife (DFW) following the earth-shattering events of *Jurassic World: Fallen Kingdom*. In Challenge and Sandbox modes, players can test their park management skills or take control of their own ultimate *Jurassic World* with all the tools at their disposal.

Having released four new DLC packs during FY23, including the release of the Dominion Malta Expansion, in December 2022, players are now able to introduce feathered species and marine reptiles to their parks, along with celebrating the 30th anniversary of *Jurassic Park* with a free update including over 20 new iconic decorations, such as the statue of the immortalised Mr. DNA.

JURASSIC WORLD EVOLUTION
JURASSICWORLDEVOLUTION.COM

JURASSIC WORLD EVOLUTION 2
JURASSICWORLDEVOLUTION2.COM

OUR STRATEGY FOR LONG-TERM SUSTAINABLE GROWTH

Our objective is to deliver long-term sustainable value for all our key stakeholders by expanding on our Select, Develop, Launch, & Nurture strategy. The key to developing our business and achieving repeatable success lies in three areas: exceptional experiences for our players, great opportunities for our people, and growing returns for our shareholders. We will deliver on these through a combination of strong game launches, creating free and paid-for DLC post-launch, and actively supporting our community, encouraging user-generated content creation.

OUR PORTFOLIO STRATEGY

We are building a portfolio of genre-leading games, with a focus on the creative management simulation (CMS) segment and genres which share characteristics with our CMS games such as authenticity, emergent player-led experiences, and creativity.

We have a repeatable business model of releasing and supporting high-quality games in proven, but under-served, segments and sub-segments 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 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. Over time we enhance and expand our games and grow their audiences using appropriate additional products, platforms, media, marketing, distribution channels, and charging models.

Looking ahead over the next three years, we plan to further consolidate our success within the CMS genre, the segment which includes our four most successful titles to date: *Planet Coaster* (2016), *Jurassic World Evolution* (2018), *Planet Zoo* (2019), and *Jurassic World Evolution 2* (2021). We have a CMS game scheduled for release in each of FY25 and FY26.

Building on *F1® Manager 2022* and *F1® Manager 2023*, we aim to further expand the audience for our *F1® Manager* annual series of games within our existing licence agreement with Formula 1®. We are currently developing our plans for *F1® Manager* in 2024.

The real-time strategy (RTS) genre shares many of the characteristics of our games in the CMS genre, and it's been an ambition for Frontier to enter this RTS genre for some time. We were therefore delighted to sign a partnership with Games Workshop in early 2020 to develop Frontier's first RTS game, with *Warhammer Age of Sigmar: Realms of Ruin* now only a few months away from release in November 2023. We see the RTS genre as a potential key pillar for future Frontier titles.

Turn-based strategy (TBS) is another great genre which aligns well with CMS, and we were thrilled that Complex Games, *Warhammer 40,000: Chaos Gate – Daemonhunters* developer, joined the Frontier family in November 2022. The acquisition of the team in Canada has also created a small footprint in a new territory for recruiting talent.

Over the last few years, part of our portfolio strategy has been to add titles developed by carefully selected partner studios through our Foundry games label. However, due to disappointing financial performance and increased competition amongst publishers, we decided to stop seeking out new partnership opportunities during 2023, with Foundry effectively ceasing activity in June 2023.

OUR PEOPLE STRATEGY

How we recruit, retain, develop, and engage our talented people is a major part of our strategy, which is crucial for our long-term success.

In order to deliver on our plans to nurture our existing games and add new titles to our portfolio, we must continue to scale-up our organisation, not just in terms of headcount, but also in terms of key technical capabilities, leadership skills, training, organisational structure, process, and external partnerships.

We want to grow the size and capability of each of our development teams, whilst also adding new teams so that we can accelerate the frequency of major new game releases. Increasing our output does not necessitate a linear increase in our headcount, since supporting an existing title typically requires fewer people than creating a new one.

It's not just about our development teams of course, since we also have numerous teams which publish our games, and provide all of the crucial services which support our games, our players, our people and our Company.

In order to recruit, retain, and develop our people, we aim to provide great opportunities for personal development including through performance management systems, mentoring, training, and learning.

We will further 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, 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 while working at Frontier, as they expand and nurture our portfolio of genre-leading games.

> "We seek to foster and maintain a high level of engagement across everyone at Frontier."

FULFIL YOUR DUTY

Developed by Complex Games, Canada, now part of Frontier Developments, *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 and recently released its second expansion, Execution Force. It builds on Frontier's existing partnership with Games Workshop - Frontier is internally developing a real-time strategy game set within Games Workshop's *Warhammer Age of Sigmar* IP (see page 04).

WARHAMMER CHAOS GATE DAEMONHUNTERS

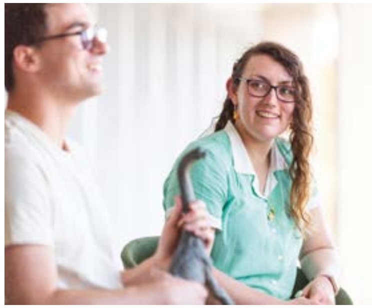
WARHAMMER 40,000: CHAOS GATE - DAEMONHUNTERS

CHAOSGATE.COM

complex GAMES

AN ENGAGING, EXCITING CULTURE

Our team are amazing, talented 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 connect with our hybrid team through our internal livestreams, allowing us to share in our 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.



CREATING THRIVING ENVIRONMENTS

We believe that our people are critical to us achieving continued success – as such our people remain at the heart of everything we do. The key areas of focus of our people strategy are employee engagement, retention and attraction of talent, and striving for excellence in leadership. This includes generating in-house and external training opportunities with a focus on leadership coaching, developing our existing talent and our talent pipeline, raising awareness of inclusivity and diversity, and career progression.

Our people strategy has two overarching focuses: to develop, retain and engage our team; and to strive for exceptional leadership.

DEVELOPING, RETAINING, AND ENGAGING OUR TEAM

As an inclusive, diverse, and people-oriented company, we aim to ensure that people at Frontier are appropriately challenged, that there is a high-performance culture, and that there are opportunities for everyone to grow, with individuals being supported to take ownership of their wellbeing.

We aim to attract, nurture, and retain the talent we need to support and drive the delivery of our roadmap across all projects and locations, aligning with our ambitious hiring and scaling-up plans. During FY23, 251 people joined us, bringing our headcount to 915 people on 31 May 2023. We continue to grow; on 31 August 2023 our team had increased further to 919 people, nurturing our existing portfolio and supporting our roadmap of future titles.

We offer flexible, sustainable, and fair rewards and have recognition mechanisms that will attract and retain our people. We will continue to reward people for their individual achievements while ensuring that everyone is able to share in Frontier's success.

STRIVING FOR EXCEPTIONAL LEADERSHIP

Our leaders and managers consistently drive our vision and have the capability and confidence to engage, develop, challenge and reward our people, think commercially, be accountable, make effective decisions, and deliver excellence through their teams. Our aim is to build our leadership coaching by introducing our new Leadership Development Programme (LDP), along with ensuring that we hire and promote managers and leaders with the skills, behaviours, and mindsets we need to thrive.

As we continue to grow, becoming even larger and more sophisticated in how we operate, it is critical that we are open to refining and optimising our structure to ensure that we are as efficient and effective as possible with the people that we have. We will ensure that responsibility for business performance exists across our management and leadership roles, with a small number of senior leaders being held accountable for refining and optimising our organisational structure.

Number of people (on 31 August 2023)
919

New joiners in FY23
251

Nationalities
49

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

CAREERS.FRONTIER.CO.UK

DISCOVER LIMITLESS CREATIVITY

Frontier's fourth self-published title, *Planet Zoo*, launched exclusively for PC in 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 come first. Players nurture their animals throughout their lives, study and manage every species to see them thrive.

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. They can 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 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 releases (including a deluxe upgrade pack), *Planet Zoo* is now onto its 15th PDLC pack to date, which is the Oceania Pack, due to be released in September 2023. *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.

PLANET ZOO

PLANET ZOO
PLANETZOOGAME.COM

PLANNING FOR FUTURE SUCCESS

OVERVIEW

FY23 revenue of £104.6 million (FY22: £114.0 million) was delivered through a solid performance from the existing portfolio of games (released prior to 1 June 2022), which accounted for 72% of revenue during the financial year, together with contributions from games released during the period. *Jurassic World Evolution 2*, which released in November 2021 through collaboration with Universal Products & Experiences, was the strongest performer in the portfolio, with revenue in its first 18 months exceeding the performance of the first *Jurassic World Evolution* game during its first 18 months. *F1® Manager 2022* was the leading revenue generator amongst new games, selling over 800,000 units in its first nine months following its release in late August 2022 up to the end of the financial year on 31 May 2023.

Adjusted EBITDA*, a measure of cash profitability, was a loss of £4.6 million in FY23 (FY22: profit of £6.7 million), which reflects the decrease in revenue, an increase in costs, and continued investment in future games as Frontier gears up to deliver two new game releases per financial year from FY24 onwards.

Operating profit as reported under IFRS was adversely impacted by non-cash intangible asset impairment and accelerated amortisation charges totalling £28.7 million in the year arising from two events: the underperformance and subsequent closure of Foundry, and a prudent re-assessment of the future financial performance of the *F1® Manager* franchise following a lower than expected initial sales contribution from *F1® Manager 2023* which released in July 2023, after the end of the financial year.

These non-cash intangible asset impairment and accelerated amortisation charges led to an operating profit before those adjustments of £2.1 million becoming a reported operating loss of £26.6 million. The non-cash intangible asset impairment and accelerated amortisation charges had no impact on cashflow, cash balances or Adjusted EBITDA.

In November 2022 Frontier added a new development team with the acquisition of experienced game development studio Complex Games Inc. (Complex), following the successful collaboration between Complex and Frontier on the development and publication of turn-based strategy game *Warhammer 40,000: Chaos Gate – Daemonhunters*. Integration activities and growth plans for Complex are on track, and the acquisition delivered modest accretive financial benefits in FY23, as expected.

Frontier continues to be well capitalised, with total cash balances on 31 May 2023 of £28.3 million (31 May 2022: £38.7 million) and £24.8 million on 31 August 2023. The reduction in cash during FY23 reflected a greater investment in significant game developments for release in future years, £10.9 million for the acquisition of Complex, and the £3.0 million purchase of shares by the Employee Benefit Trust undertaken in May 2023 to satisfy future share option exercises by employees. Cash would have grown in FY23 if the acquisition and share purchases are disregarded.

We're confident that our renewed and proven strategy of selecting, developing, launching, and nurturing genre-leading games will get us back on track in terms of our financial performance.

OUR EXISTING GAME PORTFOLIO

Our portfolio of titles which released before FY23 – *Elite Dangerous*, *Planet Coaster*, *Planet Zoo*, *Jurassic World Evolution*, *Jurassic World Evolution 2* and *Warhammer 40,000: Chaos Gate – Daemonhunters* – continues to reach new audiences, and each delivered material revenues in FY23. *Jurassic World Evolution 2* and *Planet Zoo* performed especially well, each supported by four new PDLC packs releasing in FY23, alongside free content. In FY24 new PDLC packs and free content for both *Jurassic World Evolution 2* and *Planet Zoo* have already been released, with more planned during this financial year.

Jurassic World Evolution 2 was the strongest performer in the portfolio, with revenue in its first 18 months exceeding the performance of Frontier's all-time leading revenue generator, the first *Jurassic World Evolution* game, during its first 18 months.

F1® MANAGER

FY23 benefited from the release of another new Frontier game in late August 2022, *F1® Manager 2022*, the first annual title in a major new sports franchise for Frontier. By 31 May 2023 *F1® Manager 2022* had achieved over 800,000 units sold across all platforms and formats, with strong engagement at release. This level of sales was a solid performance for the first game in the series but was below Frontier's original expectations.

Our second title in the series, *F1® Manager 2023*, released after the end of the financial year in July 2023. Sales during the pre-order phase for *F1® Manager 2023* were below the level achieved by *F1® Manager 2022*, and although the sales performance post-launch has been more encouraging, the current revenue projections for *F1® Manager 2023* in FY24 are now below the level achieved by *F1® Manager 2022* in FY23. The Company will continue to build on the more positive recent sales trends, including through support of the title through the remainder of the 2023 F1® season. We are currently developing our plans for *F1® Manager* in 2024.

As part of the annual audit process for FY23 we reviewed the carrying values of our intangible assets across the portfolio, with a particular focus on the *F1® Manager* series due to the performance of both *F1® Manager 2022* and *F1® Manager 2023*. Following a prudent re-assessment of the overall future performance of the *F1® Manager* franchise a non-cash impairment charge of £15.0 million was recorded in the FY23 financial statements against the intangible assets relating to the franchise.

FOUNDRY

Foundry is Frontier's game label for publishing games developed by external partners.

Financial performance across the Foundry game portfolio has been disappointing and, overall, the business has not delivered Frontier's expectations of a positive return on investment within the first year of each title.

As a result of this financial underperformance, and an increased level of competition amongst third-party publishers, in June 2023 Frontier announced the decision to cease all activity relating to acquiring new third-party titles and instead re-focus on internal titles.

This decision has enabled an increased level of operational focus to be applied to Frontier's own internally developed portfolio of titles, which has delivered a strong return on investment. Foundry games which have already been released will continue to be supported, including those in active post-release development.

* 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 impairment charges, share-based payment charges and other non-cash items.

OVERVIEW CONTINUED

FOUNDRY CONTINUED

The disappointing financial performance of games published under the Foundry games label resulted in non-cash intangible asset impairment and accelerated amortisation charges totalling £13.7 million being recorded in FY23, with £10.6 million being accelerated amortisation charges reflecting the relatively steep decline of Foundry game sales post-release compared with the more sustained trends for Frontier developed games, together with Foundry game asset impairments totalling £3.1 million.

COMPLEX GAMES

In November 2022 Frontier added a new development team with the acquisition of experienced game development studio Complex Games, following the successful collaboration between Complex and Frontier on the development and publication of turn-based strategy game *Warhammer 40,000: Chaos Gate – Daemonhunters*, which is the biggest selling game published under the Foundry games label.

Founded in 2001 by Noah Decter-Jackson and Adrian Cheater, Complex has over 21 years of experience in a wide variety of game genres and platforms. The studio is based in Winnipeg, in the Canadian Province of Manitoba, and at acquisition Complex employed 18 talented people, primarily developers. As at 31 August 2023 the team had grown to 25.

The acquisition, which is Frontier's first, supports Frontier's strategic objectives through the creation of a core development footprint for Frontier in Canada, a region with an extensive and growing talent pool for video game development. Frontier intends to grow the development team in Winnipeg to support future growth.

Having worked closely during the development and launch of *Warhammer 40,000: Chaos Gate – Daemonhunters*, the acquisition had been de-risked through a deep mutual understanding and alignment of the culture, ability and ambition of the two companies, and the closer collaboration achieved by the acquisition has enabled Complex and Frontier to more effectively nurture *Warhammer 40,000: Chaos Gate – Daemonhunters*.

In the medium to long term, the growing development team in Winnipeg will add to Frontier's game portfolio through the application of Frontier's Select, Develop, Launch, & Nurture strategy, which will support Frontier's continued delivery of sustainable and profitable growth.

Frontier acquired 100% of the shares in Complex for an upfront cash consideration of CAD$13.3 million (£8.4 million). Conditional deferred cash consideration of up to CAD$5.2 million (£3.3 million) will be payable subject to Complex meeting certain operational milestones during the period to 31 December 2023. In addition, the four employee shareholders - the two founders and the two studio principals - will participate in a five-year profit-share cash earn-out scheme, which aligns with Frontier's strategy to Select, Develop, Launch, & Nurture new games developed by the Winnipeg studio.

The total maximum upfront and deferred consideration of up to CAD$18.4 million (£11.7 million) will be funded from Frontier's existing cash resources. The additional profit-share earn-out of up to CAD$11.8 million (£7.5 million) payable annually over five years to the four employee shareholders will be funded from future cash profits generated from games developed by the Winnipeg studio.

Net identifiable assets and liabilities on acquisition totalled net assets of £1.2 million and fair value adjustments in respect of assets identified through the purchase price allocation (PPA) process totalled £2.9 million. This resulted in a goodwill balance of £7.7 million being recognised on the consolidated statement of financial position on acquisition. Further information is included in note 9 of the financial statements.

Integration activities and growth plans for Complex are on track, and the acquisition delivered modest accretive financial benefits in FY23, as expected.

Following Foundry activity ceasing, the operations of Complex, including *Warhammer 40,000: Chaos Gate – Daemonhunters* and future games developed, will be reclassified into our portfolio of internally developed titles.

FINANCIAL PERFORMANCE

FY23 revenue of £104.6 million fell short of our record revenue of £114.0 million in FY22 following the underperformance of *F1® Manager 2022* against original expectations, the general sales underperformance across the portfolio during the Christmas holiday period and disappointing sales for Foundry games. As a result of this, gross profit decreased to £67.3 million (FY22: £73.6 million) with a gross profit margin of 64% (FY22: 65%). The small reduction in our gross profit margin percentage in FY23 versus FY22 was mainly due to subscription deals, which do not attract commission payable, representing a higher proportion of revenue in FY22 than in FY23.

Gross research and development (R&D) expenses in the period grew by 11% to £52.9 million (FY22: £47.5 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; the staff costs in respect to Complex Games from November 2022; and investment in Foundry development partner projects.

Development costs for supporting Foundry games in FY23 were £9.6 million, representing 18% of total gross R&D investment. Following the decision to cease activities for any new games for Foundry, there will be a significant reduction in this spend in FY24, although post-release development funding and support are being provided in FY24 for *Stranded: Alien Dawn* and *The Great War: Western Front.*

Capitalisation of costs for game development related intangible assets, together with continued investment in our leading game technology, accounted for £37.6 million in the year (FY22: £35.2 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 FY23 represented 71% of gross R&D expenditure which was similar to FY22 (74%).

Amortisation and impairment charges for intangible assets related to game developments and Frontier's game technology grew to £52.6 million in total for the year (FY22: £33.9 million) including the additional one-off non-cash Foundry intangible asset impairment and accelerated amortisation charges of £13.7 million and the *F1® Manager* non-cash impairment charge of £15.0 million. In the prior year, FY22, a one-off, non-cash impairment charge of £7.4 million was recorded for *Elite Dangerous: Odyssey*.

For FY24 the Company has reviewed and updated its approach to intangible asset identification and amortisation following the incremental accounting charges suffered in FY22 and FY23. As a result of this review, intangible assets related to games and PDLC which release after 1 June 2023 will be amortised more rapidly in the first 12 months following their release, through the adoption of a steeper amortisation charge profile than the previous default method of straight-line amortisation. This updated approach will not impact Adjusted EBITDA, which is a measure of cash profit, but it may have a short-term adverse impact on reported operating profit in FY24 as we transition from the previous amortisation profile to the updated model. Updated amortisation profiles were applied in FY23 to Foundry games which released in the period and to the *F1® Manager* game franchise.

Net research and development expenses recorded in the consolidated income statement, being gross spend, less capitalised costs, plus amortisation and impairment charges, increased to £67.9 million in FY23 (FY22: £46.2 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 Foundry and *F1® Manager* intangible asset impairment and accelerated amortisation charges.

Sales, marketing, and administrative expenses remained largely the same at £26.1 million in FY23 (FY22: £25.9 million) as a result of sustained investment in marketing to support the launch of *F1® Manager 2022*, our major new game release in the year, new Foundry titles, and our existing game portfolio, including new PDLC releases and price promotion events, as well as slightly higher administration costs due to the continued growth of the business.

Overall, net operating expenditure in FY23 grew to £93.9 million (FY22: £72.1 million), mainly as a result of higher net research and development expenses, along with the additional non-cash intangible asset impairment and accelerated amortisation charges of £28.7 million which were due to the financial performance of Foundry and the *F1® Manager* series. After taking account of those charges, this resulted in an operating loss as reported under IFRS of £26.6 million (FY22: profit of £1.5 million).

"We're confident that a renewed focus on our proven strategy will deliver for all of our stakeholders."

FINANCIAL PERFORMANCE CONTINUED

Adjusted EBITDA*, a measure of cash profitability whereby game development costs are expensed as they are incurred, was in line with the expectations set in January 2023, being a loss of £4.6 million (FY22: profit of £6.7 million). The year-on-year reduction reflected the decrease in revenue, an increase in costs, and continued investment in future games as Frontier gears up to deliver two new game releases per financial year from FY24 onwards.

On corporation tax, Frontier continues to benefit strongly from HMRC incentive schemes, specifically Video Games Tax Relief (VGTR), R&D tax credits and Patent Box. Frontier receives enhanced corporate tax deductions on certain expenditures under the VGTR and R&D tax credit schemes, both of which help to reduce taxable profits.

Frontier elected into HMRC's Patent Box regime in FY21, making claims for patent-related profits from FY19 onwards. Patent Box has delivered benefits from FY21 onwards, 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 benefited 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 £5.6 million in the consolidated income statement in FY23 (FY22: £8.7 million).

Loss after tax for FY23 was £20.9 million (FY22: profit of £9.6 million) and the basic loss per share was 53.6p (FY22: earnings per share of 24.6p).

BALANCE SHEET AND CASHFLOW

We are well capitalised, with £28.3 million of cash at 31 May 2023 (31 May 2022: £38.7 million) and £24.8 million at 31 August 2023. The £10.4 million reduction in cash during FY23 reflected a greater investment in significant game developments for release in future years, working capital movements, £10.9 million for the acquisition of Complex, and the £3.0 million purchase of shares by the Employee Benefit Trust undertaken in May 2023. Cash would have grown in FY23 if the acquisition and share purchases are disregarded.

Goodwill relates wholly to the acquisition of Complex Games in November 2022, with a balance of £7.2 million at 31 May 2023 following a £0.5 million exchange rate movement in the period (31 May 2022: £nil).

Our other intangible asset values include game technology, internal game developments, Foundry game developments, third-party software, and IP licences. Total other intangible assets decreased during the year to £57.0 million at 31 May 2023 (31 May 2022: £70.8 million) as a result of the Foundry and *F1® Manager* impairment and accelerated amortisation charges. Our investments in the year related to our own internally developed titles, including new content for our existing portfolio, our technology, and support for our Foundry partner developments. Those investments in new content and technology were more than offset by amortisation and impairment charges which included the one-off £28.7 million adjustment for Foundry and *F1® Manager 2023*.

Property, plant and equipment relate mainly to IT equipment and the fit-out of the leased studio facility, which the Group has occupied from April 2018. The net balance at 31 May 2023 was £5.7 million (31 May 2022: £6.6 million).

Following the adoption of IFRS 16 "Leases" effective for Frontier from 1 June 2019, the consolidated statement of financial position at 31 May 2023 includes a right-of-use asset valued at £17.9 million (31 May 2022: £19.5 million) for the Group's lease over its headquarters studio building in Cambridge. A similar figure (the difference related to timing of actual rental payments) of £19.3 million at 31 May 2023 (31 May 2022: £20.7 million) is recorded on the consolidated statement of financial position as a lease liability, split between current and non-current liabilities.

Trade and other receivables due within one year totalled £15.6 million at 31 May 2023 (31 May 2022: £24.7 million) with the majority of the balance related to gross revenue due from digital distribution partners. The year-on-year decrease primarily relates to higher revenue in the final months of FY22 versus FY23, which included *Jurassic World Evolution 2* entering Microsoft's Game Pass subscription service in May 2022.

Trade and other payables due within one year totalled £16.5 million at 31 May 2023 (31 May 2022: £21.8 million), being mostly made up of distribution platform commissions, IP licence royalties and developer royalties due on the sales transactions not yet settled, and other staff-related accruals. The decrease in liabilities largely relates to the year-end revenue variances mentioned above and the absence of a bonus provision being included at 31 May 2023 due to the minimum bonus performance payout not being achieved.

Within non-current liabilities (amounts due after 12 months) a balance of £4.2 million is held at 31 May 2023 (31 May 2022: £6.1 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 at 31 May 2023 of £9.4 million (31 May 2022: £7.9 million) relates to the filed tax returns, including VGTR claims, for FY22, and the draft tax returns for FY23. In June 2023, £3.9 million was received from HMRC related to the FY22 tax returns.

The net balance for deferred tax assets less deferred tax liabilities recorded at 31 May 2023 was a liability £0.4 million (31 May 2022: £1.3 million asset). Deferred tax assets and liabilities have been recorded at 31 May 2023 for the estimated values of temporary differences, the potential value of tax deductions relating to future share option exercises, and a portion of carried forward tax losses in the Group.

The Group's tax arrangements concerning income streams under VGTR and Patent Box enhancements can be complex, and at 31 May 2023 there was insufficient certainty concerning the utilisation of other tax losses to create any other deferred tax assets related to accumulated losses. The Group's total unrecognised tax losses as at 31 May 2023 were £80.2 million (31 May 2022: £50.2 million).

ALEX BEVIS
CHIEF FINANCIAL OFFICER
12 September 2023

MEASURING OUR PERFORMANCE

Revenue (£m)

£104.6m

23	104.6
22	114.0
21	90.7
20	76.1
19	89.7

EBITDA (£m)

£33.0m

23	33.0
22	41.1
21	38.1
20	31.5
19	29.0

Operating (loss)/profit (£m)

£(26.6)m

23	(26.6)
22	1.5
21	19.9
20	16.6
19	19.4

Adjusted EBITDA* (£m)

£(4.6)m

23	(4.6)
22	6.7
21	11.8
20	12.6
19	15.9

Operating (loss)/profit margin (%)

(25)%

23	(25)
22	1
21	22
20	22
19	22

EPS (basic) (p)

(53.6)p

23	(53.6)
22	24.6
21	55.4
20	41.3
19	46.9

Cash balance (£m)

£28.3m

23	28.3
22	38.7
21	42.4
20	45.8
19	35.3

* 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 impairment charges, 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 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 2023 £'000	12 months to 31 May 2022 £'000
Operating (loss)/profit	**(26,580)**	1,536
Depreciation and amortisation	**41,438**	32,199
Impairment of other intangible assets	**18,117**	7,398
EBITDA	**32,975**	41,133

ADJUSTED EBITDA

Frontier also discloses an Adjusted EBITDA measure which, in the Group'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 impairment charges, 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 2023 £'000	12 months to 31 May 2022 £'000
Operating (loss)/profit	**(26,580)**	1,536
Add back non-cash intangible asset amortisation charges for game developments and Frontier's game technology	**34,490**	26,475
Add back non-cash intangible asset impairment charges	**18,117**	7,398
Deduct capitalised investment costs in game developments and Frontier's game technology	**(37,632)**	(35,220)
Add back non-cash depreciation charges	**3,909**	3,562
Add back non-cash movements in unrealised exchange (gains)/losses on forward contracts	**(239)**	474
Add back non-cash share-based payment expenses	**3,340**	2,452
Adjusted EBITDA (loss)/profit	**(4,595)**	6,677

RESEARCH AND DEVELOPMENT (R&D) EXPENSES

Research and development (R&D) expenses recorded in Frontier's consolidated 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 consolidated 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 2023 £'000	12 months to 31 May 2022 £'000
Gross R&D expenses	**52,882**	47,526
Capitalised investment costs in game developments and Frontier's game technology	**(37,632)**	(35,220)
Amortisation charges for game developments and Frontier's game technology	**34,490**	26,475
Impairments of other intangible assets	**18,117**	7,398
Net R&D expenses	**67,857**	46,179

CREATE SKY-HIGH THRILLS

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.

PLANET COASTER
PLANETCOASTER.COM

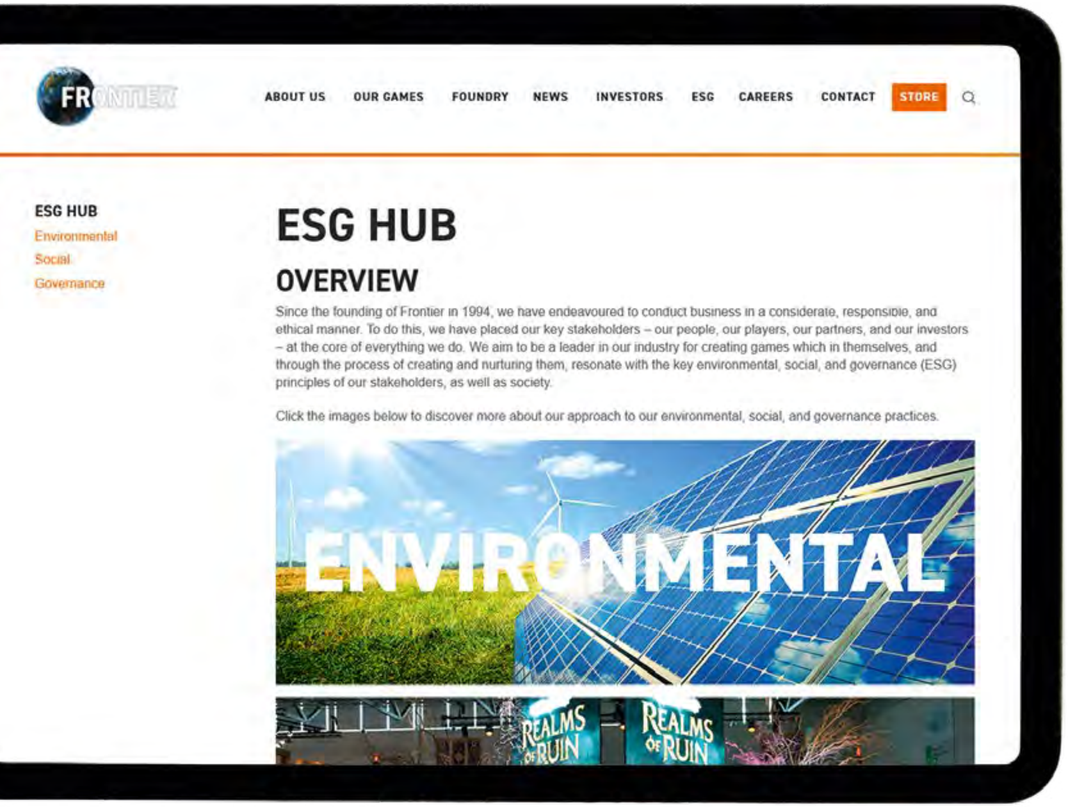
In addition to the free updates, players can introduce further content into their parks through the purchase of paid downloadable content (PDLC) packs. The first of these was released in July 2017, and in total *Planet Coaster* now has 11 separate PDLC packs available to purchase.

Following its continued success on PC – passing 4 million base game units sold in April 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 the Frontier Workshop – a sharing tool that allows console players to share created content with each other.

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

A RESPONSIBLE, CONSIDERATE APPROACH

Frontier has always endeavoured to conduct business in a considerate, responsible, and ethical manner. To do this, we place our key stakeholders – our people, our players, our partners, our investors, and the public – 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.



VISIT THE HUB AT

FRONTIER.CO.UK/ESG-HUB

ESG INFORMATION HUB

Launched in September 2021, our ESG hub is a dedicated section of our website which consolidates all of our ESG information in one place. Our ESG hub enables our investors, our partners, our players, and our people to access all the latest Frontier news, data, statements, and policies relating to ESG 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 14

OUR MANAGEMENT OF RISK

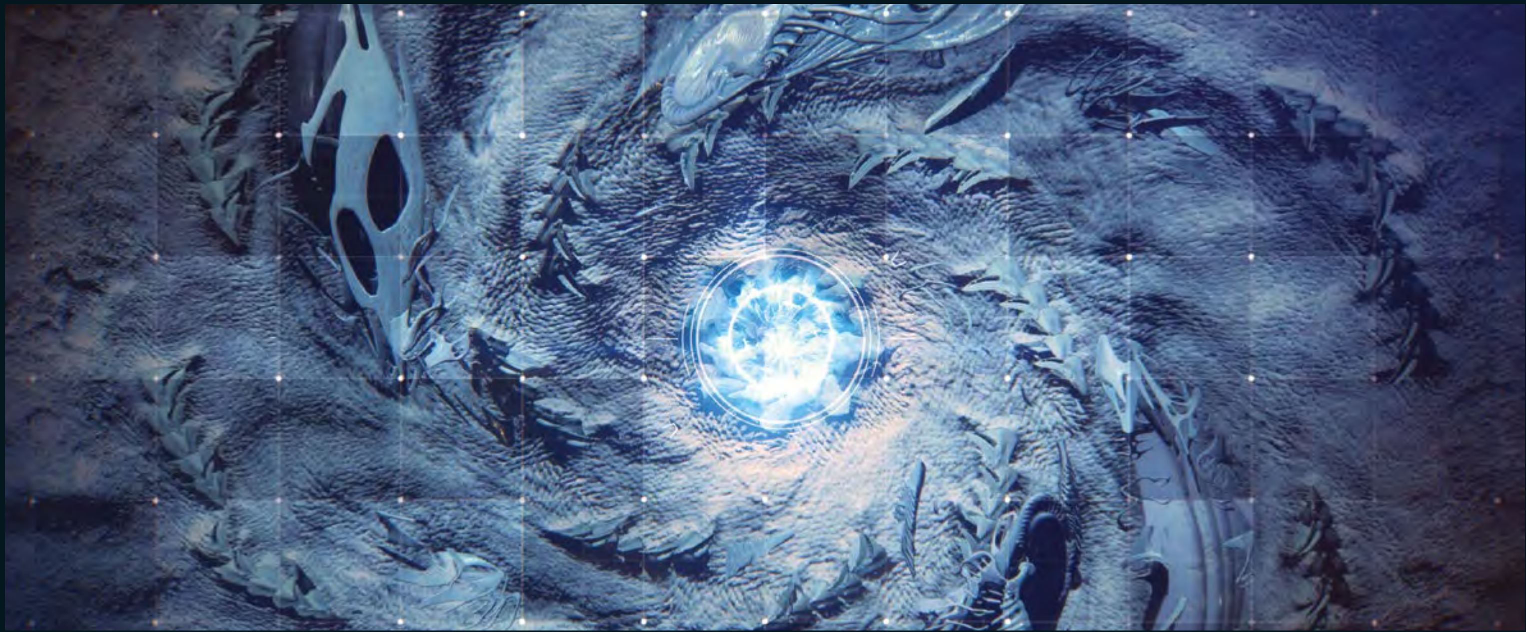
PAGE 25

OUR CORPORATE GOVERNANCE

PAGE 41

FUTURE ESG PLANS

Frontier strives for quality. This includes a quality 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 improve 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.



FIGHT FOR HUMANITY

Elite Dangerous is now in its tenth financial year since its release on PC in December 2014. It then released on Xbox One in 2015, and PlayStation 4 in 2017. Since its first release, Frontier has continually supported *Elite Dangerous* and Commanders with updates, free content, major expansions, and personalisation opportunities, selling over 5.1 million base game units to date.

ELITE DANGEROUS®

ELITE DANGEROUS
ELITEDANGEROUS.COM

Over the years, we have seen the *Horizons* season, concluding with the *Return*. The *Beyond* season delivered enhancements to the overall player experience. 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.

Following the events of the Azimuth Saga finale, where humanity provoked the Thargoids with the unsuccessful activation of the Proteus Wave weapon, players witnessed the Thargoids unleashing an all-out assault on humanity-controlled space for the first time in *Elite Dangerous*' history. In March 2022 Frontier moved its focus to supporting PC only (stopping support for console), in order to allow more focus on the narrative. The most recent narrative phase has been well received by the community as they continue to battle it out against unprecedented threats in the Thargoid War.

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.

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 significant increase in remote working since the pandemic has 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 Group 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, and we have seen a decrease in our voluntary turnover in comparison to the previous year. We continue to believe that our sophisticated and diverse portfolio, 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 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 underperformance. Building an ongoing revenue stream in this way acts to reduce the overall risk to the Group of each subsequent new game that we develop. FY23 was challenging in respect of the disappointing financial performance and the subsequent closure of Foundry. Although the closure of Foundry is disappointing, it allows an increased operational focus from senior management on our internal titles going forward, which is particularly important as we increase the cadence of new game launches in the future.

As the Group continues to build its game portfolio, the project selection process becomes increasingly important and requires significant input from senior management across multiple functions of the business. A robust selection process, supported by a strong development and marketing execution, is the key to our future success, so therefore is, and continues to be, a key area of focus.

We also continue to review and refine our publishing operations; however, we believe the existing strategy of engaging with elements of our core audience for each new game early, and then during development, greatly helps mitigate the risk of bringing new games to market.

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 on-boarding in order to ensure that our plans can be achieved. We actively accelerated our efforts on talent acquisition over the last three financial years – 251 people joined Frontier during FY23 (including those acquired within Complex Games), compared with 268 new hires in FY22 and 207 recruits joining us in FY21. 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 titles within the *F1® Manager* franchise.	No change
2 TALENT RETENTION AND ENGAGEMENT Staff departures could create staff and key skill/experience shortages and compromise the execution of the Group's business plan. Reduced levels of staff engagement may also compromise the plan. LINKS TO STRATEGY PORTFOLIO **PEOPLE** FOUNDRY	This risk continues to be high 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 Group while working from home; our ability to on-board new starters including the establishment of their formal and informal networks; the mentoring and development of staff at multiple levels; the potential loss of Group culture; flexible working expectations leading to less efficient working; and the increased likelihood of people considering opportunities at other companies. To mitigate the heightened retention and engagement risks we have substantially increased our internal Group communications in recent years, including through Group messaging and interactive internal livestream broadcasts, the promotion of social interactions across different digital channels, and the continued support of our Group-wide social events, including the summer and winter parties. During FY23 we have invested a significant amount of time and resource in reviewing and improving both our technology and processes to improve the efficiency of hybrid/remote working. This should not only increase productivity, but also improve the Group's working environment and therefore staff morale. We believe that our attractive project portfolio makes 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.	No change

KEY TO CHANGE IN RISKS

- Increase
- Decrease
- No change
- NEW New risk

Description	Mitigation	Change
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 chains 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 FY23 we have continued to build and improve 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 have become more advanced, we may be unable to anticipate these techniques or implement adequate preventative measures. The risk of a security failure from one of our partners is a risk where we have limited control in terms of technology. However, we seek to mitigate this risk by continuing to have strong business relationships and direct communication routes that we can use to resolve any incidents that may occur.	–
4 DECISION AND EXECUTION RISK The Group's business model is to identify and select game opportunities, and then to develop those games, typically over a two to three year period, with the objective of delivering a profitable return on their investment, typically over several years. Making the correct project decisions, and then executing effectively and efficiently on those projects, is therefore key to success. The Group is therefore exposed to both significant decision risk and significant execution risk. LINKS TO STRATEGY PORTFOLIO PEOPLE FOUNDRY	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. Project selection is the key decision that underpins the success of our future roadmap and therefore requires significant input from multiple functions across the business to ensure we have considered all aspects of the project, including the addressable market, consumer appetite, development resources required and related risks, and robust financial projections. Although the Group has a strong decision process in place, we must regularly challenge and review our objectives, assumptions, and information sources that we use to maximise our return on investment. The Group has a strong execution record to date; however, we must continue to push ourselves to execute to time, cost and quality to produce a best-in-class product. This includes ensuring that we are using appropriate technology, such as COBRA and third-party technology, effectively and efficiently. Development execution must also be supported by a strong marketing execution using our experienced publishing team to ensure we not only capture our core audience for the product but also reach adjacent audiences to maximise revenue generation. 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.	↗
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. As a product, our games must continue to represent an appropriate value proposition to our players. In a challenging economic environment where players have less disposable income, it becomes increasingly important to ensure our games stand out and provide exceptional entertainment. 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.	↗

Description	Mitigation	Change

6 GROWTH MANAGEMENT

The Group's future success will depend on its ability to manage and fund its anticipated expansion through the utilisation of internal resources together with the realisation of external opportunities such as outsourcing and commissioning. 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

There continues to be significant 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.

The Group grew through acquisition during FY23, when Complex Games was acquired on 1 November 2022. Our roadmap includes plans to scale the studio to operate as an additional development team, which will in turn increase our cadence of game launches each financial year. Acquisition continues to be a growth opportunity that is considered; however, it can also pose a potential threat if management becomes consumed with the acquisition and integration process. Consequently, the Group needs to ensure it has the appropriate skills and support within the senior management team.

Currently we are firmly focused on three areas: supporting our existing portfolio, delivering on our exciting roadmap of new titles, and scaling the Complex studio.

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.

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.

The Group continuously monitors potential new technologies to ensure we remain in line with our competitors; however, we also consider potentially negative consequences that could damage or disrupt our internal development.

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, and global warming affecting 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 with 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 by the fact 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, and the fact 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.

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

ALEX BEVIS
CHIEF FINANCIAL OFFICER
12 September 2023

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 2023. 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 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 14 to 15 display our people and the 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 31. Our business partners share in our continued success, as explained in Our Business Model on pages 08 to 09 and Our Strategy on pages 11 and 12. We set out on page 23 our approach to social responsibility to the local community.

HOW WE ENGAGE WITH OUR 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, with a feature page for each of our titles on pages 04, 07, 10, 13, 16, 22, and 24. 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:

OUR PLAYERS

- We build and maintain social communities for each of our games, exploring new methods such as TikTok and livestreaming, to provide a direct way for players to interact and connect with our community team and with each other.
- From our in-house recording studio we produce regular livestreams, exploring and developing creative, engaging new ways and tools to engage our players on a social level, and to reveal to them the latest updates and features of our titles.
- By exhibiting at events such as gamescom and Silverstone, we give players the opportunity to experience our games, allowing them exclusive access to preview our upcoming titles, as well providing exciting new opportunities for our influencers to play and share our games to their audiences ahead of launch.
- Through building meaningful relationships with a network of global influencers, we're able to reach greater audiences across platforms such as YouTube, Twitch, TikTok and more. Our team pairs the right influencers with the right games to ensure our influencers are passionate about the titles they're playing and promoting, helping them to create meaningful and engaging content.
- Our customer support feedback from players influences the bug fixes and content updates we make, ensuring we are responsive and reactive to our players.

OUR PEOPLE

- Engagement has been a major focus area for us over the last few years. 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 two annual parties: our Summer Party and Winter Party.
- At Frontier, we foster 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.
- In December 2021, we created an elected staff Engagement Group to further boost communication, connectivity and inclusion, which we have been running now for nearly two years.
- We offer a Management Development Programme for all line managers to ensure that staff are motivated and supported in the working environment. We have also recently introduced our Leadership Development Programme for senior managers and leaders.
- 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.

> Building our portfolio requires input from all of our stakeholders to ensure we are producing high-quality and engaging games."

- Competitive rewards and remuneration package including base salary, bonus, and a suite of flexible benefits which include wellbeing support and options. Further details can be found in the Our People section on pages 14 and 15.
- Share options are rewarded to senior staff to recruit, retain, and motivate these key members of staff to help drive the success of the Company. We also provide a Sharesave equity scheme for all members of staff, to allow them to share in the long-term success and growth of the Company.

OUR 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 FY23 we have continued to develop our platform and channel partnerships with Steam, Microsoft, Sony, Nintendo, Epic, Genba and Humble. Having strong business relationships has allowed us to benefit from subscription deals in recent years, which we expect to remain part of our strategy in the future.
- Our IP partners include Universal Games and Digital Platforms (*Jurassic World Evolution* and *Jurassic World Evolution 2*), F1® (Formula One Digital Media Limited and Formula Motorsport Limited) (*F1® Manager 2022* and *F1® Manager 2023*), and Games Workshop (*Warhammer 40,000: Chaos Gate – Daemonhunters* and *Warhammer Age of Sigmar. Realms of Ruin*).

OUR 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 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.

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), he 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, a charity helping to transform people's lives by enabling them to interact with and control technology, particularly video games.

N

DAVID WILTON

NON-EXECUTIVE DIRECTOR AND CHAIRMAN

David joined the Board in September 2022 and was appointed as Chairman in December 2022.

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 from where he retired in 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

JONNY WATTS

CHIEF EXECUTIVE OFFICER

Jonny joined the Board in February 2012.

Jonny has over 30 years' experience in the games industry. 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 Group's evolution.

Jonny holds both 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

KEY TO COMMITTEE MEMBERSHIP

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

AN EXPERIENCED TEAM CONTINUED

ALEX BEVIS
CHIEF FINANCIAL OFFICER

Alex joined the Board in April 2017.

Alex has over 22 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 joined the Board in August 2022.

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.

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

KEY TO COMMITTEE MEMBERSHIP

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

AN EXPERIENCED TEAM CONTINUED

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.

LESLIE-ANN REED
NON-EXECUTIVE DIRECTOR

Leslie-Ann joined the Board in June 2023.

Leslie-Ann has a wealth of expertise in senior financial positions, having led commercial decision making, M&A and operational activity in the UK and international markets. She also has a range of experience in Non-Executive Director roles.

Leslie-Ann's executive career includes seven years as Global CFO of Metal Bulletin, the international metals publisher, where she was responsible for finance, M&A, IT, and investor relations. Prior to that, she held a number of internal finance and audit positions, including at Warner Inc. and EMI Records, as well as being CFO of Polygram Film International.

Leslie-Ann is currently Non-Executive Director and Audit Committee Chair at Learning Technologies Group plc, Bloomsbury Publishing plc and Centaur Media plc.

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

The Directors present their report for the Group and Company together with the financial statements for the year to 31 May 2023. 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 01 to 31). Information on the financial risk management strategy is given within that report and in note 26 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 31 December 2024. 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 cash and cash equivalent resources (including treasury deposits) at the balance sheet date of 31 May 2023 of £28.3 million along with expected cash inflows from current business activities. Cash and cash equivalent resources (including treasury deposits) at 31 August 2023 were £24.8 million. The Annual Budget 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.

The Group has also performed stress testing on the Annual Budget 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 31 December 2024. Consideration has also been made over the impairment charges (as disclosed in note 11), however given these are accounting charges as opposed to cash outflows do not materially change the forecasts for going concern purposes. The forecasts reflect the latest expectation of revenues across all key titles, including those which were subject to impairment in 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;
- the development and publishing of titles has progressed as expected; and
- should a more extreme downside scenario occur the Group could take further mitigating actions by reducing discretionary spend.

Having considered all 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 31 December 2024. The financial statements for the year ended 31 May 2023 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 21 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 on 31 May 2023 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 2022	2022 %	Acquired in the financial year*	Sold in the financial year	**Holding as at 31 May 2023**	**2023 %**
David Braben	12,899,953	32.7	–	–	**12,899,953**	**32.7**
David Wilton	7,000	–	5,000	–	**12,000**	**–**
Jonny Watts	20,000	0.1	10,000	–	**30,000**	**0.1**
Alex Bevis	17,000	–	10,000	–	**27,000**	**0.1**
James Dixon	51,180	0.1	–	20,000	**31,180**	**0.1**
Ilse Howling	–	–	1,006	–	**1,006**	**–**
James Mitchell	120,044	0.3	–	–	**120,044**	**0.3**
Charles Cotton	175,634	0.4	–	10,000	**165,634**	**0.4**
David Walsh	–	–	–	–	**–**	**–**
Total	13,290,811	33.7	26,006	30,000	**13,286,817**	**33.7**

* Including shares acquired through option exercises.

Details regarding Directors' equity transactions are included in the Remuneration Report on pages 46 to 47.

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;
- 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 other intangible assets (see note 11 of the financial statements). The Group's gross research and development spend to support its strategy was £52.9 million in the year (FY22: £47.5 million).

DIVIDEND

The Directors are not recommending the payment of a dividend (FY22: £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 Engagement Group that meets regularly and feeds back to relevant departments.

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, Canadian employment law for its Winnipeg-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 its 2023 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 (2023–2025): due to the nature of the business and our digitally 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 5.0% of our games in FY23 (FY22: 8.2%) 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 digitally 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.
	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 previous – 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).

Since April 2018, Frontier has occupied 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 the 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).

CARBON FOOTPRINT

Scope 1 emissions refer 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. No air conditioning nor refrigeration leakage has been found in any of the units in FY23.

Scope 2 refer 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	**31 May 2023**		Consumption used to calculate emissions	31 May 2022	
GHG emissions source	**kWh**	**tCO_2e**	**tCO_2e/employee**	kWh	tCO_2e	tCO_2e/employee
Scope 1	**29,320**	**5**	**0.01**	24,741	5	0.01
Scope 2	**1,616,805**	**335**	**0.37**	1,481,074	286	0.36
Total		**340**	**0.38**		291	0.37

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

The tCO_2e/employee increased slightly from 0.37 in FY22 to 0.38 in FY23 as a result of the acquisition of Complex Games in November 2022, which has its own studio, and increased studio usage in Cambridge throughout FY23 following a full year of no working from home restrictions imposed by the Government in respect of the Covid-19 pandemic.

SUBSTANTIAL SHAREHOLDERS

On 31 August 2023 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
Working Capital Partners	3,334,063	8.5
Swedbank Robur	2,729,098	6.9
Invesco (Oppenheimer Funds)	2,243,918	5.7

* Includes spouse and other direct family holdings.

AUDITOR

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

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

ALEX BEVIS
CHIEF FINANCIAL OFFICER
12 September 2023

EFFECTIVE AND EFFICIENT GOVERNANCE

CHAIRMAN'S INTRODUCTION AND SUMMARY

Having stepped up as Chairman in December 2022, it is my responsibility to ensure that the Company continues to apply appropriate corporate governance arrangements and, through regular review, that those arrangements are effective and efficient.

We take our governance responsibilities seriously and devote appropriate time and effort to ensure that Frontier is run on a responsible and considerate basis, with a focus on long-term sustainable success. As part of our approach to governance, we endeavour to take into account all of our key stakeholders and consider our influence within the games industry and our impact on wider society.

In 2013 the Company listed on AIM, and as a result the Board established 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 its arrangements were reviewed 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 10 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 01–31)
2	Understand and meet shareholder needs and expectations	• Investor relations – Corporate Governance Report (page 44) • S172 Statement (pages 29–31)
3	Understand and meet wider stakeholder needs and social responsibilities	• Strategy and business model – Strategic Report (pages 08, 09, 11 and 12) • Corporate culture and social responsibility – Corporate Governance Report (page 44) • Our People (pages 14–15) • Our Impact (page 23) • S172 Statement (pages 29–31)
4	Embedded risk management	• Strategy and business model – Strategic Report (pages 08, 09, 11 and 12) • Principal risks and uncertainties (pages 25–28) • Internal control and business risk – Corporate Governance Report (page 44)
5	A well-functioning and balanced Board	• Board of Directors (pages 32–34) • Board overview – Corporate Governance Report (page 42)
6	Board experience, skills and capabilities	• Board of Directors (pages 32–34) • Board overview – Corporate Governance Report (page 42)
7	Performance of the Board and continuous improvement	• Board overview – Corporate Governance Report (page 42)
8	Corporate culture based on ethical values and behaviours	• Corporate culture and social responsibility – Corporate Governance Report (page 44)
9	Effective governance structures which support good decision making	• Chairman's introduction and summary – Corporate Governance Report (page 41) • Board overview – Corporate Governance Report (page 42) • Board Committee reports – Corporate Governance Report (pages 42–43)
10	Communication of Company governance and performance	• Chairman's introduction and summary – Corporate Governance Report (page 41) • Board Committee reports – Corporate Governance Report (pages 42–43)

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 2023 the Board met on 10 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 32 to 34. Following changes in FY23 and on 1 June 2023, the Board of Frontier Developments plc currently comprises nine Directors:

- five Non-Executive Directors – David Wilton, Ilse Howling, James Mitchell, Leslie-Ann Reed, and David Walsh; 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.

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 Group. 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 Group 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.

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 Non-Executive Directors. On 12 September 2023, its members are Leslie-Ann Reed (Committee Chair), David Wilton, David Walsh, and Ilse Howling. The Committee is supported by Jessica Bourne (Company Secretary) and Alex Bevis (CFO).

The Audit Committee determines the terms of engagement of the Group'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 Group and Company. The Audit Committee has unrestricted access to the Group'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 2023 the Audit Committee met on four occasions and all 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, including in respect to games launched on early access;
- acquisition accounting of Complex Games Inc., including determining the purchase price allocation (PPA);
- capitalisation of development costs, including the allocation of *F1® Manager* costs between franchise and game assets;
- review of amortisation profiles and periods for Foundry and *F1® Manager* intangible assets;
- impairment of capitalised development costs, including the impairment of Foundry and *F1® Manager* intangible assets;
- taxation, including focus on Video Games Tax Relief, Patent Box and RDEC; and
- share-based payments.

BOARD COMMITTEES CONTINUED

AUDIT COMMITTEE CONTINUED

Key areas of activity continued

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

- review of the Annual Report and Accounts and FY23 Interim Results;
- 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;
- audit of physical disc distributor; and
- treasury policy, counterparty, and foreign exchange risk review.

REMUNERATION COMMITTEE

The Remuneration Committee comprises only Non-Executive Directors. On 12 September 2023, its members are Ilse Howling (Committee Chair), David Wilton, David Walsh, and Leslie-Ann Reed. The Committee is supported by Jessica Bourne (Company Secretary), 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 2023 the Remuneration Committee met on four 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;
- annual salary review, including the challenges in respect to inflation;
- review of staff benefits through employee surveys and benchmarking;
- extensive review of equity schemes, including CSOP, LTIP, and Sharesave;
- pension planning and execution; and
- bonus scheme assessment, outcomes, and implementation.

NOMINATIONS COMMITTEE

On 12 September 2023, the Nominations Committee comprises David Walsh (Committee Chair), David Wilton, Ilse Howling, Leslie-Ann Reed, David Braben, and Jonny Watts.

The Committee is supported by Jessica Bourne (Company Secretary).

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

In the financial year to 31 May 2023 the Nominations Committee met on three 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, with a net increase of one Non-Executive Director;
- planning and managing Board role transitions, including Chairman, CEO, and President and Founder;
- the appointment of a new, independent Audit Committee Chair, with Leslie-Ann Reed being appointed on 1 June 2023;
- planning and managing the Company Secretarial role transition, with Jessica Bourne being appointed on 10 August 2022; and
- review of senior positions required to strengthen the organisation and succession planning.

ATTENDANCE AT MEETINGS DURING THE YEAR

		Committees		
Director	Board	Audit	Remuneration	Nominations
David Wilton	7/7	2/2	4/4	2/2
David Braben	10/10	0	0	3/3
David Walsh	10/10	4/4	4/4	3/3
Alex Bevis	10/10	0	0	0
Jonny Watts	10/10	0	0	3/3
James Dixon	8/8	0	0	0
James Mitchell	8/10	0	0	0
Ilse Howling	10/10	3/4	4/4	3/3
David Gammon	6/6	2/2	0	1/2
Charles Cotton	10/10	4/4	4/4	1/3

It is noted that:

- David Wilton joined the Board on 22 September 2022;
- James Dixon joined the Board on 10 August 2022;
- David Gammon retired from the Board on 1 December 2022;
- Charles Cotton retired from the Board on 1 June 2023; and
- Leslie-Ann Reed joined the Board on 1 June 2023.

AUDITOR INDEPENDENCE

Frontier Developments plc's external Auditor is Ernst & Young LLP, which has served the Group 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 fourth year with the Group. There are no non-audit services, and 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 Group.

It is responsible for reviewing the overall organisational structure of the Group, 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 Group'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 Group'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 Group 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 Group 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.

Investor relations activities have continued largely as before, with phone or video meetings complementing face-to-face meetings.

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

CORPORATE CULTURE AND SOCIAL RESPONSIBILITY

The Group operates in the competitive, technically challenging, and highly creative games industry. Successful projects in this constantly evolving industry require a 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 Group and the Board, and we believe that our inclusive, meritocratic high-performance culture supports the ambitious vision for the Group 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 Group's responsibilities to the local community in which it has major operations, principally Cambridge, and the wider video games industry. The Group 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 Group recruits a large number of graduates and takes its responsibility seriously to support and mentor its recruits. The Group also undertakes charity activities 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, Vice President of SpecialEffect and a champion of education in computer science at all levels.

ANNUAL GENERAL MEETING

The AGM will be held at:

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

On: 1 November 2023

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 88 to 91.

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.

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 Group: Ilse Howling (Committee Chair), David Wilton, David Walsh, and Leslie-Ann Reed. The Committee is supported by Jessica Bourne (Company Secretary), 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

Our remuneration strategy is to ensure that:

- everyone has a package that is fair and appropriate for their role;
- people are rewarded for their individual achievements;
- everyone is able to share in Frontier's success; and
- irrespective of gender or race, people performing equal work are paid equally.

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, annual benchmarking analysis has been carried out each year to ensure the Group's remuneration arrangements align with other AIM companies of a similar size, and that the various components of Directors' remuneration are therefore appropriate.

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 Group'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 Group'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

In accordance with general market practice, each of the Executive Directors has a rolling service contract. The following table shows the date of the service contract for each Executive Director in post during FY23:

Executive Director	Position	Date of appointment	Date of service agreement	Notice period
Jonny Watts	Chief Executive Officer	1 July 2013	8 July 2013	Six months
David Braben	President and Founder	1 July 2013	8 July 2013	Six months
Alex Bevis	Chief Financial Officer	1 April 2017	3 October 2016	Six months
James Dixon	Chief Operating Officer	10 August 2022	5 August 2022	Six months

BASE SALARY

The Committee reviewed the salaries of the Executive Directors in August 2023 as part of the Company-wide annual pay adjustment process. The Committee concluded that the base salaries for the Executive Directors were broadly in line with AIM benchmarking analysis, and that given the Group's disappointing financial performance in FY23, it was not appropriate to consider salary increases. The salaries of the four Executive Directors effective August 2023 are as follows:

Name	Position	Base salary
Jonny Watts	Chief Executive Officer	£400,000
David Braben	President and Founder	£310,000
Alex Bevis	Chief Financial Officer	£300,000
James Dixon	Chief Operating Officer	£231,000

ANNUAL BONUS

Since its foundation in 1994 Frontier has endeavoured to allow all of its staff to share in the success that they help to deliver, through the application of an annual profit-share-based bonus scheme. The annual bonus scheme in its current form was established in 2017, with all staff, including the Executive Directors, receiving a bonus dependent on both Group financial performance and individual performance. Due to financial under-performance in both FY22 and FY23, the Executive Directors were not awarded a bonus in either September 2022 or September 2023. The one exception to this was a payment made to James Dixon in September 2022, which related to his performance as Senior Director of Operations in FY22 before being promoted to the Board in August 2022.

The following tables summarise the bonus payment outcomes for the Directors in September 2022 (relating to FY22) and September 2023 (relating to FY23):

Executive Director	Sep'22 bonus	% of base salary	Sep'23 bonus	% of base salary
Jonny Watts	£nil	–	£nil	–
David Braben	£nil	–	£nil	–
Alex Bevis	£nil	–	£nil	–
James Dixon	£35,175	25.1%	£nil	–

COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

ANNUAL BONUS CONTINUED

The bonus scheme for FY24, which applies to all staff including the Executive Directors, was approved by the Committee in June 2023, with bonus outcomes dependent on the Group's ability to deliver positive cash profit in FY24 (as measured by Adjusted EBITDA) and individual performance. Payment for the FY24 bonus scheme is due in September 2024 based on performance in the year to 31 May 2024.

EQUITY AWARDS

The following share options were granted to the Executive Directors during FY23:

Executive Director	Long Term Incentive Plan (LTIP)
Jonny Watts	47,734
David Braben	30,828
Alex Bevis	30,828
James Dixon	22,972

The exercise price of the options under the LTIP is the nominal value of the Ordinary Shares, being 0.5p each. The options under the LTIP are due to vest in three years subject to the achievement of certain financial performance and Total Shareholder Return targets over the three-year vesting period.

PENSION CONTRIBUTIONS, MEDICAL INSURANCE AND OTHER BENEFITS

All four Executive Directors have opted out of Company pension arrangements and their annual salary was increased in recognition of these decisions at the date of opt-out.

All four 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 opted 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 two Directors opted into this.

From August 2014, medical insurance including family cover was offered to all employees including Executive Directors. All Executive Directors opted 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 FY23 was as follows:

Director	Salary/fee £'000	Bonus £'000	Pension contribution £'000	Option exercises £'000	Taxable benefits £'000	FY23 Total £'000	FY22 Total £'000
Executive							
Jonny Watts	379	–	–	–	1	380	449
David Braben	304	–	–	–	1	305	456
Alex Bevis	303	–	–	–	1	304	1,007
James Dixon[1]	215	35	2	–	1	253	–
Non-Executive							
David Wilton[2]	60	–	–	–	–	60	–
David Gammon[3]	50	–	–	–	–	50	100
David Walsh	50	–	–	–	–	50	291
Charles Cotton[4]	50	–	–	–	–	50	48
Ilse Howling	50	–	–	–	–	50	13
James Mitchell[5]	–	–	–	–	–	–	–
Total	**1,461**	**35**	**2**	**–**	**4**	**1,502**	**2,364**

1. Appointed on 10 August 2022 – full FY23 remuneration included.
2. Appointed on 22 September 2022.
3. Retired on 1 December 2022.
4. Retired on 1 June 2023.
5. James Mitchell waived his fee.

The expense recognised in the statement of comprehensive income for the Executive Directors' share options was £777,564 (FY22: £776,530), with the amount attributable to the highest paid Director being £319,229 (FY22: £448,388).

EQUITY TRANSACTIONS

The equity transactions of the Directors, and persons closely associated with them, for Directors that served during FY23 were as follows:

Director	Date	Transaction	Price per Ordinary Share
David Gammon (Rockspring)	11 November 2022	Sale of 35,000 Ordinary Shares	£14.00
James Dixon	11 November 2022	Sale of 20,000 Ordinary Shares	£14.07
Charles Cotton	14 November 2022	Sale of 10,000 Ordinary Shares	£14.07
David Wilton	20 January 2023	Purchase of 5,000 Ordinary Shares	£4.84
Jonny Watts	20 January 2023	Purchase of 10,000 Ordinary Shares	£4.96
Alex Bevis	20 and 23 January 2023	Purchase (total) of 10,000 Ordinary Shares	£4.96
Ilse Howling	24 January 2023	Purchase of 1,006 Ordinary Shares	£4.97

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

ILSE HOWLING
CHAIR, REMUNERATION COMMITTEE
12 September 2023

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 2023 and of the Group's loss 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 2023	Statement of financial position as at 31 May 2023
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 28 to 38 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 cash flows for the year then ended	
Related notes 1 to 27 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 31 December 2024.
- 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 used by management by 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 to the ongoing Covid-19 pandemic and macroeconomic conditions arising from the Ukraine crisis and the impact of this on the Group going forward.
- 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.
- 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 31 December 2024.

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 a period to 31 December 2024.

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) and limited analytical review procedures and other review scope procedures for the remaining components – Frontier Developments Inc., Frontier Games Limited and Complex Games Inc. • The components where we performed full or review scope 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 and goodwill • Creative industry tax relief
Materiality	• Overall Group materiality of £1.0 million 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, of the four reporting components of the Group, we selected one component covering entities within the UK, which represents the principal business unit within the Group.

Of the one component selected, we performed an audit of the complete financial information of Frontier Developments plc component ('full scope component') which was selected based on its size or risk characteristics. For the remaining three components ('limited review components'), we performed limited review analytical procedures and other review scope procedures.

The reporting components where we performed audit procedures accounted for 100% (2022: 100%) of the Group's EBITDA, 100% (2022: 100%) of the Group's revenue and 100% (2022: 100%) of the Group's total assets. For the current year, the full scope components contributed 100% (2022: 99%) of the Group's EBITDA, 99% (2022: 99%) of the Group's revenue and 100% (2022: 99%) of the Group's total assets.

Of the remaining three components (Frontier Developments Inc, Frontier Games Limited and Complex Games Inc.) that together represent 0% of the Group's EBITDA. For these components, 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.

CHANGES FROM THE PRIOR YEAR

Frontier Games Limited was a specific scope component in the prior year but is a review scope component in the current year. Frontier Developments Inc. and Frontier Games Limited are review scope, which is consistent with the 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 25 to 28 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 the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, 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 cash flows, being intangible assets. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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 (£104.6 million, 2022: £114.0 million) *Refer to the accounting policies (page 63); and note 4 of the consolidated financial statements (page 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 have been further agreed through to third-party bank statements to evidence subsequent cash receipt, without issue; • we also separately tested the revenue relating to Frontier's internal game store. We 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 2023. For all significant contract assets and contract liabilities, we have inspected the terms and conditions of these contracts, recalculated the amount of revenue to be recognised in comparison to amounts billed and the resulting contract asset/contract liability. Where relevant we have compared the contract asset to the statement received post year end from the platform and the cash receipt; • we have performed detailed testing procedures surrounding Frontier's deferred income balance, predominantly relating to virtual currency balances held by customers and awaiting use within Frontier's Elite Dangerous game. We have assessed and recalculated management's breakage calculations for this balance, in line with relevant accounting guidance; • we have inspected the terms of all key contracts held by Frontier in relation to revenue recognition, including all key Platforms. We have given consideration to these contracts against the relevant accounting standard (namely IFRS15) 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, platform and game (on a monthly and yearly basis), 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 2023 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 – £38.0 million, 2022: £35.5 million) *Refer to the accounting policies (page 61); and note 11 of the consolidated financial statements (page 70)* During the year, the Group capitalised £38.0 million (2022: £35.5 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 managements calculation and specifically challenged whether each of the cost types meet the definition of 'directly attributable' as per IFRS; • for other costs, we have vouched a sample of items to purchase invoice to determine whether they relate to a valid addition and have been correctly recorded; 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 – £64.1 million, 2022: £70.8 million) *Refer to the accounting policies (page 61); and notes 10 and 11 of the consolidated financial statements (page 70)* The carrying value of intangible assets are primarily made up of capitalised franchise assets related to self-published software and licence amounts. Risk exists that an impairment adjustment is required where the carrying value of these assets exceed the net realisable value. Judgement is required in determining the key inputs to the impairment model, including future revenues and costs. During the year, management have recognised a one-off charge for impairment amounting to £15.0 million against the book value of *F1® Manager* and £3.1 million relating to games published under the Foundry games label.	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, and confirming the design and implementation effectiveness of the controls within the process to prevent or detect and correct errors; • we audited the underlying cashflows used in the value in use calculation including performing an assessment of historic budgets vs actuals and assessing the feasibility of meeting the forecasts based upon pipelines; • we performed our own sensitivity and break-even analyses over management's calculations for different assumptions, which demonstrated the likelihood of impairment on each game is low; • recalculated the mathematical accuracy of the impairment models; • assessed the appropriateness of the discount rate used by management by recalculating based upon relevant inputs, benchmarking against peers and performing reverse stress testing; • assessed management's forecast accuracy by comparing actual performance against budget in recent years and sensitised the model accordingly; • compared the carrying value of the cash generating unit to the recoverable amount established by management; • 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 adjustments recorded for Foundry and *F1® Manager* were 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 – £5.6 million, 2022: £8.7 million) *Refer to the accounting policies (page 64); and notes 7, 18 and 20 of the consolidated financial statements (pages 68, 74 and 75)* The tax environment for 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 managements taxable profit forecasts and determine 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 current year, the key audit matters have remained the same as the prior year.

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 £1.0 million (2022: £1.2 million), which is 3% (2022: 3%) of EBITDA (2022: EBITDA). We believe that EBITDA provides us with the best benchmark, given the profit focus of the Group and that EBITDA is a key performance indicator used by stakeholders of the business.

We determined materiality for the parent company to be £1.0 million (2022: £1.2 million), which is 3% (2022: 3%) of EBITDA (2022: EBITDA).

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% (2022: 75%) of our planning materiality, namely £0.8 million (2022: £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 £0.05 million (2022: £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 the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the 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 page 36, 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 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 assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by understanding which areas of the business present potential fraud risk areas (through assessing the presence of opportunities, incentives or potential rationalisation to commit such acts of fraud), understanding where these risks could present themselves and subsequently identifying the process level controls in place to prevent, or detect and correct them. Combining this with our review of entity level controls, which have evidenced management's behaviour and the culture embedded within the Company, we have gained a detailed understanding of the overall susceptibility to fraud.
- based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved direct enquiries with those charged with governance, as well as through meetings held with the Group's internal legal department. We further performed specific analyses and testing of legal expenses incurred in the period to ascertain the nature of such costs and confirm they did not relate to non-compliance with applicable laws and regulations.
- in response to the nature of the Group's operations and the GDPR compliance requirements in place surrounding customer data, the audit team have engaged IT specialists to develop a detailed understanding of the processes and controls in place to prevent non-compliance with such laws and regulations. These procedures have found a suitable environment to prevent such breaches.

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

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the Company on 8 November 2022 to audit the financial statements for the year ended 31 May 2023 and subsequent financial periods. We were appointed as Auditors by the Directors of Frontier Developments plc and signed an engagement letter on 4 August 2023.
- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ended 31 May 2020 to 31 May 2023.
- 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
12 September 2023

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2023

	Notes	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
Revenue	4	**104,575**	114,032
Cost of sales		**(37,230)**	(40,420)
Gross profit		**67,345**	73,612
Research and development expenses	6	**(67,857)**	(46,179)
Sales and marketing expenses		**(12,012)**	(12,339)
Administrative expenses		**(14,056)**	(13,558)
Operating (loss)/profit		**(26,580)**	1,536
Net finance income/(costs)		**71**	(592)
(Loss)/profit before tax	6	**(26,509)**	944
Income tax credit	7	**5,604**	8,684
(Loss)/profit for the year attributable to shareholders		**(20,905)**	9,628

All the activities of the Group are classified as continuing.

	Notes	12 months to 31 May 2023 p	12 months to 31 May 2022 p
(Loss)/earnings per share	8		
Basic (loss)/earnings per share		**(53.6)**	24.6
Diluted (loss)/earnings per share		**(53.6)**	23.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2023

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
(Loss)/profit for the year	**(20,905)**	9,628
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(578)**	(19)
Total comprehensive (loss)/income for the year attributable to the equity holders of the parent	**(21,483)**	9,609

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2023 £'000	31 May 2022 £'000
Non-current assets			
Goodwill	10	**7,160**	–
Other intangible assets	11	**56,987**	70,833
Property, plant and equipment	12	**5,696**	6,640
Right-of-use asset	13	**17,860**	19,484
Deferred tax assets	20	**–**	1,348
Total non-current assets		**87,703**	98,305
Current assets			
Trade and other receivables	14	**15,558**	24,705
Current tax assets	18	**9,438**	7,867
Cash and cash equivalents	15	**28,311**	38,699
Total current assets		**53,307**	71,271
Total assets		**141,010**	169,576
Current liabilities			
Trade and other payables	16	**(16,521)**	(21,797)
Lease liability	13	**(1,505)**	(1,461)
Deferred income	17	**(4,355)**	(2,466)
Total current liabilities		**(22,381)**	(25,724)
Net current assets		**30,926**	45,547
Non-current liabilities			
Provisions	19	**(71)**	(56)
Lease liability	13	**(17,773)**	(19,278)
Other payables	16	**(4,235)**	(6,148)
Deferred income	17	**(163)**	–
Deferred tax liabilities	20	**(419)**	–
Total non-current liabilities		**(22,661)**	(25,482)
Total liabilities		**(45,042)**	(51,206)
Net assets		**95,968**	118,370
Equity			
Share capital	21	**197**	197
Share premium account	21	**36,547**	36,468
Equity reserve		**(14,553)**	(12,769)
Foreign exchange reserve		**(596)**	(18)
Retained earnings		**74,373**	94,492
Total equity		**95,968**	118,370

These financial statements were approved by the Directors on 12 September 2023 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 2023

	Notes	Share capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
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/(loss) for the year		—	—	—	(19)	9,628	9,609
Issue of share capital net of expenses	21	—	389	—	—	—	389
Share-based payment charges	24	—	—	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
Loss for the year		—	—	—	—	(20,905)	(20,905)
Other comprehensive income:							
Exchange differences on translation of foreign operations		—	—	—	(578)	—	(578)
Total comprehensive loss for the year		—	—	—	(578)	(20,905)	(21,483)
Issue of share capital net of expenses	21	—	79	—	—	—	79
Share-based payment charges	24	—	—	3,340	—	—	3,340
Share-based payment transfer relating to option exercises and lapses		—	—	(2,357)	—	2,357	—
Employee Benefit Trust cash outflows from share purchases		—	—	(3,000)	—	—	(3,000)
Employee Benefit Trust net cash inflows from option exercises		—	—	233	—	—	233
Deferred tax movements posted directly to reserves	7	—	—	—	—	(1,571)	(1,571)
Transactions with owners		—	79	(1,784)	—	786	(919)
At 31 May 2023		**197**	**36,547**	**(14,553)**	**(596)**	**74,373**	**95,968**

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MAY 2023

	Notes	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
(Loss)/profit before taxation		**(26,509)**	944
Adjustments for:			
Depreciation and amortisation	6	**41,438**	32,199
Impairment of other intangible assets	6	**18,117**	7,398
Movement in unrealised exchange (gains)/losses on forward contracts		**(239)**	474
Share-based payment expenses	24	**3,340**	2,452
Interest received		**(677)**	(57)
Payment of interest element of lease liabilities		**607**	649
Canadian Scientific Research and Experimental Development (SRED) credit		**(365)**	—
Research and Development Expenditure Credit (RDEC)	20	**(116)**	(375)
Working capital changes:			
Change in trade and other receivables		**11,084**	(10,964)
Change in trade and other payables		**(3,114)**	4,465
Change in provisions	19	**15**	15
Cash generated from operations		**43,581**	37,200
Taxes received		**4,294**	3,956
Net cashflows from operating activities		**47,875**	41,156
Investing activities			
Purchase of property, plant and equipment	12	**(1,335)**	(2,500)
Expenditure on other intangible assets		**(42,046)**	(36,243)
Acquisition of subsidiaries (net of cash acquired)	9	**(9,606)**	—
Interest received		**677**	57
Net cashflows used in investing activities		**(52,310)**	(38,686)
Financing activities			
Proceeds from issue of share capital	21	**79**	389
Employee Benefit Trust cash outflows from share purchases	24	**(3,000)**	(5,000)
Employee Benefit Trust cash inflows from option exercises		**233**	506
Repayment of loans	9	**(1,260)**	—
Payment of principal element of lease liabilities	13	**(1,461)**	(1,419)
Payment of interest element of lease liabilities	13	**(607)**	(649)
Net cashflows used in financing activities		**(6,016)**	(6,173)
Net change in cash and cash equivalents from continuing operations		**(10,451)**	(3,703)
Cash and cash equivalents at beginning of year		**38,699**	42,423
Exchange differences on cash and cash equivalents		**63**	(21)
Cash and cash equivalents at end of year		**28,311**	38,699

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

1. CORPORATE INFORMATION

Frontier Developments plc (the 'Group' or the 'Company') 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 and headquartered in the UK, with subsidiaries based in Canada and the US.

2. SIGNIFICANT ACCOUNTING POLICIES

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.

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 have adequate resources to continue in operational existence for the period to 31 December 2024. 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 cash and cash equivalent resources (including treasury deposits) at the balance sheet date of 31 May 2023 of £28.3 million along with expected cash inflows from current business activities. Cash and cash equivalent resources (including treasury deposits) at 31 August 2023 were £24.8 million. The Annual Budget 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.

The Group has also performed stress testing on the Annual Budget 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 31 December 2024. Consideration has also been made over the impairment charges (as disclosed in note 11), however given these are accounting charges as opposed to cash outflows do not materially change the forecasts for going concern purposes. The forecasts reflect the latest expectation of revenues across all key titles, including those which were subject to impairment in 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;
- the development and publishing of titles has progressed as expected; and
- should a more extreme downside scenario occur the Group could take further mitigating actions by reducing discretionary spend.

Having considered all 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 31 December 2024. The financial statements for the year ended 31 May 2023 are therefore prepared under the going concern basis.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group adopted the following amendments to standards and interpretations, which are effective for the first time this year:

- annual improvements to IFRS standards 2018–2020;
- amendment to IFRS 3 – Business Combinations;
- amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets; and
- amendments to IAS 16 – Property, Plant and Equipment.

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. The Directors also considered the impact on the Group of new and revised accounting standards, interpretations, or amendments which have been issued but were not effective for the Group for the year ended 31 May 2023.

None are expected to have a material impact on the consolidated financial statements when first applied.

BASIS OF CONSOLIDATION

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 AND GOODWILL

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are measured at their acquisition date fair values.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

BUSINESS COMBINATIONS AND GOODWILL CONTINUED

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is initially measured at cost, being the excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment every six months using a discounted cashflow method applied to business forecasts. If this review demonstrates that impairment has occurred, this is expensed to the consolidated income statement. Goodwill is allocated to cash generating units (CGUs) for the purpose of impairment testing, with the allocation being made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

The cost of such intangible assets is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. An asset is only recognised if the following conditions are met:

- it meets the definition of an intangible asset under IAS 38 – Intangible Assets;
- the asset is separable or arises from contractual or legal rights; and
- sufficient information exists to measure reliably the fair value of the asset.

A technology-based intangible asset has been recognised during FY23 in game developments within other intangible assets.

CAPITALISATION OF OTHER INTANGIBLE ASSETS

Other intangible assets are measured at historical cost and 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.

Internally generated intangible assets consist of direct labour costs, other specific direct project costs and directly attributable project support costs. Where no internally generated intangible asset can be recognised, development expenditure, including research activities, 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.

AMORTISATION OF OTHER INTANGIBLE ASSETS

The useful lives of other intangible assets are assessed as either finite or indefinite and at the year end date no intangible assets are accorded an indefinite life other than goodwill. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Amortisation is calculated over the estimated useful lives of the assets as follows:

- Game technology – over the period of expected benefit between one and three years
- Game developments – over the period of expected benefit between one and four years
- Third-party software – 2.5 years straight line
- IP licences – in line with the financial performance following launch of the game

Amortisation of game technology and game developments commences upon completion of the asset. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

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 to five years. A long-term growth rate is calculated and applied to project future cashflows after the third year.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IMPAIRMENT OF NON-FINANCIAL ASSETS CONTINUED

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.

The Group assesses where climate risks could have a significant impact, such as the introduction of emissions 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 to 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS AT AMORTISED COST CONTINUED

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.

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 Group 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REVENUE CONTINUED

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.

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.

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 instalments.

The Group is elected into the Research and Development Expenditure Credit (RDEC) scheme due to the Company 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 consolidated income statement. The Group is also entitled to Scientific Research and Experimental Development (SRED) tax credits granted by the Canadian federal government and the Manitoba Interactive Digital Media Tax Credit (MIDMTC) granted by the Province of Manitoba. The tax credits are based on qualifying expenditures and are subject to review and possible adjustment by the Canadian Revenue Authority and the Provincial authorities. The tax credits have been recorded in the consolidated income statement in the period the related qualifying expenses have been incurred.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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's other intangible assets at 31 May 2023 are £57.0 million (31 May 2022: £70.8 million).

DEFERRED TAX

A deferred tax asset is recognised on tax losses carried forward where the Group considers it probable that the losses will be utilised by future profits. 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 £0.8 million was recognised at 31 May 2023 (31 May 2022: £1.0 million) in respect of carried forward tax losses in the Company to the extent of the taxable temporary differences. This is due to the unlikelihood of the Company having a taxable profit in the foreseeable future to utilise the losses carried forward. A deferred tax asset for the remaining carried forward tax losses of £80.2 million has not been recognised at 31 May 2023 (31 May 2022: £50.2 million) 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 total impairment losses of £18.1 million during FY23. £15.0 million related to the *F1® Manager* franchise due to the financial performance of *F1® Manager 2022* (released in August 2022) and *F1® Manager 2023* (released in July 2023). £3.1 million related to games published under the Foundry games label following disappointing financial performance following release. Further information is included in note 11 in respect of both of these impairments. The Group recognised an impairment loss of £7.4 million during FY22 in respect of *Elite Dangerous: Odyssey*.

USEFUL LIFE OF CAPITALISED DEVELOPMENT COSTS

Amortisation of capitalised development costs, included within other intangible assets, is calculated over the useful economic lives of the assets, which is over the period of expected benefit between one and three years for game technology and one and four years for game developments. The estimates of useful economic lives are reviewed at least annually for any changes to this estimate.

For FY24 the Group has reviewed and updated its approach to intangible asset identification and amortisation following the incremental accounting charges suffered on *Elite Dangerous: Odyssey* in FY22, and Foundry and *F1® Manager* in FY23. From FY24 onwards other intangible assets will now be amortised more rapidly in the first 12 months following their release, through the adoption of a steeper amortisation charge profile than the previous default method of straight line amortisation. This updated approach will not impact Adjusted EBITDA, which is a measure of cash profit, but it may have a short-term adverse impact on reported operating profit in FY24 as we transition from the previous amortisation profile to the updated model.

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 24.

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.

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

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

The Group typically satisfies its performance obligations at the point that the product becomes available to the customer and payment is received upfront by the distributors.

Other revenue mainly related to royalty income in both FY23 and FY22.

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
Publishing revenue	**104,084**	113,555
Other revenue	**491**	477
Total revenue	**104,575**	114,032
Cost of sales	**(37,230)**	(40,420)
Gross profit	**67,345**	73,612
Research and development expenses	**(67,857)**	(46,179)
Sales and marketing expenses	**(12,012)**	(12,339)
Administrative expenses	**(14,056)**	(13,558)
Operating (loss)/profit	**(26,580)**	1,536
Net finance income/(costs)	**71**	(592)
(Loss)/profit before tax	**(26,509)**	944
Income tax credit	**5,604**	8,684
(Loss)/profit for the year attributable to shareholders	**(20,905)**	9,628

5. STAFF COSTS

Aggregate payroll costs of persons employed by the Group (including Directors) during the year were as follows:

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
Wages and salaries	**36,281**	29,358
Social security costs	**3,871**	3,012
Pension costs	**3,683**	2,901
Share-based compensation (note 24)	**3,340**	2,452
Total staff costs	**47,175**	37,723

The average number of persons employed by the Group (including Directors) during the year was as follows:

	12 months to 31 May 2023	12 months to 31 May 2022
Research and development	**704**	610
Sales, marketing and administrative	**135**	106
Total average number of employees	**839**	716

The remuneration of the Directors of Frontier Developments plc during the year was:

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
Executive Director emoluments (including bonuses)	**1,239**	1,363
Aggregate gains on the exercise of share options	**–**	792
Non-Executive Director fees	**210**	201
Non-Executive Director consultancy fees	**50**	8

The emoluments of the highest paid Director during the year were:

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
Emoluments (including bonuses and share option gains)	**380**	1,007

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

6. PROFIT BEFORE TAX

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
This is stated after charging:		
Amortisation of other intangible assets (note 11):		
– Cost of sales	**1,341**	1,738
– Research and development expenses	**36,188**	26,475
– Administrative expenses	**–**	424
Impairment of other intangible assets (note 11):		
– Research and development expenses	**18,117**	7,398
Depreciation of property, plant and equipment (note 12):		
– Research and development expenses	**1,799**	1,453
– Administrative expenses	**486**	485
Depreciation of right-of-use asset (note 13):		
– Administrative expenses	**1,624**	1,624
Research and development costs expensed	**15,250**	12,306
Foreign exchange gains	**743**	75
Grants towards research and development including the Research and Development Expenditure Credit (RDEC) and Canadian Scientific Research and Experimental Development (SRED) credit	**481**	375
Auditor remuneration – audit of the parent company and Group	**217**	154

Research and development costs expensed is defined as follows:

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
Research and development expenses	**67,857**	46,179
Less: amortisation charges for game developments and Frontier's game technology	**(34,490)**	(26,475)
Less: impairments of other intangible assets	**(18,117)**	(7,398)
Research and development costs expensed	**15,250**	12,306

7. TAXATION ON ORDINARY ACTIVITIES

The major components of the income tax credit for FY23 and FY22 are:

Consolidated income statement	**12 months to 31 May 2023 £'000**	12 months to 31 May 2022 £'000
Current tax:		
– Credit in respect of current year	**(4,749)**	(3,471)
– Adjustments in respect of prior years	**(68)**	(1,509)
Total current tax	**(4,817)**	(4,980)
Deferred tax:		
– Credit in respect of current year	**(610)**	(4,507)
– Adjustments in respect of prior years	**(9)**	552
– Relating to changes in tax rates	**(168)**	251
Total deferred tax (note 20)	**(787)**	(3,704)
Total taxation credit reported in the consolidated income statement	**(5,604)**	(8,684)

Consolidated equity	**12 months to 31 May 2023 £'000**	12 months to 31 May 2022 £'000
Deferred tax related to items recognised in equity during the year:		
– Net change in share option exercises	**1,571**	2,740

7. TAXATION ON ORDINARY ACTIVITIES CONTINUED

Reconciliation of total tax credit at statutory tax rates:

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
(Loss)/profit on ordinary activities before taxation	**(26,509)**	944
Tax on (loss)/profit on ordinary activities at standard statutory tax rate of 20% (2022: 19%)	**(5,302)**	179
Factors affecting tax expense for the year:		
– Expenses not deductible for tax purposes	**73**	80
– Adjustments in respect of prior years	**(77)**	(957)
– Tax rate benefit on surrender of tax losses	**(972)**	(850)
– Video Games Tax Relief enhanced deductions on which credits claimed	**(4,963)**	(3,864)
– Benefit of Patent Box	**(234)**	(2,665)
– Deferred tax not recognised	**6,163**	(858)
– Effect of changes in tax rate	**(168)**	251
– Effect of higher tax rates in Canada	**(124)**	—
Total taxation credit reported in the consolidated income statement	**(5,604)**	(8,684)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate increased to 25%. On 31 May 2023, tax on profit on ordinary activities was therefore being measured at a hybrid rate of 20% and the deferred taxes have been measured using the tax rate at the date that the deferred tax asset or liability unwinds of 20-25% (31 May 2022: 19-25%).

For FY23 the Group has recorded a total corporation tax credit of £5.6 million (FY22: £8.7 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 2* during FY23.

The Group recognised a prior year adjustment of £77k during FY23 due to additional core expenditure in the *Elite Dangerous* VGTR claim and brought forward balances on Complex Games Inc. The Group recognised a prior year adjustment of £957k during FY22 as a result of *Jurassic World Evolution 2's* VGTR 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 losses not utilised were carried forward.

The tax rate benefit on surrender of tax losses of £972k during FY23 is the additional 5% 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* franchise, *Warhammer Age of Sigmar: Realms of Ruin*, and a new creative management simulation game trade scheduled for release in FY25. The tax rate benefit on surrender of tax losses of £850k during FY22 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: Realms of Ruin*.

The Group benefits from VGTR and can claim an additional (enhanced) deduction from its taxable profits relating to the video game trades. In FY23, the additional deduction in respect of VGTR was £24.1 million at a tax rate of 20% (FY22: £20.3 million at 19%). The increase year on year of the additional deduction of £3.8 million was due to the increase in core development expenditure in respect of video games that are subject to VGTR.

During FY23 deferred tax not recognised of £6.2 million relates to the tax effected saving on the employee share scheme deduction of £0.9 million, temporary difference arising on the deferred income in respect of the Research and Development Expenditure (RDEC) grant of £0.1 million, and unrecognised tax losses movement of £5.2 million.

The unrecognised tax losses movement of £5.2 million is the £29.1 million of current year losses, less £3.1 million of losses carried forward recognised during FY23 to offset the deferred tax liability to £nil due to the unlikelihood of the Company having a taxable profits in the foreseeable future to utilise the additional losses, at a tax rate of at 20%. Refer to note 20 for more details on tax losses.

In November 2022, Frontier acquired Complex Games Inc which is based in Manitoba, Canada. The Province of Manitoba has a combined corporation tax rate of 27% (31 May 2022: 27%) and therefore the effect of the higher tax rate in respect of Complex Games Inc is recognised in FY23.

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 2023	12 months to 31 May 2022
(Loss)/profit attributable to shareholders (£'000)	**(20,905)**	9,628
Weighted average number of shares	**39,025,746**	39,172,987
Basic (loss)/earnings per share (p)	**(53.6)**	24.6

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

	12 months to 31 May 2023	12 months to 31 May 2022
(Loss)/profit attributable to shareholders (£'000)	**(20,905)**	9,628
Diluted weighted average number of shares	**39,025,746**	40,606,756
Diluted (loss)/earnings per share (p)	**(53.6)**	23.7

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 2023	12 months to 31 May 2022
Weighted average number of shares	**39,025,746**	39,172,987
Dilutive effect of share options	**–**	1,433,769
Diluted average number of shares	**39,025,746**	40,606,756

For the 12 months to 31 May 2023, there are 1,878,211 options that have not been included in the table above as they would be anti-dilutive, however could potentially dilute basic earnings per share in future years.

9. BUSINESS COMBINATIONS

On 1 November 2022 the Group acquired experienced game development studio Complex Games Inc following a successful collaboration with the development and launch of *Warhammer 40,000: Chaos Gate – Daemonhunters*.

Frontier acquired 100% of the share capital in Complex for an upfront cash consideration of CAD$13.3 million (£8.4 million) and conditional deferred cash consideration of up to CAD$5.2 million (£3.3 million), which is payable subject to Complex meeting certain operational milestones during the period to 31 December 2023. The deferred cash consideration will be payable regardless of the employment status of the sellers.

In addition, the four employee shareholders - the two founders and the two studio principals - will participate in a profit-share earn-out of up to CAD$11.8 million (£7.5 million) payable annually over five years. The purchase agreement stipulates that the profit-share earn-out will only be paid to each employee if they remain employed by the Group and therefore this purchase consideration is deemed to be post-acquisition expenses under IFRS 3 (note 16).

The finalised fair values of identifiable assets acquired and liabilities assumed at the acquisition date are:

	Carrying value at acquisition £'000	Fair value adjustment £'000	Fair value £'000
Non-current assets			
Intangible assets	–	3,910	3,910
Property, plant and equipment	6	–	6
Total non-current assets	6	3,910	3,916
Current assets			
Trade and other receivables	2,216	–	2,216
Cash and cash equivalents	411	–	411
Current tax assets	143	–	143
Total current assets	2,770	–	2,770
Current liabilities			
Trade and other payables	(330)	–	(330)
Loans payable	(1,260)	–	(1,260)
Total current liabilities	(1,590)	–	(1,590)
Non-current liabilities			
Deferred tax liability	–	(1,056)	(1,056)
Total non-current liabilities	–	(1,056)	(1,056)
Net identifiable assets and liabilities	**1,186**	**2,854**	**4,040**
Goodwill (note 10)			7,685
Total consideration			**11,725**

A technology-based intangible asset of £3.9 million has been recognised on acquisition in game developments within other intangible assets, which relates to the software IP behind *Warhammer 40,000: Chaos Gate – Daemonhunters*. The recognition of the intangible asset also generated a deferred tax liability of £1.1 million, being the asset value at a tax rate of 27%, which is the corporation tax rate in the Province of Manitoba.

The main factors leading to the recognition of goodwill on the acquisitions are the presence of certain intangible assets in the acquired entity, which are not valued for separate recognition. These include expertise in the acquired entity, enhancing and growing our development capabilities, broadening our portfolio, and extending our geographical footprint.

The goodwill balance has not resulted in a deferred tax asset as the goodwill balance is not tax deductible in the UK.

9. BUSINESS COMBINATIONS CONTINUED

Advisor fees incurred in respect of the acquisition totalled £0.3 million in FY23 (FY22: £nil) and were charged to the consolidated income statement, with no further costs anticipated.

Deferred cash consideration of £1.6 million was paid during FY23, with a further £1.5 million due for payment during FY24 and is included within trade and other payables (note 16). The probability of the remaining deferred cash consideration being paid is highly likely.

From acquisition date to 31 May 2023, Complex Games Inc contributed revenue and loss after tax of £nil and £2.7 million respectively in the consolidated income statement. IP royalties payable to Complex Games Inc from Frontier Developments plc in relation *Warhammer 40,000: Chaos Gate – Daemonhunters* totalled £1.1 million from the acquisition date to 31 May 2023, which were retained within the Group. These IP royalties retained within the Group are not included within Complex's contributed revenue and loss after tax reported above. If the acquisition had occurred on 1 June 2022, the consolidated income statement would have presented revenue of £0.1 million and loss after tax of £2.9 million in FY23.

10. GOODWILL

	2023 £'000	2022 £'000
At 1 June	**–**	–
Recognition on acquisition of subsidiary (note 9)	**7,685**	–
Exchange rate movement	**(525)**	–
At 31 May	**7,160**	–

The Group tests goodwill for impairment annually, or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. The Group has one CGU for goodwill purposes, defined as the one operating segment as disclosed in notes 2 and 4.

Goodwill impairment tests were carried out at 31 May 2023 in line with the impairment tests carried out on other intangible assets and therefore further detail is included within note 11 in respect of these tests.

As a result of these tests, no impairment charge was required.

11. OTHER INTANGIBLE ASSETS

The Group's other 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 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
Additions	3,449	34,182	429	–	38,060
Acquisition of a subsidiary	–	3,910	58	–	3,968
Exchange rate movement	–	(300)	–	–	(300)
At 31 May 2023	**23,182**	**167,185**	**2,877**	**11,185**	**204,429**
Amortisation and impairment					
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
Amortisation charges	3,869	31,898	421	1,341	37,529
Acquisition of a subsidiary	–	–	58	–	58
Impairment charges	3,919	12,474	–	1,724	18,117
Exchange rate movement	–	(130)	–	–	(130)
At 31 May 2023	**16,961**	**122,212**	**2,130**	**6,139**	**147,442**
Net book value at 31 May 2023	**6,221**	**44,973**	**747**	**5,046**	**56,987**
Net book value at 31 May 2022	10,560	51,423	739	8,111	70,833

11. OTHER INTANGIBLE ASSETS CONTINUED

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

The recoverable amount of each of the assets at 31 May 2023 is determined from the value in use. The key assumption in calculating the value in use was the expected future cashflows. A five-year bottom up forecast for FY24 to FY28 inclusive has been created as a basis of the expected future cashflows, with a pre-tax discount rate of 10% (31 May 2022: 9%) being applied to the future cashflows. The Directors have assessed the sensitivity of the impairment test to incorporate reasonable possible changes in the key assumptions and noted that no material impairment exists in any cases. Climate change is not expected to have a material impact on future cashflows. Impairments disclosed below were recognised in FY23 as a result of the impairment tests at 31 May 2023.

The Group recognised an impairment charge of £15.0 million in FY23 in respect of intangible assets relating to the *F1® Manager* franchise following an assessment of the overall future performance of the *F1® Manager* franchise following the release of *F1® Manager 2022* (August 2022 - FY23) and *F1® Manager 2023* (July 2023 - FY24). We are currently developing our plans for the *F1® Manager* franchise in 2024.

The Group recognised an impairment charge of £3.1 million in FY23 in respect of games published under the Foundry games label following disappointing financial performance following release. As a result of this financial underperformance, and an increased level of competition amongst third-party publishers, in June 2023 Frontier announced the decision to cease all activity relating to acquiring new third-party titles and instead re-focus on internal titles.

Game developments include a technology-based asset with a fair value of £3.9 million acquired through business combinations (note 9).

12. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
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
Additions	—	1,295	40	1,335
Acquisition of a subsidiary	12	98	53	163
Exchange rate movement	(1)	(7)	(4)	(12)
At 31 May 2023	**879**	**8,037**	**5,447**	**14,363**
Depreciation				
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
Charge for the year	140	1,805	340	2,285
Acquisition of a subsidiary	6	98	53	157
Exchange rate movement	(1)	(7)	(4)	(12)
At 31 May 2023	**841**	**6,086**	**1,740**	**8,667**
Net book value at 31 May 2023	**38**	**1,951**	**3,707**	**5,696**
Net book value at 31 May 2022	172	2,461	4,007	6,640

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 consolidated income statement as follows:

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
Research and development expenses	**1,799**	1,453
Administration expenses	**486**	485
Total	**2,285**	1,938

13. LEASES

	Right-of-use asset £'000
Cost	
At 31 May 2021	24,356
Additions	—
At 31 May 2022	24,356
Additions	—
At 31 May 2023	**24,356**
Depreciation	
At 31 May 2021	3,248
Charge for the year	1,624
At 31 May 2022	4,872
Charge for the year	1,624
At 31 May 2023	**6,496**
Net book value at 31 May 2023	**17,860**
Net book value at 31 May 2022	19,484

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 consolidated income statement.

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

	2023 £'000	2022 £'000
At 1 June	**20,739**	22,158
Accretion of interest	**607**	649
Lease payments	**(2,068)**	(2,068)
At 31 May	**19,278**	20,739
Current	**1,505**	1,461
Non-current	**17,773**	19,278

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

	31 May 2023 £'000	31 May 2022 £'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	**11,891**	13,959
Total	**22,231**	24,299

The discount rate applied to the lease is 3%.

14. TRADE AND OTHER RECEIVABLES

	31 May 2023 £'000	31 May 2022 £'000
Trade receivables	**10,744**	20,316
Derivative financial instruments	**47**	—
Financial assets (note 22)	**10,791**	20,316
Prepayments and other debtors	**4,152**	4,021
Social security and other taxes	**615**	368
Total trade and other receivables	**15,558**	24,705

All amounts are short term and the net carrying value of trade receivables is considered a reasonable approximation of fair value. No receivables are past their due date and the majority of receivables are balances due from third-party distributors. The year-on-year decrease is due to the timing of key game launches towards the end of FY22.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following balances by currency:

	31 May 2023 £'000	31 May 2022 £'000
Great British Pounds (GBP)	**14,556**	18,825
US Dollars (USD)	**12,400**	17,279
Euros (EUR)	**1,092**	2,592
Canadian Dollars (CAD)	**263**	3
Total cash and cash equivalents	**28,311**	38,699

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.

16. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

	31 May 2023 £'000	31 May 2022 £'000
Trade payables	**4,360**	3,836
Contingent consideration	**1,529**	—
Employment related accruals	**321**	—
Accruals and other payables	**8,776**	16,488
Derivative financial instruments	**—**	191
Financial liabilities (note 22)	**14,986**	20,515
Accruals and other payables	**114**	103
Other taxation and social security	**1,421**	1,179
Total trade and other payables	**16,521**	21,797

Trade and other payables are due within one year. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value. The majority of the decrease relates to the commission due to third-party distributors for revenue balances due.

Contingent consideration of £1.5 million at 31 May 2023 (31 May 2022: £nil) has arisen on business combinations, and is based on contracted amounts to be paid in the future to sellers under share purchase agreements. This is payable subject to Complex meeting certain operational milestones during the period to 31 December 2023. Management expect this is highly likely to be payable as at the year end. The book value and fair value do not materially differ. The carrying values have not been discounted due to the amounts being due within the next financial year.

Employment related accruals totalling £0.3 million at 31 May 2023 (31 May 2022: £nil) has arisen on business combinations, and is in relation to the annual profit-share earn-out for the four former employee shareholders of Complex Games Inc. This is due for payment by 30 June 2023.

NON-CURRENT LIABILITIES

	31 May 2023 £'000	31 May 2022 £'000
Other payables	**4,235**	6,148

Other payables within non-current liabilities are minimum guarantees payable that are due to IP licence holders. The payment terms range between one and three years.

17. DEFERRED INCOME

Set out below are the carrying amounts of deferred income (included under current and non-current liabilities in the consolidated statement of financial position) and the movements during the year:

	2023 £'000	2022 £'000
At 1 June	**2,466**	2,180
Deferred during the year	**6,772**	2,912
Recognised as revenue during the year	**(4,720)**	(2,626)
At 31 May	**4,518**	2,466
Current	**4,355**	2,466
Non-current	**163**	–

All deferred revenue recognised as revenue during FY23 and FY22 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 2023 is in respect of *Elite Dangerous* virtual currency, a subscription deal for *Jurassic World Evolution 2*, disc sales of *Jurassic World Evolution 2*, *F1® Manager 2022* and *Planet Coaster* Console that are still within the distribution channel, and the Research and Development Expenditure Credit (RDEC) grant. 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.

Deferred income released during FY23 was £184k for *Planet Coaster* Console disc sales, £2,985k for *Jurassic World Evolution 2* disc sales, £1,345k for *F1® Manager 2022* disc sales and £206k for *Elite Dangerous* virtual currency. 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.

Income deferred during FY23 was in relation to £2,331k for *Jurassic World Evolution 2* disc sales, £1,806k for *F1® Manager 2022* disc sales, £201k for *Elite Dangerous* virtual currency, and £444k for the RDEC grant. 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.

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

18. CURRENT TAX ASSETS

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

	31 May 2023 £'000	31 May 2022 £'000
Current tax assets	**9,438**	7,867

The Group has recognised current tax assets in respect of Video Games Tax Relief claims of £9.4 million at 31 May 2023 (31 May 2022: £7.9 million).

19. PROVISIONS

	2023 £'000	2022 £'000
At 1 June	**56**	41
Provided for in the year	**15**	15
At 31 May	**71**	56

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.

20. DEFERRED TAX ASSETS AND LIABILITIES

	Consolidated statement of financial position		Consolidated income statement		Consolidated statement of changes in equity	
	31 May 2023 £'000	31 May 2022 £'000	**12 months to 31 May 2023 £'000**	12 months to 31 May 2022 £'000	**31 May 2023 £'000**	31 May 2022 £'000
Short-term temporary differences	**99**	80	**(19)**	(34)	**–**	–
Intangible and tangible fixed assets	**(2,328)**	(2,700)	**(1,356)**	(2,649)	**–**	–
Potential future share option exercises	**835**	2,924	**519**	23	**1,571**	2,740
Research and Development Expenditure Credit	**183**	71	**(112)**	(71)	**–**	–
Losses available for offsetting against future taxable income	**792**	973	**181**	(973)	**–**	–
Deferred tax (benefit)/expense			**(787)**	(3,704)	**1,571**	2,740
Net deferred tax (liabilities)/assets	**(419)**	1,348				
Reflected in the consolidated statement of financial position as follows:						
Deferred tax assets	**1,909**	4,048				
Deferred tax liabilities	**(2,328)**	(2,700)				
Net deferred tax (liabilities)/assets	**(419)**	1,348				

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 20-25% (31 May 2022: 19-25%).

20. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

On 31 May 2023, the £2.3 million deferred tax liability recognised in intangible and tangible fixed assets relates to £1.9 million in Frontier Developments plc and £0.4 million in Complex Games Inc. £0.3 million of the balance in Complex arose from the fair value adjustment in relation to the technology-based intangible asset identified on acquisition (note 9). The fair value of this intangible asset on acquisition was £3.9 million, which resulted in a deferred tax liability of £1.1 million being recognised, calculated at the Canadian tax rate of 27% of the intangible asset value. During FY23 £2.7 million of the intangible asset was amortised, therefore decreasing the deferred tax liability by £0.8 million to £0.3 million, with the movement of £0.8 million being recognised in the consolidated income statement in FY23.

The Group elected into the Research and Development Expenditure Credit (RDEC) scheme in FY22. The Research and Development (R&D) tax credit in FY22 and FY23 is offset against and recognised in research and development expenses. The total RDEC claim during FY23 is £558k (FY22: £375k) and has been recognised in the consolidated income statement over the life of the related intangible assets. A deferred tax asset of £183k has been recognised due to the timing difference of the utilisation of the RDEC notional tax. £183k of the RDEC deferred tax asset is made up of 19% of the RDEC claim in FY22 (£375k) and 20% of the RDEC claim in FY23 (£588k). The RDEC notional tax will be carried forward to reduce the corporation tax liability in the future.

Accumulated Group tax losses at 31 May 2023 are provisionally estimated to be £83.4 million (31 May 2022: £54.8 million). The actual accumulated tax losses at 31 May 2022 increased to £58.9 million after preparing the final FY22 UK corporation tax return. The increase of £4.1 million is primarily due to the increase in core expenditure in respect of third-party IP licence costs included in the Video Games Tax Relief (VGTR) claim in the final FY22 corporation tax return.

The accumulated UK tax losses movement of £24.5 million during FY23 relates to current year losses created from non-VGTR trades and not utilised during FY23.

Out of the £83.4 million of tax losses carried forward at 31 May 2023, £3.2 million of tax losses were recognised as a deferred tax asset. £3.1 million was recognised in Frontier Developments plc to the extent of the taxable temporary differences due to the unlikelihood of the Company having a taxable profit in the foreseeable future to utilise the additional losses. £0.1 million of tax losses were recognised in Complex Games Inc due to certainty that the accumulated losses will be utilised against the taxable profits projected to be generated in FY24 and FY25.

The Group's tax arrangements concerning income streams under VGTR and Patent Box enhancements can be complex, and at 31 May 2023 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 VGTR 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, and in line with forecasts for future years, the Group does not expect to utilise the remaining unused tax losses in the foreseeable future. The Group's total unrecognised tax losses at 31 May 2023 were £80.2 million (31 May 2022: £50.2 million). Of the £80.2 million unrecognised tax losses, Patent Box deductions represent £3.2 million (31 May 2022: £3.2 million).

The losses do not have an expiry date.

21. SHARE CAPITAL AND SHARE PREMIUM

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

	Number	Nominal value £
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
Shares issued on option exercises and warrants	55,186	276
At 31 May 2023	**39,478,535**	**197,393**

From 1 June 2022 to 31 May 2023 55,186 Ordinary Shares of 0.5p were allotted as fully paid at a premium of 142p, being the exercise of share options and warrants. The average market value was 537p on the day of allotment.

For detailed information of the exercise of options and warrants refer to pages 77 to 80 of the consolidated financial statements.

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

	£'000
At 31 May 2021	36,079
Shares issued on option exercises and warrants	389
At 31 May 2022	36,468
Shares issued on option exercises and warrants	79
At 31 May 2023	**36,547**

22. FINANCIAL ASSETS AND LIABILITIES

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

	31 May 2023 £'000	31 May 2022 £'000
Financial assets at amortised cost		
Trade and other receivables (note 14)	**10,791**	20,316
Cash and cash equivalents (note 15)	**28,311**	38,699
Total	**39,102**	59,015

	31 May 2023 £'000	31 May 2022 £'000
Financial liabilities at amortised cost		
Trade and other payables (note 16)	**19,221**	26,663
Deferred income (note 17)	**4,518**	2,466
Lease liability (note 13)	**19,278**	20,739
Total	**43,017**	49,868

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

	31 May 2023 £'000	31 May 2022 £'000
Derivative financial assets/(liabilities)		
Forward foreign exchange contracts – held for trading	**47**	(191)

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 FY23 or FY22.

23. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The results and financial position of all the subsidiaries are included in the consolidated financial statements. Details of the Company's direct and indirect subsidiaries as at 31 May 2023 are set out below:

Name of company	Country of incorporation	Proportion of Ordinary Shares held	Nature of business	Registered office
Frontier Developments Inc.	USA	100%	Publisher support services	500 N. Rainbow Blvd, Suite 300, Las Vegas NV 89107, USA
Frontier Games Limited	UK	100%	Game development services	26 Science Park, Milton Road, Cambridge CB4 0FP, UK
10142474 Manitoba Inc.*	Canada	100%	Holding company	30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1, Canada
Complex Games Inc.*	Canada	100%	Game development services	44 Princess Street, 8th Floor, Winnipeg, MB R3B 1K2, Canada

* 10142474 Manitoba Inc. and Complex Games Inc. amalgamated into one legal entity on 1 June 2023 (post year end), resulting in 10142474 Manitoba Inc. being renamed to Complex Games Inc.

24. SHARE OPTIONS

The Group has a number of share schemes whereby options may be granted to employees (including Executive 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 (from October 2017 onwards) and a Long Term Incentive Plan (from November 2017 onwards). 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, with a proportion of the options able to be exercised after the first and second anniversary (2022 grants only).

Date of grant	Scheme or warrant type	Period when exercisable	Price in pence	**2023 Number outstanding**	2022 Number outstanding
30 July 2012	2012 EMI scheme	2012–2022	89	**–**	21,300
15 May 2013	2013 EMI scheme	2014–2023	95	**–**	2,000
8 July 2013	Unapproved pre-IPO warrants	2013–2023	95	**–**	13,158
15 July 2013	Unapproved IPO warrants	2013–2023	127	**–**	29,528
21 March 2014	Company Share Option Plan	2017–2024	224.5	**40,700**	42,700
15 September 2014	Company Share Option Plan	2017–2024	257.5	**60,480**	60,480
15 September 2014	Unapproved options	2017–2024	257.5	**40,900**	40,900
15 September 2014	Unapproved options	2015–2024	257.5	**288,350**	288,350
10 March 2015	Company Share Option Plan	2018–2025	230	**30,500**	33,200
10 March 2015	Unapproved options	2018–2025	230	**4,000**	16,500
21 September 2015	Company Share Option Plan	2018–2025	193.5	**19,600**	24,600
21 September 2015	Unapproved options	2018–2025	193.5	**11,000**	11,000
8 September 2016	Company Share Option Plan	2019–2026	174	**16,300**	19,000
8 September 2016	Unapproved options	2019–2026	174	**34,750**	36,000
9 February 2017	Company Share Option Plan	2020–2027	278	**8,150**	10,700
31 May 2017	Unapproved options	2020–2027	406	**7,389**	7,389
31 May 2017	Unapproved options	2020–2027	250	**100,000**	100,000

24. SHARE OPTIONS CONTINUED

Date of grant	Scheme or warrant type	Period when exercisable	Price in pence	**2023 Number outstanding**	2022 Number outstanding
10 November 2017	Company Share Option Plan	2020–2027	1,094	**27,005**	30,008
10 November 2017	Long Term Incentive Plan	2020–2027	0.5	**48,021**	51,999
17 October 2018	Company Share Option Plan	2021–2028	1,130	**35,998**	39,025
17 October 2018	Long Term Incentive Plan	2021–2028	0.5	**90,958**	96,804
6 February 2019	Company Share Option Plan	2022–2029	886	**3,386**	3,386
6 February 2019	Long Term Incentive Plan	2022–2029	0.5	**558**	558
1 April 2019	Sharesave	2022	783	**2,298**	17,957
4 October 2019	Company Share Option Plan	2022–2029	1,002	**35,361**	35,940
4 October 2019	Long Term Incentive Plan	2022–2029	0.5	**174,186**	270,127
4 October 2019	Sharesave	2022–2023	832	**–**	17,009
25 March 2020	Sharesave	2023	947	**4,655**	10,084
8 October 2020	Sharesave	2023–2024	2,040	**2,148**	7,240
9 October 2020	Company Share Option Plan	2023–2030	2,455	**3,663**	35,040
9 October 2020	Long Term Incentive Plan	2023–2030	0.5	**76,858**	83,818
27 November 2020	Company Share Option Plan	2023–2030	2,410	**–**	4,976
27 November 2020	Long Term Incentive Plan	2023–2030	0.5	**927**	1,175
25 March 2021	Sharesave	2024	1,972	**1,695**	12,240
4 October 2021	Long Term Incentive Plan	2024–2031	0.5	**–**	3,048
8 October 2021	Sharesave	2024–2025	2,124	**970**	4,382
15 October 2021	Company Share Option Plan	2024–2031	2,540	**2,362**	65,272
15 October 2021	Long Term Incentive Plan	2024–2031	0.5	**100,210**	113,388
17 March 2022	Sharesave	2025	972	**13,894**	146,807
17 October 2022	Sharesave	2025–2026	1,044	**5,728**	–
4 November 2022	Company Share Option Plan	2025–2032	1,272	**125,878**	–
4 November 2022	Long Term Incentive Plan	2023–2032	0.5	**367,328**	–
4 November 2022	Company Share Option Plan	2025–2032	1,272	**35,182**	–
17 February 2023	Long Term Incentive Plan	2024–2033	0.5	**9,546**	–
17 March 2023	Sharesave	2026	354	**744,427**	–
22 May 2023	Company Share Option Plan	2026–2033	582	**84,055**	–
Total number of share options and warrants				**2,659,416**	1,807,088

24. SHARE OPTIONS CONTINUED

Movements in the number of share options and warrants outstanding:

	31 May 2023 Number	31 May 2022 Number
Opening balance	**1,807,088**	1,828,872
Granted	**1,461,795**	364,872
Exercised	**(145,677)**	(253,517)
Lapsed	**(463,790)**	(133,139)
Closing balance	**2,659,416**	1,807,088
Weighted average exercise price on closing balance (p)	**315.6**	434.2

The share-based compensation charge in the consolidated income statement in FY23 was £3.3 million (FY22: £2.5 million), of which £nil (FY22: £nil) was in respect of warrants.

Under the rules of the Company Share Option Plan (approved and unapproved), 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 Group.

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 (TSR) performance during the vesting period. The option holder must also be employed by the Group at time of exercise.

FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS

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

CSOP (approved and unapproved)

	CSOP November 2022	CSOP May 2023
Share price at date of grant (p)	1,318.0	587.0
Exercise price (p)	1,272.0	582.0
Expected time to expiry (years)	6.50	6.50
Risk-free interest rate (%)	3.81	4.77
Expected dividend yield on shares (%)	—	—
Expected volatility of share price (%)	52.59	56.36
Fair value of options granted (p)	748.1	352.9

LTIP

	LTIP Y1 profit November 2022	LTIP Y2 profit November 2022	LTIP Y3 profit November 2022	LTIP Y3 TSR November 2022	LTIP Y1 profit February 2023	LTIP Y2 profit February 2023	LTIP Y3 profit February 2023	LTIP Y3 TSR February 2023
Share price at date of grant (p)	1,318.0	1,318.0	1,318.0	1,318.0	456.0	456.0	456.0	456.0
Exercise price (p)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Expected time to expiry (years)	1.00	2.00	3.00	—	1.00	2.00	3.00	—
Risk-free interest rate (%)	3.81	3.81	3.81	—	4.23	4.23	4.23	—
Expected dividend yield on shares (%)	—	—	—	—	—	—	—	—
Expected volatility of share price (%)	52.59	52.59	52.59	—	59.16	59.16	59.16	—
Fair value of options granted (p)	693.4	1,317.5	1,317.6	776.1	455.4	455.5	455.6	290.2

24. SHARE OPTIONS CONTINUED

FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS CONTINUED

Sharesave

	Sharesave October 2022	Sharesave March 2023
Share price at date of grant (p)	1,222.0	480.0
Exercise price (p)	1,044.0	354.0
Expected time to expiry (years)	3.25	3.25
Risk-free interest rate (%)	4.78	4.20
Expected dividend yield on shares (%)	–	–
Expected volatility of share price (%)	52.52	58.32
Fair value of options granted (p)	568.4	255.9

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, which administers the Trust. The number of share options exercised by employees in the year and fulfilled as part of these arrangements was 88,830 Ordinary Shares. The Group funded the EBT £3.0 million in May 2023 and the EBT purchased 525,561 Ordinary Shares from the market. The EBT had no other assets or liabilities at 31 May 2023 outside of its interest in 880,262 Ordinary Shares.

25. 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.

Connected party	**Expense paid 31 May 2023 £'000**	**Creditor balance 31 May 2023 £'000**	Expense paid 31 May 2022 £'000	Creditor balance 31 May 2022 £'000
Chris Sawyer – royalties	**313**	**–**	395	–

Connected party	**Change in value of loan expense paid 31 May 2023 £'000**	Change in value of loan expense paid 31 May 2022 £'000
Contribution to EBT to purchase shares on market	**3,000**	5,000
Voluntary contribution to the Trust to repay outstanding loan balance during year ended 31 May 2023	**(3,000)**	(5,000)
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 2023 £'000	31 May 2022 £'000
Short-term employee benefits (including aggregate gains on the exercise of share options)	**1,499**	2,364
Post-employment benefits	**–**	–
Other long-term benefits	**–**	–
Termination benefits	**–**	–
IFRS 2 share-based payment charge	**778**	777

Consultancy fees are paid to Tumbling Dice Ltd, a company in which David Walsh is a common director, amounting to £50k in FY23 (FY22: £8k). The amount outstanding at 31 May 2023 is £4k (31 May 2022: £4k).

26. FINANCIAL INSTRUMENT RISKS

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various risks in relation to financial assets and liabilities. Financial assets and liabilities by category are summarised in note 22. 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 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 22).

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, US and Canadian banks.

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

26. FINANCIAL INSTRUMENT RISKS CONTINUED

CREDIT RISK CONTINUED

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

	31 May 2023 Days past due						31 May 2022 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	**10,791**	**–**	**–**	**–**	**–**	**10,791**	20,316	–	–	–	–	20,316
Expected credit loss	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–

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), Euros (EUR) and Canadian Dollars (CAD).

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 22, 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:

	31 May 2023			31 May 2022		
	CAD £'000	USD £'000	EUR £'000	CAD £'000	USD £'000	EUR £'000
Assets	**263**	**12,400**	**1,092**	3	17,279	2,592

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, Euros and Canadian Dollars. An increase in Sterling would lead to a decrease in income and a decrease in equity.

	31 May 2023 £'000	31 May 2022 £'000
Effect of a 5% change in relevant exchange rate on:		
Consolidated income statement	**2,665**	2,099
Equity	**937**	1,950

26. 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 to secure finance from its shareholder base.

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

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
At 31 May 2023				
Trade and other payables	**13,647**	**1,339**	**4,235**	**–**
Deferred income	**3,333**	**1,022**	**163**	**–**
Lease liability	**752**	**753**	**6,486**	**11,287**
At 31 May 2022				
Trade and other payables	16,983	3,532	6,148	–
Deferred income	1,395	1,071	–	–
Lease liability	730	731	6,297	12,981

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 2022 £'000	Cashflows	Other	**31 May 2023 £'000**
Current lease liabilities	1,461	(1,461)	1,505	**1,505**
Non-current lease liabilities	19,278	(607)	(898)	**17,773**
Total liabilities from financing activities	20,739	(2,068)	607	**19,278**

27. 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 2023 by virtue of Section 479A of the Companies Act 2006.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2023 £'000	31 May 2022 £'000
Non-current assets			
Investment in subsidiaries	30	**10,873**	—
Other intangible assets	31	**55,368**	70,833
Property, plant and equipment	32	**5,695**	6,640
Right-of-use asset	13	**17,860**	19,484
Deferred tax assets	37	**—**	1,348
Total non-current assets		**89,796**	98,305
Current assets			
Trade and other receivables	33	**15,830**	25,474
Current tax assets	36	**2,372**	4,482
Cash and cash equivalents	34	**28,069**	38,374
Total current assets		**46,271**	68,330
Total assets		**136,067**	166,635
Current liabilities			
Trade and other payables	35	**(17,211)**	(22,035)
Lease liability	13	**(1,505)**	(1,461)
Deferred income	17	**(4,355)**	(2,466)
Total current liabilities		**(23,071)**	(25,962)
Net current assets		**23,200**	42,368
Non-current liabilities			
Provisions	19	**(71)**	(56)
Lease liability	13	**(17,773)**	(19,278)
Deferred income	17	**(163)**	—
Other payables	35	**(4,235)**	(6,148)
Total non-current liabilities		**(22,242)**	(25,482)
Total liabilities		**(45,313)**	(51,444)
Net assets		**90,754**	115,191
Equity			
Share capital	21	**197**	197
Share premium account	21	**36,547**	36,468
Equity reserve		**(14,553)**	(12,769)
Retained earnings		**68,563**	91,295
Total equity		**90,754**	115,191

The Company has taken the exemption under Section 408 of the Companies Act 2006 not to present a full income statement, but the loss for the Company was £23,518k (FY22: profit of £7,043k).

These financial statements were approved by the Directors on 12 September 2023 and signed on their behalf by:

ALEX BEVIS
DIRECTOR

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2023

	Notes	Share capital £'000	Share premium account £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
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	21	–	389	–	–	389
Share-based payment charges	24	–	–	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
Loss for the year		–	–	–	(23,518)	(23,518)
Total comprehensive loss for the year		–	–	–	(23,518)	(23,518)
Issue of share capital net of expenses	21	–	79	–	–	79
Share-based payment charges	24	–	–	3,340	–	3,340
Share-based payment transfer relating to option exercises and lapses		–	–	(2,357)	2,357	–
Employee Benefit Trust cash outflows from share purchases		–	–	(3,000)	–	(3,000)
Employee Benefit Trust net cash inflows from option exercises		–	–	233	–	233
Deferred tax movements posted directly to reserves	7	–	–	–	(1,571)	(1,571)
Transactions with owners		–	79	(1,784)	786	(919)
At 31 May 2023		**197**	**36,547**	**(14,553)**	**68,563**	**90,754**

28. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The Company financial statements 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 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 Company. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Please refer to the Group financial statements for additional information concerning the basis of preparation. For references in the Company financial statements to notes numbered earlier than note 28, refer directly to specific notes in the Group financial statements.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income in these financial statements. The Company's overall result for the year is given in the statement of changes in equity.

OTHER SIGNIFICANT ACCOUNTING POLICIES

The Company applies consistent accounting policies to those applied by the Group. Please refer to the Group financial statements for disclosure of other relevant accounting policies.

AUDITOR STATUTORY DISCLOSURE

The audit fee for the Company is outlined in note 6 of the Group financial statements.

29. STAFF COSTS

Aggregate payroll costs of persons employed by the Company (including Directors) during the year were as follows:

	12 months to 31 May 2023 £'000	12 months to 31 May 2022 £'000
Wages and salaries	**35,259**	29,358
Social security costs	**3,854**	3,012
Pension costs	**3,644**	2,901
Share-based compensation (note 24)	**3,340**	2,452
Total staff costs	**46,097**	37,723

The average number of persons employed by the Company (including Directors) during the year was as follows:

	12 months to 31 May 2023	12 months to 31 May 2022
Research and development	**691**	610
Sales, marketing and administrative	**135**	106
Total average number of employees	**826**	716

30. INVESTMENT IN SUBSIDIARIES

	31 May 2023 £'000	31 May 2022 £'000
Investment in subsidiaries	**10,873**	–

Details of the Company's direct and indirect subsidiaries as at 31 May 2023 are set out in note 23 of the Group financial statements.

A reconciliation to the total consideration in respect to the acquisition of Complex Games Inc. is as follows:

	2023 £'000
Investment in subsidiaries above	**10,873**
Indebtedness settled on acquisition	**(856)**
Deferred cash consideration due in one year (note 16)	**1,529**
Exchange rate movement	**179**
Total consideration (note 9)	**11,725**

31. OTHER INTANGIBLE ASSETS

	Game technology £'000	Game developments £'000	Third-party software £'000	IP licences £'000	Total £'000
Cost					
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
Additions	3,449	33,294	429	–	37,172
At 31 May 2023	**23,182**	**162,687**	**2,819**	**11,185**	**199,873**
Amortisation and impairment					
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
Amortisation charges	3,869	28,889	421	1,341	34,520
Impairment charges	3,919	12,474	–	1,724	18,117
At 31 May 2023	**16,961**	**119,333**	**2,072**	**6,139**	**144,505**
Net book value at 31 May 2023	**6,221**	**43,354**	**747**	**5,046**	**55,368**
Net book value at 31 May 2022	10,560	51,423	739	8,111	70,833

32. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
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
Additions	—	1,294	40	1,334
At 31 May 2023	**868**	**7,945**	**5,398**	**14,211**
Depreciation				
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
Charge for the year	134	1,805	340	2,279
At 31 May 2023	**830**	**5,995**	**1,691**	**8,516**
Net book value at 31 May 2023	**38**	**1,950**	**3,707**	**5,695**
Net book value at 31 May 2022	172	2,461	4,007	6,640

33. TRADE AND OTHER RECEIVABLES

	31 May 2023 £'000	31 May 2022 £'000
Trade receivables	**10,743**	20,316
Intercompany receivables	**328**	803
Derivative financial instruments	**47**	—
Financial assets (note 38)	**11,118**	21,119
Prepayments and other debtors	**4,124**	3,996
Social security and other taxes	**588**	359
Total trade and other receivables	**15,830**	25,474

All amounts are short term and the net carrying value of trade receivables is considered a reasonable approximation of fair value. No receivables are past their due date and the majority of receivables are balances due from third-party distributors. The year-on-year decrease is due to the timing of key game launches towards the end of FY22.

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

34. CASH AND CASH EQUIVALENTS

	31 May 2023 £'000	31 May 2022 £'000
Great British Pounds (GBP)	**14,556**	18,825
US Dollars (USD)	**12,354**	16,954
Euros (EUR)	**1,092**	2,592
Canadian Dollars (CAD)	**67**	3
Total cash and cash equivalents	**28,069**	38,374

35. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

	31 May 2023 £'000	31 May 2022 £'000
Trade payables	**4,357**	3,836
Intercompany payables	**2,615**	238
Accruals and other payables	**8,696**	16,488
Derivative financial instruments	**—**	191
Financial liabilities (note 38)	**15,668**	20,753
Accruals and other payables	**114**	103
Other taxation and social security	**1,429**	1,179
Total trade and other payables	**17,211**	22,035

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

NON-CURRENT LIABILITIES

	31 May 2023 £'000	31 May 2022 £'000
Other payables	**4,235**	6,148

36. CURRENT TAX ASSETS

	31 May 2023 £'000	31 May 2022 £'000
Current tax assets	**2,372**	4,482

The Company has recognised current tax assets in respect of Video Games Tax Relief claims of £2.4 million at 31 May 2023 (31 May 2022: £4.5 million).

37. DEFERRED TAX ASSETS AND LIABILITIES

	Statement of financial position		Income statement		Statement of changes in equity	
	31 May 2023 £'000	31 May 2022 £'000	**12 months to 31 May 2023 £'000**	12 months to 31 May 2022 £'000	**31 May 2023 £'000**	31 May 2022 £'000
Short-term temporary differences	**99**	80	**(19)**	(34)	**–**	–
Intangible and tangible fixed assets	**(1,895)**	(2,700)	**(806)**	(2,649)	**–**	–
Potential future share option exercises	**835**	2,924	**519**	23	**1,571**	2,740
Research and Development Expenditure Credit	**183**	71	**(112)**	(71)	**–**	–
Losses available for offsetting against future taxable income	**778**	973	**195**	(973)	**–**	–
Deferred tax (benefit)/expense			**(223)**	(3,704)	**1,571**	2,740
Net deferred tax assets	**–**	1,348				
Reflected in the statement of financial position as follows:						
Deferred tax assets	**1,895**	4,048				
Deferred tax liabilities	**(1,895)**	(2,700)				
Net deferred tax assets	**–**	1,348				

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 20-25% (31 May 2022: 19-25%).

The Company elected into the Research and Development Expenditure Credit (RDEC) scheme in FY22. The Research and Development (R&D) tax credit in FY22 and FY23 is offset against and recognised in research and development expenses. The total RDEC claim during FY23 is £558k (FY22: £375k) and has been recognised in the consolidated income statement over the life of the related intangible assets. A deferred tax asset of £183k has been recognised due to the timing difference of the utilisation of the RDEC notional tax. £183k of the RDEC deferred tax asset is made up of 19% of the RDEC claim in FY22 (£375k) and 20% of the RDEC claim in FY23 (£558k). The RDEC notional tax will be carried forward to reduce the corporation tax liability in the future.

Accumulated UK tax losses at 31 May 2023 are provisionally estimated to be £83.3 million (31 May 2022: £54.8 million). The actual accumulated UK tax losses at 31 May 2022 increased to £58.9 million after preparing the final FY22 corporation tax return. The increase of £4.1 million is primarily due to the increase in core expenditure in respect of third-party IP licence costs included in the Video Games Tax Relief (VGTR) claim in the final FY22 corporation tax return.

The accumulated UK tax losses movement of £24.4 million during FY23 relates to current year losses created from non-VGTR trades and not utilised during FY23.

Out of the £83.3 million of tax losses carried forward at 31 May 2023, £3.1 million of tax losses from the non-VGTR trade were recognised as a deferred tax asset at a tax rate of 25%, to the extent of the taxable temporary differences due to the unlikelihood of the Company having a taxable profit in the foreseeable future to utilise the additional losses.

The Company's tax arrangements concerning income streams under VGTR and Patent Box enhancements can be complex, and at 31 May 2023 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 VGTR enhanced deductions will continue to be available in future periods which will continue to have a significant impact on the taxable losses of the Company and therefore the utilisation of brought forward losses. Taking the above into account, and in line with forecasts for future years, the Company does not expect to utilise the remaining unused tax losses in the foreseeable future. The Company's total unrecognised tax losses at 31 May 2023 were £80.2 million (31 May 2022: £50.2 million). Of the £80.2 million unrecognised losses, Patent Box deductions represent £3.2 million (31 May 2022: £3.2 million).

The losses do not have an expiry date.

38. FINANCIAL ASSETS AND LIABILITIES

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

	31 May 2023 £'000	31 May 2022 £'000
Financial assets at amortised cost		
Trade and other receivables (note 33)	**11,118**	21,119
Cash and cash equivalents (note 34)	**28,069**	38,374
Total	**39,187**	59,493

	31 May 2023 £'000	31 May 2022 £'000
Financial liabilities at amortised cost		
Trade and other payables (note 35)	**19,903**	26,901
Deferred income (note 17)	**4,518**	2,466
Lease liability (note 13)	**19,278**	20,739
Total	**43,699**	50,106

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 1 November 2023 at 9.30am (GMT) for the purpose of considering and, if thought fit, to transact the following business. Resolutions 1 to 13 are proposed as ordinary resolutions and Resolutions 14 to 16 as special resolutions:

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 2023 together with the reports of the Directors and Auditor thereon.

Resolution 2. To re-appoint Ernst & Young LLP as the Company's Auditor in accordance with Section 489 of the Companies Act 2006 (the **'Act'**) to hold office until the conclusion of the next Annual General Meeting at which the accounts of the Company are laid.

Resolution 3. To authorise the directors of the Company (the **'Directors'**) to determine the Auditor's remuneration for the ensuing year.

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

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

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

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

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

Resolution 9. To re-appoint Ilse Howling, who retires and offers herself for re-appointment, as a Director.

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

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

Resolution 12. To appoint Leslie-Ann Reed, who has been appointed by the Directors since the last Annual General Meeting and who offers herself for appointment, as a Director.

Resolution 13. 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 £65,797.56, 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 2024, 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 14. That, subject to the passing of Resolution 13, the Directors be and are hereby generally and unconditionally authorised to allot equity securities (within the meaning of Section 560 of the Act) for cash under the authority given by that resolution and/or to sell ordinary shares of £0.005 each in the capital of the Company ('Ordinary Shares') held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, provided that such power shall be limited to:

(a) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity shares to:

(i) holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings;

(ii) holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory, or any matter whatsoever; and

(b) the allotment (otherwise than under paragraph (a) above) of equity securities or sale of treasury shares up to an aggregate nominal amount of £19,739.27 (approximately 10% of the nominal value of the Company's issued share capital at the date of this notice); and

(c) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) or paragraph (b) above) up to a nominal amount equal to 20% of the nominal amount of any equity securities or treasury shares allotted or sold from time to time under paragraph (b) above in respect of a specific equity issuance, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

The authority granted by this Resolution 14 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 2024, 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. That, subject to the passing of resolution 13 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 13 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:

SPECIAL RESOLUTIONS CONTINUED

Resolution 14. continued

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

otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £19,739.27 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 2024, 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 15. That, subject to the passing of Resolution 14, the Directors be and are hereby generally and unconditionally authorised, in addition to any authority granted under Resolution 14, to allot equity securities (within the meaning of Section 560 of the Act) for cash under the authority given by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, provided that such power shall be limited to:

(a) the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £19,739.27 (approximately 10% of the nominal value of the Company's issued share capital at the date of this notice) and used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

(b) limited to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount equal to 20% of the nominal value of any equity securities or treasury shares allotted or sold from time to time under paragraph (a) above, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

The authority granted by this Resolution 15 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 2024, 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.

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 the Act) of Ordinary Shares, provided that:

(a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 3,947,854 (representing approximately 10% of the Company's issued ordinary share capital as at the date of this notice);

(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% 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 WILTON
CHAIRMAN
12 September 2023

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

EXPLANATION OF THE RESOLUTIONS

Resolutions 1 to 13 (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 14 to 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 2023, together with the Report of the Directors and Auditor's Report on these accounts, be received, considered and adopted.

RESOLUTIONS 2 AND 3: RE-APPOINTMENT AND REMUNERATION OF AUDITOR

Resolution 2 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 3 will be proposed to authorise the Directors to set the Auditor's remuneration.

RESOLUTIONS 3 TO 12: ELECTION AND RE-ELECTION OF DIRECTORS

Resolutions 2 to 10 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 www.frontier.co.uk/investors/director-biographies-and-committees.

RESOLUTION 13: ALLOTMENT OF SHARE CAPITAL

Resolution 13 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 £65,797.56, representing approximately 33% of the Company's current issued ordinary share capital.

RESOLUTION 14: DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS

Section 561(1) of the Companies Act 2006 requires that on an allotment of new shares for cash or the sale of treasury shares, 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 or sell 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 14 grants the Directors general authority to allot and sell equity securities covered by the Resolution 13 authority to allot for cash as if section 561 of the Companies Act 2006 did not apply, provided that this power is limited to (a) the allotment and sale to holders of ordinary shares or other equity securities on a pre-emptive basis but with appropriate adjustments to the statutory pre-emption requirements set out in the Companies Act 2006, for example to deal with fractional entitlements and overseas legal requirements, as the directors see fit; (b) the allotment or sale (otherwise than pursuant to (a)) of equity securities on a non-pre-emptive basis up to a maximum nominal value of £19,739.27, representing approximately 10% of the Company's issued share capital as at the date of this notice; and (c) the allotment or sale (otherwise than pursuant to (a) and (b) of equity securities on a non-pre-emptive basis up to 2% of the issued share capital of the Company at the date of this notice to be used only for the purposes of making a follow-on offer to existing holders of securities not allocated shares pursuant to any share issue or share sale effected under (a) and (b) above.

Resolution 14 is in line with the Pre-Emption Group's Statement of Principles for the Disapplication of Pre-Emption Rights which were updated on 4 November 2022.

RESOLUTION 15: DISAPPLICATION OF STATUTORY PRE-EMPTION RIGHTS IN CONNECTION WITH AN ACQUISITION OR OTHER CAPITAL INVESTMENT

In addition to Resolution 14, the Directors believe that there may be other circumstances when it is in the best interests of the Company to allot new ordinary shares or sell treasury 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 and sell equity securities covered by the Resolution 13 authority to allot for cash as if section 561 of the Companies Act 2006 did not apply, provided that this power is limited to (a) the allotment or sale of equity securities on a non-pre-emptive basis up to a maximum nominal value of £19,739.27, representing approximately 10% of the Company's issued share capital at the date of this notice and used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment (of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice); and (b) the allotment or sale (otherwise than pursuant to (a) and (b)) of equity securities on a non-pre-emptive basis up to 2% of the issued share capital of the Company at the date of this notice to be used only for the purposes of making a follow-on offer to existing holders of securities not allocated shares pursuant to any share issue or share sale effected under (a) and (b) above.

Resolution 15 is in line with the Pre-Emption Group's Statement of Principles for the Disapplication of Pre-Emption Rights which were updated on 4 November 2022.

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 3,947,854 Ordinary Shares (representing approximately 10% of the issued share capital of the Company at the date of this notice) 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 decide 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 David Braben and his wife's (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, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 9.30am (GMT) on 30 October 2023 (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 0371 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.

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, Central Square, 29 Wellington Street, Leeds LS1 4DL, by no later than the time and date specified above.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrars (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com).

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

7. Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 9.30am on 30 October 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

8. Unless otherwise indicated on the Form of Proxy, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

9. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company by 6.30pm (GMT) on 30 October 2023 (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.

10. As at 12 September 2023, the Company's issued share capital comprised 39,478,535 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 12 September 2023 is 39,478,535.

11. The following documents will be available for inspection from the date of this notice until the meeting at the Company's registered office and at the meeting convened by this notice:
    - a register of Directors' share interests;
    - copies of the Directors' service contracts and letters of appointment (as applicable); and
    - a copy of the Company's Articles of Association.

12. 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.

13. You may also appoint a proxy at www.signalshares.com instead of using the form of proxy. You will need your investor code (IVC). This can be found on your share certificate.

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
PEEL HUNT LLP
7th Floor, 100 Liverpool Street
London EC2M 2AT

JOINT BROKER
LIBERUM CAPITAL LIMITED
Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY

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

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

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

FIVE-YEAR SUMMARY

	12 months to 31 May 2023	12 months to 31 May 2022	12 months to 31 May 2021	12 months to 31 May 2020	12 months to 31 May 2019
Revenue	**£104.6m**	£114.0m	£90.7m	£76.1m	£89.7m
Operating (loss)/profit	**(£26.6m)**	£1.5m	£19.9m	£16.6m	£19.4m
Operating margin (%)	**(25%)**	1%	22%	22%	22%
EBITDA*	**£33.0m**	£41.1m	£38.1m	£31.5m	£29.0m
EPS (basic)	**(53.6p)**	24.6p	55.4p	41.3p	46.9p
Adjusted EBITDA**	**(£4.6m)**	£6.7m	£11.8m	£12.6m	£15.9m
Net cash balance	**£28.3m**	£38.7m	£42.4m	£45.8m	£35.3m

* 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 impairment charges, share-based payment charges and other non-cash items.

FSC
www.fsc.org
MIX
Paper | Supporting responsible forestry
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
CBP020665

Produced by
designportfolio

FRONTIER

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