

RECORD RESULTS: PROFITS INCREASE 550% AS BUSINESS TRANSITION COMPLETES

FRONTIER DEVELOPMENTS PLC
ANNUAL REPORT AND ACCOUNTS 2017



BUILDING ON OUR SELF-PUBLISHING SUCCESS

After successfully proving our ability to launch franchises, we are scaling up to deliver roughly one major launch per year and achieve our long-term ambition of becoming a global leader in entertainment.

Frontier's founder David Braben began his work in games back in 1982 when he co-authored the seminal game Elite. David founded Frontier in 1994 in order to build a team to continue creating high quality, innovative games in the rapidly evolving games industry with an ambition that only teams of skilled professionals can deliver.

Frontier has thrived over the subsequent three decades. We have built a uniquely diverse catalogue of games – enabled by our Cobra technology – that has defined genres, earned critical acclaim and won a place in the hearts of millions of players.

Having worked with a succession of top publishers we now self-publish our own high quality, innovative games of different genres that embody our world-class expertise across all major gaming formats.

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TRANSITION COMPLETED

Operational and strategic highlights

- The Company's transition to a fully self-publishing business model was completed in November 2016 with the successful launch of Frontier's second franchise, *Planet Coaster*. In July 2017 *Planet Coaster*'s first paid additional downloadable content was launched.
- *Elite Dangerous*, which launched in December 2014, continues to perform well. In June 2017 the franchise's addressable audience was further expanded with release on the Sony PlayStation 4 platform.
- Frontier's next major game franchise, based on the *Jurassic World* movie franchise, was revealed in August 2017. *Jurassic World Evolution* is planned for launch in summer 2018 alongside the movie launch of *Jurassic World: Fallen Kingdom*.
- £17.7 million was raised in July 2017 through a strategic investment from Tencent, a leading Internet and interactive entertainment company based in China. This will improve and accelerate Frontier's growth into the key Chinese market and help drive scale-up of the business.

Financial highlights

- Total revenue grew 75% to £37.4 million (FY16: £21.4 million) as the launch of the *Planet Coaster* franchise in November 2016 drove a step-up in annual sales.
- Self-publishing revenue of £36.4 million (FY16: £21.1 million) accounted for 97% of total revenue with the balance being related to our legacy work-for-hire business.
- Operating profit grew by 550% to £7.8 million (FY16: £1.2 million) representing an operating margin of 21% (FY16: 6%) and EBITDA increased to £12.7 million (FY16: £4.9 million).
- Operating cash flow (operating profit excluding non-cash items, less investments in franchises and other intangible assets) was an inflow of £3.4 million (FY16: outflow of £2.7 million).
- Cash balances increased £4.0 million during the year to £12.6 million (FY16: £8.6 million). Following the £17.7 million strategic investment by Tencent the Company's cash balance was £27.5 million on 31 August 2017.

Financial KPIs

Revenue (£m)

£37.4m

+75%

Operating margin (%)

21%

+16%

EPS (basic) (p)

22.7p

+440%

Net cash balance (£m)

£12.6m

+47%

Operating profit (£m)

£7.8m

+550%

EBITDA (£m)*

£12.7m

+159%

Operating cash flow (£m)

£3.4m

+610%

* Earnings before interest, tax, depreciation and amortisation

EVOLVING OUR BUSINESS

Frontier's objective of transitioning to a business-to-consumer video game developer with multiple self-published revenue generating franchises has been successfully completed. The launch of our second franchise, Planet Coaster, combined with continued strong performance from Elite Dangerous drove a step-up in all financial measures. Our third franchise, based on the Jurassic World movie franchise, is on track for launch in summer 2018.

After successfully proving our ability to launch franchises, our ambition is to continue our evolution to create a self-publishing multi-franchise success story. Ongoing investment in our people, organisation and facilities, supported by the proceeds from the £17.7 million strategic investment by Tencent completed in July 2017, will enable the business to continue scaling up.

Elite Dangerous

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

WWW.ELITEDANGEROUS.COM

Read more from page 08

Planet Coaster

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

WWW.PLANETCOASTER.COM

Read more from page 10

JURASSIC WORLD EVOLUTION

Launching in summer 2018 for Windows PC, Microsoft Xbox One and Sony PlayStation 4 Jurassic World Evolution – evolves players' relationship with the Jurassic World film franchise, placing them in control of operations on the legendary islands of Isla Nublar and the surrounding islands of the Muertes Archipelago. Players will create and manage their own *Jurassic World* as they bioengineer new dinosaur breeds, and construct attractions, containment and research facilities. Every choice leads to a different path and spectacular challenges arise when 'life finds a way'.

WWW.JURASSICWORLDEVOLUTIONGAME.COM

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SCALING UP

"I AM DELIGHTED WITH OUR RESULTS AND EXCITED ABOUT OUR FUTURE."

I am pleased to report on a very satisfying year in Frontier's continued development. We completed the transition of our business to our chosen multi-franchise self-publishing model with the successful launch of our second franchise, *Planet Coaster*, and we are excited about the potential for our third franchise, *Jurassic World Evolution*. Meanwhile, *Elite Dangerous* continues to grow its addressable audience and is performing well.

Our long-term ambition is to become a global leader in entertainment and we are scaling up to continue our multi-franchise success story. Our recent strong self-publishing performance, as well as our long history of delivery and capability, positions us very well to achieve this. We have established a scale-up plan to achieve our next step which includes investments in people, organisation, geographical distribution and facilities. To support these plans we took a strategic investment from Tencent in July 2017, raising £17.7 million. This will enable us to further deepen the success of our franchises, reach new audiences, enrich the audience experience and continue to grow their number.

We continue to develop our organisation to fulfil our goals. In particular, we are focusing on our management teams and our infrastructure. As noted in last year's report, Jonathan Milner stepped down from the Board as a Non-Executive Director in July 2016 and Charles Cotton joined in his place. I would like to again express my thanks to Jonathan, who was a great help during our transition. Charles has a successful worldwide track record in high-growth technology companies and has been a valuable source of advice and wisdom since he joined the Board. In April 2017 we further strengthened the Board with the appointment of Alex Bevis as CFO and Company Secretary. Alex brings extensive board experience as VP Finance and CFO of high technology growth companies from his work at CSR plc and Xaar plc.

I am delighted with our results and excited about our future. On behalf of the Board, I take this opportunity to thank our people for their dedication, engagement, skill and professionalism that has produced such pleasing progress for the Company.



DAVID GAMMON
NON-EXECUTIVE CHAIRMAN
7 September 2017

CREATING FRANCHISES

“I WOULD LIKE TO THANK OUR AMAZING TEAM WHO HAVE ACHIEVED SO MUCH SINCE OUR DECISION TO TRANSITION OUR BUSINESS FOUR YEARS AGO.”

In 2013 we set out our plan to transition the business from work-for-hire to multi-franchise self-publication. The rise of digital distribution was the catalyst for our change, and our extensive experience in the games industry gave us the confidence to make the switch.

Four years later I am delighted with our achievements; we have overcome a number of challenges to transform our business model with two successful franchises, Planet Coaster and Elite Dangerous already in the market, and more to come. Our next major development, Jurassic World Evolution, is progressing well, and is scheduled for launch in summer 2018. I would like to thank our amazing team who have achieved so much since our decision to transition our business four years ago.

THE GAMES MARKET

We operate in an exciting industry. The games market is now the premier form of entertainment worth over \$100bn per year, in the wider \$300bn entertainment industry. That's larger than each of the film, TV or music industries, with the games sector overtaking film in 2017. The games sector is growing fast, increasing at 8% per year, with TV experiencing a decline of 8%.

Today the games market is split into three roughly comparable sectors by revenue: PC, console and mobile. However, the characteristics of each sector are quite different. Frontier has chosen to prioritise the PC and console sectors where audiences value high quality games, and that quality is a key determinant of success. In contrast the mobile sector is overcrowded, so success can be a lot more hit-and-miss.

The whole market is moving rapidly to digital downloads. Mobile and PC are now almost 100% digital, and consoles are at approximately 50% but are quickly moving to digital downloads, as focus moves from older consoles to the new generation, and older business models are gradually replaced.

There are already some very large and well established companies in the games market; for example EA and Activision Blizzard both based in the US, who have a combined value of over \$80 billion. The nature of our industry is change and evolution, and it is interesting to see the rapid development of companies like Valve Inc (with their Steam platform) in the US and Tencent in China, based on their focus on the opportunities that digital distribution presents. It is also clear that the model Frontier has already adopted— supporting our games continually with community and regular updates: essentially 'games as a service' – is working very well, and has meant that the two franchises already released have continued to perform.

STRATEGY

We believe that publishing our own franchises is the best way to maximise the benefit of our core skills and our assets and our COBRA technology platform. The Company's focus is on developing top quality self-published PC and console titles for digital distribution, as together these segments represent the majority of the available market by revenue. Generally the audiences on these platforms value high quality games, and quality is one of Frontier's key development strengths.

We will also continue to follow our repeatable model; to create further franchises in potentially successful but under-served sectors where we have key expertise and knowledge and/ or IP, in order to further build our revenue pipeline over the long term.

Our strategic objective is to create long-term sustainable growth through success in a multi-franchise self-publication business model. Our strategic focus is on two key areas: developing our business to achieve repeatable success; and creating and managing franchises

Further detail is set out in the strategy section of this report, but I'd like to briefly comment on the first area.

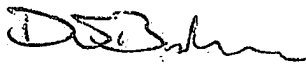
CURRENT TRADING AND OUTLOOK

We believe that developing our business to achieve repeatable success requires scale. Over time we aim to double our output, from roughly one major launch every two years, to one every 12 months or so. To do this we will grow our capability to accelerate our progress, although it does not mean we need to double our workforce. We have established a scale-up plan, to expand our team and to invest in facilities and organisational development.

Strong partnerships have always been vital to our success. In our past as a work-for-hire developer we worked successfully with many prestigious industry partners including Atari, Lucasfilm, Microsoft and Sony, and became well-known in the games industry for our development track-record of innovation, quality and delivery.

Our new business model of self-publication has required us to build new partnerships. Our commercial partners now include Valve Inc (with its Steam platform), Humble Store and the distribution channel teams at both Microsoft and Sony; we are also excited to be partnering with Universal on the Jurassic World Evolution project.

I look forward to working with Frontier's people and our partners to build on our early self-publishing success and establish a new long-term, self-published track record of quality, innovation and delivery as we scale-up to create a multi-franchise success story.



DAVID BRABEN FOUNDER AND CEO

7 September 2017

The Board have been encouraged by trading since the year end (31 May 2017). The number of players of Frontier's games continues to grow. In August 2017, Planet Coaster, which launched in November 2016, passed 1 million cumulative unit sales, and Elite Dangerous, which launched in December 2014, exceeded 2.75 million cumulative franchise unit sales.

We have further expanded the addressable audience for Elite Dangerous by launching on PlayStation 4 in June 2017. During the summer Planet Coaster and Elite Dangerous participated in successful price promotions on our major distribution channels with the Steam and Xbox Summer Sale events. These events were in turn supported by major updates for each game as we followed our strategy of continuing to further enhance the experiences they deliver.

We launched our first in-game Paid Downloadable Content (PDLC) for Planet Coaster in July 2017, and announced that Elite Dangerous 2.4 'The Return' will be released in September 2017 which supports the on-going story arc related to Thargoids, the franchise's first alien species.

In August 2017 we announced that our third franchise, Jurassic World Evolution, will launch in summer 2018 on PC, PlayStation 4 and Xbox One simultaneously.

In 2015, Universal Pictures' Jurassic World became one of the biggest blockbusters in cinema history, grossing more than \$1.67billion at the global box office on its way to becoming the third-highest-grossing film of all time. Jurassic World Evolution will launch in the year that Universal Pictures' celebrates the 25th anniversary of the original Jurassic Park film, and the next chapter of the franchise Jurassic World: Fallen Kingdom will be in theatres June 2018.

We anticipate that the next step-up in our financial performance will be delivered by the launch of Jurassic World Evolution in summer 2018. The Board currently expect that the majority of initial revenues from this new franchise will fall into the financial year ending 31 May 2019, as the Jurassic World: Fallen Kingdom movie is released in June 2018. The Board therefore anticipates that trading in the current financial year, the twelve months ending 31 May 2018, will principally be based on sales from the Elite Dangerous and Planet Coaster franchises.

The Board is excited about the growth opportunities ahead in the coming years, as existing franchises continue to be strengthened and new franchises are developed and launched. Frontier is developing, evolving and investing in our people, organisational structure and facilities to effectively create, develop, market and sell even more distinct franchises aimed at different audience segments to achieve the Company's ambition to create a self-publishing multi-franchise success story.

DEVELOPING OUR BUSINESS TO ACHIEVE REPEATABLE SUCCESS

We invest our development resources in games with strong franchise potential. In order to maximise the return on our core skills and assets we target game genres where we have established expertise and intellectual property.

How we create and nurture our franchises

We continue to invest in our organisation to create a model of repeatable success. To accelerate our progress and increase the frequency of launches we are scaling up our organisation, not just in terms of staff numbers, but also in terms of leadership skills, training, organisational structure and process.

We are also investing in facilities. It is our belief that having all our people in Cambridge working together in a single building will maximise our operational effectiveness and efficiency, and in spring 2018 we will achieve this when we move into new office space on the Cambridge Science Park.

Our development focus is on PC and console titles, as together these segments represent the majority of the available market by revenue and generally the audiences on these platforms have valued games that exhibit Frontier's key development strengths.

We use online channels to create and engage with a fan-base or community during game development, which provides a valuable source of feedback and an enthusiastic community for each franchise before first release.

Our development process uses our proprietary COBRA development tools and technology to facilitate innovative features and the creation of top quality self-published games with strong differentiation for the PC and console audiences. Our control of this technology also removes risk related to ongoing access to third party licensed technology alternatives, risk relating to ability to fix uncovered problems in that technology and lack of control over the delivery dates and feature roadmap of such solutions. It also facilitates rapid response to market opportunities like support for virtual reality and augmented reality.

We continue to assess the distribution channels and platforms we use to achieve an optimal addressable audience for each game, and the monetisation strategy for each franchise. We participate in price promotions on each of the distribution platforms we use for each of our games as appropriate to its life-cycle stage, allowing us to reach the widest possible audience.

We also monitor the geographical performance of our franchises and will continue to look for opportunities to tailor our local price to a level more appropriate to the local economy, as we did with Planet Coaster in China in February 2017. In particular we note the growing Chinese market for premium PC games. Importantly, the recent strategic investment in our business by Tencent will allow us to more easily take advantage of their unparalleled expertise and distribution capabilities in their home market for our franchises.

Major new releases will be key drivers of revenue. Because of the small number of franchises and relatively infrequent major releases Frontier is currently able to make, revenue is sensitive to the specific schedule of such releases and may therefore exhibit 'stepped' behaviour, as those new franchises are released. In the future, as we successfully scale the number and frequency of franchise releases, annual revenue growth should accelerate and our dependency on each major release should decrease.

CREATING AND MANAGING FRANCHISES

In order to maximise the return on our core skills and assets we target game genres on PC and console platforms where we believe we can both i) deliver high quality, differentiated offerings using our established expertise and intellectual property, and ii) have a strong chance of successful market entry, based on past experience or knowledge of that sector.

We use this repeatable model to invest our resources with the intention of creating world-class games with strong franchise potential, and plan for strong post-launch franchise support to further help realise this potential.

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

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

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

ELITE DANGEROUS

Continuing to blaze a trail

[Read more from page 08](#)

PLANET COASTER

Redefining a popular genre

[Read more from page 10](#)

JURASSIC WORLD EVOLUTION

Building our own Jurassic World

[Read more from page 12](#)

FUTURE FRANCHISES

We are already scaling up for the future so we can release new games more frequently whilst continuing to develop our existing franchises. As well as Jurassic World Evolution being in full production we are in the early stages of planning our next two, as yet unannounced franchises.

All future franchises will be selected using the same approach described above that was used for Elite Dangerous, Planet Coaster and Jurassic World Evolution. The use of external IP in Jurassic World Evolution does not imply that this will be the case for all our future franchises; we will continue to review all possibilities to determine the optimum strategy for each franchise on a case-by-case basis. We are building a broad portfolio of franchises, each different to the last, and each with the capabilities to expand over time, as we have already seen with Elite Dangerous and Planet Coaster.

ELITE DANGEROUS CONTINUING TO BLAZE A TRAIL

Elite Dangerous is now in its third year of full release. We have continued to release expansions in the Elite Dangerous: Horizons season, and corresponding updates to the original Elite Dangerous game, simultaneously on both PC and Xbox One platforms following the launch of Horizons on Xbox One in June 2016.

Simultaneous releases on all supported platforms is planned to continue going forward, including Sony's PlayStation 4 following the franchise's debut on the platform in June 2017, after the end of the financial year, which significantly expanded its addressable audience.

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

Having the base game and Horizons seasons of expansions in the market covers mid-price entry to the franchise with an upgrade path, and we bundle the two together with in-game digital items to create a Deluxe edition for a premium price point entry. We believe each product in the franchise offers great value, and our further in-game monetisation avoids 'pay-to-win' game mechanics.

The Elite Dangerous franchise continues to perform strongly and we continue to focus on enhancements within the strategy of further improving perceived quality and sentiment, adding significant long-term new features and supporting the unique evolving player-driven story, which all players experience together. We expect to further expand the player base over the next financial year, adding new content and increasing the audience.

The Horizons season of expansions

Each expansion offers new headline gameplay features plus a large number of quality of life and other tweaks, fixes and improvements, and there is an accompanying '1.x' update to the base game.

The release of 2.4 'The Return' will complete the Horizons season of expansions. Horizons will continue to be sold as a substantial expansion product with all content available at the time of purchase.

2.0

PLANETARY LANDINGS

DECEMBER 2015

Expanded gameplay to planetary surfaces for the first time.

2.1

THE ENGINEERS

MAY 2016 (PC),

JUNE 2016 (XBOX ONE)

Added loot and crafting mechanics to the game to allow players to upgrade the performance of their ship and weapons.

2.2

THE GUARDIANS

OCTOBER 2016

Expanded the gameplay possibilities of each ship by adding ship-launched fighters.

2.3

THE COMMANDERS

APRIL 2017

Offered the ability for multiple players to crew a ship and represented player characters in game with sophisticated customisation options.

2.4

THE RETURN

SEPTEMBER 2017

Supports the ongoing story arc related to Thargoids, the franchise's first alien species, and their interactions with humans in the Elite Dangerous galaxy.

FUTURE

DEVELOPMENT

ONGOING

We have announced that the 'season pass' business model will be superseded by an alternative after the release of 2.4 The Return.

PLANET COASTER

REDEFINING A POPULAR GENRE

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

In accordance with our strategy we began to release free updates, each of which add headline features but also expand and improve different creative and management aspects of the game.

This update strategy is intended to further improve perceived quality and sentiment by adding significant long-term new features. Such updates add to the quality of the game, renew the interest of existing players, and also generate additional coverage resulting in new sales.

Continued expansion after a successful launch

In addition to major free expansions, in July 2017 we released our first paid downloadable content (PDLC) for Planet Coaster. As with Elite Dangerous, this follows an in-game monetisation model that avoids 'pay-to-win' mechanics. We will continue to expand Planet Coaster's PDLC offering, as we have with Elite Dangerous.

We believe Planet Coaster offers great value at its current price-point and we anticipate franchise revenue over multiple years, similar to that seen with our RollerCoaster Tycoon 3 game from 2004 in the same genre.

1.1

WINTER UPDATE

DECEMBER 2016

In addition to new rides being added, there were further improvements to streamline management operations within parks, new scenarios, new shops, new transport rides and a new snowy winter theme.

1.2

SPRING UPDATE

APRIL 2017

Added security guard staff members and go-karts tracked rides for players to use in their parks, along with more rides, coaster scenarios and further management improvements, as well as doubling the maximum size of blueprints that can be shared via Steam workshop to 4,000 pieces.

1.3

SUMMER UPDATE

JUNE 2017

Added customisable firework displays and video billboards for players to place in their parks, as well as more rides, coasters, scenarios and further management improvements plus a new Stars and Stripes scenery set.

1.33

PAID DLC

JULY 2017

Released our first paid downloadable content (PDLC). As with Elite, this follows an in-game monetisation model that avoids 'pay-to-win' mechanics. We will continue to expand Planet Coaster's PDLC offering, as we have with Elite Dangerous.

1.38

SPOOKY PACK

SEPTEMBER 2017

A new pack to Planet Coaster that adds a host of Spooky- themed content. With everything from scenery pieces, new rides, special effects, animatronics, and a new entertainer, the spooky pack gives Planet Coaster players even more freedom to create and share awe-inspiring parks.

JURASSIC WORLD EVOLUTION BUILDING OUR OWN JURASSIC WORLD

Our third franchise, Jurassic World Evolution, was identified using the same approach described above that we used for Elite Dangerous and Planet Coaster. Our original concept for Jurassic World Evolution would leverage our management and builder game expertise, plus our unrivalled expertise implementing believable in-game animals from games such as Dog's Life, Kinectimals and Zoo Tycoon. In this case we felt that being able to use the Jurassic World IP would significantly benefit awareness with the next film in the franchise to be released in June 2018, around the 25th anniversary of the original Jurassic Park film.

Jurassic World Evolution was announced in August 2017, for PC, Xbox One and PlayStation 4 and will be released in summer 2018.

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

Jurassic World Evolution will be Frontier's first self-published title (although not our first game) to debut on PC, PlayStation and Xbox simultaneously, and the first to benefit from such major marketing events in 2018 as the celebration of 25 years of Jurassic Park and the launch of the next film in the franchise, Jurassic World: Fallen Kingdom.

We will reveal more details about Jurassic World Evolution at FrontierExpo in London in October 2017, our first community event dedicated to all of Frontier's franchises.

With all of the wonder, adventure and thrills synonymous with one of the most popular and successful franchises in cinema history, this all-new motion-picture event sees the return of favourite characters and dinosaurs – along with new breeds more awe-inspiring and terrifying than ever before. Welcome to Jurassic World: Fallen Kingdom.

Stars Chris Pratt and Bryce Dallas Howard return alongside executive producers Steven Spielberg and Colin Trevorrow for Universal Pictures and Amblin Entertainment's Jurassic World: Fallen Kingdom.

Pratt and Howard are joined by co-stars James Cromwell, Ted Levine, Justice Smith, Geraldine Chaplin, Daniella Pineda, Toby Jones, Rafe Spall, while Jake Johnson, BD Wong and Jeff Goldblum reprise their roles.

Directed by J.A. Bayona (The Impossible), the epic action-adventure is written by Jurassic World's director, Trevorrow, and its co-writer, Derek Connolly. Producers Frank Marshall and Pat Crowley once again partner with Spielberg and Trevorrow in leading the team of filmmakers for this stunning instalment. Belén Atienza joins the team as a producer.

WWW.JURASSICWORLD.COM

SIGNIFICANT STEP UP IN FINANCIAL PERFORMANCE

“REVENUE GREW 75% AND OPERATING PROFIT INCREASED 550%”

OVERVIEW

The Company achieved a significant step-up in financial performance in the year ended 31 May 2017, as the transition from a work-for-hire business model to multi-franchise self-publishing was completed through the launch of *Planet Coaster* in November 2016. The addition of this second franchise helped boost annual revenue by over 75% to £37.4 million and operating profit grew by 550% to £7.8 million. Cash flow was also strong, with an increase of £4.0 million in the year to £12.6 million. Cash balances were further boosted by the £17.7 million strategic investment in July 2017; cash balances at 31 August 2017 stood at £27.5 million.

TRADING

Total annual revenue grew 75% to £37.4 million (FY16: £21.4 million) as the launch of the *Planet Coaster* franchise in November 2016 drove a step-up in annual sales. The *Elite Dangerous* franchise continued to perform strongly in the year, supported by on-going developments to further improve quality, add new features and support the unique evolving player-driven story.

Self-publishing revenue accounted for 97% of sales (FY16: 99%) with the balance being related to our legacy work-for-hire business. This legacy revenue included COBRA licensing, as a publisher partner took up two options in FY17 under previous work-for-hire contracts to license COBRA to facilitate ports of existing games to new platforms. Licensing our COBRA technology to new customers is not a current focus and remains a future strategic opportunity that we will continue to evaluate.

Gross profit grew to £27.4 million in the year (FY16: £16.3 million) with gross margin at 73% (FY16: 76%). The largest element of cost of sales is the margin payable to our digital distribution partners.

Gross research and development expenses in the period were £12.7 million (FY16: £12.6 million) with the majority of spend being internal staff costs. Capitalisation of development costs on franchise assets and other intangibles accounted for £9.6 million in FY17 (FY16: £8.9 million). Amortisation charges grew to £4.5 million (FY16: £3.3 million) following the launch of *Planet Coaster* in November 2016.

Net research and development expenses recorded in the income statement in the year were therefore £7.6 million (FY16: £7.0 million), being gross spend, less capitalised costs, plus amortisation charges.

Sales, marketing and administrative expenses grew £3.9 million to £11.9 million (FY16: £8.0 million). The increase was due to a combination of factors; investments in staff, facilities and marketing, higher bonus charges and forward contract related foreign exchange losses.

The growth in revenue in the period resulted in a significant increase in profits. Operating profit grew by 550% to £7.8 million (FY16: £1.2 million) representing an operating margin of 21% (FY16: 6%) and EBITDA (earnings before interest, tax, depreciation and amortisation) increased to £12.7 million (FY16: £4.9 million).

Corporation tax charges in the period were minimal overall at £0.1 million (FY16: a credit of £0.2 million) despite the growth in profits. This was due to a combination of brought forward tax losses and Video Games Tax Relief.

Profit after tax increased to £7.7 million (FY16: £1.4 million) and basic earnings per share increased by a similar proportion (FY17: 22.7 pence, FY16: 4.2 pence).

BALANCE SHEET AND CASH FLOW

The Company continued to run a robust balance sheet during the financial year, and this was further boosted by the strategic investment completed in July 2017.

Non-current intangible and tangible assets increased by £5.6 million to £22.6 million at 31 May 2017 (FY16: £17.0 million) as investments in franchise assets and other intangibles exceeded amortisation charges.

FINANCIAL KPIs

The balance of trade and other receivables was £2.9 million at the end of the period (FY16: £2.4 million), lower than the trade and other payables balance which totalled £4.9 million (FY16: £3.1 million). The increase in payables was in part due to a higher bonus provision following the strong growth in financial performance.

Total deferred income reduced to £1.4 million at the period end (FY16: £2.2 million) as a result of the launch of Planet Coaster, as pre-sales in the previous financial year had been deferred.

Cash balances increased £4.0 million during the year to £12.6 million (FY16: £8.6 million). Operating cash flow (operating profit excluding non-cash items, less investments in franchises and other intangible assets) accounted for £3.4 million of the increase. (FY16: an operating cash outflow of £2.7 million).

Following the £17.7 million strategic investment by Tencent the Company's cash balance was £27.5 million on 31 August 2017. In addition the Company has a £4 million overdraft facility with Barclays. Frontier's scale-up plans, which include significant investments in people and facilities, are fully supported by existing financial resources.

SHARE ISSUES

Employees exercised options over 359,150 Ordinary Shares during the 12 months to the end of May 2017. 241,150 of these Ordinary Shares were transferred under arrangements with the Employee Benefit Trust with the remaining 118,000 Ordinary Shares being newly issued shares.

In July 2017 the company completed a strategic investment with Tencent Holdings Limited. Tencent acquired 3,386,252 newly issued Ordinary Shares at 523.2 pence per share generating proceeds of £17,716,870.

ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY
7 September 2017

Revenue (£m)

£37.4m

+75%

Operating margin (%)

21%

+16%

EPS (basic) (p)

22.7p

+440%

Net cash balance (£m)

£12.6m

+47%

Operating profit (£m)

£7.8m

+550%

EBITDA* (£m)

£12.7m

+159%

Operating cash
flow (£m)

£3.4m

+610%

*Earnings before interest, tax,
depreciation and amortisation*

EFFECTIVELY MANAGING OUR RISKS

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

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

DESCRIPTION	MITIGATION	CHANGE IN RISK
<p>STAFF AVAILABILITY</p> <p>If the Group does not have the correct numbers of people with the correct skills available, the execution of its business plan will be compromised.</p>	<p>The Group continues to prioritise direct recruitment and outreach. We have visibility of our future needs via a regularly reviewed plan of record, and undertake analysis of potential bottlenecks. We seek to minimize days lost to sickness via healthcare benefits and general morale and wellbeing initiatives. The Group is a Tier 2 visa sponsor, to facilitate its objective to employ the best possible people from the worldwide talent pool. In 2017 we have expanded our HR team to add dedicated talent acquisition resources. We also balance internal and external resources through outsourcing.</p>	
<p>STAFF RETENTION</p> <p>Staff departures could create staff and key skill/experience shortages and compromise the execution of the Group's business plan.</p>	<p>Whilst there will unavoidably be some level of staff turnover, the Group believes that its attractive project portfolio, talented staff and good quality leadership make Frontier a place where talented people want to build their careers. We use our business success to deliver benefits to our people, and the Group is undertaking a programme of improving incentives and leadership skills which is intended to further enhance its attractiveness as an employer.</p>	
<p>CYBERSECURITY</p> <p>A breach of security could take many forms, and could significantly impact the business and impair our self-publishing plans.</p> <p>Exposure includes that of failure of security at our partners including Amazon, Valve, Microsoft and Sony.</p>	<p>We review our security provisions regularly and believe them to be in accordance with industry best practices.</p>	
<p>EXECUTION RISK</p> <p>The Group has transitioned from a work-for-hire model to a multi-franchise self-publishing model. Whilst Successful project execution is very important under both models, inherently both the rewards and the risks under a self-publishing model are probably greater.</p>	<p>Frontier has a long history of strong project execution. Nevertheless it is vital Frontier continues to push itself and so avoid complacency to retain its excellent execution record. It must continue to challenge its own internal assumptions and those about the industry trends to remain at the forefront of the industry. The Group remains confident that it can use its experience and expertise to continue to deliver on the product, technology, commercial and operational aspects that support its strategy</p>	

DESCRIPTION	MITIGATION	CHANGE IN RISK
<p>CURRENCY RISK</p> <p>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).</p>	<p>The Group has expanded its revenue sources and there has been a subsequent increase in revenue from non-GBP currencies in the last few years. Whilst the longer term economic risks of selling globally cannot be avoided, forward contracts have been used to gain certainty over the rate of conversion of foreign currency income. The Group will continue to review the most effective way of managing transaction and translation risks.</p>	
<p>GROWTH MANAGEMENT</p> <p>The Group's future success will depend on its ability to manage and fund its anticipated expansion. This includes the management of overseas-based subsidiaries and may include acquisitions. Such expansion and investment is 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.</p>	<p>In order to mitigate the risk, the Group is investing in suitable training for key staff and key internal systems. The Group has appointed experienced key Non-Executive advisors to ensure risks are managed objectively, and will continue to review its requirements for strategic advice. The Group prudently manages its liquidity by monitoring forecast cash in flows and out flows both in the short and medium terms, as well as its long-term investment needs and opportunities.</p>	
<p>MARKET DISRUPTION</p> <p>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.</p>	<p>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.</p>	

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



ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY
 7 September 2017

AN EXPERIENCED TEAM

DAVID GAMMON

NON-EXECUTIVE CHAIRMAN

David joined the Board in February 2012

Nominations Committee

Remuneration Committee

Audit Committee

David has widespread experience in developing and building technology based businesses.

Since 2001, David has focused on finding, advising and investing in UK technology companies. David founded Rockspring, an advisory and investment firm, which focuses on early stage technology companies and where he continues as CEO today. Other current positions include Non-Executive Directorships at Accesso Technologies plc, Funderbeam Limited and Raspberry Pi Trading Limited, and he is Group Finance Advisor at Marshall of Cambridge (Holdings) Limited.

Previous experience includes Non-Executive Director (NED) and advisor at artificial general intelligence company DeepMind Technologies Limited, advisor to Hawkwood Capital LLP, NED at real-time location technology specialist Ubisense Trading Limited, NED at internet TV specialist Amino Technologies plc, NED at smart metering and software company BGlobal plc and acting CFO at internet specialist Envisional Solutions Limited.

Earlier in his career David worked as an investment banker for over 15 years.

DAVID BRABEN

FOUNDER AND CEO

David was the founding shareholder of Frontier in January 1994

Nominations Committee

David is the co-author of the seminal Elite title and has over 35 years' experience in the gaming industry. David is also one of the six founding trustees 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 was formerly a Non-Executive Director of Phonetic Arts, a Cambridge-based company focused on speech synthesis that was acquired by Google in December 2010. David is a Fellow of the Royal Academy of Engineering, was honoured with a Fellowship of BAFTA in 2015, the recipient of three honorary doctorates (from Abertay University, The Open University and York University), and was honoured with an OBE in the 2014 Birthday Honours for services to the UK computer and video games industry.

DAVID WALSH

CHIEF OPERATIONS OFFICER

David joined the Board in September 2001

Remuneration Committee

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

JONNY WATTS
CHIEF CREATIVE OFFICER

Jonny joined the Board in February 2012

Jonny has over 30 years' experience in gaming. He joined Frontier Developments in 1998 from Sensible Software. Over the course of his career he has been involved in all aspects of the creation of over 25 published games such as Sensible Soccer and Cannon Fodder, along with Frontier's suite of games, including RollerCoaster Tycoon 3, Elite: Dangerous and Planet Coaster.

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 35 million people worldwide.

Jonny holds zoology and computer science degrees, is an active member of BAFTA, including serving as a judge for eight years, and an advocate of supporting young game developers.

CHARLES COTTON
NON-EXECUTIVE DIRECTOR

Charles joined the Board in July 2016

Nominations Committee, Remuneration Committee, Audit Committee

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

Charles is an active member of the Cambridge technology community holding a number of strategic, technical and financial roles. He also founded and is chairman of Cambridge Phenomenon Ltd. and has co-authored two books; The Cambridge Phenomenon 50 Years of Innovation and Enterprise and The Cambridge Phenomenon: Global Impact.

ALEX BEVIS
CFO AND COMPANY SECRETARY

Alex joined the Board in April 2017

Nominations Committee, Remuneration Committee

Alex has over 15 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2017**

The Directors present their report for the Group and Company together with the financial statements for the year to 31 May 2017. The financial statements are prepared under International Financial Reporting Standards as adopted by the EU.

BUSINESS REVIEW

A review of the Group's development performance and future development is provided in the Strategic Report (see pages 1 to 17). Information on the financial risk management strategy is given within that report and in note 24 to the financial statements.

GOING CONCERN

The Group's forecasts lead to a reasonable expectation that the Group has adequate resources to continue business for the foreseeable future. In July 2017 the Group completed a strategic investment which generated £17.7 million. As at 31 August 2017 the Group's cash balances totaled £27.5 million. In addition the Group has a revolving credit facility with Barclays Bank plc of £4 million.

SHARE ISSUES

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

DIRECTORS' REMUNERATION AND SHARE OPTIONS

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 following Directors' share transactions occurred during the year:

David Gammon purchased 30,000 Ordinary Shares of 0.5p each in the Company ('Ordinary Shares') at an average price of 186.5 pence per share.

- Jonathan Watts exercised options over 22,000 Ordinary Shares at an exercise price of 89 pence per share, selling 9,552 shares at a price of 205.0 pence per share to meet the exercise price and associated tax liabilities. Mr Watts also exercised options over 118,000 Ordinary Shares at an exercise price of 89 pence per share and subsequently sold all of these shares at a price of 326 pence per share.
- Charles Cotton purchased 99,339 Ordinary Shares at an average price of 291.25 pence per share.
- David Walsh sold 200,000 Ordinary Shares at a price of 326 pence per share in April 2017 and in May 2017 he transferred 132,910 Ordinary Shares to his ex-wife Gillian Walsh. The sale and transfer related to a court order as part of a divorce settlement, and Mr Walsh notified the Company that for this reason further sales of his holdings in the Company were to be expected.
- Alex Bevis purchased 15,000 Ordinary Shares at an average price of 292.22 pence before joining Frontier in April 2017.

DIRECTORS

The Directors who held office at 31 May 2017 and their interest in the share capital of the Company were as follows:

Name	2017 Number	2017 %	2016 Number	2016 %
David Gammon*	341,720	1.0	311,720	0.9
David Braben	17,160,953	50.1	17,160,953	50.3
David Walsh*	422,910	1.2	1,245,820	3.7
Jonathan Watts	67,838	0.2	55,390	0.2
Charles Cotton*	135,969	0.4	—	—
Alex Bevis	15,000	0.0	—	—
Total	18,144,390	53.0	18,773,883	55.0

* Including direct family holdings where applicable.

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

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

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

The Directors confirm that:

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

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

DIRECTORS' INDEMNITY ARRANGEMENTS

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

INTELLECTUAL PROPERTY AND RESEARCH AND DEVELOPMENT

The Group actively protects its intellectual property via trademark registrations.

Whilst the Directors consider these to be of significant value, the costs associated with registrations are expensed.

The Group invests significant resources into the development of franchise assets and in research and development through the COBRA engine and associated development tools. Costs that meet the criteria for capitalisation are included in intangible assets (see note 10 of the financial statements). The Group's gross research and development spend to support its strategy was £12.7 million in the year (2016: £12.6 million).

DIVIDEND

The Directors are not recommending the payment of a dividend at this time (2016: £nil).

EMPLOYEE INVOLVEMENT

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

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

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

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

EMPLOYMENT POLICIES

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

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

HEALTH AND SAFETY AND ENVIRONMENT

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

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

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

Frontier Developments plc recognise its duty to comply and operate within the requirements of statutory environmental legislation and is committed to

minimising the environmental impacts of its business operations. The Directors of the Group will support this policy with this commitment in mind.

SUBSTANTIAL SHAREHOLDERS

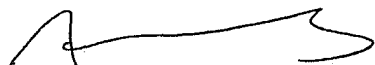
At 1 September 2017 the following, other than the Directors whose shareholdings are listed on page 20, had notified the Company of disclosable interests in 3% or more of the issued share capital of Frontier Developments plc:

Name	Shareholding	%
Tencent Holdings Limited	3,386,252	9.0
Lansdowne Partners	3,263,089	8.7
Swedbank Robur	1,524,861	4.1

AUDITOR

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

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



ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY
7 September 2017

The Board of Frontier Developments plc established Corporate Governance arrangements through consideration of best practice guidelines and aspects of the UK Corporate Governance Code relevant to the Company. Progress is reviewed against the 12 principles of Corporate Governance issued by the Quoted Companies Alliance issued in the 2013 Corporate Governance Code for Small and Mid-sized Quoted Companies. Being an AIM-listed company Frontier is not required to comply, and has not fully complied, with the UK Corporate Governance Code.

THE BOARD

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

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

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 following statements set out the principles and methods to which it adheres.

BOARD MEETINGS AND PRACTICES

The Board seeks to meet regularly during the year with appropriate time allocated for extended strategic reviews. The entire Board is invited to attend all meetings. In the financial year to 31 May 2017 the Board met on eight occasions.

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

The matters reserved for the attention of the Board include:

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

BOARD COMPOSITION

The Board of Frontier Developments plc is comprised of the Non-Executive Chairman, one further Non-Executive Director and four Executive Directors: the Chief Executive Officer, Chief Operating Officer, Chief Creative Officer and Chief Financial Officer (also the Company Secretary). As per the individual biographies, the Directors have a range of experience and provide a balance of skills, experience and knowledge to the Board.

All Directors are subject to election at the first Annual General Meeting following their appointment and to re-election thereafter at intervals of no more than four years.

The composition of the Board of Directors is illustrated on pages 18 and 19. On 1 July 2016, Jonathan Milner stepped down as Non-Executive Director and Charles Cotton was appointed in his place. On 3 April 2017 Alex Bevis joined the Board as CFO, also taking over Company Secretarial responsibilities from Neil Armstrong who resigned from the Group in 2016.

COMPANY SECRETARY

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

The Audit Committee determines the terms of engagement of the Company's Auditor and, in consultation with the Auditor, the scope of the audit. It will receive and review reports from management and the Auditor relating to the interim and annual accounts as well as the accounting and internal control systems in use by the Company and Group. The Audit Committee has unrestricted access to the Company's Auditor. The Audit Committee also reviews accounting and treasury policies, financial reporting including key performance indicators and supporting key areas of management judgements, and corporate governance standards. The Audit Committee is open to attendance by any Director and reports its key issues at Board meetings.

In the financial year to 31 May 2017 the Audit Committee met on four occasions, including three meetings with the Auditor present.

Key areas of activity

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

Key areas of activity during the period

- Assessing the need for further Non-Executives
- Review of senior positions required to strengthen the organization
- Appointment of CFO and Company Secretary

REMUNERATION COMMITTEE

During the financial year the Remuneration Committee comprised David Gammon (committee Chair), David Walsh, Jonathan Milner, Neil Armstrong and, as required, Yvonne Dawes (HR Manager). Charles Cotton replaced Jonathan Milner on 1 July 2016 and Alex Bevis replaced Neil Armstrong on 3 April 2017.

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 2017 the Remuneration Committee met on five occasions.

Key areas of activity

Review of staff benefits through employee surveys and benchmarking
Introducing performance related pay for Executives

NOMINATIONS COMMITTEE

During the period the Nominations Committee comprised David Gammon (committee Chair), Charles Cotton, David Braben and Neil Armstrong, with Alex Bevis replacing Neil Armstrong in April 2017.

The Nominations Committee reviews the constituents of the Board and its committees to ensure appropriate balanced representation. In the financial year to 31 May 2017 the Nominations Committee met on two occasions.

ATTENDANCE AT MEETINGS DURING THE PERIOD

	Board	Remuneration Committee	Nominations Committee	Audit Committee
Number of meetings	8	5	2	4
David Gammon	8	5	2	4
David Braben	8	—	2	—
David Walsh	8	5	—	—
Jonathan Watts	8	—	—	—
Jonathan Milner	—	—	—	—
Charles Cotton	7	5	1	3
Neil Armstrong	3	2	1	4
Alex Bevis	2	1	—	1

AUDITOR INDEPENDENCE

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

The Audit Committee monitors procedures to ensure the rotation of external audit partners every five years and audit managers every seven years. For the 12 months ended 31 May 2017 the previous Grant Thornton audit partner, Alison Seekings, rotated off the audit of the Group, to be replaced by James Brown.

SENIOR MANAGEMENT AND GROUP FUNCTIONS

Frontier's Senior Management are involved in multiple functions within the Company.

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

INTERNAL CONTROL AND ASSESSMENT OF BUSINESS RISK

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

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

The risk assessment process is facilitated by the COO who holds and appraises the Risk Register at least once a year.

A further review is then undertaken with Senior Management and the Register itself is updated for the Executive Team to consider.

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

CONTROL ENVIRONMENT AND INTERNAL AUDIT

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

These include, but are not limited to:

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

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

INVESTOR RELATIONS

The Company places considerable importance on communication with Shareholders and maintains regular contact with its larger institutional Shareholders through its investor relations team, meetings with the Executive Directors and the Chairman and through investor events.

The Directors, together with the Group's advisors, held a number of meetings and discussions with key institutional Shareholders, ensuring clarity around the Group's strategic intent. The Executive Directors and officers also took the opportunity during the year to hold external (London based) and on-site meetings to demonstrate Elite Dangerous: Horizons and Planet Coaster to both investors and potential investors.

The Group uses the Annual General Meeting to encourage attendance and participation by Shareholders. In order to support internal capacity building for investor relations the Group has continued to be a member of the Quoted Companies Alliance.

The latest results presentation is available through the Company's investor relations website.

ANNUAL GENERAL MEETING

The AGM will be held at:
306 Cambridge Science Park Milton Road
Cambridge CB4 0WG UK
On: Tuesday 17 October 2017
At: 9.15 am

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

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

Shareholders are invited to submit written questions in advance of the meeting. Questions should be sent to the Company Secretary, Alex Bevis, Frontier Developments plc
306 Cambridge Science Park, Milton Road, Cambridge CB4 0WG, 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 54 to 56.

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

REMUNERATION REPORT

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

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

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

REMUNERATION COMMITTEE TERMS OF REFERENCE

The Remuneration Committee comprises both Non-Executive Directors of the Company, the Chief Operations Officer and the Chief Financial Officer (also the Company Secretary). The Committee Chairman is David Gammon. The Remuneration Committee meets at least twice a year. In July 2016 Charles Cotton replaced Jonathan Milner. Alex Bevis (CFO & Company Secretary) replaced Neil Armstrong in April 2017.

The Remuneration Committee is responsible for the following functions:

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

REMUNERATION POLICY

The Remuneration Committee approved the following policy:

"Frontier endeavours to pay salaries and benefits around the median level for relevant skills. Where there is a material gap in remuneration, it is the policy of the Group to close this over time and subject to affordability."

In 2016 the Remuneration Committee commissioned a report from KPMG LLP on Executive Incentives, bonus schemes and Long Term Incentive plans in order to bring incentives in line with the Group's strategic objectives and investor interests by way of linking the majority of remuneration with market based performance criteria and structure commonly operated by AIM and FTSE 350 companies.

Having reviewed the report the Remuneration Committee made changes to the various components of Directors Remuneration in both FY16 and FY17, and is planning changes in FY18, as explained below.

COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION OVERVIEW

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

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

SERVICE CONTRACTS

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

BASIC PAY

Having considered the results of KPMG's survey of Executive remuneration in AIM companies, an update of base pay was implemented with effect from 1 June 2016.

ANNUAL BONUS

In December 2016 bonuses totaling £87,873 were paid to the Executive Directors in relation to performance in the 12 months ended 31 May 2016. For the 12 months ended 31 May 2017, the Company achieved a significant step-up in financial performance and market capitalisation following the successful completion of its transition to a multi-franchise self-publishing model. As a result the Committee expects to pay more substantial bonuses in December 2017 relating to the 12 months ended 31 May 2017. From 1 June 2017 a new bonus scheme has been established for all employees, including the Executive Directors. To support the Company's scale-up the new scheme covers the two year period starting 1 June 2017 and ending on 31 May 2019. Bonus payouts will be determined by individual performance and by the Company's financial performance against a target range. The chosen financial performance measure is operating profit as reported under IFRS. An interim payment will be made in December 2018 with the final payment in September 2019. It is anticipated that following this two year period, the Company will return to a more typical annual bonus scheme but with similar performance based characteristics.

EQUITY

The Company runs an HMRC approved Company Share Option Plan (CSOP). In the year to 31 May 2017 the following grants were made to Directors:

Jonathan Watts was awarded an unapproved option over 60,000 Ordinary Shares at an exercise price of 174 pence per share under the same terms as the CSOP.

Charles Cotton was awarded an unapproved option over 25,000 Ordinary Shares at an exercise price of 278 pence per share and an unapproved option over 25,000 Ordinary Shares at an exercise price of 174 pence per share under the same terms as the CSOP.

COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION CONTINUED EQUITY CONTINUED

Alex Bevis was awarded an unapproved option over 300,000 Ordinary Shares at an exercise price of 250 pence per share on the same terms as the CSOP and an approved option over 7,389 Ordinary Shares at an exercise price of 406 pence under the CSOP.

David Braben, David Walsh and Jonathan Watts were each awarded unapproved options over 7,389 Ordinary Shares at an exercise price of 406 pence under same terms as the CSOP.

During the current financial year (the 12 months ending 31 May 2018), the Committee is establishing two new schemes.

The first scheme is an all-employee HMRC approved Sharesave scheme which rewards participants for committing to a monthly savings contract over a three year period with a discounted share option which is granted at the start of the savings contract. This scheme encourages share ownership and commitment to the Company, whilst providing another opportunity for our people to share in the success of the Company.

The second scheme that the Committee plans to introduce is a Long Term Incentive Plan (LTIP) which will be targeted at Executive Directors and senior management. Under the scheme, share options with zero exercise price will be issued, which will vest after three years dependent on appropriate performance criteria. For the Executive Directors the performance criteria is expected to be shareholder return. It is expected that the LTIP scheme will largely replace the CSOP scheme, although the CSOP will continue to be used in certain circumstances.

PENSION CONTRIBUTIONS, MEDICAL INSURANCE AND LIFE COVER

The Executive Directors joined the Group's scheme for pension auto enrolment and life cover arrangements. A basic life cover sum of £25,000 per person was adopted from

1 October 2013. Pension auto enrolment of a 1% employer contribution was commenced from 1 July 2014. These benefits are the same as adopted for all UK-based staff. From August 2014, medical insurance including family cover was offered to all employees including Executive Directors. All Executive Directors elected to take up these arrangements.

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

DIRECTORS' REMUNERATION (AUDITED)

The remuneration of the Directors is as follows:

Current Directors	Salary/ £'000	Bonus £'000	Pen sion £'000	Taxable benefits £'000	2017 Total £'000	2016 Total £'000
Executive						
David Braben	200	29	2	1	232	203
David Walsh	200	29	2	1	232	203
Jonathan Watts	200	29	2	1	232	212
Alexander Bevis	33	—	—	—	33	—
Non-Executive						
David Gammon	55	—	—	—	55	50
Jonathan Milner	—	—	—	—	—	30
Charles Cotton	28	—	—	—	28	—
Total	716	87	6	3	812	698

The expense recognised in the statement of comprehensive income for the Directors' share options (including Non-Executive Directors') was £147,752 (2016: £207,765) with the amount attributable to the highest paid Director being £91,083 (2016: £46,149).

The gain attributable to Directors on share options in the year at the date of exercise was £279,662 (2016: £31,573).

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

A handwritten signature in black ink, appearing to read 'David Gammon', with a long horizontal flourish extending to the right.

DAVID GAMMON
CHAIRMAN, REMUNERATION COMMITTEE
7 September 2017

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

We have audited the financial statements of Frontier Developments plc for the year ended 31 May 2017 which comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cashflows, the parent company statement of financial position, the parent company statement of changes in equity, the parent company statement of cashflows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Director's Responsibilities Statement set out within the Director's Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinions:

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 2017 and of the group's profit for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion: the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

JAMES BROWN
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK
LLP STATUTORY AUDITOR, CHARTERED
ACCOUNTANTS CAMBRIDGE
7 September 2017

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2017**

	Notes	31 May 2017 £'000	31 May 2016 £'000
Revenue	4	37,363	21,366
Cost of sales		(10,007)	(5,098)
Gross profit		27,356	16,268
Research and development expenses		(7,630)	(6,989)
Sales and marketing expenses		(4,310)	(3,887)
Administrative expenses		(7,624)	(4,154)
Operating profit		7,792	1,238
Finance income		21	37
Profit before tax	7	7,813	1,275
Income tax	8	(102)	157
Profit for the period attributable to shareholders		7,711	1,432

All the activities of the Group are classified as continuing.

	Notes	31 May 2017 p	31 May 2016 p
Earnings per share	9		
Basic earnings per share		22.7	4.2
Diluted earnings per share		22.4	4.1

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2017**

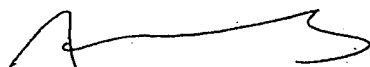
	31 May 2017 £'000	31 May 2016 £'000
Profit for the period	7,711	1,432
Other comprehensive income:		
Exchange differences on translation of foreign operations	57	(4)
Total comprehensive income for the period attributable to the equity holders of the parent	7,768	1,428

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2017 £'000	31 May 2016 £'000
Non-current assets			
Intangible assets	10	21,871	16,690
Property, plant and equipment	11	696	304
		22,567	16,994
Current assets			
Inventories		—	9
Trade and other receivables	12	2,941	2,443
Other short-term assets		510	376
Cash and cash equivalents	13	12,579	8,610
		16,030	11,438
Total assets		38,597	28,432
Current liabilities			
Trade and other payables	14	(4,894)	(3,073)
Deferred income	15	(459)	(1,085)
Current tax liabilities	16	(747)	(89)
Provisions	17	(275)	—
		(6,375)	(4,247)
Net current assets		9,655	7,191
Non-current liabilities			
Provisions	17	—	(273)
Deferred income	15	(927)	(1,148)
		(927)	(1,421)
Total liabilities		(7,302)	(5,668)
Net assets		31,295	22,764
Equity			
Share capital	19	171	170
Share premium account		14,601	14,476
Equity reserve		972	579
Foreign exchange reserve		(4)	(61)
Retained earnings		15,555	7,600
Total equity		31,295	22,764

These financial statements were approved by the Directors on 7 September 2017 and signed on their behalf by:



ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2017

	Share £'000	Share premium £'000	Equity £'000	Foreign exchange £'000	Retained £'000	Total equity £'000
At 31 May 2015	168	13,963	633	(57)	6,180	20,887
Profit for the year	—	—	—	—	1,432	1,432
Other comprehensive income:						
Exchange differences on translation of foreign operations	—	—	—	(4)	—	(4)
Total comprehensive income for the year	—	—	—	(4)	1,432	1,428
Issue of share capital net of expenses	2	513	—	—	—	515
Share-based payment charges	—	—	738	—	—	738
Share-based payment transfer relating to option lapses	—	—	12	—	(12)	—
EBT share inflows from issues and/or	—	—	(1,164)	—	—	(1,164)
EBT share outflows from option exercises	—	—	360	—	—	360
At 31 May 2016	170	14,476	579	(61)	7,600	22,764
Profit for the year	—	—	—	—	7,711	7,711
Other comprehensive income:						
Exchange differences on translation of foreign operations	—	—	—	57	—	57
Total comprehensive income for the year	—	—	—	57	7,711	7,768
Issue of share capital net of expenses	1	125	—	—	—	126
Share-based payment charges	—	—	687	—	—	687
Share-based payment transfer relating to option lapses	—	—	(244)	—	244	—
EBT share inflows from issues and/or	—	—	(318)	—	—	(318)
EBT share outflows from option exercises	—	—	268	—	—	268
At 31 May 2017	171	14,601	972	(4)	15,555	31,295

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

**CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MAY 2017**

	31 May 2017 £'000	31 May 2016 £'000
Cash generated from operations	4,184	(1,147)
Taxes received/(paid)	456	(126)
Cashflow from operating activities	4,640	(1,273)
Investing activities		
Purchase of property, plant and equipment	(633)	(233)
Expenditure on intangible assets (excluding capitalised development costs)	(157)	(108)
Interest received	21	37
Cashflow from investing activities	(769)	(304)
Financing activities		
Proceeds from issue of share capital	125	276
Employee Benefit Trust net investment	(50)	(563)
Cashflow from financing activities	75	(287)
Net change in cash and cash equivalents from continuing operations	3,946	(1,864)
Cash and cash equivalents at beginning of period	8,610	10,478
Exchange differences on cash and cash equivalents	23	(4)
Cash and cash equivalents at end of period	12,579	8,610

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

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	31 May 2017 £'000	31 May 2016 £'000
Operating profit	7,792	1,238
Depreciation and amortisation	4,864	3,638
EBITDA	12,656	4,876
Capitalised development costs	(9,647)	(8,857)
Movement in unrealised exchange (gains)/losses on forward contracts	(337)	551
Share-based payment expenses	687	738
Operating cashflow	3,359	(2,692)
Net changes in working capital:		
Change in inventories	9	4
Change in trade and other receivables	(479)	603
Change in trade and other payables	1,293	925
Change in provisions	2	13
Cash generated from operations	4,184	(1,147)

1. CORPORATE INFORMATION

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

The address of its registered office is 306 Science Park, Milton Road, Cambridge CB4 0WG.

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The principal accounting policies applied in the preparation of this financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

BASIS OF PREPARATION

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

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

GOING CONCERN BASIS

The Group'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 has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of approval of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Post year end a strategic inward investment of £17.7 million completed. This investment was by way of a share issue and supports the company growth projections for investing in future franchises.

3. ACCOUNTING

POLICIES

BASIS OF

CONSOLIDATION

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

Business combinations

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

3. ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION

CONTINUED Standards and interpretations

not yet applied

- IFRS 9 "Financial Instruments" (IASB effective date 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2018).
- IFRS 16 "Leases" (effective 1 January 2019).
- Disclosure Initiative Amendments to IAS 27 "Statement of Cash Flows" (effective 1 January 2017).
- Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (effective 1 January 2017).
- IFRIC Interpretation 22 "Foreign Currency transactions and advance considerations" (issued on 8 December 2016) (effective 1 January 2018) (not yet endorsed).
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" (issued on 20 June 2016) (effective 1 January 2018) (not yet endorsed).

IFRS 15 Revenue from Contracts with Customers

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

IFRS 16 Leases

IFRS 16 'Leases' was issued on 13 January 2016 and is effective for periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. IFRS 16 is not yet endorsed by the EU. The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model, and as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease.

The Group is currently assessing the impact of the new standard. Work performed includes assessing the accounting impacts of the change and the data required. From work performed to date it is expected implementation of the new standard will have a significant impact on the consolidated results of the Group. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the income statement on a straight line basis, with interest recognised on the lease liability which will result in a change to the profile of the net charge taken to the income statement over the life of the lease. These charges will replace the lease costs currently charged to the income statement.

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

Revenue recognition

Where self-published titles have pre-orders, recognition is made by reference to delivery of performance obligations. Revenue stemming from the sale of 'early versions' of a game is recognised from the date of release of the 'early access versions'. Where pre-orders include delivery of the final version of the game, an estimate is made of this final element and moved to deferred income. An estimate of the final element is based on the number of man months it would take to complete the development and is released from deferred income when the final version is released to the public.

Where the Group has made a self-published title containing a season of content (a number of periodic releases) recognition is made by reference to delivery of performance obligations which use a measure of development man months incurred per periodic release as an estimate of delivery of these performance obligations.

3. ACCOUNTING POLICIES CONTINUED

SIGNIFICANT ACCOUNTING ESTIMATES AND KEY JUDGEMENTS CONTINUED

Intangible assets capitalisation

The Group invests heavily in research and development. The identification of development costs that meet the criteria for capitalisation is dependent on management's judgement and knowledge of the work done. Development costs of software tools within a project that can be utilised generically are separately identified. Judgements are based on the information available at each period end. Economic success of any development is assessed on a reasonable basis but remains uncertain at the time of recognition as it may be subject to future technical problems and therefore a review for indicators of impairment is completed by product at each period-end date. The net book values of the Group and Company intangible assets including rights acquired at 31 May 2017 are £21,870,689 (2016: £16,689,747).

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

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

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

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

In respect to amortisation, normally self-published titles are amortised on completion of the game; however an exception to this occurs when project funding is obtained via innovative crowd-funded platforms, such as Kickstarter. Such funding is generally seen as 'contributing to making the game happen' and requires the Company to set up a number of pledge levels which include a donation element. When 'donation and intangible' elements of pledge levels are recognised as revenue, an equivalent amount of amortisation charged reflects this 'contribution element'. The pledge levels also include delivery of a number of 'early versions' of the game and an estimated and prudent cost is applied as amortisation.

Deferred tax

A deferred tax asset is recognised where the Group considers it probable that future tax profits will be available against which the tax credit will be utilised in the future. This specifically applies to tax losses and to outstanding vested share options at the statement of financial position date. In estimating the amount of the deferred tax asset that should be recognised, the Directors make judgements based on current forecasts about the amount of future taxable profits and the timings of when these will be realised. A deferred tax asset is currently not being recognised in full due to the unpredictability of future taxable trading profits.

ACCOUNTING POLICIES

Intangible assets

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

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

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

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

3. ACCOUNTING POLICIES CONTINUED

ACCOUNTING POLICIES CONTINUED

Intangible assets continued

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

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

Research activities

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

Impairment of intangible assets

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

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

Property, plant and equipment

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

Fixtures and fittings – 5 years

Computer equipment – 2 ½ years–5

years Leasehold improvements – length of the

lease

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

Impairment of property, plant and equipment

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

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

Financial assets

Loans and receivables comprise trade receivables, other receivables and cash and cash equivalents.

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

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the asset's carrying amount and the present value of estimated future cashflows discounted at the financial asset's original effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits available on demand.

3. ACCOUNTING POLICIES CONTINUED

ACCOUNTING POLICIES CONTINUED

Financial instruments

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

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

Financial liabilities

The Group's other financial liabilities include trade and other payables.

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

Employee benefits

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

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

Provisions

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

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

Share capital and reserves

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

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

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

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

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

Employee Benefit Trust

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

Revenue

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

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

3. ACCOUNTING POLICIES CONTINUED

ACCOUNTING POLICIES CONTINUED

Revenue continued

Revenue from released self-published titles is recognised on download of the game or upon purchase of in-game digital items.

Revenue from pre-orders of games and crowdfunding for self-published titles is normally deferred, then recognised when the Group meets its performance obligations. Where there is no clear performance obligation, for example a customer buys membership to a development forum, this is taken as revenue over the expected development period of the game on a straight line basis.

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

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 reviews the financial information which is consistent with that reported in its financial statements, with financial performance measured on the basis of contribution before central costs. Assets are not fully directly attributable to any separable activity, other than to self-published software intangibles.

Share-based payment transactions

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

Income taxes

Income tax expense comprises the current and deferred tax.

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component

of tax expense in the income statement, except where it relates to items outside profit or loss. Tax relating to items in other comprehensive income is recognised in other comprehensive income and tax relating to items directly in equity is recognised directly in equity.

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

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

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

Operating lease agreements

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

3. ACCOUNTING POLICIES

CONTINUED 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.

Financial assets and liabilities at FVTPL

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

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

4. SEGMENT INFORMATION

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

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

The Group does not provide any information on the geographical location of sales as the majority of revenue is through third party distribution platforms which are responsible for the sales data of consumers.

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

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

In the period ending 31 May 2017 'Other revenue' included licensing revenue of £520k (31 May 2016 £nil).

	12 months to 31 May 2017 £'000	12 months to 31 May 2016 £'000
Self-publishing revenue	36,357	21,122
Other revenue	1,006	244
	37,363	21,366

5. EMPLOYEE REMUNERATION

Staff costs for all employees, including Directors, consist of:

	31 May 2017 £'000	31 May 2016 £'000
Staff remuneration	13,877	10,603
Social security costs	1,236	1,084
Pension costs	109	92
Share-based compensation	687	738
	15,909	12,517

Included in the above payroll costs for the year ended 31 May 2017 is £8,460,312 (2016: £7,954,705) capitalised within intangible fixed assets (see note 10). Pension costs relate to contributions to the parent company's defined contribution scheme for auto-enrolment.

The average number of employees, including Directors, during the period was:

	31 May 2017	31 May 2016
Research and development	277	255
Sales, marketing and administrative	35	26
	312	281

REMUNERATION OF DIRECTORS

	31 May 2017 £'000	31 May 2016 £'000
Directors' emoluments	720	609
Non-Executive fees	38	20
Non-Executive consultancy fees	45	60

EMOLUMENTS OF HIGHEST PAID DIRECTOR

	31 May 2017 £'000	31 May 2016 £'000
Emoluments	230	210
Pension	2	2

6. OPERATING LEASES

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

	Group and Company year ended	
	31 May 2017 £'000	31 May 2016 £'000
Minimum lease payments due within one year	692	692
Minimum lease payments due within one to five years	1,344	2,037
Minimum lease payments due in greater than five years	—	—
Total	2,036	2,729

Group lease payments recognised as an expense during the year ended 31 May 2017 amounted to £685,000 (2016: £655,000).

The lease payments in the period relate to office equipment, vehicles and lease agreements for office buildings. The building leases are due to expire in April 2020 and August 2020, however, these leases are expected to be superseded by a new 16 year lease agreement for a new office building which is expected to commence in 2018. Early termination of the existing leases has been agreed as part of the terms of the new lease.

7. PROFIT BEFORE TAX

	31 May 2017 £'000	31 May 2016 £'000
This is stated after charging:		
Amortisation of intangible assets	4,623	3,376
Depreciation of tangible assets	241	262
Research and development costs expensed	508	609
Foreign exchange (gains)/losses	1,671	(329)
Auditor remuneration:		
Audit of the parent and Group	40	40
Audit related assurance services	10	10
Operating leases	685	655

8. TAXATION ON ORDINARY ACTIVITIES ANALYSIS OF THE CHARGE IN THE PERIOD

	31 May 2017 £'000	31 May 2016 £'000
UK corporation tax based on the results for the year	660	—
Overseas tax on the results for the period	—	94
Adjustments for prior periods	87	—
Video Games Tax Relief credits (UK)	(664)	(207)
Withholding tax	19	—
Deferred tax	—	(44)
Tax on profit on ordinary activities	102	(157)

8. TAXATION ON ORDINARY ACTIVITIES CONTINUED

FACTORS AFFECTING TAX EXPENSES

The tax assessed on the profit on ordinary activities for the year differs from the effective rate of corporation tax of 19.83% (2016: 19.6%) as follows:

	31 May 2017 £'000	31 May 2016 £'000
Profit on ordinary activities before taxation	7,813	1,275
Tax on profit on ordinary activities at standard rate	1,549	250
Factors affecting tax expense for the year:		
Expenses not deductible for tax purposes	203	297
Adjustments to tax charge in respect of previous periods	87	—
Research and development tax credits	—	(410)
Video Games Tax Relief credits (UK)	(645)	—
Deferred tax - utilisation of tax losses	(928)	—
Deferred tax movements	(39)	44
Exercise of share options	(125)	(159)
Losses to carry forward	—	(179)
Total amount of tax	102	(157)

The Group benefits from enhanced tax deductions for research and development expenditure in the UK. From 1 April 2014 the Video Games Tax Relief became available and the Group received £664,792 in the period to 31 May 2017 (31 May 2016 £207,087).

9. EARNINGS PER SHARE

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

	31 May 2017	31 May 2016
Profit attributable to shareholders (£'000)	7,711	1,432
Weighted average number of shares	33,943,972	33,812,840
Basic earnings per share (pence)	22.7	4.2

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

	31 May 2017	31 May 2016
Profit attributable to shareholders (£'000)	7,711	1,432
Diluted weighted average number of shares	34,446,017	35,302,973
Diluted earnings per share (pence)	22.4	4.1

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

	31 May 2017	31 May 2016
Weighted average number of shares	33,943,972	33,812,840
Dilutive effect of share options	502,045	1,490,133
Diluted average number of shares	34,446,017	35,302,973

10. INTANGIBLE ASSETS GROUP AND COMPANY

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

	Development tools and licences £'000	Self-published software £'000	Third party software £'000	Total £'000
Cost				
At 31 May 2015	4,342	13,141	994	18,477
Additions – arising from capitalised development expenses	398	8,459	108	8,965
Disposals	(774)	–	–	(774)
At 31 May 2016	3,966	21,600	1,102	26,668
Additions – arising from capitalised development expenses	571	9,076	157	9,804
Disposals	–	–	(915)	(915)
At 31 May 2017	4,537	30,676	344	35,557
Amortisation and impairment				
At 31 May 2015	2,252	4,221	903	7,376
Amortisation charges	1,127	2,153	96	3,376
Disposals	(774)	–	–	(774)
At 31 May 2016	2,605	6,374	999	9,978
Amortisation charges	874	3,655	94	4,623
Disposals	–	–	(915)	(915)
At 31 May 2017	3,479	10,029	178	13,686
Net book value at 31 May 2017	1,058	20,647	166	21,871
Net book value at 31 May 2016	1,361	15,226	103	16,690

During the period ended 31 May 2017 the Group performed a detailed review of the intangible asset register, and as a result a number of assets were written off. The assets disposed of were fully amortised and therefore there was no impact on the net book value of assets held.

The majority of amortisation charges for intangible assets are expensed with research and development expenses. A small proportion of amortisation charges for third party software is charged to administrative expenses.

11. PROPERTY, PLANT AND EQUIPMENT GROUP AND COMPANY

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 31 May 2015	233	1,345	4	—	1,582
Additions	2	231	—	—	233
At 31 May 2016	235	1,576	4	—	1,815
Additions	1	238	—	394	633
Disposals	(121)	(916)	(4)	—	(1,041)
At 31 May 2017	115	898	0	394	1,407
Depreciation					
At 31 May 2015	172	1,073	4	—	1,249
Charge for the period	41	221	—	—	262
At 31 May 2016	213	1,294	4	—	1,511
Charge for the period	14	227	—	—	241
Disposals	(121)	(916)	(4)	—	(1,041)
At 31 May 2017	106	605	—	—	711
Net book value at 31 May 2017	9	293	—	394	696
Net book value at 31 May 2016	22	282	—	—	304

During the period ended 31 May 2017 the Group performed a detailed review of the tangible asset register, and as a result a number of assets were written off. The assets disposed of were fully depreciated and therefore there was no impact on the net book value of assets held.

Assets in the course of construction relates to the fit-out of a new leased building on the Science Park in Cambridge which is expected to be occupied during 2018.

Depreciation charges were apportioned to the income statement as follows:

	12 months ended 31 May 2017 £'000	12 months ended 31 May 2016 £'000
Charge		
Research and development expenses	239	253
Administration expenses	2	9
Total	241	262

12. TRADE AND OTHER RECEIVABLES

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Trade and other receivables	1,736	1,598	1,725	1,568
Intercompany receivable	—	—	91	213
Financial assets	1,736	1,598	1,816	1,781
Prepayments	921	779	899	779
Social Security and other taxes	284	66	284	26
Non-financial assets	1,205	845	1,183	805
Total trade and other receivables	2,941	2,443	2,999	2,586

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. No receivables are past their due date. The majority of receivables are balances with third party distributors.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following balances by currency:

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Cash at bank and in hand				
Great British Pounds (GBP)	6,991	6,352	6,991	6,352
US Dollars (USD)	5,372	1,404	5,207	877
Euros (EUR)	116	301	116	301
Canadian Dollars (CAD)	100	553	100	1
Financial assets	12,579	8,610	12,414	7,531

14. TRADE AND OTHER PAYABLES

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Trade payables	1,003	702	1,003	701
Intercompany payable	—	—	9	39
Accruals	3,426	1,635	3,419	1,627
Financial liabilities	4,429	2,337	4,431	2,367
Derivative financial instruments	70	388	70	388
Other taxation and social security	395	348	395	348
Total trade and other payables	4,894	3,073	4,896	3,103

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.

15. DEFERRED INCOME

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

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Deferred income – current	459	1,085	390	822
Deferred income – non-current	927	1,148	740	940
Total deferred income	1,386	2,233	1,130	1,762

Non-current deferred income is due to be recognised over the expected remaining life of the franchise period. At 31 May 2017 the expected remaining life of the franchise is considered to be four and a half years.

The deferred revenue is in respect of *Elite Dangerous* lifetime expansion passes purchased during the financial year and *Elite Dangerous: Horizons* revenue in respect of future promised content.

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

16. CURRENT TAXLIABILITIES

Current tax liabilities in the statement of financial position were as follows:

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Current tax liability	747	89	747	—

17. PROVISIONS

PROVISIONS FOR DILAPIDATIONS

	Group and Company year ended	
	31 May 2017 £'000	31 May 2016 £'000
Opening balance	273	260
Provided for in the period	2	13
At period end	275	273

The dilapidation provision relates to the rental contracts for two office buildings. 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.

The dilapidations provision will be due within one year. The expected outflow relates to vacation of buildings and is expected in 2018.

18. DEFERRED TAX ASSETS AND LIABILITIES

	Group and Company year ended	
	31 May 2017 £'000	31 May 2016 £'000
Accelerated capital allowances	310	369
Short-term temporary differences (restricted)	(310)	(52)
Tax losses (restricted)	—	(317)
Total liability	—	—
Balance brought forward	—	44
Movement in year	—	(44)
Balance carried forward liability	—	—

No deferred tax assets or liabilities have been recognised in the statement of financial position for the Group as at 31 May 2017 or 31 May 2016. UK tax losses available at 31 May 2017 are provisionally estimated to be £1.9 million (2016: £5.6 million).

19. SHARE CAPITAL GROUP AND COMPANY

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

	Number	Nominal value £
As at 1 June 2015	33,579,697	167,899
Shares issued on option exercises	217,084	1,085
Shares issued to EBT	300,000	1,500
At 31 May 2016	34,096,781	170,484
Shares issued on option exercises and warrants	133,748	669
At 31 May 2017	34,230,529	171,153

From 1 June 2016 to 31 May 2017 133,748 Ordinary Shares of 0.5p were allotted as fully paid at an average premium of 93p being the exercise of share warrants by a third party (granted at IPO) and the exercise of share options by employees. The average market value was 250.8 pence on the days of allotment.

20. FINANCIAL ASSETS AND LIABILITIES

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

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Financial assets				
Trade and other receivables	1,736	1,598	1,816	1,781
Cash and cash equivalents	12,579	8,610	12,414	7,531
Total	14,315	10,208	14,230	9,312

DERIVATIVE FINANCIAL INSTRUMENTS

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

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Derivative financial liabilities				
Forward foreign exchange contracts – held for trading	(70)	(388)	(70)	(388)

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.

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Financial liabilities				
Trade and other payables	4,429	2,337	4,431	2,367
Total	4,429	2,337	4,431	2,367

21. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

21. INVESTMENT IN SUBSIDIARY UNDERTAKINGS CONTINUED

The Canadian subsidiary, Frontier Developments Inc, was wound up during the year with an effective dissolution date of 27 January 2017. The final tax return has been filed with the Canadian Revenue Agency and all final dividends were received by Frontier Developments plc before 31 May 2017.

22. SHARE OPTIONS

The Group has a Company Share Option Plan for employees, under which options may be granted to employees (including Directors) to subscribe for Ordinary Shares in the Group. The scheme was approved in January 2014.

The Group operates two EMI schemes (pre-July 2013), a Company Share Option Plan (from January 2014), and an unapproved scheme (pre-July 2013) and plan (from January 2014). The share option grants for employees vest between one and three years with a contractual term of ten years. The option holder must be employed by the Group at the time of exercise. The unapproved options carry similar conditions to the main Company Share Option Plan, except for one tranche issued on 15 September 2014 that had a shorter vesting period of one year.

Date of grant	Scheme or warrant type	Period when exercisable	Price in pence	2017 Number	2016 Number
30 July 2012	2012 EMI scheme	2012–2022	89	396,273	722,523
15 May 2013	2013 EMI scheme	2014–2023	95	210,000	224,000
8 July 2013	Unapproved pre-IPO warrants	2013–2023	95	65,790	65,790
15 July 2013	Unapproved IPO warrants	2013–2015	127	–	15,748
15 July 2013	Unapproved IPO warrants	2013–2023	127	147,638	147,638
21 March 2014	Company Share Option Plan	2017–2024	224.5	165,100	206,000
15 September 2014	Company Share Option Plan	2017–2024	257.5	266,300	283,950
15 September 2014	Unapproved options	2017–2024	257.5	588,500	626,850
15 September 2014	Unapproved options	2015–2024	257.5	288,350	288,350
10 March 2015	Company Share Option Plan	2018–2025	230	163,100	175,600
10 March 2015	Unapproved options	2018–2025	230	33,200	33,200
21 September 2015	Company Share Option Plan	2018–2025	193.5	128,800	144,800
21 September 2015	Unapproved options	2018–2025	193.5	39,400	47,400
8 September 2016	Company Share Option Plan	2019–2026	174	164,000	–
8 September 2016	Unapproved options	2019–2026	174	176,000	–
9 February 2017	Company Share Option Plan	2020–2027	278	95,000	–
9 February 2017	Unapproved options	2020–2027	278	35,000	–
31 May 2017	Company Share Option Plan	2020–2027	406	7,389	–
31 May 2017	Unapproved options	2020–2027	406	22,167	–
31 May 2017	Unapproved options	2020–2027	250	300,000	–
				3,292,007	2,981,849

Movements in the number of share options and warrants outstanding:

	Group and Company year ended	
	2017 Number	2016 Number
Opening balance	2,981,849	3,388,249
Granted	799,556	193,200
Exercised	(374,898)	(508,100)
Lapsed	(114,500)	(91,500)
Closing balance	3,292,007	2,981,849

The share-based compensation charge in the profit and loss was £687,465 (31 May 2016: £738,020), of which £18,458 (31 May 2016: £10,287) was in respect of warrants.

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

22. SHARE OPTIONS CONTINUED

22.1 FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS

The fair value of services received in return for share options is measured by reference to the fair value of share options granted.

The estimate of fair value is measured using the Black-Scholes model. Details of the fair value granted in the period, together with the assumptions used in determining the fair value, are summarised below:

	March 2017	September 2016
Share price at date of grant (p)	278	174
Exercise price (p)	278	174
Expected time to expiry (years)	8.36	8.63
Risk-free interest rate (%)	2.52	1.77
Expected dividend yield on shares (%)	0	0
Expected volatility of share price (%)	35	34
Fair value of options granted (p)	125.6	74.89

Share options granted on 31 May 2017 have been excluded from the fair value calculations above. Due to the date of grant being 31 May 2017 these options were deemed to be granted on 1 June 2017 for accounting purposes and will therefore be included in the next financial year financial statements.

22.2 EMPLOYEE BENEFIT TRUST (EBT)

On 5 December 2014 the Company set up an Employee Benefit Trust for the purposes of allowing employees to exercise their share options, including the choice of being able to do this on a cashless exercise basis. The exercise of options is approved by the Board at each Board meeting, outside of share dealing closed periods, under a letter of recommendation to the Trustees of the EBT. The fulfilment of the share option conversions, whether by issue of shares to the EBT or market purchases, is also made at the same time. The EBT is limited under ABI guidelines to holding not more than 10% of the Ordinary Share capital of the Group. The Trustees are appointed by Estera Trust (Jersey Limited) (formerly Appleby Trust (Jersey) Limited), which administers the Trust. The number of share options exercised by employees in the year and fulfilled as part of these arrangements was 241,150 Ordinary Shares. The EBT purchased 116,395 Ordinary Shares from employees exercising under the cashless options. The EBT had no other assets or liabilities at 31 May 2017 outside of its interest in 105,645 Ordinary Shares, and a voluntary contribution was made to the Trust to repay the outstanding loan balance in full in April 2017 (2016: £1,353,770) from the £10 million facility provided by the Company.

23. RELATED-PARTY TRANSACTIONS

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

Connected party	Group and Company year ended			
	Expense paid 31 May 2017 £'000	Creditor balance 31 May 2017 £'000	Expense paid 31 May 2016 £'000	Creditor balance 31 May 2016 £'000
Chris Sawyer – royalties	154	–	84	–
Marjacq Micro Limited – sales commission	59	–	19	–

Connected party	Group and Company year ended	
	Change in value of loan expense paid 31 May 2017 £'000	Change in value of loan expense 31 May 2016 £'000
EBT – share options exercised by employees	50	129
EBT – shares issued and market purchases	–	675
Voluntary contribution to the Trust to repay outstanding loan balance during year ended 31 May 2017	(1,404)	–
Movement in year	(1,354)	804
Opening loan balance	1,354	550
Closing loan balance	–	1,354

24. FINANCIAL INSTRUMENT RISKS

RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

24.1 CREDIT RISK

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

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

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

24.2 FOREIGN CURRENCY RISK

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

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

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

	Consolidated year ended 31 May 2017			Consolidated year ended 31 May 2016			Company year ended 31 May 2017			Company year ended 31 May 2016		
	CAD £'000	USD £'000	Euro £'000	CAD £'000	USD £'000	Euro £'000	CAD £'000	USD £'000	Euro £'000	CAD £'000	USD £'000	Euro £'000
Assets	100	5,372	116	553	1,404	301	100	5,208	116	1	878	301

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

24. FINANCIAL INSTRUMENT RISKS CONTINUED

24.2 FOREIGN CURRENCY RISK CONTINUED

Foreign currency sensitivity analysis

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

	Consolidated year ended		Company year ended	
	31 May 2017 £'000	31 May 2016 £'000	31 May 2017 £'000	31 May 2016 £'000
Effect of a 5% change in relevant exchange rate on:				
Income statement	1,023	298	1,218	661
Equity	381	188	368	118

24.3 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, seek external funding or the need for secure finance from its shareholder base.

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

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
As at 31 May 2017				
Trade and other payables	4,331	98	—	—
As at 31 May 2016				
Trade and other payables	2,281	56	—	—

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

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
As at 31 May 2017				
Trade and other payables	4,333	98	—	—
As at 31 May 2016				
Trade and other payables	2,311	56	—	—

Financial assets used for managing liquidity risk

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


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

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2017
(REGISTERED COMPANY NO: 02892559)

	Notes	31 May 2017 £'000	31 May 2016 £'000
Non-current assets			
Intangible assets	10	21,871	16,690
Property, plant and equipment	11	696	304
		22,567	16,994
Current assets			
Inventories		—	9
Trade and other receivables	12	2,999	2,586
Other short-term assets		456	376
Cash and cash equivalents	13	12,414	7,531
		15,869	10,502
Total assets		38,436	27,496
Current liabilities			
Trade and other payables	14	(4,896)	(3,103)
Deferred income	15	(390)	(822)
Current tax liabilities	16	(747)	—
Provisions	17	(275)	—
		(6,308)	(3,925)
Net current assets		9,591	6,577
Non-current liabilities			
Provisions	17	—	(273)
Deferred income	15	(740)	(940)
		(740)	(1,213)
Total liabilities		(7,048)	(5,138)
Net assets		31,388	22,358
Equity			
Share capital	19	171	170
Share premium account		14,601	14,476
Equity reserve		972	579
Retained earnings		15,644	7,133
Total equity		31,388	22,358

The company has taken the exemption under section 408 of the Companies Act 2006 not to present a full income statement, but the profit for the company was £8,268,195 (2016: £1,530,975).

These financial statements were approved by the Directors on their behalf by:



ALEX BEVIS
DIRECTOR AND COMPANY SECRETARY

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

**COMPANY STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MAY 2017**

	31 May 2017 £'000	31 May 2016 £'000
Cash generated from operations	5,017	(1,931)
Taxes received/(paid)	564	(148)
Cashflow from operating activities	5,581	(2,079)
Investing activities		
Purchase of property, plant and equipment	(633)	(233)
Expenditure on intangible assets (excluding capitalised development costs)	(157)	(108)
Interest received	19	35
Cashflow from investing activities	(771)	(306)
Financing activities		
Proceeds from issue of share capital	125	276
Employee Benefit Trust net investment	(50)	(563)
Cashflow from financing activities	75	287
Net change in cash and cash equivalents from continuing operations	4,885	(2,672)
Cash and cash equivalents at beginning of period	7,531	10,203
Exchange differences on cash and cash equivalents	(2)	–
Cash and cash equivalents at end of period	12,414	7,531

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

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	31 May 2017 £'000	31 May 2016 £'000
Operating profit	8,353	1,279
Depreciation and amortisation	4,864	3,638
EBITDA	13,217	4,917
Capitalised development costs	(9,647)	(8,857)
Movement in unrealised exchange (gains)/losses on forward contracts	(377)	551
Share-based payment expenses	687	745
Operating cash flow	3,920	(2,644)
Net changes in working capital:		
Change in inventories	9	4
Change in trade and other receivables	(394)	185
Change in trade and other payables	1,480	511
Change in provisions	2	13
Cash generated from operations	5,017	(1,931)

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2017**

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2015	168	13,963	633	5,607	20,371
Profit for the year	—	—	—	1,531	1,531
Total comprehensive income for the year	—	—	—	1,531	1,531
Issue of share capital net of expenses	2	513	—	—	515
Share-based payment charges	—	—	745	—	745
Share-based payment transfer relating to option lapses	—	—	5	(5)	—
EBT share inflows from issues and/or purchases	—	—	(1,164)	—	(1,164)
EBT share outflows from option exercises	—	—	360	—	360
At 31 May 2016	170	14,476	579	7,133	22,358
Profit for the year	—	—	—	8,268	8,268
Total comprehensive income for the year	—	—	—	8,268	8,268
Issue of share capital net of expenses	1	125	—	—	126
Share-based payment charges	—	—	687	—	687
Share-based payment transfer relating to option lapses	—	—	(244)	244	—
EBT share inflows from issues and/or purchases	—	—	(318)	—	(318)
EBT share outflows from option exercises	—	—	268	—	268
At 31 May 2017	171	14,601	972	15,644	32,388

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

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

(THE 'COMPANY')

Notice is hereby given that the Annual General Meeting of the Company will be held at the registered offices of Frontier Developments plc at 306 Science Park, Milton Road, Cambridge CB4 0WG on Tuesday 17 October 2017 at 9.15 am (London time) for the following purposes:

ORDINARY RESOLUTIONS

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

- Resolution 1.** To receive and adopt the financial statements for the year ended 31 May 2017 together with the Reports of the Directors and Auditor thereon.
- Resolution 2.** To appoint Alexander Bevis as a Director in accordance with Article 67 of the Company's Articles of Association (the 'Articles')
- Resolution 3.** To re-appoint David Walsh as a Director, who has retired by rotation in accordance with Article 70 of the Articles and is therefore required to stand for re-election pursuant to Article 70 of the Articles.
- Resolution 4.** To re-appoint Grant Thornton UK LLP as the Company's Auditor in accordance with Section 489 of the Companies Act 2006 (the 'Act') until the conclusion of the next Annual General Meeting.
- Resolution 5.** To authorise the directors of the Company (the 'Directors') to determine the Auditor's remuneration for the ensuing year.
- Resolution 6.** That in substitution for all authorities in existence immediately prior to this resolution being passed, 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 £62,694.64, 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 2018 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.

SPECIAL RESOLUTION

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

Resolution 7. That, subject to the passing of resolution 7 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) for cash pursuant to the authority conferred on them pursuant to resolution 7 above as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an open offer or otherwise in favour of ordinary shareholders in proportion (as nearly as possible) to the respective number of shares held, or deemed to be held, by them, subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or problems arising in any territory or with the requirements of any recognised regulatory body or stock exchange in any territory; and
- (b) the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £18,808.39 which represents one-tenth of the nominal value of the Company's issued share capital as at the date of this notice, provided that this 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 2018 save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By order of the Board



DAVID GAMMON
CHAIRMAN
7 September 2017

FRONTIER DEVELOPMENTS PLC
306 Science Park
Milton Road
Cambridge
CB4 0WG

EXPLANATORY NOTES

To the Notice of Annual General Meeting

NOTES

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company but must attend the meeting to represent you.
2. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you will need to complete a separate Form of Proxy in relation to each appointment. To request additional Forms of Proxy, please contact the Company Secretary on 01223 394300 or at Frontier Developments plc, 306 Science Park, Milton Road, Cambridge CB4 0WG. You will need to state clearly on each Form of Proxy the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares a proxy appointment relates to or specifying a number of shares in excess of those held by the member will result in the proxy appointment being invalid.
3. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. If you wish to appoint a proxy other than the Chairman, write the full name of your proxy in the box provided in the Form of Proxy.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to resolutions) which may properly come before the meeting.
5. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated. The vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the votes of the other holders. For this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
6. To be effective, the Form of Proxy must be duly completed and deposited together with any power of attorney or other authority (if any) under which it is executed (or a duly certified copy of such power or authority) and lodged at PXS, Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 9.15 am on 13 October 2017 (being not more than 48 hours (excluding non-working days) prior to the time fixed for the meeting).
7. Whether or not you propose to attend the Annual General Meeting, please complete, sign and submit a Form of Proxy to our registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than the time and date specified above.
8. Completion and return of the Form of Proxy will not preclude a shareholder from attending and voting in person at the meeting. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
9. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company by close of business UK time on 13 October 2017 (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 close of business UK time on such date being not more than 48 hours (excluding non-working days) prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.
10. The following documents will be available for inspection from the date of this notice until the meeting at the Company's registered office and at the meeting convened by this notice:
 - (a) register of Directors' share interests; and
 - (b) Directors' service contracts and letters of appointment (as applicable).
11. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member.

FIVE YEAR SUMMARY
12 MONTHS TO 31 MAY

	31 May 2017	31 May 2016	31 May 2015	31 May 2014	31 May 2013
Revenue	£37.4m	£21.4m	£22.8m	£9.5m	£12.1m
Operating profit	£7.8m	£1.2m	£1.6m	(£1.7m)	£1.1m
Operating margin (%)	21%	6%	7%	(18%)	9%
EBITDA	£12.7m	£4.9m	£6.1m	£0.3m	£2.9m
EPS (basic)	22.7p	4.2p	4.9p	(5.8p)	4.2p
Operating cash flow	£3.4m	(£2.7m)	£2.6m	(£3.4m)	£1.6m
Net cash balance	£12.6m	£8.6m	£10.5m	£8.6m	£7.2m

ADVISORS AND COMPANY INFORMATION

COMPANY SECRETARY AND CFO

Mr Alexander Bevis

REGISTERED AND HEAD OFFICE

306 Science Park Milton Road Cambridge CB4 0WG

WEBSITE

www.frontier.co.uk

REGISTERED NUMBER 2892559

(Incorporated and registered in England and Wales)

BROKER AND NOMINATED ADVISOR LIBERUM CAPITAL LIMITED

Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY

JOINT BROKER FINNCAP LIMITED

60 New Broad Street London EC2M 1JJ

AUDITOR

GRANT THORNTON UK LLP

101 Cambridge Science Park Milton Road
Cambridge CB4 0FY

LEGAL ADVISORS TO THE COMPANY BIRD & BIRD LLP

15 Fetter Lane London EC4A 1JP

REGISTRARS

CAPITA ASSET SERVICES

The Registry
34 Beckenham Road Beckenham
Kent BR3 4TU United Kingdom

Frontier Development is commitment to environmental issues is reflected in this annual report which has been printed on Arcoprint, an FSC® Mix Certified paper, which ensures that all virgin pulp is derived from well-managed forests and other responsible sources.