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This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules, has been issued in connection with the application for admission of the entire issued and to be issued ordinary share capital of the Company to trading on AIM. This document contains no offer to the public within the meaning of section 102B of the FSMA, the Act or otherwise. Accordingly, this document does not comprise a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Services Authority or any other competent authority.

**Application will be made for the issued and to be issued share capital of the Company to be admitted to trading on AIM (a market operated by the London Stock Exchange). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

The Directors, whose names appear on page 9 of this document, and the Company accept individual and collective responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.



# Frontier Developments plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 02892559)*

## ADMISSION TO TRADING ON AIM

**Placing of 3,169,292 Ordinary Shares at 127 pence per share**

**Canaccord Genuity Limited**

*Nominated adviser and Broker*

**CANACCORD** Genuity

## SHARE CAPITAL

*(immediately following Admission)*

<i>Class</i>	<i>Issued and fully paid</i>	
	<i>£</i>	<i>Number</i>
Ordinary Shares of 0.5 pence each	155,222	31,044,422

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will take place and that trading in the Ordinary Shares will commence on 15 July 2013.

**This document does not constitute an offer of, or the solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation.** In particular, this document is not for distribution in or into or from the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in or into or from the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa or Australia. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended).

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Canaccord Genuity Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to clients of Canaccord Genuity Limited or for advising any other person in respect of the proposed Placing and Admission. Canaccord Genuity Limited's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Canaccord Genuity Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

A copy of this document is available (subject to certain restrictions relating to persons in certain overseas jurisdictions) from the Company's website – <http://www.frontier.co.uk>. Neither the content of the Company's website nor any website accessible by hyperlink to the Company's website is incorporated in, or forms part of, this document.

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## **FORWARD-LOOKING STATEMENTS**

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Group’s future prospects, developments and business strategies.

These forward-looking statements can be identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” or the negative of those variations, or comparable expressions, including references to assumptions. These statements are primarily contained in Parts 1 and 2 of this document.

The forward-looking statements in this document, including statements concerning projections of the Group’s future results, operations, profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties for the Group are specifically described in Part 2 of this document headed “Risk Factors”. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group’s actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part 2 of this document that could cause actual results to differ before making an investment decision. Save as required by law, regulation or by the AIM Rules, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.

## **MARKET AND FINANCIAL INFORMATION**

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Group’s business and industry contained in this document consists of estimates based on data and reports compiled by industry commentators, professional organisations and analysts using data from other external sources, and on the Company’s knowledge of its industry. In some cases, there is no readily available external information to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. The Company takes responsibility for accurately compiling, extracting and reproducing market or other industry data from external sources, including third parties or industry or general publications but neither the Company nor Canaccord has independently verified that data. The Company is not aware of any fact or matter which renders such information inaccurate or misleading, but cannot assure investors of the accuracy and completeness of the underlying data that has been compiled, extracted or reproduced.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

## DEFINITIONS

The following definitions apply in this document, unless the context otherwise requires:

<b>“Act”</b>	the Companies Act 2006 (as amended)
<b>“Acts”</b>	every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company
<b>“Admission”</b>	admission of the issued and to be issued share capital of the Company to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	The AIM Rules for Companies, being the rules and guidance notes published by the London Stock Exchange governing the admission to, and the operation of, AIM
<b>“Apple”</b>	Apple Inc.
<b>“Approved Plan”</b>	the Frontier Developments Company Share Option Plan to be approved by HMRC pursuant to Schedule 4 of ITEPA details of which are contained in paragraph 6.3 of Part 5 of this document
<b>“Articles”</b>	the articles of association of the Company
<b>“Atari”</b>	Atari Inc.
<b>“Barclays Facility”</b>	a revolving loan facility with Barclays Bank plc for £3 million entered into by the Company on 8 July 2013 details of which are contained in paragraph 13.4 of Part 5 of this document
<b>“Board” or “Directors”</b>	the board of directors of the Company as at the date of this document, whose names are set out on page 9 of this document
<b>“Canaccord”</b>	Canaccord Genuity Limited, the Company’s nominated adviser, broker and bookrunner
<b>“Company” or “Frontier”</b>	Frontier Developments plc, a company registered in England and Wales with registered number 02892559
<b>“Convertible Notes”</b>	the £1,584,000 nominal Series A Unsecured Convertible Loan Notes and the £1,125,000 nominal Series B Unsecured Convertible Loan Notes issued as part of the Pre-IPO pursuant to loan note instruments dated 31 May 2013
<b>“Conversion Shares”</b>	the 2,509,504 Ordinary Shares to be issued on Admission on the conversion of the Convertible Notes
<b>“CREST”</b>	the computerised system for the paperless settlement of trades and the holding of shares in uncertificated form, operated by Euroclear UK & Ireland Limited
<b>“CREST Regulations”</b>	the Uncertified Securities Regulations 2001 (SI. 2001/3755) (as amended)
<b>“DTR”</b>	the Disclosure Rules and Transparency Rules published by the FCA under section 73A of the FSMA from time to time

<b>“EBITDA”</b>	earnings before interest taxation depreciation and amortisation
<b>“EMI Options”</b>	enterprise management incentive options
<b>“EMI Plan”</b>	the Frontier Developments plc Enterprise Management Incentive Plan, adopted by the Board on 20 June 2012 details of which are contained in paragraph 6.2 of Part 5 of this document
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company as at Admission, comprising the Existing Ordinary Shares, the Placing Shares and the Conversion Shares
<b>“Existing Ordinary Shares”</b>	the 25,365,626 issued and fully paid Ordinary Shares in issue as at the date of this document
<b>“Funding”</b>	together, the IPO, the Pre-IPO and the Barclays Facility
<b>“FCA”</b>	the Financial Conduct Authority of the United Kingdom
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Google”</b>	Google Inc.
<b>“Group”</b>	the Company and its subsidiary undertaking
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs
<b>“IPO”</b>	together, the Placing and Admission
<b>“ISIN”</b>	International Securities Identification Number
<b>“ITEPA”</b>	the Income Tax (Earnings and Pensions) Act 2003
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Microsoft”</b>	Microsoft Corp.
<b>“Nintendo”</b>	Nintendo Co., Ltd.
<b>“Ordinary Shares”</b>	ordinary shares of 0.5 pence each in the capital of the Company
<b>“Placees”</b>	subscribers for Placing Shares pursuant to the Placing
<b>“Placing”</b>	the conditional placing by Canaccord, as agent for the Company of the Placing Shares at the Placing Price pursuant to the Placing Agreement
<b>“Placing Shares”</b>	the 3,169,292 new Ordinary Shares to be issued by the Company and subscribed for pursuant to the Placing
<b>“Placing Agreement”</b>	the conditional agreement dated 9 July 2013 between (1) the Directors, (2) the Company and (3) Canaccord relating to the Placing, further details of which are set out in paragraph 13.1 of Part 5 of this document
<b>“Placing Price”</b>	127 pence per Placing Share
<b>“Pre-IPO”</b>	the pre-IPO private fundraising of approximately £2.8 million through the issue of the Convertible Notes and new Ordinary Shares completed on 14 June 2013
<b>“Prospectus Rules”</b>	the Prospectus Rules published by the FCA under section 73A of the FSMA from time to time

<b>“Rockspring”</b>	Rockspring, an unlimited company registered in England and Wales
<b>“Rockspring Advisory”</b>	Rockspring Advisory Services Limited, a company registered in England and Wales which provides the services of David Gammon to the Company
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Share Option Plans”</b>	means the arrangements for the grant of the EMI options in 2005, the EMI Plan and the Approved Plan
<b>“Sony”</b>	Sony Corp.
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK Corporate Governance Code”</b>	the code on the principles of good corporate governance and best practice published by the Financial Reporting Council
<b>“VAT”</b>	UK value added tax
<b>“Video Games Tax Relief”</b>	a HMRC tax incentive provided to companies that are directly involved in the development of video games
<b>“£” and “p”</b>	respectively, pounds and pence sterling, the lawful currency of the United Kingdom
<b>“\$”</b>	US dollars, the lawful currency of the United States of America

## TECHNICAL GLOSSARY

<b>“A-B test”</b>	methodology of using randomised experiments with two variants, A and B, which are the control and treatment in the controlled experiment
<b>“Android”</b>	a mobile operating system developed by Google Inc.
<b>“App”</b>	application software program
<b>“App Store”</b>	an online store for purchasing and downloading software applications and mobile apps for personal computers, smartphones, tablets and other electronic devices
<b>“ARPU”</b>	average revenue per user in \$
<b>“Cloud”</b>	use of computing resources (hardware and software) which are available in a remote location and accessible over a network (typically the internet)
<b>“Cobra”</b>	the Group’s in-house developed game development platform entitled “Cobra”
<b>“CPU”</b>	central processing unit
<b>“DARPU”</b>	daily average revenue per user in \$
<b>“Full Play Through”</b>	the act of playing a game from start to finish, typically with reference to testing
<b>“GPU”</b>	graphics processing unit
<b>“iOS”</b>	the mobile operating system developed, sold, and distributed by Apple
<b>“IP”</b>	intellectual property
<b>“MMO”</b>	massive multiplayer online – a multiplayer video game typically played on the internet via a personal computer or internet capable games console, which is capable of supporting large numbers of players simultaneously
<b>“RPG”</b>	role playing games
<b>“UI”</b>	user interface
<b>“Virtual Goods”</b>	intangible enhancements to game play which can be bought for use in online communities and online gaming
<b>“3D”</b>	three dimensional

## **PLACING STATISTICS**

Placing Price	127 pence
Number of Existing Ordinary Shares in issue	25,365,626
Number of Ordinary Shares to be issued on conversion of the Convertible Notes	2,509,504
Number of Placing Shares	3,169,292
Number of Ordinary Shares in issue following the Placing and Admission	31,044,422
Net proceeds of the Placing	£3.3 million
Proportion of the Enlarged Share Capital being placed	10.2 per cent.
Market capitalisation of the Company at the Placing Price	£39.4 million
ISIN number	GB00BBT32N39
SEDOL number	BBT32N3
AIM Symbol	FDEV

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS<sup>1</sup>**

Publication of this document	9 July 2013
Admission effective, issue of Placing Shares and dealings commence in the Ordinary Shares on AIM	8.00 a.m. on 15 July 2013
CREST accounts credited by	8.00 a.m. on 15 July 2013
Despatch of definitive share certificates by	22 July 2013

**Note:**

- Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company and Canaccord Genuity without further notice.



## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	David John Braben ( <i>Founder and Chief Executive Officer</i> ) David Ranken Gammon ( <i>Non-Executive Chairman</i> ) David John Walsh ( <i>Chief Operating Officer</i> ) Jonathan Francis Watts ( <i>Chief Creative Officer</i> ) Jonathan Simon Milner ( <i>Non-Executive Director</i> ) <i>all of:</i> 306 Science Park Milton Road Cambridge CB4 0WG
<b>Officer</b>	Neil Robert Armstrong ( <i>Chief Financial Officer</i> )
<b>Company Secretary</b>	Neil Robert Armstrong
<b>Registered and Head Office</b>	306 Science Park Milton Road Cambridge CB4 0WG
<b>Website</b>	<a href="http://www.frontier.co.uk">www.frontier.co.uk</a>
<b>Nominated Adviser and Broker</b>	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
<b>Auditors and Reporting Accountants</b>	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
<b>Legal advisers to the Company</b>	Bird & Bird LLP 15 Fetter Lane London EC4A 1JP
<b>Legal advisers to Canaccord</b>	Osborne Clarke One London Wall London EC2Y 5EB
<b>Registrar</b>	Capita Registrars Ibex House 42-47 Minories London EC3N 1DX

# PART 1

## INFORMATION ON THE GROUP

### 1. Introduction

Frontier plans to use its software technology to lead the games industry in its transition to the world's premiere form of entertainment.

Frontier was founded in 1994 by David Braben, co-author of the seminal "Elite" game. The Group has 227 full-time employees and operations in Cambridge, UK and Halifax, Nova Scotia, Canada. Frontier has a proven track record of software technology and video games development and innovation spanning three decades of rapid technological change. Frontier has exploited its technology to develop innovative video games across a wide variety of different game genres and platforms, and has established relationships with globally renowned partners.

In June 2013, the Company completed a successful Pre-IPO fundraising of approximately £2.8 million through the issue of the Convertible Notes and new Ordinary Shares. The Convertible Notes will be automatically converted into Ordinary Shares on Admission. Further details of the Convertible Notes are set out in paragraph 13.5 of Part 5 of this document.

On 8 July 2013, the Company also entered into a revolving credit facility with Barclays Bank plc for £3 million further details of which are set out in paragraph 13.4 of Part 5 of this document.

Frontier is seeking admission to trading on AIM for all of its issued and to be issued Ordinary Shares. It is proposing to raise up to a further £4.0 million through a placing of the Placing Shares by Canaccord. The funds raised through the Placing, in addition to the Barclays Facility and Pre-IPO, will allow the Group to expand its business and add further technology extensions and developments to its proprietary software development platform, Cobra. The Company plans to create these extensions and developments in conjunction with the development of its self-published "Elite: Dangerous" title. The Directors believe that this title will showcase the Company's technology platform and enable it to licence key elements of the technology and related services to third parties.

The Directors also believe that the Admission will further raise the Group's profile amongst its customers and partners, facilitating the Group's strategy and growth plans. Details of the Group's intended use of the proceeds of the Placing are set out in paragraph 12 of this Part 1.

### 2. Key strengths and opportunities

- *Proven track record* – Frontier has a track record of successfully exploiting its software technology in games over a period spanning three decades
- *Highly experienced and respected management* – the Group's management team, led by David Braben, has successfully implemented its technology strategy and delivered an industry leading games development capability which has led to improved revenue and profitability and the current opportunity
- *Industry leading multi-platform development technology* – proprietary 'Cobra' technology powers innovative, efficient, cross-platform software development spanning personal computers, tablets, smart phone and video game consoles and a wide variety of game genres
- *Significant IP portfolio* – the Group's IP catalogue includes potentially valuable properties including the rights to the Elite franchise
- *Profitable and established business* – adjusted EBITDA growth over the four financial years ended 31 May 2013
- *Blue-chip international client base* – the Group has established relationships with key industry players

- *Growth opportunities* – the Directors believe that the Group has strong growth prospects both organically and through the acquisition of other businesses





### 3. History of Frontier

#### *History*

David Braben co-authored the seminal “Elite” game in 1982 (published in 1984) with Ian Bell. Elite was one of the first home computer games to use 3D graphics and the first to employ an open-world ‘sandbox’ game play model. Its revolutionary 3D graphics ensured that the game created the modern space flight simulation genre and influenced gaming as a whole.

Frontier was founded in 1994 by David Braben to carry forward his ground-breaking work and development ethos. Since then, it has used its proprietary ‘Cobra’ development technology to build a track record of genre-defining games that have been critically acclaimed and sold millions of copies.

#### *Selected back catalogue*

<i>Image</i>	<i>Franchise</i>	<i>Release Date</i>	<i>Platforms</i>	<i>Approximate copies (million units)</i>
	Elite	September 1984	Many	1
	Dog's Life	2003	PS2	1
	Wallace and Gromit games	2003 & 2005	PS2, Xbox, Game Cube	1
	Roller Coaster Tycoon 3 games	2004 & 2005	PC	6
	Thrillville games	2006 & 2007	Xbox, PS2, PSP, Wii, PC, Xbox360	4
	LostWinds games	2008 & 2009	Wii, iOS	7
	Kinectimals games	2010 & 2011	Xbox360 Kinect, iOS, Android, Windows Phone	3
	Disneyland Adventures	2011	Xbox360 Kinect	2
	Coaster Crazy	2012	iOS	4

### *Further detail on selected Franchises*

#### Roller Coaster Tycoon 3

Roller Coaster Tycoon 3 and its expansion packs are still selling strongly today, more than eight years after its first release. It was voted Simulation/Strategy Game of the Year by Inside Gamer Online & Jive Magazine for 2004 against competition such as Sims2 and Rome:Total War, it was nominated for the Academy of Interactive Arts and Sciences 'Simulation Game of the Year' for 2004, and the Soaked! Expansion pack was awarded PC Gamer magazine's 'Expansion Pack of the Year' for 2005. The Directors believe that Roller Coaster Tycoon 3 and its expansion packs remain the industry's benchmark for the tycoon game genre.

#### LostWinds

LostWinds was developed as a self-financed and self-published launch title for Nintendo's WiiWare digital distribution service in 2008. The intention behind this project was to gain experience with self-publishing of a digitally distributed game. The title was awarded 'Best New IP' at the Develop Industry Awards and IGN's Awards 'Best use of Wii-Mote' in 2008, and is critically regarded as one of the stand-out titles on the WiiWare service. A sequel was released in 2009, again on WiiWare. As the Group moved to support iOS with its Cobra technology, LostWinds was selected to prove the technology port and both games were subsequently released on Apple's App Store, being selected by Apple and promoted as their 'Free App of the Week'. LostWinds on iOS was awarded TouchGen Editor's Choice Best Platformer of 2011 award, and has been inducted by Apple into their App Store 'Hall of Fame'.

#### Kinectimals

Kinectimals, launched in 2010, was the only Xbox360 Kinect launch title published by Microsoft Games Studios that was created by an external developer. The game was nominated for two Visual Effects for Outstanding Animated Character in a Video Game Awards, and Outstanding Real-Time Visual Effects in a Video Game, two BAFTAs for Best Family Game, and Technical Innovation, 'Best New IP' at the 2011 Develop Awards and was runner up in vgchartz.com's gamrfeeds 2010 game of the year awards for both Most Innovative Xbox360 game and Best Kinect Game. In 2011, Kinect: Now With Bears was launched for Xbox360 Kinect alongside a companion game Kinectimals Mobile for Windows Phone, iOS and Android devices. This was Microsoft's first iOS and Android game, and the first game to feature Frontier developed technology that enabled data transfer between the Xbox Live eco-system and the iOS and Android eco-systems, whereby players could transfer their character to their camera-enabled smart phone or tablet, continue developing the character in the mobile game and then transfer the updated character back to their Xbox360 Kinect game. Frontier's relationship with Microsoft has also resulted in 2011's Kinect Disneyland Adventures title, and Frontier's contribution to the Kinect Star Wars release in 2012.

## **4. Sector information**

The video games sector has grown significantly over the last few years. The target audience of the video games sector has extended from the traditional younger male focus, with women players outnumbering men in some age ranges. In 2004, the game industry as a whole generated \$25.4 billion. In June 2012, the global video game market was valued at \$78.5 billion<sup>1</sup>.

Some major video game releases have eclipsed major movie openings in revenue terms. Activision's "Call of Duty: Black Ops II" reached US\$1 billion in 15 days – faster than the top-selling movie "Avatar"<sup>2</sup> – and grossed over \$500 million within 24 hours of going on sale<sup>3</sup>, beating the previous record (also held by a game) putting it top of the list for the highest-ever opening weekend if it were a movie<sup>4</sup>.

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1. Reuters

2. Bloomberg

3. vg247

4. Boxofficemojo

Smart phones and tablets are catching up in performance terms with video game consoles<sup>5</sup>, helped by their annual product life cycles compared to the typical six year life cycle of a dedicated games console. It is expected that spending on online games on smart phones and tablets will equal spending on both PC and console by the end of 2013.<sup>6</sup>

Key players in the console world have recently announced their new generation of consoles, each of which will provide a multimedia centre with Cloud and streaming technologies, offering a more holistic entertainment experience than their previous incarnations. The Xbox One and PlayStation 4 are both expected to be on sale by the end of the year with Nintendo's Wii U having been released in late 2012.

The games industry is made up of developers, publishers, platform holders (like Sony, Microsoft and Nintendo), distributors, retailers, and secondary service providers. In broad terms, developers are the people that create the games and publishers those that publish them. Recently the distinction has become blurred, as the route to market is now open to developers directly in the digital space. Platform holders are still key, as they control access to their platforms (Microsoft with their Xbox platform and Sony with their PlayStation platform, for example).

### ***Expanding audience and diversifying demographics***

The number of gamers worldwide has grown rapidly from the initial core video game console audience due to the availability of increasingly powerful smart phones and tablets with dedicated online App Stores. Downloads from Apple's App Store have increased from 25 billion in March 2012, to 40 billion by January 2013 and 50 billion by May 2013<sup>7</sup>. The majority of App downloads are games<sup>8</sup>. The App Store opened in July 2008 with 500 apps and has grown to now include over 850,000 apps which are currently being downloaded at a rate of more than 800 apps per second and over 2 billion per month. Apple has paid out over \$9 billion to developers over that period.

The growth in gamers worldwide has also triggered a marked diversification to encompass increased casual and social gaming in addition to "hard-core gaming", extending the demographics and play patterns of those who can be considered 'gamers'.

### ***Digital distribution***

In video games and other industries like film, music, and TV, direct digital distribution of products to customers is rapidly becoming significant as physical retail channels recede. From 2013-2017, worldwide video games sales overall (console and mobile) are forecast to continue to grow at an annual rate of 6.5 per cent., with console games alone growing at 5 per cent. year on year<sup>9</sup>. Worldwide, around 25 billion apps were downloaded on the Apple's App Store in the 14 month period to May 2013 alone<sup>10</sup>. It is predicted that the digital revenue of Electronic Arts, one of the world's largest game publishers, will surpass physical game sales in 2013<sup>11</sup>. The total US digital games market grew 39 per cent. between January 2012 and January 2013<sup>12</sup>. In 2012, UK digital download sales of games exceeded those of music, TV and film put together<sup>13</sup>.

Devices now have their own associated App Store ecosystems which allow discovery of content, direct digital download to the device and integrated billing mechanisms; for example Apple's App Store, Microsoft's Xbox Live and Windows Store, Google Play, Amazon Appstore, Nintendo's eShop and Sony's Play Station Network. These eco-systems coupled with the increase in smart phone and tablet games and the industry move towards digital distribution has removed significant barriers to entry for smaller developers to access the market directly on a similar footing to traditional game publishers.

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5. tomshardware.com

6. siliconangle.com

7. Telegraph/Apple

8. Macstories.net

9. PwC report "Global Entertainment and Media Outlook 2013-2017"

10. Apple

11. Venturebeat.com

12. Venturebeat.com

13. BBC

## ***Conclusions***

The Directors believe that the continued expansion of games into the mainstream entertainment industry and the advent of digital distribution via device specific App Store eco-systems on all platforms presents a significant opportunity for the Group to expand its publisher and self-publishing businesses and to further develop and then leverage its Cobra technology via licensing to third parties.

### **5. Frontier's Cobra technology**

The Group's software technology, known as "Cobra", has been developed and evolved since 1988. It was initially conceived as a solution for the problem of easily porting the same game across different target hardware devices.

Over the years, continued investment has, the Directors believe, kept Cobra at the leading edge of game development technologies, supporting today's multi-core CPU and GPU architectures of PC, console, tablet and smart phone devices with a modular, high performance system offering of state of the art efficiency and visual fidelity that is applicable across a wide range of game genres. It is supplemented with licensed-in middleware for "commodity" uses as appropriate, such as audio and UI functions.

Cobra facilitates clean, structured code, where the game logic only needs one set of verification at the beta stage of the project – greatly reducing the amount of testing time required for additional platform versions of a game. This allows Frontier to maximise the performance extracted from all supported hardware platforms and has allowed the Group to deliver industry-leading innovations and efficient multi-platform development.

Cobra also incorporates a sophisticated framework which enables rapid development of powerful game creation tools, which offer the ability to view, tweak and review changes to content (e.g. animations, audio, 3D models etc.) on target platforms in a live game session running on that platform, without the intervention of a programmer. This ability to rapidly iterate allows projects using Cobra to maximise the impact of skilled developers on any game project, so that the finished product can be of the highest possible quality.

Most recently, the Group has added Cloud-based analytic capability to Cobra, whereby Frontier's code running on commodity servers interacts with the game to provide data-driven game rules and information gathering. This facilitates full play through tracking, sophisticated A-B tests, player segmentation and friends' lists as well as the usual leader-board and achievement functionality.

### **6. Strategy**

The Group intends to continue to develop its publication and self-publishing businesses. Frontier is frequently presented with revenue generating projects and opportunities, however the Group is currently forced to prioritise work due to capacity restrictions. The proposed admission to AIM will allow Frontier to increase scale, thus enabling the Group to take advantage of more opportunities and to benefit from further economies of scale.

The Group intends to further increase revenues by offering new functionality and new platform support to its Cobra technology. It will work with third party developers and publishers and others to offer for license the Cobra technology (or elements thereof), thus enabling new business models for the Group. The necessary high level software components to create valuable functionality exist within the Group today in some form, and will first be brought together within the Elite: Dangerous game.

### ***Elite: Dangerous***

The Company has raised finance through the innovative crowd-funding platform Kickstarter to part fund the development of Elite: Dangerous, which reflects the demands for a return of the Elite franchise. Over 27,000 backers have contributed an average of £61/\$100 each and a total of approximately £1.77 million to date for which supporters will receive a copy of the game and additional rewards. The Kickstarter campaign raised £1.57 million over a period of 60 days<sup>14</sup>, the highest Kickstarter 'ask' achieved at the time, allowing the

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14. Kickstarter



Group to both de-risk the project and validate the audience for the game, as well as gaining a core group of contributors and evangelists for the game.

The Directors believe Elite: Dangerous will provide a showcase for the Group's technology by providing desirable content and functionality for both gamers and platform eco-system owners.

Elite: Dangerous' Cobra-based technology will offer several innovations including seamless, MMO-like experience at a fraction of the cost, lobby-less network multi player sessions that eliminate out-of-game waiting times for players, and peer to peer communications to minimise server costs. Procedural content further reduces server costs, whilst allowing a very rich gaming experience – in the case of Elite: Dangerous the 100 billion star systems of the Milky Way galaxy are being created.

David Braben has assigned his rights to the Elite franchise to the Company pursuant to an assignment agreement dated 1 June 2008. The Company has agreed pursuant to this agreement to pay a royalty to him of 10 per cent. of the profits in respect of any Elite sequels, which will include Elite: Dangerous. Further details of the assignment agreement are set out in paragraph 14.2 of Part 5 of this document.

## **7. Competition**

The move to digital distribution that is underway will ultimately replace the shrink-wrapped physical distribution networks of a few years ago. The Directors believe that the big players in that shrink-wrapped world (publishers such as Electronic Arts, Activision and Ubisoft) will continue to be competitors. These companies already compete in the digital world, where Electronic Arts and Ubisoft games sit side-by-side with Frontier's self-published games in Apple's App Store. Online digital retail channels remove the significant barriers to entry of initial investment in inventory and stock risk of physical distribution, allowing companies like Frontier to compete effectively with anyone. Game-specific platform owners such as Microsoft, Nintendo and Sony are evolving their on-line eco-systems to become platform-specific digital retail channels.

Additionally, there are several established vendors of development technology, such as Epic, Crytek, Unity and Valve along with a number of development studios who, like Frontier, have their own game development technology. Any or all of these organisations, or a new entrant into the market, may compete with the Group's Cobra technology offering.

Finally, there are a large number of independent developers, typically small in size, who can also create and self-publish games on the digital distribution services. Some achieve rapid and significant success, such as Rovio ('Angry Birds') and Mojang ('Minecraft'). In addition to competing for customers' disposable income with their games, such developers are potential customers for the Cobra technology, along with publishers and platform owners.

## **8. Current trading, operational trends and prospects of Frontier**

Gross revenues (including sub-contractor recharges) for the unaudited period to May 2013 are to be around £12.1 million with EBITDA of £2.8 million and profit for the period after tax of circa £1 million. As at 31 May 2013, the Group had net cash of £7.2 million. The lower year-on-year gross revenue number reflects a lessened reliance on third party sub-contractors which have historically been recharged at nil margin. Excluding recharged third party sub-contractor costs, revenues are anticipated to improve year on year. Ignoring share based compensation and IPO costs, EBITDA for the 12 months to May 2013 shows an improvement compared with 2012. Further details of the Directors' profit estimate are set out in Part 4 of this document.

The Group expects to continue to benefit from a low tax base from research and development and Video Games Tax Relief incentives.

Frontier expects to maintain its work with major publishers and platform owners and to continue to invest in its proprietary Cobra technology and self published games.

On 8 July 2013, Frontier agreed a revolving credit facility of £3 million with Barclays Bank plc, further details of which can be found in paragraph 13.4 of Part 5 of this document.

Frontier has maintained growth in intangible investments in order to diversify the Group's revenue base towards technology and self published titles.

## 9. Summary audited financial information on Frontier

<i>Income Statement £'000</i>	<i>31 May 2012</i>	<i>31 May 2011</i>	<i>31 May 2010</i>
Revenue	14,157	11,196	9,604
Operating expenses	(12,767)	(13,325)	(9,801)
Net Operating result	1,390	(2,129)	(197)
Financial items	10	7	16
Profit/(loss) before tax	1,400	(2,122)	(181)
Taxation	(2)	700	(201)
Profit or loss for the year	1,398	(1,422)	(382)

Other key financial metrics:

<i>Key metrics £'000</i>	<i>31 May 2012</i>	<i>31 May 2011</i>	<i>31 May 2010</i>
EBITDA – adjusted*	3,198	2,130	827
Cash Balance	1,686	1,064	2,010

\* excludes share based compensation and IPO costs.

Frontier began developing 'The Outsider' game in 2007 for a publisher but subsequently the commercial relationship with this publisher ceased, at a time when the outstanding debt to Frontier was £1.9 million. This debt was provided for in full in May 2010 and an impairment provision was made against work in progress relating to the game in May 2011, resulting in the loss before tax for the year ended 31 May 2011.

## 10. Board of Directors and Company Secretary

*Board of Directors:*

### **David John Braben** (*Founder and CEO*), 49

David was the founding shareholder of Frontier in January 1994 and is the co-author of Elite. David has over 30 years' experience in the gaming industry. David is also a founding trustee 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 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 focussed on speech synthesis that was acquired by Google in December 2010. David is a member of the BAFTA games committee, a Fellow of the Royal Academy of Engineering and the Chairman of Skill set University Approvals Board. David joined the Board in January 1994.

### **David Ranken Gammon** (*Non-Executive Chairman*), 52

David has over 15 years' of experience as an investment banker having worked for Baring Securites, Salomon Brothers, Robert Fleming & Co and Credit Lyonnais. Since 2001, David has focused on developing, advising and investing in disruptive high growth technology companies. In 1988, David founded Rockspring, an advisory and investment firm where he continues to be CEO today. Advisory clients include Marshall of Cambridge (Holdings) Limited, Deepmind Technologies Limited and Hawkwood Capital LLP. As well as his advisory role David is also a non-executive director at LoQ plc and Imaginatik plc.

Previous experience includes non-executive directorships at real-time location technology specialist, Ubisense Trading Limited, BGlobal plc, Amino Technologies plc and, Director and acting CFO at Envisional Solutions Limited.

David was appointed to the Board in February 2012 and appointed Chairman of Frontier in June 2012.



**David John Walsh** (*Chief Operating Officer*), 49

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 London/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. In 2012, David established and became President of Frontier Developments Inc., Frontier's wholly owned Canadian subsidiary, and he also serves as a board member of the Entertainment Software Association of Canada. David joined the Board in October 2000.

**Jonathan Francis Watts** (*Chief Creative Officer*), 44

Jonny has over 26 years' experience in gaming. He joined the Company in 1998 from Sensible Software, and over the course of his career has been involved in all aspects of the creation of 23 published games such as Sensible Soccer, Cannon Fodder, Roller Coaster Tycoon 3, Kinectimals, LostWinds, Kinect Disneyland Adventures and Kinect Star Wars. 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 34 million people worldwide. Jonny holds Zoology and Computer Science degrees, is an active member of BAFTA including serving as a judge for five years and on the BAFTA Young Designer committee. Jonathan joined the Board in February 2012.

**Jonathan Simon Milner** (*Non-Executive Director*), 48

Jonathan is an experienced entrepreneur and business leader with a background in genetic research. In 1998, he founded Abcam with David Cleevly and Professor Tony Kouzarides, to supply the rapidly growing market for antibodies and other life science reagents. As CEO, Jonathan was instrumental in building Abcam, which now has a market capitalisation of c.£904 million. Jonathan is an active supporter of the Cambridge, UK business community. He is also a non-executive director of Horizon Discovery, a personalised genomics company. Jonathan joined the Board in November 2012.

*Company Secretary:*

**Neil Robert Armstrong** (*Company Secretary and Chief Financial Officer*), 49

Neil is a chartered accountant (ACA) with over 24 years' experience. He has previously held positions as Finance Director or financial controller with Skillshare International, the International Institute for Environment and Development, Cowells Arrow Bingo Company, Cinram UK Limited and Dane & Company Limited.

## **11. Executive Director and senior management incentive arrangements**

The Directors consider that the direct participation by employees in the Company through share ownership and the provision of share options is an important element of incentivising employees.

As at the date of this document, there are options outstanding to subscribe for 2,415,800 Ordinary Shares under the Share Option Plans representing 7.8 per cent. of the Enlarged Share Capital. It is not expected that any further option grants will be made before Admission.

The Company has granted options to date as EMI Options. The Company anticipates that it will cease to qualify to grant EMI options shortly following Admission based on the growth in the number of employees it has. The Company is therefore in the process of obtaining HMRC approval for the Approved Plan (which is an HMRC approved all employee share option plan). Subject to its approval by HMRC the Company proposes to use the Approved Plan as part of the incentive arrangements to encourage further share ownership in the Company following Admission. Given the limitations on the level of option awards under the Approved Plan, the Company will also look at other long term incentive plans for senior executives of the Group following Admission.

Further details of the Share Option Plans are set out in paragraph 6 of Part 5 of this document and details of options granted under the Share Option Plans are set out in paragraph 4.13 of Part 5 of this document.

## 12. Reasons for the Placing and use of proceeds

Frontier intends to use its AIM quotation and the Funding to facilitate the implementation of its strategy in the following ways:

- Fund development of its Cobra technology – the Company intends to invest in its organic growth by extending its technology platform to move towards licensing key elements of its technology and related services to third parties.
- Elite: Dangerous – Frontier will use some of the proceeds of the Placing to supplement the development of its self-published game, Elite: Dangerous. The Directors believe that this game will display the functionality of Frontier's technology offering for both customers and platform eco-system owners.
- Working capital – the Company will use a portion of the proceeds of the Placing to strengthen its working capital position in particular for its overseas office.
- Acquisition capital – the Directors are focused on growing the Company organically but the Admission will give Frontier the currency to consider making acquisitions, should they arise in the future.

## 13. Interests of the Directors and lock-in arrangements

Immediately following the Placing and Admission, the beneficial interests of the Directors and their connected persons in the issued share capital of the Company will be as follows:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital %</i>
David John Braben	17,494,380	56.4
David Ranken Gammon <sup>1</sup>	224,720	0.7
Jonathan Simon Milner <sup>2</sup>	224,720	0.7
David John Walsh <sup>3</sup>	1,245,820	4.0
Jonathan Francis Watts	23,500	0.1
<b>Total</b>	<b>19,213,140</b>	<b>61.9</b>

1. Held by Rockspring. David Gammon and his family are beneficially interested in these Ordinary Shares.
2. 56,180 Ordinary Shares are held by the JS Milner Accumulation and Maintenance Trust in which Jonathon Milner is beneficially interested.
3. 490,000 Ordinary Shares are registered in the name of Gillian Walsh.

Those Directors and their connected persons holding shares in the Company have also undertaken, subject to certain exceptions, not to dispose of their Ordinary Shares (or any interest therein) for a period of one year from the date of Admission. Further details of these lock-in arrangements are set out in paragraph 13.2 of Part 5 of this document.

## 14. Dividend policy

The declaration and payment by the Company of any future dividends on the Ordinary Shares and the amount will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. However, given the Company's stage of development, the Directors do not envisage that the Company will pay dividends in the foreseeable future and intend to re-invest surplus funds in the development of the Group's business. The Board will regularly review the appropriateness of its dividend policy.

## 15. Corporate governance

The Directors recognise the value and importance of high standards of corporate governance and intend to observe the requirements of the UK Corporate Governance Code to the extent they consider appropriate in

light of the Company's size, stage of development and resources. The Company also proposes to follow the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM.

The Directors have established an audit committee, remuneration committee, and nominations committee with formally delegated duties and responsibilities.

The audit committee determines the terms of engagement of the Company's auditors and in consultation with the Company's auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use by the Company. The audit committee has unrestricted access to the Company's auditors. Members of the audit committee are David Gammon and Neil Armstrong.

The remuneration committee reviews the scale and structure of the executive Directors' future remuneration and the terms of their service agreements with due regard to the interests of Shareholders. No Director is permitted to participate in discussions or decisions concerning his own remuneration. Members of the remuneration committee are David Gammon, Jonathan Milner and David Walsh.

The nominations committee reviews the constituents of the Board and its committees to ensure appropriate balance and representation. Members of the nominations committee are David Gammon, David Braben and Neil Armstrong.

The Directors intend to comply, and procure compliance with, Rule 21 of the AIM Rules relating to dealings by directors and other applicable employees in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

## **16. Taxation**

Further information on United Kingdom taxation with regard to the Placing is set out in the paragraph 12 of Part 5 of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom tax position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.

## **17. The Placing**

Under the Placing Agreement (details of which are set out in paragraph 13.1 of Part 5 of this document), Canaccord has agreed, as agent for the Company, to use reasonable endeavours to procure placees for the Placing Shares at the Placing Price.

The Placing comprises 3,169,292 Placing Shares being issued by the Company. The aggregate proceeds of the Placing will be approximately £4.0 million before expenses, of which £3.3 million net of expenses will be receivable by the Company. Canaccord has received conditional commitments from institutional and other investors for 3,169,292 Placing Shares at the Placing Price pursuant to the Placing.

The Placing Shares will rank *pari passu* with the Existing Ordinary Shares including the rights to all dividends and other distributions declared, paid or made after the date of issue. The Placing has not been underwritten.

The Placing is conditional, amongst other things, upon Admission and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms.

On Admission the Company will have 31,044,422 Ordinary Shares in issue and a market capitalisation of approximately £39.4 million at the Placing Price. Application has been made to the London Stock Exchange for the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 15 July 2013.

## **18. Takeover Code**

The City Code on Takeovers and Mergers (the “Takeover Code”) applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the total voting rights in the Company.

David Braben will following Admission hold 17,494,380 Ordinary Shares representing 56.4 per cent. of the Enlarged Share Capital. He will not therefore be subject to the restrictions under the Takeover Code referred to above in respect of the acquisition of additional Ordinary Shares and will be able to acquire further Ordinary Shares without being required to make a mandatory cash offer for the Company

Further information on the provisions of the Takeover Code can be found in paragraph 11 of Part 5 of this document.

## **19. Settlement and dealings**

Application has been made to the London Stock Exchange for the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will take place, and that dealings on AIM in the Ordinary Shares will commence, on 15 July 2013.

Application will be made for all the issued and to be issued Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place through CREST.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the Regulations. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## **20. Additional information**

Your attention is drawn to the risk factors, the accountants’ report on the Company and the additional information sections in Parts 3 and 4 respectively of this document.

## **PART 2**

### **RISK FACTORS**

**An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.**

**The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.**

**If any of the following risks were to materialise, the Company's business, financial conditions, results or future operations could be materially adversely affected. In such cases, the market price of the Company's shares could decline and an investor may lose part or all of his or her investment.**

#### **RISKS RELATING TO THE GROUP'S BUSINESS**

##### **1. Ongoing development of the Cobra platform**

The Cobra development platform is important to the Group's strategy and business plans. The Group's business plans depend, in part, on its ability to develop and maintain this development platform, enhance the technology to address evolving requirements, including the ability to develop games using Cobra for new platforms and identifying and responding to emerging technological trends. If the Group cannot carry out the foregoing the platform may not continue to adequately meet the requirements of the Group for the development of games and/or may not be accepted or adopted by third party developers, platform owners and publishers. This could have a material adverse effect on the Group's business, financial condition and prospects.

##### **2. Claims from third parties**

While the Directors believe that Cobra, the Group's video games and other intellectual property do not infringe upon the proprietary rights of third parties, there can be no assurance that the Group will not receive communications from third parties asserting that the Group's software, games and/or other intellectual property infringe, or may infringe their proprietary rights. Any such claims, with or without merit, could be time-consuming, result in costly litigation and diversion of technical and management personnel, cause delays in the development of games and/or the Group's technology or require the Group to develop non-infringing technology or enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Group. In the event of a successful claim for infringement against the Group and failure or inability of the Group to develop non-infringing intellectual property or licence the infringed or similar intellectual property, the Group's business, operating results or financial condition could be materially adversely affected.

### **3. Risk to intellectual property and proprietary rights**

The Group relies on a combination of trade secret, copyright, non-disclosure laws and other contractual agreements and technical measures to protect its proprietary rights. The Group has entered confidentiality provisions as part of its arrangements with its employees and consultants. Despite the Group's efforts to protect its proprietary rights, unauthorised third parties may attempt to copy the Group's games or software or to obtain and use information that the Group regards as proprietary. Legal proceedings to enforce the Group's intellectual property rights could be burdensome and expensive and could involve a high degree of uncertainty. If the Group cannot successfully enforce its intellectual property rights this could have a material adverse effect on its business, financial condition and prospects.

### **4. Commercial underperformance of products**

Many factors may cause a product to underperform commercially in the market which would negatively impact the Company's financial position and prospects. Common reasons for such underperformance include without limitation: the product not appealing to its intended audience; it not being promoted appropriately; other products releasing around the same time taking away disposable income and/or market attention from the product; delays in releasing an expected product or completion of development work in respect of a product; lack of time to adequately test and/or provide a final level of finish/polish on the product resulting in an unacceptable number or severity of bugs or incomplete feature set. Also the fact of the Group launching a product where development has not been completed to the historic standard maintained by the Group or completion of development work below the standard required itself could negatively impact the Group's reputation with customers and therefore its financial position and prospects.

### **5. Kickstarter financing for Elite: Dangerous**

The Company has raised circa £1.5 million for the development of the Elite: Dangerous game using the Kickstarter web-site (<http://www.kickstarter.com/projects/1461411552/elite-dangerous>). Whilst backers do not get any rights to the revenue generated by the Elite: Dangerous game by virtue of participating in financing the game development through the site, they do however have the right to certain rewards based on their contribution as promised by the Company on its Kickstarter web-page including a digital copy of the game when released. The Company is required under the terms of use of the web-site to fulfil all rewards it has promised backers or to refund any backers whose reward they do not and can not fulfil. If the Company fails to develop and publish the game or to provide the rewards promised to backers through the Kickstarter web-site, the Company could be liable to refund some or all of the backers. This could have a material adverse effect on the financial position and/or reputation of the Company.

### **6. Dependence on key contracts for games development**

The Group has derived a significant proportion of its historic revenues from the work for hire it carries out for platform owners, publishers and other developers. The success of the Group will continue to depend in part on its ability to continue to be engaged to develop games for such third parties. In line with industry practice, the Group's development contracts may provide for no-fault termination by its customers. There can be no assurance that these customer relationships will continue or that the revenue that the Directors expect to generate from these relationships will materialise. Similarly, there is no guarantee that any of the contracts the Directors anticipate signing with customers will be entered into despite initial indications from these entities that this will be the case and that if contracts are entered into with any such potential customers and/or suppliers that they will generate significant revenue. The Group's operating plan and future results could be hindered if this were to be the case and replacement work could not be found at the same cost or on the same terms.

### **7. Financial Resources**

The Directors are of the opinion, having made due and careful enquiry, after taking account of the Group's existing cash resources, bank facilities and the estimated net proceeds of the Placing, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.



The Group's future capital requirements will depend on numerous factors, including the success of the games it develops, the investment in Cobra and potential hires and acquisitions. In the future the Group may require additional funds and may attempt to raise such funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to the holders of Ordinary Shares and any debt financing, if available, may require restrictions to be placed on the Group's future financing and operating activities. The Group may be unable to obtain additional financing on acceptable terms if market and/or economic conditions, the financial condition or operating performance of the Group or investor sentiment are unfavourable. The Group's inability to raise further funds may hinder its ability to grow in the future.

#### **8. Dependence on commercial partners**

The Group places substantial reliance upon the efforts and abilities of its commercial partners. The performance of such partners will have a significant bearing on the success of the Group, and their performance cannot be guaranteed. This is true, for example without limitation, as part of the development process where outsourcing is used, for digital distribution and marketing where a third party channel is typically used, and even in the publisher business model where a publisher may become unable or unwilling to continue with a contracted partnership – a specific example of this occurred with one of the Group's projects. Having started in 2007, the development of 'The Outsider' game was ultimately abandoned by the Group and the costs written off after the commercial relationship with the original publisher was halted and a second publisher ultimately was unable to conclude a deal for the game because of its own commercial context. Underperformance of the Group's commercial partners could have a material adverse effect on the Group's business, operations, revenues or prospects.

#### **9. Loss of key management**

The Group places substantial reliance upon the efforts and abilities of its Directors and executive officers. The Directors' strategic guidance, experience and expertise will have a significant bearing on the success of the Group. The retention of their services cannot be guaranteed. The loss of the services of any of any Directors or executive officers could have a material adverse effect on the Group's business, operations, revenues or prospects.

#### **10. Ability to recruit and retain skilled personnel**

The Group believes that it has the appropriate incentivisation structures to attract and retain the calibre of employees necessary to ensure the efficient management and development of the Group. However, any difficulties encountered in retaining and hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group. The ability to retain and attract employees with the appropriate expertise and skills cannot be guaranteed.

#### **11. Managing evolution in Group operations**

In order to maximise potential growth in its current and potential markets, the Directors believe that the Group must expand its operations and frequently review and evolve the mix of business models it employs. This will place a significant demand on the Group's management and operational, accounting, and information systems. The Group expects that it will need to continue to improve its financial controls, operating procedures, and management information systems as the Group evolves its operations and business models. The Group will also need to effectively train, motivate, and manage its employees. Failure to manage the Group's operational evolution appropriately could negatively impact the Group's financial position and prospects.

#### **12. Current operating results as an indication of future results**

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Accordingly, investors should not rely on comparisons with the Company's results to date as an indication of future performance. Factors that may affect the Company's operating results include increased competition, an increased level of expenses, technological change necessitating additional capital expenditure, the success of its games and changes to the statutory and regulatory regime

in which it operates. It is possible that, in the future, the Company's operating results may fall below the expectations of market analysts or investors. If this occurs, the trading price of the Ordinary Shares may decline significantly.

### **13. Costs of compliance with AIM corporate governance and accounting requirements**

The Group may incur significant costs associated with its public company reporting requirements, including costs associated with applicable corporate governance requirements. The Group expects all of these applicable rules and regulations to significantly increase the Group's legal and financial compliance costs and to make some activities more time consuming and costly. The Group also expects that these applicable rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Group to attract and retain qualified individuals to serve on its board of directors or as executive officers. The Group is currently evaluating and monitoring developments with respect to these newly applicable rules, and it cannot predict or estimate the amount of additional costs it may incur or the timing of such costs.

### **14. The Group may never pay dividends**

The Directors do not intend to distribute dividends in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the Directors, and will depend upon, among other things, the results of the Group's operations, cash flows and financial condition, operating and capital requirements, and other factors as the board of directors considers relevant. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

### **15. Future acquisitions may have an adverse effect on the Group's ability to manage its business**

If the Group is presented with appropriate opportunities, it may acquire complementary intellectual property, technologies, development teams or companies. Future acquisitions would expose the Group to potential risks, including risks associated with the assimilation of new technologies and personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from the Group's existing business and the inability to generate sufficient revenues to offset the costs and expenses of acquisitions. Any difficulties encountered in the acquisition and integration process may have an adverse effect on the Group's ability to manage its business.

## **RISKS RELATING TO THE GROUP'S INDUSTRY**

### **1. New Developments and technological trends**

The video games market is competitive and selective and is subject to concentration and economic fluctuations, with rapid technological changes requiring significant research and development investment.

The industry also faces challenges such as the shift towards digital online distribution (which the Directors believe is set to gradually replace physical boxed games at some point in the future), a second-hand market, piracy and emerging competitors.

In order to remain competitive the Company will need to continue to select the projects it works on and their target format(s) carefully and to continue to adapt how it derives revenues from its games and technology. If the Company is not successful in doing so this could have a material adverse effect on the financial and trading position of the Group.

### **2. Competition**

The Group competes with other companies. Current and potential competitors may have substantially greater financial, technical and marketing resources, longer operating histories, larger customer bases, greater name recognition and more established relationships than the Group and so may be better able to compete in the Group's target markets. The primary market for the Group's technology, games and services is a highly



competitive market. If the Group is unable to compete effectively, the results of its operations will be materially and adversely affected.

### **3. Industry regulation**

The video games industry is subject to a number of laws and regulations, in particular those relating to consumer protection, also covering but not limited to information given to consumers on the rules of use and content of games, the classification of games in accordance with age-rating, the protection of consumers' personal data when this data is collected and the protection of minors (notably by setting up parental consent procedures). Compliance with such laws and regulations (and any future laws and regulations) could be time consuming and costly and could have an impact on the financial performance of the Group.

### **4. Protection of data**

The Group, like other video games publishers and developers is exposed to multiple prerequisites such as changes in regulations and standards relating to data protection and the management of sensitive data. It is important to protect information from external and internal threats in order to guarantee its confidentiality, integrity and availability, and to ensure business continuity. To achieve this it may be necessary for the Group to invest more heavily in specialist resources to reduce risks and to increase its ability to anticipate future threats. This could have a material adverse effect on the Group's financial performance

### **5. Denial of service and information theft**

The Group has self published a number of games using digital distribution channels and continues to do so. These games are and may in the future be hosted on the Group's servers and/or cloud based commodity servers. Several high profile cases of Denial of Service or information stealing attacks have occurred on other companies operations. Similarly, bona-fide technical issues causing server downtime could deny service. Such problems with the Group's and/or third party servers would have a material adverse effect on the Group's financial performance and reputation.

### **6. Approval requirements for major exploitation channels**

There are several 'open' platforms such as PC, Linux, Macintosh and Android which have no approval process for games. However, in order to maximise the Group's commercial exploitation plans for its products, the approval of several independent eco-system owners is necessary. There is a possibility that one or more of these owners may not approve one or more of the Group's products for one or more of many different legitimate reasons. This would have a material adverse effect on the Group's financial performance.

## **RISKS RELATING TO THE ORDINARY SHARES**

### **1. AIM**

The Ordinary Shares will be admitted to AIM. No application is being made for admission of the Ordinary Shares to the Official List or to any other stock exchange. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, overall market or sector sentiment, legislative changes in the Company's sector and other events and factors outside of the Company's control.

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the Ordinary Shares.

## **2. Taxation**

Any change in the Company's or its subsidiaries' tax status or in tax legislation could affect the Company's ability to provide returns to shareholders. Statements in this document in relation to tax and concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the specific circumstances of the relevant investor.

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

## **3. Investment risk**

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Investors may therefore realise less than, or lose all of, their investment.

Investors should be aware that, following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could even lose their entire investment. This volatility could be attributable to various facts and events, including the availability of information for determining the market value of an investment in the Company, any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

## **4. Volatility of the value of the Company's Ordinary Shares**

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover any or all of their original investment, especially as the market in Ordinary Shares on AIM may have limited liquidity.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested.

## **5. Illiquidity**

There will have been no public trading market for the Ordinary Shares prior to Admission. The Ordinary Shares may therefore be illiquid in the short to medium term and, accordingly, an investor may find it difficult to sell Ordinary Shares, either at all or at an acceptable price. Further, the Group can give no assurance that an active trading market for the Ordinary Shares will develop, or if such a market develops, that it will be sustained. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected and investors may have difficulty selling their Ordinary Shares. The market price of the Ordinary Shares may drop below the Placing Price. Any investment in the Ordinary Shares should be viewed as a long term investment.

## **6. Significant shareholders**

Following Admission, the Directors and their connected persons will, in aggregate, hold approximately 61.9 per cent., of the Enlarged Issued Share Capital and David Braben will hold approximately 56.4 per cent. of the Enlarged Issued Share Capital. They may therefore be able to exert significant influence over the

Company in respect of its corporate affairs requiring shareholder approval. This concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of the Group, could deprive shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Group and might effect the market price of the Ordinary Shares.

## PART 3

### PART A: ACCOUNTANTS' REPORT ON FRONTIER DEVELOPMENTS PLC



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9 July 2013

Dear Sirs

#### **Frontier Developments plc (the “Company”) and its subsidiary undertaking Frontier Developments Inc (together the “Group”)**

We report on the financial information set out in Part 3B of the admission document dated 9 July 2013 (the “Admission Document”), for the three years ended 31 May 2010, 2011 and 2012 (the “Financial Information”). The Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 3 of the Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose. We have not reviewed or audited the Financial Information for the six months ended 30 November 2011 and 2012, and accordingly do not express an opinion thereon.

#### **Responsibilities**

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

The directors of Frontier Developments plc are responsible for preparing the Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Financial Information and

#### **Chartered Accountants**

Member firm within Grant Thornton International Ltd

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A list of members is available from our registered office.

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whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 May 2010, 31 May 2011 and 31 May 2012 and of its results, cash flows and changes in equity for the years then ended in accordance IFRS.

### **Declaration**

For the purposes Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

## **PART B: HISTORICAL FINANCIAL INFORMATION**

The financial information set out below of the Group and its subsidiary undertaking for the three years ended 31 May 2012 and the six months ended 30 November 2011 and 30 November 2012 has been prepared by the Directors of the Group on the basis set out in note 2.

Frontier Developments Limited was re-registered as Frontier Developments plc on 21 December 2012.

The accompanying notes represent an integral part of the financial information.

The financial information contained within this section does not constitute statutory accounts within the meaning of section 434 of the Act.

## Consolidated Income Statement

		<i>Unaudited</i>		<i>Audited year ended</i>		
		<i>6 months ended</i>				
		<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Revenue</b>	5	5,968	8,625	14,157	11,196	9,604
Cost of sales		(3,770)	(7,081)	(11,259)	(12,073)	(6,203)
<b>Gross profit/(loss)</b>		2,198	1,544	2,898	(877)	3,401
Administrative expenses		(1,278)	(990)	(1,508)	(1,252)	(3,598)
<b>Operating profit/(loss)</b>		920	554	1,390	(2,129)	(197)
Finance income	21	1	1	10	7	16
<b>Profit/(loss) before tax</b>	6	921	555	1,400	(2,122)	(181)
Income tax	22	–	–	(2)	700	(201)
<b>Profit/(loss) for the period</b>		921	555	1,398	(1,422)	(382)

All the activities of the Group are classified as continuing.

## Statement of Comprehensive Income

	<i>Unaudited</i>		<i>Audited year ended</i>		
	<i>6 months ended</i>				
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit/(loss) for the period	921	555	1,398	(1,422)	(382)
Exchange differences on translation of foreign operations	(5)	–	–	–	–
Total comprehensive income for the period attributable to the owners of the Group	916	555	1,398	(1,422)	(382)

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



## Consolidated Statement of Financial Position

		<i>Unaudited</i>		<i>31 May</i> 2012	<i>Audited</i>	
		<i>30 November</i> 2012	<i>30 November</i> 2011		<i>31 May</i> 2011	<i>31 May</i> 2010
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Non-current assets</b>						
Intangible assets	7	3,517	3,342	3,331	3,521	2,854
Property, plant and equipment	8	317	361	185	379	597
Available for sale financial assets	9	–	–	–	–	25
<b>Total non-current assets</b>		<b>3,834</b>	<b>3,703</b>	<b>3,516</b>	<b>3,900</b>	<b>3,476</b>
<b>Current assets</b>						
Inventories	13	286	68	75	259	2,329
Trade and other receivables	14	1,972	497	2,505	2,132	567
Current tax assets		–	12	–	12	–
Cash and cash equivalents	15	3,803	2,770	1,686	1,064	2,010
<b>Current assets</b>		<b>6,061</b>	<b>3,347</b>	<b>4,266</b>	<b>3,467</b>	<b>4,906</b>
<b>Total assets</b>		<b>9,895</b>	<b>7,050</b>	<b>7,782</b>	<b>7,367</b>	<b>8,382</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Share capital	16	13	12	12	12	12
Share premium account		1,961	1,794	1,794	1,794	1,775
Option reserve		422	283	263	364	442
Foreign exchange reserve		(5)	–	–	–	–
Retained earnings		5,626	3,831	4,694	3,195	4,539
<b>Total equity</b>		<b>8,017</b>	<b>5,920</b>	<b>6,763</b>	<b>5,365</b>	<b>6,768</b>
<b>Liabilities</b>						
<b>Current</b>						
Trade and other payables	19	1,709	999	867	1,889	834
Current tax liabilities		1	–	2	–	12
		<b>1,710</b>	<b>999</b>	<b>869</b>	<b>1,889</b>	<b>846</b>
<b>Non-current</b>						
Provisions	20	168	131	150	113	80
Deferred tax	12	–	–	–	–	688
		<b>168</b>	<b>131</b>	<b>150</b>	<b>113</b>	<b>768</b>
<b>Total liabilities</b>		<b>1,878</b>	<b>1,130</b>	<b>1,019</b>	<b>2,002</b>	<b>1,614</b>
<b>Total equity and liabilities</b>		<b>9,895</b>	<b>7,050</b>	<b>7,782</b>	<b>7,367</b>	<b>8,382</b>

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

## Consolidated Statement of Cash Flows

	<i>Notes</i>	<i>Unaudited</i> <i>6 months ended</i>		<i>Audited year ended</i>		
		<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
		<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Operating activities</b>						
Profit/(loss) after tax		921	555	1,398	(1,422)	(382)
Adjustments	23	886	717	1,829	620	1,212
Net changes in working capital	23	1,182	953	(1,174)	1,593	(3,144)
Taxes received/(paid)		—	—	12	(12)	—
<b>Cash flow from operating activities</b>		<u>2,989</u>	<u>2,225</u>	<u>2,065</u>	<u>779</u>	<u>(2,314)</u>
<b>Investing Activities</b>						
Purchase of property, plant and equipment		(188)	(13)	(28)	(19)	(283)
Expenditure on intangible assets		(846)	(507)	(1,433)	(1,795)	(1,159)
Proceeds from disposal of other long-term financial assets		—	—	—	65	—
Interest received		1	1	10	7	16
<b>Cash flow from investing activities</b>		<u>(1,033)</u>	<u>(519)</u>	<u>(1,451)</u>	<u>(1,742)</u>	<u>(1,426)</u>
<b>Financing activities</b>						
Proceeds from issue of share capital		168	—	—	19	29
<b>Cash flow from financing activities</b>		<u>168</u>	<u>—</u>	<u>—</u>	<u>19</u>	<u>29</u>
Net change in cash and cash equivalents from continuing operations		2,124	1,706	614	(944)	(3,711)
Cash and cash equivalents at beginning of period		1,686	1,064	1,064	2,010	5,724
Exchange differences on cash and cash equivalents		(7)	—	8	(2)	(3)
<b>Cash and cash equivalents at end of period</b>		<u>3,803</u>	<u>2,770</u>	<u>1,686</u>	<u>1,064</u>	<u>2,010</u>

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

## Consolidated Statement of Changes In Equity

	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Option reserve £'000</i>	<i>Foreign exchange reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total Equity £'000</i>
<b>At 1 June 2009</b>	12	1,746	448	–	4,915	7,121
Share based payment transfer	–	–	(6)	–	6	–
Issue of share capital	–	29	–	–	–	29
<b>Transactions with owners</b>	–	29	(6)	–	6	29
Loss for the year	–	–	–	–	(382)	(382)
<b>Total comprehensive income for the year</b>	–	–	–	–	(382)	(382)
<b>At 31 May 2010</b>	12	1,775	442	–	4,539	6,768
Share based payment transfer	–	–	(78)	–	78	–
Issue of share capital	–	19	–	–	–	19
<b>Transactions with owners</b>	–	19	(78)	–	78	19
Loss for the year	–	–	–	–	(1,422)	(1,422)
<b>Total comprehensive income for the year</b>	–	–	–	–	(1,422)	(1,422)
<b>At 31 May 2011</b>	12	1,794	364	–	3,195	5,365
Share based payment transfer	–	–	(101)	–	101	–
<b>Transactions with owners</b>	–	–	(101)	–	101	–
Profit for the year	–	–	–	–	1,398	1,398
<b>Total comprehensive income for the year</b>	–	–	–	–	1,398	1,398
<b>At 31 May 2012</b>	12	1,794	263	–	4,694	6,763
<b>At 1 June 2011</b>	12	1,794	364	–	3,195	5,365
Share based payment transfer	–	–	(81)	–	81	–
<b>Transactions with owners</b>	–	–	(81)	–	81	–
Profit for the period	–	–	–	–	555	555
<b>Total comprehensive income for the period</b>	–	–	–	–	555	555
<b>At 30 November 2011 – Unaudited</b>	12	1,794	283	–	3,831	5,920

	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Option reserve £'000</i>	<i>Foreign exchange reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total Equity £'000</i>
<b>At 1 June 2012</b>	12	1,794	263	–	4,694	6,763
Increase in equity in relation to options issued	–	–	170	–	–	170
Share based payment transfer			(11)	–	11	–
Issue of share capital	1	167	–	–	–	168
<b>Transactions with owners</b>	1	167	159	–	11	338
Profit for the period	–	–	–	–	921	921
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	–	–	(5)	–	(5)
<b>Total comprehensive income for the period</b>	–	–		(5)	921	916
<b>At 30 November 2012 – Unaudited</b>	13	1,961	422	(5)	5,626	8,017

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

## Notes to the financial statements

### 1. Corporate Information

Frontier Developments plc (“the Group”) develops non-game applications and 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 a subsidiary, Frontier Developments Inc, in Canada.

### 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. The financial information is presented in Sterling, the presentation currency for the Group and all values are rounded to the nearest thousand pounds (£’000) except when otherwise indicated.

The preparation of this financial information requires the Directors to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

#### *Going concern basis*

The Group’s forecasts and projections, taking account of 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 twelve months from the date of this financial information. The Group therefore continues to adopt the going concern basis in preparing its financial statements. In the short to medium term, the Group is considering its resource requirements to support an accelerated growth plan for the business which would require it to raise funds.

### 3. Principal Accounting Policies

#### *Basis of Consolidation and Business Combinations*

##### *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 has the power to control the financial and operating policies through its share ownership. 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.

#### (a) 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 the 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.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

(b) 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 & Fittings	5 years
Computer Equipment	2½ 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.

As a result of the review of useful economic lives an additional depreciation charge of £nil was made in the period to November 2012 (November 2011: £nil, May 2012: £34,824, May 2011: £37,201; May 2010: £22,566).

(c) 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 elements:

- Development Tools
- Software (self published games)
- Software (third party)

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 (tools & development software) or sale (self published games).
- The Group intends to complete the intangible asset and has the ability to use or sell 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.
- The Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Internally-generated intangible assets, consisting of direct labour costs, other specific direct project costs and attributable project support costs, are amortised on a straight-line basis over their useful economic lives when the assets are available for use. Amortisation is shown within cost of sales in the income statement. The estimated useful lives of current development projects are between two and

five years. Until completion the assets are subject to annual impairment testing. Amortisation commences upon completion of the asset, and is shown within cost of sales 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.

As a result of the review of useful economic lives an additional amortisation charge of £nil was made in the period to November 2012 (May 2012: £50,896, November 2011: £nil, May 2011: £39,300, November 2010: £2,868).

(d) Research and development

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

(e) Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and individual intangible assets for any indication that these assets have suffered an impairment loss. Until the internally generated intangible assets are available for use when amortisation can be charged, the assets are subject to an annual impairment test. Intangible assets already being amortised are also reviewed for any indication that the asset has suffered an impairment. 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 and value in use.

Fair value is measured for self published games by discounting future cashflows. For all other assets a review of the expected useful economic life in use is undertaken and compared to that implied in the amortisation rate.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the total accumulated project cost less the amount expensed as cost of sales, being an allocation to match sales revenue, subject to an economic benefit test for long term contracts. Economic benefit tests are measured by reference to contractual terms such as approval of a milestone by the customer. Net realisable value is based on estimated selling value less additional cost to completion and distribution. Provisions are made for obsolete, or defective elements (which do not meet quality criteria and have to be replaced in full) of cost where appropriate and are recognised as an expense in the period in which the write-down or loss occurs.

(g) Financial assets

Financial assets comprise assets available for sale, trade receivables, other receivables and cash and cash equivalents.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available-for-sale are recognised in the profit or loss when they are sold or when the investment is impaired.

Trade and other 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 cash flows discounted at the original effective interest rate.

(h) Cash and cash equivalents

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

(i) Financial liabilities

The Group's 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.

(j) 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.

(k) 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.

(l) 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.



(m) Revenue recognition

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 design and production of computer software contracted for customers, royalties from published games, income from the release of self published games, and crowd sourced funding.

Revenues on project contracts are mapped against the expected profile of costs. In most circumstances these are closely correlated.

Where there is close correlation between the revenue and cost profile, the milestones within the project contracts are considered to approximate the stage of completion of the obligations under the contract and therefore recognition of revenue based on these milestones provides a sufficiently accurate approximation of recognition of revenue on a stage of completion basis, except for where there are significant acceptance requirements. Under such arrangements, revenue is recognised when the Group has substantially met all its performance obligations.

Where there is less correlation between the revenue and cost profile, revenue from customer specific contracts, are recognised on the stage of completion of each assignment (milestone) at the period end date compared to the total estimated service based on the estimate of labour and other costs to be provided over the entire contract where the outcome can be estimated reliably. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered. An expected loss on a contract is recognised immediately in the income statement.

Additionally project contracts may contain provision for the pass through of sub contract costs, these are recharged on a matching basis in the same period as the underlying cost.

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

Revenue from released self published titles is recognised on download of the game or part thereof (micro transaction) from the sales channel and/or distribution platform.

Revenue from crowd funding for self-published titles is normally recognised when the Group meets its performance obligations. Where there is no performance obligation, for example, a supporting donation, this is taken as revenue over the expected development period of the game on a straight line basis.

(n) Employee benefits

All accumulating employee compensated absences that are unused at the balance sheet date are recognised as a liability.

The Group does not generally operate any pension scheme for its employees, beyond providing access to an 'employee contribution only' Stakeholder scheme. There was however a small defined contribution pension contribution for an employee, which finished in the period to May 2012. Payments to defined contribution retirement benefit schemes are charged as an expense in the period to which they relate.

(o) Share-based payment transactions

Share options are periodically granted to staff. Share options are measured at fair value at the date of issue 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 the expiry date of the options. The share-based payment is recognised as an expense in profit or loss, together with a corresponding

credit to a share-based payment reserve in equity. 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, net of any directly attributable transaction costs, being recorded as share premium.

(p) Foreign currencies

Transactions denominated in a foreign currency are translated at the rate of exchange ruling at a month end rate in order to approximate to 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.

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 actual 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.

(q) Segment reporting

The Group identifies only one operating segment as the business is managed as a whole. For management purposes the chief operating decision maker reviews the financial information which is consistent with that reported in its financial statements. Assets are not directly attributable to any separable activity.

(r) 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.

Option reserve – This reserve represents equity – settled share based employee remuneration until such share options are exercised.

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

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

(s) 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.

- (t) Standards and interpretations not yet applied  
The following new Standards, which are yet to become mandatory, have not been applied in the financial statements.

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated financial statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)

Based on the Group's current business model and accounting policies, management does not expect material impacts on the financial information when the Standard becomes effective. The Group does not intend to apply these pronouncements early.

#### **4. Significant Accounting Estimates and Key Judgements**

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) ***Intangible assets***

The Group invests heavily in research and development. The identification of development costs which 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 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 intangible fixed assets at May year end, are: £3,331,253 (2011: £3,521,219, 2010: £2,853,861). The net book values at the November interim period, are: £3,517,322 (2011: £3,342,353).

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 cash flows.

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. This is necessary as the economic success of any unreleased self published game is uncertain.

(b) ***Trade receivables and recovery of work in progress***

Trade receivables are stated net of any impairment for bad and doubtful debts, based on the Group's best estimate of the likelihood of recovery on a specific basis. Recovery of work in progress is dependent on the successful completion of projects. Judgement is therefore needed to be applied for projects which are in progress regarding the ability of the Group to complete and deliver the project in accordance with contractual terms.

(c) **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.

(d) **Revenue recognition**

Significant management judgement is applied in determining the allocation and timing of the recognition of revenue on contracts. In this process management takes into account milestones, actual work performed and further obligations and costs expected to complete the work. Management monitor the progress and have regular dialogue with customers to confirm the project status.

**5. Segment Information**

The Group identifies reportable 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 a single operating segment being the design and production of computer software irrespective of platform or route to market. Resources are managed on the basis of the Group as a whole.

The Group's revenues from external customers are divided into the following geographical areas:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
United Kingdom					
(country of domicile)	22	1	29	2	4,032
United States of America	5,831	8,599	13,905	11,112	5,377
Rest of the World	115	25	223	82	195
	<u>5,968</u>	<u>8,625</u>	<u>14,157</u>	<u>11,196</u>	<u>9,604</u>

At November 2012 £88,647 of non-current assets are based in Canada, with the remainder in the UK. Up until November 2012 all non-current assets were based in the UK.

In 2012 and 2011 periods there was one customer whose revenue accounted for more than 10 per cent. of total revenue. The customer is based in United States of America and totals 94 per cent. (2011: 97 per cent.) of the annual revenue. At the November 2012 interim date the Customer based in the United States of America accounted for 93 per cent. of revenue during the period (2011: 97 per cent.).

In the 2010 period there were two customers whose revenue accounted for more than 10 per cent. of total revenue. One customer is based in the United Kingdom and totalled 28 per cent. and the other in the United States of America totalled 55 per cent. of annual revenue.

All revenue is categorised as either 'self published', 'publishing' or royalties. The majority of the revenue is services provided, however, a small proportion of the 2009/10 revenue was for goods provided.

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Publishing	5,570	8,502	13,498	10,867	8,999
Self published	215	–	323	–	–
Royalties	183	123	336	329	604
Products	–	–	–	–	1
	<u>5,968</u>	<u>8,625</u>	<u>14,157</u>	<u>11,196</u>	<u>9,604</u>

EBITDA before material exceptional items is a key performance indicator for the Group and is also used by the CEO and is calculated as follows:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit	920	554	1,390	(2,129)	(197)
Depreciation	69	30	185	235	171
Amortisation	645	686	1,623	1,128	775
Impairment/(capitalisation) of work in progress	–	–	–	2,896	(1,843)
Impairment of intangibles	–	–	–	–	78
Bad debt provision	–	–	–	–	1,843
EBITDA	<u>1,634</u>	<u>1,270</u>	<u>3,198</u>	<u>2,130</u>	<u>827</u>
Share based compensation	170	–	–	–	–
Funding costs	96	–	–	–	–
Dilapidation provision	18	18	37	56	81
Canada set up fees	15	–	–	–	–
EBITDA adjusted	<u>1,933</u>	<u>1,288</u>	<u>3,235</u>	<u>2,186</u>	<u>908</u>

## 6. Profit/(loss) before tax

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>This is stated after charging/(crediting):</i>					
Amortisation and impairment on intangibles	645	686	1,623	1,128	775
Depreciation of owned property, plant and equipment	69	30	185	235	171
Impairment of intangibles	–	–	–	–	78
Impairment of long term work in progress	73	–	–	2,896	–
Loss on disposal of fixed assets	–	1	1	2	–
Profit on disposal of available for sale assets	–	–	–	(40)	–
Research and development costs expensed	–	8	20	30	39

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Auditor remuneration:</i>					
Audit services – statutory audit	10	5	11	5	4
Non audit services – tax services	1	1	3	1	1
– other services	22	4	10	–	–
Operating leases – land and buildings	236	207	415	415	356
Foreign exchange loss/(gain)	7	–	(8)	2	3
Bad debt (recovery)/provision	–	–	–	(4)	1,843

## 7. Intangible assets

The Group's Intangible assets comprise capitalised development tools and acquired software licences and self published software games. The carrying amounts for the reporting periods under review can be analysed as follows:

	<i>Development tools &amp; licences</i>	<i>Self published software</i>	<i>Third party software</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost</i>				
At 1 June 2009	3,233	–	494	3,727
Additions	1,077	–	83	1,160
Disposals	(224)	–	–	(224)
At 31 May 2010	4,086	–	577	4,663
Additions	1,640	85	70	1,795
Disposals	(545)	–	–	(545)
At 31 May 2011	5,181	85	647	5,913
Additions	238	240	29	507
Disposals	–	–	–	–
At 30 November 2011 – Unaudited	5,419	325	676	6,420
Additions	336	529	61	926
Disposals	(732)	–	–	(732)
At 31 May 2012	5,023	854	737	6,614
Additions	290	535	20	845
Transfer from intangibles	–	–	(17)	(17)
Transfer to intangibles	–	–	14	14
At 30 November 2012 – Unaudited	5,313	1,389	754	7,456

	<i>Development tools &amp; licences £'000</i>	<i>Self published software £'000</i>	<i>Third party software £'000</i>	<i>Total £'000</i>
<i>Amortisation and impairment</i>				
At 1 June 2009	952	–	228	1,180
Charge for the year	701	–	74	775
Disposals	(224)	–	–	(224)
Impairment	78	–	–	78
At 31 May 2010	1,507	–	302	1,809
Charge for the year	1,017	5	106	1,128
Disposals	(545)	–	–	(545)
At 31 May 2011	1,979	5	408	2,392
Charge for the period	582	89	15	686
Disposals	–	–	–	–
At 30 November 2011 – Unaudited	2,561	94	423	3,078
Charge for the period	625	198	114	937
Disposals	(732)	–	–	(732)
At 31 May 2012	2,454	292	537	3,283
Charge for the period	547	62	36	645
Transfer from intangibles	–	–	(1)	(1)
Transfer to intangibles	–	–	12	12
At 30 November 2012 – Unaudited	3,001	354	584	3,939
Net Book Value at 30 November 2012 – Unaudited	2,312	1,035	170	3,517
Net Book Value at 31 May 2012	2,569	562	200	3,331
Net Book Value at 30 November 2011 – Unaudited	2,858	231	253	3,342
Net Book Value at 31 May 2011	3,202	80	239	3,521
Net Book Value at 31 May 2010	2,579	–	275	2,854
Net Book Value at 1 June 2009	2,281	–	266	2,547

All amortisation charges, impairments (or reversals if any) are included within cost of sales.

An impairment loss of £77,793 was recognised in 2010 for certain development tools used in the development of a game that was suspended during the year. The recoverable amount of the asset is its value-in-use of £nil, determined based on management's expectation that the techniques used became obsolete as technology advanced. No impairment loss was recognised for 2012 or 2011.



## 8. Property, plant and equipment

	<i>Fixtures &amp; Fittings £'000</i>	<i>Computer Equipment £'000</i>	<i>Leasehold Improvements £'000</i>	<i>Total £'000</i>
<i>Cost</i>				
At 1 June 2009	116	852	4	972
Additions	155	164	–	319
Disposals	–	–	–	–
At 31 May 2010	271	1,016	4	1,291
Additions	–	19	–	19
Disposals	(13)	–	–	(13)
At 31 May 2011	258	1,035	4	1,297
Additions	–	13	–	13
Disposals	–	(10)	–	(10)
At 30 November 2011 – Unaudited	258	1,038	4	1,300
Additions	–	28	–	28
Disposals	(1)	(108)	–	(109)
Reversals	(36)	(3)	–	(39)
At 31 May 2012	221	955	4	1,180
Additions	9	162	16	187
Transfer from Intangibles	–	17	–	17
Transfer to Intangibles	–	(14)	–	(14)
At 30 November 2012 – Unaudited	230	1,120	20	1,370
<i>Depreciation</i>				
At 1 June 2009	53	469	1	523
Disposals	–	–	–	–
Charge for the year	24	144	3	171
At 31 May 2010	77	613	4	694
Disposals	(11)	–	–	(11)
Charge for the year	47	188	–	235
At 31 May 2011	113	801	4	918
Charge for the period	18	12	–	30
Disposals	–	(9)	–	(9)
At 30 November 2011 – Unaudited	131	804	4	939
Disposals	(1)	(85)	–	(86)
Charge for the period	36	119	–	155
Reversals	(13)	–	–	(13)
At 31 May 2012	153	838	4	995
Charge for the period	16	52	1	69
Transfer from intangibles	–	1	–	1
Transfer to intangibles	–	(12)	–	(12)
At 30 November 2012 – Unaudited	169	879	5	1,053

	<i>Fixtures &amp; Fittings £'000</i>	<i>Computer Equipment £'000</i>	<i>Leasehold Improvements £'000</i>	<i>Total £'000</i>
Net Book Value at 30 Nov 2012				
– Unaudited	61	241	15	317
Net Book Value at 31 May 2012	68	117	–	185
Net Book Value at 30 Nov 2011				
– Unaudited	127	234	–	361
Net Book Value at 31 May 2011	145	234	–	379
Net Book Value at 31 May 2010	194	403	–	597

Depreciation charges (or reversals if any) are apportioned to the income statement as follows:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November 2012 £'000</i>	<i>November 2011 £'000</i>	<i>May 2012 £'000</i>	<i>May 2011 £'000</i>	<i>May 2010 £'000</i>
<i>Charge</i>					
Cost of sales (including reversals)	48	18	145	188	144
Administration expenses	21	12	40	47	27
Total	69	30	185	235	171

The reversal in 2012 arises from the non payment for an asset previously capitalised in 2010 but where performance was short of specification.

## 9. Available for sale financial assets

	<i>Unquoted equity investments £'000</i>
Cost at 1 June 2009 and 1 June 2010	25
Disposals	(25)
At 31 May 2011, 2012 and 30 November 2011, 2012	–
Net Book Value at 31 May 2011, 2012 and 30 November 2011, 2012	–
Net Book Value at 31 May 2010	25
Net Book Value at 1 June 2009	25

The Group held a non controlling interest in Phonetic Arts Limited which was sold upon an acquisition of that Group in December 2010. There is a potential deferred consideration due in December 2013, not expected to be material, and is not recognised in the financial statements.

## 10. Operating leases as lessee

At each period end the Group's future minimum operating lease payments were as follows:

	<i>Unaudited</i>			<i>Audited</i>	
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Minimum lease payments					
due within one year	469	415	415	415	415
Minimum lease payments					
due within one to five years	813	1,022	815	1,230	1,617
Minimum lease payments					
due after five years	—	—	—	—	28
Total	<u>1,282</u>	<u>1,437</u>	<u>1,230</u>	<u>1,645</u>	<u>2,060</u>

Lease payments recognised as an expense during the 6 month period to November 2012: £236,414 (November 2011: £207,492) (year ended May 2012: £414,983; May 2011: £414,983; 2010: £356,408).

The lease payments relate to the rental contracts for the office buildings, which expire April 2015 and July 2015. The lease signed in October 2012 for the Canadian subsidiary expires September 2017.

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

## 11. Financial assets and liabilities

The carrying amounts presented in the Statement of Financial Position relate to the following categories of financial assets and liabilities:

	<i>Unaudited</i>			<i>Audited</i>	
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Financial assets</b>					
Available for sale financial assets					
Non controlling interest in					
non quoted company	—	—	—	—	25
Loans and receivables					
Trade and other receivables	1,778	196	2,362	1,883	434
Cash and cash equivalents	3,803	2,770	1,686	1,064	2,010
	<u>5,581</u>	<u>2,966</u>	<u>4,048</u>	<u>2,947</u>	<u>2,444</u>
Total	<u>5,581</u>	<u>2,966</u>	<u>4,048</u>	<u>2,947</u>	<u>2,469</u>
<b>Financial liabilities</b>					
Financial liabilities measured					
at amortised cost					
Current					
Trade and other payables	1,406	787	585	1,200	444
	<u>1,406</u>	<u>787</u>	<u>585</u>	<u>1,200</u>	<u>444</u>

## 12. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences can be summarised as follows:

	<i>Unaudited</i>			<i>Audited</i>	
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Accelerated capital allowances	499	605	533	576	710
Short term temporary differences	(40)	(36)	(36)	(29)	(22)
Tax losses	(459)	(569)	(497)	(547)	–
Total	–	–	–	–	688
Balance b/fwd	–	–	–	688	499
Effect of tax rate change on opening balance	–	–	–	(14)	–
Movement in year	–	–	–	(674)	189
Balance c/fwd	–	–	–	–	688

The deferred tax liability at 31 May 2010 has been recognised in the statement of financial position. The table below summarises the deferred tax assets for the Group which have not been recognised in the financial statements as only a proportion of the tax losses are anticipated to crystallise or be able to be used in the foreseeable future. Total UK tax losses available at 31 May 2012 amount to £3,729,030 (2011: £4,422,710, 2010: £nil, 2009: £461,770) and at 30 November 2012 £3,263,494 (2011: £4,371,629).

	<i>Unaudited</i>			<i>Audited</i>	
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Deferred tax asset not provided					
Losses	(324)	(480)	(398)	(603)	–

## 13. Inventories

Inventories recognised in the Statement of Financial Position can be analysed as follows:

	<i>Unaudited</i>			<i>Audited</i>	
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Work in progress	286	68	75	259	2,329

There is no material difference between the replacement cost of inventory and the amounts stated above.

For the 6 months ended 30 November 2012 a total of £138,958, (November 2011: £196,012) and (year ended May 2012; £7,934, May 2011: (£2,242,908), May 2010: (£4,169,887)) was included in profit and loss as an expense/(credit) to cost of sales. This includes an amount of £nil (November 2011: £nil) and (May 2012: £nil, May 2011: £2,895,888, May 2010: £nil) resulting from write down of inventories.

#### 14. Trade and other receivables

Trade and other receivables recognised in the Statement of Financial Position can be analysed as follows:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables, gross	1,451	9	2,153	3,651	2,173
Allowances for credit losses	–	–	–	(2,169)	(2,001)
Trade receivables, net	1,451	9	2,153	1,482	172
Other receivables	327	187	209	401	262
<b>Financial assets</b>	<b>1,778</b>	<b>196</b>	<b>2,362</b>	<b>1,883</b>	<b>434</b>
Prepayments	100	125	88	108	106
VAT and taxation	94	176	55	141	27
<b>Non-financial assets</b>	<b>194</b>	<b>301</b>	<b>143</b>	<b>249</b>	<b>133</b>
<b>Trade and other receivables</b>	<b>1,972</b>	<b>497</b>	<b>2,505</b>	<b>2,132</b>	<b>567</b>

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

As at the 2011 and 2010 year end some of the unimpaired trade receivables are past their due date. There are no indications that financial assets neither past due nor impaired, or past due but not impaired are irrecoverable.

	<i>Total</i>	<i>Neither</i>	<i>Past due but not impaired</i>	
		<i>past due</i>	<i>0 – 90 days</i>	<i>&gt;90 days</i>
	<i>£'000</i>	<i>nor impaired</i>	<i>£'000</i>	<i>£'000</i>
November 2012	1,451	1,451	–	–
November 2011	9	9	–	–
May 2012	2,153	2,153	–	–
May 2011	1,482	1,451	31	–
May 2010	172	–	–	172

No other receivables are past their due date.

A reconciliation of the allowances for credit losses provision for trade receivable is provided below:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Brought forward provision	–	2,169	2,169	2,001	–
Debts written off in period	–	(2,169)	(2,169)	–	–
Increase in provision	–	–	–	168	2,001
Carried forward provision	–	–	–	2,169	2,001

## 15. Cash and cash equivalents

Cash and cash equivalents include the following components:

	<i>Unaudited</i>			<i>Audited</i>	
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand					
• GBP	3,538	2,686	1,671	1,038	2,007
• USD	21	15	10	2	3
• EUR	7	69	5	24	–
• CAD	237	–	–	–	–
Financial assets	<u>3,803</u>	<u>2,770</u>	<u>1,686</u>	<u>1,064</u>	<u>2,010</u>

Cash at bank earns interest at a floating rate based on the length of deposit at standard commercial terms. The net carrying value of cash and cash equivalents equates to fair value.

## 16. Equity

### 16.1 Share Capital

	<i>Unaudited</i>				<i>Audited</i>			
	<i>30 November 2012</i>	<i>30 November 2011</i>	<i>31 May 2012</i>	<i>31 May 2011</i>	<i>31 May 2010</i>	<i>31 May 2010</i>	<i>31 May 2010</i>	<i>31 May 2010</i>
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Called up, allotted and fully paid Ordinary shares of £0.001 each	<u>12,617</u>	<u>13</u>	<u>12,364</u>	<u>12</u>	<u>12,364</u>	<u>12</u>	<u>12,364</u>	<u>12</u>

Movements in Ordinary Shares is as follows:

	<i>Number</i>
	<i>£'000</i>
At 1 June 2009	12,309
Shares issued on option exercises	<u>57</u>
At 31 May 2010	<u>12,366</u>
Shares issued on option exercises	<u>38</u>
Shares cancelled	<u>(40)</u>
At 31 May 2011	<u>12,364</u>
Shares issued on option exercises	<u>–</u>
At 30 November 2011	<u>12,364</u>
Shares issued on option exercises	<u>–</u>
At 31 May 2012	<u>12,364</u>
Shares issued on option exercises	<u>253</u>
At 30 November 2012	<u>12,617</u>

During 31 May 2010, 57,700 Ordinary shares of £0.001 each were allotted as fully paid at a premium of £0.499 per share. During the year to 31 May 2011, 38,000 Ordinary shares of £0.001 each were allotted as fully paid at a premium of £0.659 per share during the year and 40,000 Ordinary shares of £0.001 each were purchased back by the Group at a premium of £0.149 per share. During the period to 30 November 2012, 252,691 Ordinary shares of £0.001 were allotted as fully paid at a premium of £0.659 per share.

## 17. Employee remuneration

Expenses recognised for employee benefits (including Directors) are analysed below:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Staff costs for all employees, including Directors, consist of:</i>					
Wages & salaries	3,455	3,997	7,248	6,946	7,486
Social security costs	350	407	764	745	753
Pension costs	–	2	3	4	4
Share based compensation	170	–	–	–	–
	<u>3,975</u>	<u>4,406</u>	<u>8,015</u>	<u>7,695</u>	<u>8,243</u>

Included in the above payroll costs for the 6 months ended 30 November 2012 is £765,504, (November 2011: £81,571), (year ended May 2012: £1,251,545, May 2011: £1,692,641, May 2010: £1,057,489) capitalised within intangible fixed assets (note 7).

Pension costs relate to contributions to one employee's private pension plan.

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
<i>The average number of employees, including Directors, during the period were:</i>					
Research and development	212	223	209	224	233
General and administrative	6	6	6	6	7
	<u>218</u>	<u>229</u>	<u>215</u>	<u>230</u>	<u>240</u>

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Remuneration of Directors</i>					
Directors' emoluments	155	121	273	244	342
Non-executive fees	12	–	8	–	–
	<u>167</u>	<u>121</u>	<u>281</u>	<u>244</u>	<u>342</u>

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Emoluments of highest paid director</i>					
Emoluments	45	41	81	80	93

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Remuneration of key management personnel</i>					
<i>Short-term employee benefits:</i>					
Salaries including bonuses	346	340	573	682	808
Social security	38	42	72	81	96
Total short-term employee benefits	384	382	645	763	904
Non executive fees	12	–	8	–	–
Share based compensation charge	40	–	–	–	–

Key management of the Group are the Board and senior management (functional heads).

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Number of key management personnel, including directors at the statement of financial position date	9	8	8	9	11

During the period to 30 November 2012 151,000 share options were exercised by the Directors (2011: nil, 2010: nil), and 50,500 exercised by a former Director. Of the options issued during the period 110,000 options were issued to current Directors.

The share options held by Directors are as follows:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
David Walsh	10,000	151,000	151,000	151,000	151,000
Jonathan Watts	100,000	90,000	90,000	90,000	90,000
Jonathan Roach (former director)	–	70,500	70,500	70,500	70,500



## 18. Share options

The Group has an employee share option scheme (EMI scheme), under which options may be granted to employees (including directors) to subscribe for ordinary shares in the Group. The scheme was approved by shareholders in a general meeting.

	<i>Unaudited 6 months ended</i>				<i>Audited year ended</i>					
	<i>November 2012</i>		<i>November 2011</i>		<i>May 2012</i>		<i>May 2011</i>		<i>May 2010</i>	
	<i>Number</i>	<i>Average exercise price</i>	<i>Number</i>	<i>Average exercise price</i>	<i>Number</i>	<i>Average exercise price</i>	<i>Number</i>	<i>Average exercise price</i>	<i>Number</i>	<i>Average exercise price</i>
Opening balance	934,900	1.04	1,151,900	1.04	1,151,900	1.04	1,419,900	1.04	1,576,500	0.99
Issued during the period	632,000	1.78	–	–	–	–	–	–	–	–
Exercised during the period	(252,691)	0.66	–	–	–	–	(38,000)	0.66	(57,700)	0.50
Forfeited during the period	(236,309)	0.75	(172,000)	1.22	(217,000)	1.23	(230,000)	1.07	(98,900)	0.58
Closing balance	1,077,900	1.60	979,900	1.00	934,900	1.01	1,151,900	1.04	1,419,900	1.04
Exercisable at the year end	451,900	1.34	979,900	1.00	934,900	1.01	1,151,900	1.04	1,419,900	1.04

The share options at the end of May 2012 have a weighted average contractual life of 3 years 6 months (2011: 4 years 6 months; 2010: 5 years 6 months). The share options at the end of November 2012 have a weighted average contractual life of 6 years 9 months (2011: 2 years 5 months). There was no weighted average share price at the date of exercise of the share options.

Of the total options 80,000 were granted to the Directors in the period to November 2012 at £1.78 and 151,000 exercised by the Directors at £0.66. There were no other options granted or exercised by Directors in the other periods.

Under the rules of the share options scheme, options are not normally exercisable until one year from the date of the grant. Options are valued at date of grant using the Black Scholes Option Pricing Model. There are no performance conditions attaching to the options. The significant inputs into the model were calculated share price at the grant date, exercise price volatility of 20 per cent. and expected option life of 10 years and an annual risk free interest rate of 1.64 per cent. – 3.91 per cent. The volatility used is based on similar companies. The only vesting condition is continued service in the company.

Share options outstanding at the year end have the following expiry date and exercise price:

	<i>Exercise price per share</i>	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
		<i>November 2012</i>	<i>November 2011</i>	<i>May 2012</i>	<i>May 2011</i>	<i>May 2010</i>
<i>Expiry date</i>	<i>£</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
November 2012	0.66	–	473,000	463,000	500,000	628,000
December 2015	1.34	451,900	506,900	471,900	651,400	791,900
July 2022	1.78	626,000				
Total		1,077,900	979,900	934,900	1,151,400	1,419,900

## 19. Trade and other payables

Trade and other payables recognised in the statement of financial position can be analysed as follows:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	123	95	40	846	103
Other taxation and social security	229	212	188	204	219
Accruals and deferred income	1,357	692	639	839	512
Total trade and other payables	<u>1,709</u>	<u>999</u>	<u>867</u>	<u>1,889</u>	<u>834</u>

Trade and other payables are due within one year and are non-interest bearing. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

## 20. Provisions for dilapidations

	<i>Unaudited</i>		<i>Audited</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Opening balance	150	113	113	80	–
Provided for in period	18	18	37	33	80
At period end	<u>168</u>	<u>131</u>	<u>150</u>	<u>113</u>	<u>80</u>

The dilapidation provision relates to the rental contracts for two office buildings (included within note 10). These leases expire April 2015 and July 2015. This is when the majority of this expenditure is expected to be incurred. 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.

## 21. Finance income

Finance income may be analysed as follows for the reporting periods presented:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest income from cash and cash equivalents	<u>1</u>	<u>1</u>	<u>10</u>	<u>7</u>	<u>16</u>

## 22. Taxation on ordinary activities

### (a) *Analysis of the charge in the period:*

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
UK Corporation Tax based on the results for the year	–	–	2	(12)	12
Canadian Corporation Tax on the results for the period	–	–	–	–	–
Deferred Tax	–	–	–	(688)	189
<b>Tax on profit on ordinary activities</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>(700)</b>	<b>201</b>

### (b) *Factors affecting tax expenses:*

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 24 per cent. (2011: 21 per cent.; 2010: 21 per cent.) as follows:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit/(loss) on ordinary activities before taxation	921	555	1,400	(2,122)	(181)
Tax on profit/(loss) on ordinary activities at standard rate	223	133	336	(446)	(38)
Factors affecting tax expense for the year:					
Adjustment on transition to IFRS	–	–	(124)	–	–
Expenses not deductible for tax purposes	14	–	–	–	7
Deferred tax not provided	48	55	13	(54)	381
Research and development tax credits	(217)	(188)	(223)	(195)	(139)
Exercise of share options	(68)	–	–	(5)	(10)
<b>Total amount of tax</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>(700)</b>	<b>201</b>

### *Factors that may affect future tax charges*

The Group takes advantage of the enhanced tax deductions for research and development expenditure in the UK and expects to continue to be able to do so. From 1 April 2013 the Video Games Tax Relief becomes available and the Group expects that some of its work will qualify for this relief.

## 23. Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
<i>Adjustments:</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Depreciation, amortisation and impairment	714	716	1,808	1,363	1,024
Adjustment of cost of property, plant and equipment (see note 8)	–	–	36	–	–
Finance income	(1)	(1)	(10)	(7)	(16)
Loss/(gain) on disposal of fixed assets and available for sale assets	–	1	1	(38)	–
Share based payment expenses	170	–	–	–	–
Taxation	–	–	2	(700)	201
Foreign exchange	3	1	(8)	2	3
<b>Total adjustments</b>	<b>886</b>	<b>717</b>	<b>1,829</b>	<b>620</b>	<b>1,212</b>
Net changes in working capital:					
Change in inventories	(211)	191	184	2,070	(2,282)
Change in trade and other receivables	533	1,635	(373)	(1,565)	792
Change in trade and other payables	842	(891)	(1,022)	1,055	(1,734)
Change in provisions	18	18	37	33	80
<b>Total changes in working capital</b>	<b>1,182</b>	<b>953</b>	<b>(1,174)</b>	<b>1,593</b>	<b>(3,144)</b>

## 24. Related party transactions

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

	<i>Unaudited 6 months ended</i>				<i>Audited year ended</i>					
	<i>Expense paid</i>	<i>Creditor balance</i>	<i>Expense paid</i>	<i>Creditor balance</i>	<i>Expense paid</i>	<i>Creditor balance</i>	<i>Expense paid</i>	<i>Creditor balance</i>	<i>Expense paid</i>	<i>Creditor balance</i>
	<i>November</i>	<i>November</i>	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Connected party</i>										
Chris Sawyer – Royalties	32	27	28	19	76	18	64	–	70	–
Marjacq Micro Limited – Sales Commission	16	14	11	9	29	6	38	8	76	–

One Director was granted an interest free qualifying loan for the purchase of Shares under the Group's Share Option Plan in April 2010. The loan value was £8,000 at 30 November 2012.

## 25. Financial instrument risks

### *Risk management objectives and policies*

The Group is exposed to various risks in relation to financial assets and liabilities. Financial assets and liabilities by category are summarised in note 11. The main types of risks are credit risk, currency risk and liquidity risk.

The Group's risk management is coordinated in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows.

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.

## 25.1 Credit risk

The Group's exposure is limited to carrying amount of financial assets and cash and cash equivalents recognised at the year end date (as summarised in note 11).

The Group's management consider all financial assets, not impaired, for each reporting date are 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. Regular credit checks are performed to minimise risk.

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

None of the Group's financial assets are secured by collateral or other credit enhancements.

## 25.2 Foreign currency risk

The Group's reporting currency is pounds sterling (GBP). Exposure to currency exchange rates arises where transactions are in a currency other than the functional currency of the entity, primarily Canadian dollars (CAD), US dollars (USD) and Euro (EUR).

The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk as the Group's currency transactions are not considered significant enough to warrant this. However the Group does seek to maintain the same level of working capital in both its Canadian Subsidiary and in the UK parent, measured in calendar months.

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 is as follows:

	<i>Unaudited</i>						<i>Audited</i>					
	<i>30 November 2012</i>			<i>30 November 2011</i>			<i>31 May 2012</i>		<i>31 May 2011</i>		<i>31 May 2010</i>	
	<i>CAD\$</i>	<i>US \$</i>	<i>Euro</i>	<i>US \$</i>	<i>Euro</i>	<i>US \$</i>	<i>Euro</i>	<i>US \$</i>	<i>Euro</i>	<i>US \$</i>	<i>Euro</i>	
Assets	22	22	6	69	15	8	12	40	2	34	3	

In addition some of the Group's revenue and overhead transactions are completed in a foreign currency. Transaction exposure is hedged through the use of currency bank accounts.

### Foreign Currency Sensitivity analysis

The following table details the Group's sensitivity to a 5 per cent. increase or decrease in the Sterling exchange rate against all relevant currencies, albeit the main exposure is CAD. An increase in Sterling would lead to a decrease in income. The Canadian operation was incorporated on 27 July 2012, thus there is a risk that currency exposure may increase in a full year.

	<i>Unaudited 6 months ended</i>		<i>Audited year ended</i>		
	<i>November</i>	<i>November</i>	<i>May</i>	<i>May</i>	<i>May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Effect of a 5% change in relevant exchange rate on:</i>					
Income Statement	12	8	32	16	30
Equity	12	3	32	16	30

### 25.3 *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. This analysis shows if there is a need to seek external funding or the need for securing finance from its shareholder base.

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

	<i>Within 6 months £'000</i>	<i>Current between 6 and 12 months £'000</i>	<i>Between 1 and 5 years £'000</i>	<i>Non-Current later than 5 years £'000</i>
<b>Unaudited:</b>				
<b>As at 30 Nov 2012</b>				
Trade and other payables	1,231	35	139	—
<b>As at 30 Nov 2011</b>				
Trade and other payables	458	35	294	—
<b>Audited:</b>				
<b>As at 31 May 2012</b>				
Trade and other payables	164	282	139	—
<b>As at 31 May 2011</b>				
Trade and other payables	912	78	210	—
<b>As at 31 May 2010</b>				
Trade and other payables	151	248	45	—

Financial assets used for managing liquidity risk

Cash flows 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 90 days.

Interest rate sensitivity

The Group has no borrowings through which it is subject to interest rate risk.

The risk associated with interest earned on cash balances is low given low level of interest currently being earned.

## 26. **Capital management policies and procedures**

The Group's capital management objective is to ensure the Group's ability to continue as a going concern by securing sufficient funding through equity or debt.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the strategic plans of the business over a rolling three year forecast. In order to maintain or adjust the capital structure and provide funds to support the planned growth, the Group may issue new shares or raise other funds through debt.

At each balance sheet date the Group had no borrowings. The Group is not subject to externally imposed capital requirements.

Capital for the reporting period under review is summarised as follows:

	<i>Unaudited</i>			<i>Audited</i>	
	<i>30 November</i>	<i>30 November</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Total equity	8,017	5,920	6,763	5,365	6,768
Less cash and cash equivalent	(3,803)	(2,770)	(1,686)	(1,064)	(2,010)
	<u>4,214</u>	<u>3,150</u>	<u>5,077</u>	<u>4,301</u>	<u>4,758</u>

## 27. Ultimate control

The directors consider that Mr. D J Braben has ultimate control of the Group.

## 28. Post balance sheet events

Since 31 May 2012, being the date of the last audited balance sheet, the Company has raised approximately £2.7 million through the issue of Convertible Notes and approximately £100,000 through the issue of new Ordinary Shares both of which completed on 14 June 2013. The Convertible Notes are made up of approximately £1.6 million of nominal Series A Unsecured Convertible Loan Notes and approximately £1.1 million of nominal Series B Unsecured Convertible Loan Notes and were issued pursuant to loan note instruments dated 31 May 2013.

## **PART 4**

### **PROFIT ESTIMATE**

Based on the unaudited management accounts for the year ended 31 May 2013 the Directors estimate, after having made due and careful enquiry, that the Group's gross revenues (including sub-contractor recharges) will be circa £12.1 million with EBITDA of circa £2.8 million and profit for the period after tax of circa £1.0 million.

The following principal assumptions have been made in arriving at these estimates:

- The profit estimate has been prepared on a basis consistent with the accounting policies adopted by the Group.
- Detailed project reviews on Intangible assets have been carried out on a consistent basis as in the year to May 2012.
- There are no changes in circumstances from those known at the date of Admission that would impair the value of Intangible assets.
- Standard period end financial procedures and reviews have been consistent with the 12 month period ended May 2012.

The lower year-on-year gross revenue number reflects a lessened reliance on third party sub-contractors which have historically been recharged at nil margin. Excluding recharged third party sub-contractor costs, revenues are anticipated to improve year-on-year.

Ignoring share based compensation and IPO costs, EBITDA for the 12 months to May 2013 shows an improvement on the year to May 2012.

Canaccord Genuity Limited, the Company's nominated adviser, has confirmed to the Company that it has satisfied itself that the Director's profit estimate has been made after due and careful enquiry by the Directors.



## PART 5

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Directors whose names, functions and addresses appear on page 9 of this document, and the Company whose name and registered office appears on page 9 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales under the Companies Act 1985 on 28 January 1994 with registered number 02892559 as a private company limited by shares with the name Frontier Developments Limited. On 21 December 2012 the Company re-registered as a public limited company with the name Frontier Developments plc.
- 2.2 The Company is domiciled in the United Kingdom.
- 2.3 The registered and head office and principal place of business of the Company is at 306 Science Park, Milton Road, Cambridge, CB4 0WG and its telephone number is +44(0) 1223 394300.
- 2.4 The principal legislation under which the Company operates is the Act.
- 2.5 The liability of the Company's members is limited.
- 2.6 The ISIN number of the Ordinary Shares to be admitted is GB00BBT32N39. The Ordinary Shares have been created pursuant to the Act under the law of England and Wales.
- 2.7 The Company's accounting reference date is 31 May.

#### 3. SUBSIDIARIES AND GROUP STRUCTURE

- 3.1 The Company is the holding company within the Group and has the following subsidiary undertaking:

<i>Name</i>	<i>Principal activity</i>	<i>Country of incorporation/ residence</i>	<i>Registered number</i>	<i>Percentage owned and proportion of voting power held by Company</i>
Frontier Developments Inc	Computer games development	Canada	3265160	100 per cent.

- 3.2 The subsidiary undertaking is directly wholly-owned by the Company and has its registered office at 1190 Barrington Street, Halifax, Nova Scotia. It is registered in Nova Scotia, Canada and operates principally within Canada.
- 3.3 Save as set out in this document, there are no undertakings in which the Group has a proportion of capital likely to have a significant effect on the assessment of the Group's assets and liabilities, financial position or profits and losses.

#### **4. SHARE AND LOAN CAPITAL**

4.1 The Company was incorporated with an authorised share capital of £10,000 divided into 10,000 ordinary shares of £1 each, two of which were issued fully paid or credited as fully paid to the subscribers to the memorandum of association of the Company. Since the Company's incorporation, the following changes have taken place to the Company's authorised and issued share capital:

- 4.1.1 On 28 January 1994, the Company allotted an aggregate of 998 ordinary shares of £1 each following which the total issued share capital was 1,000 ordinary shares of £1 each.
- 4.1.2 On 16 June 1994, the Company allotted an aggregate of 8,000 ordinary shares of £1 each following which the total issued share capital was 9,000 ordinary shares of £1 each.
- 4.1.3 On 16 October 1994, the Company allotted an aggregate of 100 ordinary shares of £1 each following which the total issued share capital was 9,100 ordinary shares of £1 each.
- 4.1.4 On 14 June 1998, the Company allotted an aggregate of 100 ordinary shares of £1 each following which the total issued share capital was 9,200 ordinary shares of £1 each.
- 4.1.5 On 26 June 1998, the Company allotted an aggregate of 200 ordinary shares of £1 each following which the total issued share capital was 9,400 ordinary shares of £1 each.
- 4.1.6 On 4 September 1998, the Company allotted an aggregate of 39 ordinary shares of £1 each following which the total issued share capital was 9,439 ordinary shares of £1 each.
- 4.1.7 On 29 March 2000, the Company passed a special resolution to increase the authorised share capital of the Company by £2,000 from, £10,000 to £12,000.
- 4.1.8 On 29 March 2000, each ordinary share of £1 was sub-divided into 1,000 ordinary shares of £0.001. Following this subdivision, the total issued share capital of the Company was 9,439,000 ordinary shares of £0.001 each, and the authorised share capital of the Company was 12,000,000 ordinary shares of £0.001 each.
- 4.1.9 On 2 April 2000, the Company allotted an aggregate of 300,000 ordinary shares of £0.001 each following which the total issued share capital was 9,739,000 ordinary shares of £0.001 each.
- 4.1.10 On 27 July 2000, the Company allotted an aggregate of 200,000 ordinary shares of £0.001 each following which the total issued share capital was 9,939,000 ordinary shares of £0.001 each.
- 4.1.11 On 9 October 2000, the Company allotted an aggregate of 500,000 ordinary shares of £0.001 each following which the total issued share capital was 10,439,000 ordinary shares of £0.001 each.
- 4.1.12 On 22 March 2001, the Company allotted an aggregate of 230,769 ordinary shares of £0.001 each following which the total issued share capital was 10,669,769 ordinary shares of £0.001 each.
- 4.1.13 On 18 April 2001, the Company allotted an aggregate of 153,846 ordinary shares of £0.001 each following which the total issued share capital was 10,823,615 ordinary shares of £0.001 each.
- 4.1.14 On 31 May 2001, the Company allotted an aggregate of 230,769 ordinary shares of £0.001 each following which the total issued share capital was 11,054,384 ordinary shares of £0.001 each.
- 4.1.15 On 6 September 2002, the Company passed a resolution to increase the authorised share capital of the Company by £4,000 from, £12,000 to £16,000 to create 4,000,000 new ordinary shares of a nominal value of £0.001.
- 4.1.16 On 19 September 2002, the Company allotted an aggregate of 227,272 ordinary shares of £0.001 each following which the total issued share capital was 11,281,656 ordinary shares of £0.001 each.

- 4.1.17 On 5 June 2003, the Company allotted an aggregate of 236,742 ordinary shares of £0.001 each following which the total issued share capital was 11,518,398 ordinary shares of £0.001 each.
- 4.1.18 On 5 May 2004, the Company allotted an aggregate of 120,193 ordinary shares of £0.001 each following which the total issued share capital was 11,638,591 ordinary shares of £0.001 each.
- 4.1.19 On 19 October 2004, the Company allotted an aggregate of 214,041 ordinary shares of £0.001 each following which the total issued share capital was 11,852,632 ordinary shares of £0.001 each.
- 4.1.20 On 11 June 2008, the Company allotted an aggregate of 185,000 ordinary shares of £0.001 each following which the total issued share capital was 12,037,632 ordinary shares of £0.001 each.
- 4.1.21 On 13 June 2008, the Company allotted an aggregate of 1,000 ordinary shares of £0.001 each following which the total issued share capital was 12,038,632 ordinary shares of £0.001 each.
- 4.1.22 On 17 June 2008, the Company allotted an aggregate of 110,000 ordinary shares of £0.001 each following which the total issued share capital was 12,148,632 ordinary shares of £0.001 each.
- 4.1.23 On 17 June 2008, the Company allotted an aggregate of 160,000 ordinary shares of £0.001 each following which the total issued share capital was 12,308,632 ordinary shares of £0.001 each.
- 4.1.24 On 17 August 2009, the Company allotted an aggregate of 100 ordinary shares of £0.001 each following which the total issued share capital was 12,308,732 ordinary shares of £0.001 each.
- 4.1.25 On 27 October 2009, the Company allotted an aggregate of 20,000 ordinary shares of £0.001 each following which the total issued share capital was 12,328,732 ordinary shares of £0.001 each.
- 4.1.26 On 27 April 2010, the Company allotted an aggregate of 37,600 ordinary shares of £0.001 each following which the total issued share capital was 12,366,332 ordinary shares of £0.001 each.
- 4.1.27 On 24 October 2010, the Company repurchased an aggregate of 40,000 ordinary shares of £0.001 each for cancellation following which the total issued share capital was 12,326,332 ordinary shares of £0.001 each. The buy-back was approved by shareholders on 21 December 2012 and re-executed on 5 January 2013 in order to comply with the requirements of the Act.
- 4.1.28 On 14 April 2011, the Company allotted an aggregate of 38,000 ordinary shares of £0.001 each following which the total issued share capital was 12,364,332 ordinary shares of £0.001 each.
- 4.1.29 Between 9 October 2012, and 12 November 2012 the Company allotted an aggregate of 252,691 ordinary shares of £0.001 each following which the total issued share capital was 12,617,023 ordinary shares of £0.001 each.
- 4.1.30 On 21 December 2012, the Company passed special resolutions which resolved:
- 4.1.30.1 that the sum of £113,553.207 from the Company's share premium account be capitalised and appropriated as capital to all holders of £0.001 ordinary shares and that the directors of the Company be authorised to use such sum to pay up in full 113,553,207 ordinary shares of £0.001 and to allot such new shares to the holders of £0.001 ordinary shares at a rate of 9 new shares for every one existing £0.001 ordinary share held by them (the "**Bonus Issue**"). Such shares were allotted by the Company on 21 December 2012, following which the total issued share capital was 126,170,230 ordinary shares of £0.001 each; and
  - 4.1.30.2 that immediately following the Bonus Issue, 126,170,230 ordinary shares of £0.001 be consolidated into ordinary shares of £0.005, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the existing ordinary shares of £0.001 each in the capital of the Company as set out in the articles of association of the Company at such time and being effected by the

consolidation of each 5 issued ordinary shares of £0.001 into one ordinary share of £0.005 (the “**Consolidation**”). Following the Consolidation on 21 December 2012, the total issued share capital was 25,234,046 ordinary shares of £0.005 each.

- 4.1.31 The Act no longer requires companies to have an authorised share capital and therefore the Articles do not refer to an authorised share capital. The Directors are still however limited in the number of shares that they can at any time allot as authority to allot shares continues to be required under the Act.
- 4.1.32 On 21 December 2012, the Company passed special resolutions to authorise the Directors to allot equity securities (within the meaning of section 560 of the Act). These authorities, which subject to certain exceptions will expire at the 2013 AGM of the Company, provide that the Directors are authorised:
  - 4.1.32.1 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 £127,610 comprising:
    - (a) up to an aggregate nominal amount of £63,085 in respect of any placing of equity securities prior to or at the time of Admission; and
    - (b) following Admission, equity securities up an aggregate nominal amount equal to £63,805 or, if less, one third of the nominal value of the issued ordinary share capital of the Company at Admission (after taking into account any ordinary shares issued on Admission pursuant to the authority referred to in paragraph 4.1.32.1 (a)); and
  - 4.1.32.2 in accordance with sections 570 and 571 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 paragraph 4.1.32.1 above as if the statutory pre-emption rights for existing Shareholders pursuant to 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 up to an aggregate nominal amount of £63,085 in respect of any placing of equity securities prior to or at the time of Admission;
    - (b) the allotment of equity securities in connection with an open offer or otherwise in favour of 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
    - (c) following Admission, in addition to the power pursuant to paragraph 4.1.32.2 (b), the allotment of equity securities up to an aggregate nominal amount equal to the lesser of (i) £18,925 or (ii) one tenth of the nominal value of the issued ordinary share capital of the Company at Admission (after taking into account any ordinary shares issued on Admission pursuant to the power referred to in paragraph 4.1.32.2 (a)).
- 4.2 The above authorities and powers are sufficient to enable the issue of the Conversion Shares and the Placing Shares on Admission.
- 4.3 As part of the Pre-IPO on 14 June 2013:
  - 4.3.1 the Company issued a total of £1,584,000 nominal of Series A1 Unsecured Convertible Loan Notes to certain high net worth or sophisticated investors; and

4.3.2 the Company issued a total of £1,125,000 nominal of Series A2 Unsecured Convertible Loan Notes and 131,580 Ordinary Shares at 95 pence per share to a VCT investor.

4.4 At the date of this document the issued fully paid share capital of the Company is:

<i>Class of shares</i>	<i>Nominal value</i>	
	£	<i>Number</i>
Ordinary Shares	126,828.13	25,365,626

4.5 On Admission:

4.5.1 the Convertible Notes will convert into 2,509,504 Ordinary Shares at a 15 per cent. discount to the Placing Price.

4.5.2 3,169,292 Ordinary Shares will be issued pursuant to the Placing.

4.6 The issued fully paid share capital of the Company immediately following Admission is expected to be as follows:

<i>Class of shares</i>	<i>Nominal value</i>	
	£	<i>Number</i>
Ordinary Shares	155,222	31,044,422

4.7 On Admission, the Company will have the following employee options outstanding under the Share Option Plans, further details of which are set out at paragraph 6 of this Part 5.

<i>Date of grant</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise price</i>	<i>Exercise period</i>
6 December 2005	863,800 (EMI options)	67 pence	Any time prior to 5 December 2015
27 July 2012	1,202,000 (EMI options)	89 pence	Any time between 27 July 2013 and 26 July 2022
24 January 2013	94,000 (unapproved options under the EMI Plan)	89 pence	Any time between 24 January 2014 and 23 January 2023
15 May 2013	256,000 (under the EMI Plan)	95 pence	Any time between 15 May 2014 and 14 May 2023

4.8 The Company has also granted or agreed to grant the following options:

4.8.1 an option dated 8 July 2013 to Rockspring to subscribe for 52,632 Ordinary Shares at 95 pence per share exercisable at any time during the 10 years from the date of grant;

4.8.2 an option dated 8 July 2013 to Jonathan Milner to subscribe for 13,158 Ordinary Shares at 95 pence per share exercisable at any time during the 10 years from the date of grant;

4.8.3 an option dated 8 July 2013 conditional on Admission for Rockspring to subscribe for 118,111 Ordinary Shares at the Placing Price (with an aggregate exercise price of £150,000) exercisable at any time between the first and tenth anniversary of Admission;

4.8.4 an option dated 8 July 2013 conditional on Admission for Jonathan Milner to subscribe for 29,528 Ordinary Shares at the Placing Price (with an aggregate exercise price of £37,500) exercisable at any time between the first and tenth anniversary of Admission;

4.8.5 an option dated 8 July 2013 conditional on Admission for Adam Glinsman to subscribe for 15,749 Ordinary Shares at the Placing Price (with an aggregate exercise price of £20,000) exercisable at any time between the first and tenth anniversary of Admission; and

- 4.8.6 an option to Canaccord on Admission to subscribe for 217,084 Ordinary Shares at the Placing Price exercisable at any time prior to the second anniversary of Admission.
- 4.9 Following Admission:
- 4.9.1 2,415,800 Ordinary Shares will be reserved for issue on the exercise of options under the Share Option Plans; and
- 4.9.2 446,262 Ordinary Shares will be reserved for issue on the exercise of the options referred to in paragraph 4.8 of this Part 5.
- 4.10 All Ordinary Shares represent capital in the Company. No Ordinary Shares are held by or on behalf of the Company or by any subsidiary of the Company.
- 4.11 The provisions of section 561 of the Act (to the extent not disapplied by the resolution referred to in paragraph 4.1.26.2 and by any future disapplication) confer rights of pre-emption on Shareholders in respect of the allotment of equity securities (as defined in section 560 of the Act) which are, or are to be, paid up in cash (section 565) other than by way of allotment to employees under an employees' share scheme (as defined in section 1166 of the Act) (section 566). Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of Ordinary Shares on a *pro rata* basis.
- 4.12 The Ordinary Shares do not have any particular voting rights or preferences other than entitling a Shareholder to one vote per share.
- 4.13 Save as disclosed in this document, no commission, discount, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group.
- 4.14 Save as disclosed in this paragraph 4 of Part 5, on Admission no unissued share or loan capital of the Company or any other member of the Group will be under option or has been agreed, conditionally or unconditionally, to be put under option.
- 4.15 The Ordinary Shares are registered shares in certificated form but are capable of being held in uncertificated form. Application has been made to Euroclear UK & Ireland Limited for the Ordinary Shares to be enabled for dealing through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to Shareholders who have requested the issue of Ordinary Shares in certificated form by 22 July 2013.
- 4.16 There are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.17 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.

## **5. SUMMARY OF THE ARTICLES OF ASSOCIATION**

### **Articles of Association**

By special resolution on 21 December 2012, the Company adopted new articles of association (the "**Articles**") upon re-registration of the Company as a plc. The Articles contain, among others, provisions to the following effect:

#### **5.1 Objects**

The Articles state that nothing in the Articles shall constitute a restriction on the objects of the Company to do (or omit to do) any act and, in accordance with section 31 of the Act, the Company's objects are unrestricted.



## 5.2 *Voting rights attaching to Ordinary Shares*

Subject to the provisions of the Acts, to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights under the Articles, at any general meeting every member who is present in person (or by proxy) shall on a show of hands have one vote and every member present in person (or by proxy) shall on a poll have one vote for each share of which he is the holder.

### *Redemption Rights*

There are no redemption rights in respect of the Ordinary Shares of the Company in issue.

### *Conversion Provisions*

There are no conversion rights in respect of the Ordinary Shares of the Company in issue.

### *Rights in the event of a winding-up*

On a winding-up of the Company, the surplus of assets available for distribution shall be divided among the members in proportion to the amounts paid up on their respective Ordinary Shares at the commencement of the winding-up, or, with a special resolution of the Company, shall be divided amongst the members in specie in such manner as shall be determined by the liquidator.

## 5.3 *Disclosures of interests in shares and failure to disclose such interests*

5.3.1 Section 793 of the Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests.

5.3.2 Where notice is served by the Company under section 793 of the Act (“**section 793 notice**”) on a member, or on another person appearing to be interested in shares held by that member, and that member or other person has failed to give the Company the information required within the period set out in the section 793 notice, the following sanctions shall apply unless the Board determines otherwise:

5.3.2.1 the member shall not be entitled to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

5.3.2.2 where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class (calculated exclusive of any shares held as treasury shares):

(a) any dividend or other money payable for such shares shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the member shall not be entitled to elect to receive shares instead of that dividend; and

(b) no transfer, other than an excepted transfer, of any shares held by the member shall be registered except in certain specified circumstances.

5.3.3 Where the above sanctions apply in relation to any shares, they shall cease to have effect:

5.3.3.1 if the shares are transferred by means of an excepted transfer (but only in respect of the shares transferred); or

5.3.3.2 seven days (or such shorter period as the Board may determine) following receipt by the Company of the information required by the section 793 notice and the Board being fully satisfied that such information is full and complete.

5.3.4 The Articles do not limit in any way the powers of the Company under section 794 of the Act.

#### 5.4 *Alteration of capital and purchase of own shares*

5.4.1 The Company does not have an authorised share capital.

5.4.2 Subject to the Acts, the Articles and to any relevant authority of the Company in general meeting required by the Act, the Board may offer, allot (with or without conferring rights of renunciation), grant options over or otherwise deal with or dispose of shares or grant rights to subscribe for or convert any security into shares to such persons, at such times and upon such terms as the Board may decide. No share may be issued at a discount.

5.4.3 The Board may, at any time after the allotment of any share but before any person has been entered in the register of members of the Company, recognise a renunciation by the allottee in favour of some other person and accord to the allottee of a share a right to effect such renunciation and/or allow the rights to be represented to be one or more participating securities, in each case upon the subject to such terms and conditions as the Board may think fit to impose.

5.4.4 The Company may increase its share capital in accordance with section 617 of the Act. The Company may reduce its share capital, any capital redemption reserve and any share premium account by special resolution confirmed by the court in accordance with Chapter 10 of Part 17 of the Act.

5.4.5 Subject to the Act, and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

#### 5.5 *Dividends*

5.5.1 Subject to the Act and the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

5.5.2 Subject to the Act, the Board may declare and pay such interim dividends (including any dividend at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If the Board acts in good faith, it shall not incur any liability to the holders of shares for any loss that they may suffer by the lawful payment of any interim dividend on any other class of shares ranking with or after those shares.

5.5.3 Except as otherwise provided by the rights attached to shares, all dividends:

5.5.3.1 shall be declared and paid accordingly to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid;

5.5.3.2 shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly; and

5.5.3.3 may be declared or paid in any currency. The Board may decide the rate of exchange for any currency conversions that may be required and how any costs involved are to be met.

5.5.4 The Board may deduct from any dividend all such sums as may be due from him to the Company on account of calls or otherwise in relation to the shares of the Company. Sums so deducted can be used to pay amounts owing to the Company in respect of the shares.

5.5.5 The Board may, by ordinary resolution of the Company direct, or in the case of an interim dividend may without the authority of an ordinary resolution direct, that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in



particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises regarding such distribution, the Board may settle it as it thinks fit. In particular, the Board may:

- 5.5.5.1 issue fractional certificates (or ignore fractions);
  - 5.5.5.2 fix the value for distribution of such assets or any part of them and determine that cash payments may be made to any members on the footing of the values so fixed, in order to adjust the rights of members; and
  - 5.5.5.3 vest any such assets in trustees on trust for the person entitled to the dividend.
- 5.5.6 Unless otherwise provided by the rights attached to the share, no dividend shall bear interest as against the Company.
- 5.5.7 If cheques, warrants or orders for dividends sent by the Company to the person entitled to them are returned to the Company or left uncashed on two consecutive occasions or, following one occasion, reasonable enquires have failed to establish any new address to be used for the purpose, the Company does not have to send any dividends due to that person until he notifies the Company of an address to be used for the purpose.
- 5.5.8 All dividends unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. The Company shall not be a trustee in respect of such unclaimed dividends and will not be liable to pay interest on it. All dividends that remain unclaimed for 12 years after they were first declared or became due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.
- 5.5.9 Subject to the Articles, the Board may, by ordinary resolution of the Company and subject to such terms and conditions as the Board may determine, offer to any holders of ordinary shares (excluding any member holding shares as treasury shares) the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

## 5.6 *Variation of rights*

- 5.6.1 Subject to the Acts, the rights attached to any class of shares can be varied or abrogated either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the authority of a special resolution passed at a separate meeting of the holders of the relevant class of shares known as a class meeting.
- 5.6.2 The provisions in the Articles as to general meetings shall apply, with any necessary modifications, to every class meeting except that:
- 5.6.2.1 the quorum at every such meeting shall not be less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class (excluding any shares of that class held as treasury shares); and
  - 5.6.2.2 if at any adjourned meeting of such holders such quorum as set out above is not present, at least one person holding shares of the class who is present in person or by proxy shall be a quorum.
- 5.6.3 The Board may convene a class meeting whenever it thinks fit and whether or not the business to be transacted involves a variation or abrogation of class rights.
- 5.6.4 Subject to the Acts and to any rights attached to existing shares, any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution

determine, or if no ordinary resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine.

## **5.7 *Transfer of shares***

- 5.7.1 Save for in the case of shares which have become participating securities title to which may be transferred by means of a relevant system such as CREST without a written instrument, all transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares unless:
- 5.7.1.1 it is in respect of a share which is fully paid up;
  - 5.7.1.2 it is in respect of a share on which the Company has no lien;
  - 5.7.1.3 it is in respect of only one class of share;
  - 5.7.1.4 it is in favour of a single transferee or not more than four joint transferees
  - 5.7.1.5 it is duly stamped (if required); and
  - 5.7.1.6 it is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.
- 5.7.2 Transfers of shares will not be registered in the circumstances referred to in paragraph 5.3 above.
- 5.7.3 The Board may refuse to register a transfer of uncertificated shares in any circumstances that are allowed or required by the uncertificated securities rules and the relevant system.
- 5.7.4 If the Board refuses to register a transfer of a share it shall notify the transferee of the refusal and the reasons for it within two months after the date on which the transfer was lodged with the Company or the instructions to the relevant system received. Any instrument of transfer which the Board refuses to register shall be returned to the person depositing it (except if there is suspected or actual fraud). All instruments of transfer which are registered may be retained by the Company.

## **5.8 *Untraced Shareholders***

- 5.8.1 The Company is entitled to sell at the best price reasonably obtainable any share of a member, or any share to which a person is entitled by transmission, if and provided that:
- 5.8.1.1 during the 12 years before the publication of the advertisements referred to in Articles (or, if published on different dates, the earlier or earliest of such dates) no cheque, order or warrant in respect of such share sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled by transmission to the share, at his address on the Register or other last known address given by the member or person to which cheques, orders or warrants in respect of such share are to be sent has been cashed and the Company has received no communications in respect of such share from such member or person, provided that during such period of 12 years the Company has paid at least three cash dividends (whether interim or final) and no such dividend has been claimed by the person entitled to it;
  - 5.8.1.2 on or after expiry of the 12 years the Company has given notice of its intention to sell such share by said advertisements;

- 5.8.1.3 the said advertisements, if not published on the same day, shall have been published within 30 days of each other;
  - 5.8.1.4 during the three months following publication of the said advertisements (or, if published on different days, the later or latest of the dates) and before exercise of the power of sale the Company has not received any communication in respect of such share from the member or person entitled by transmission; and
  - 5.8.1.5 the Company has given notice to the London Stock Exchange plc of its intention to make such sale, if shares of the class concerned are admitted to trading on AIM.
- 5.8.2 To give effect to any such sale, the Board may authorise some person to transfer the shares in question and may enter the name of the transferee in respect of the transferred shares in the Register even if no share certificate has been lodged for such shares and may issue a new certificate to the transferee. An instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the shares. The buyer shall not be bound to see to the application of the purchase monies, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale. If the shares are in uncertificated form, in accordance with the uncertificated securities rules, the Board may issue a written notification to the Operator requiring the conversion of the share to certificated form.
- 5.8.3 The Company shall account to the member or other person entitled to the share for the net proceeds of any sale under this paragraph 5.8 by transferring all monies relating to such sale to a separate account. The Company shall be deemed to be a debtor to, and not a trustee for, such member or other person in respect of such monies. Monies carried to such separate account may either be employed in the business of the Company or invested in such investments as the Board may think fit. No interest shall be payable to such member or other person in respect of such monies and the Company does not have to account for any money earned on them.

## 5.9 **General meetings**

### 5.9.1 *General meetings, notice and postponement*

- 5.9.1.1 All meetings other than annual general meetings shall be called general meetings. The Board may, whenever it thinks fit, and shall on requisition in accordance with the Acts, proceed to convene a general meeting.
- 5.9.1.2 An annual general meeting (“AGM”) shall be held in each period of six months beginning with the day following the Company’s accounting reference date at such place, date and time as may be determined by the Board.
- 5.9.1.3 A general meeting shall be called by at least such minimum notice as is required or permitted by the Acts (being 21 clear days for an AGM and 14 clear days for a general meeting other than an AGM). The period of notice shall in either case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given to all members other than those who are not entitled to receive such notices from the Company.
- 5.9.1.4 Every notice calling a meeting shall specify the place, date and time of the meeting, and a statement that a member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, speak and vote and that a proxy need not be a member of the Company. Such notice shall also include, where applicable, the address of the website on which the information required by the Act is published, the procedures with which members must comply in order to be able to attend and vote at the meeting, details of any forms to be used to appoint of a proxy and a

statement that a member has the right to ask questions at the meeting in accordance with the Act.

- 5.9.1.5 The notice shall specify the general nature of the business to be transacted at the meeting and if any resolution is to be proposed as a special resolution.
- 5.9.1.6 In the case of an AGM, the notice shall also specify the meeting as such and where notice of such AGM is given more than 6 weeks before the date of the meeting, the notice must include a statement of the right under section 338 of the Act to require the Company to give notice of a resolution to be moved at the meeting.
- 5.9.1.7 The accidental omission to give notice of any meeting or to send an instrument of proxy (where this is intended to be sent out with the notice) to, or the non-receipt of either by, any person entitled to receive the same shall not invalidate the proceedings of that meeting. References to notice or any other document includes communications in electronic form and documents made available on a web-site in accordance with the Acts and the Articles.
- 5.9.1.8 To determine which persons are entitled to attend or vote at a meeting and how many votes a person may cast, the Company may specify in the notice of meeting a time, not more than 48 hours before the time fixed for the meeting (not taking into account non-working days) by which a person must be entered in the Register in order to have the right to attend or vote at the meeting.
- 5.9.1.9 If the Board considers that it is impracticable or unreasonable to hold a general meeting on the date or at the time or place stated in the notice calling the meeting, it may postpone or move the meeting (or do both). The Board shall take reasonable steps to ensure that notice of the date, time and place of the rearranged meeting is given to any member trying to attend the meeting at the original time and place. Notice of the date, time and place of the rearranged meeting shall, if practicable, also be placed in at least two national newspapers published in the UK. Notice of the business to be transacted at such rearranged meeting shall not be required. If a meeting is rearranged in this way, appointments of proxy are valid if they are received as required by the Articles not less than 48 hours before the time appointed for holding the rearranged meeting. The Board may also postpone or move the rearranged meeting (or do both) in accordance with the Articles.

#### 5.9.2 *Quorum at general meeting*

- 5.9.2.1 No business shall be transacted at any general meeting unless a quorum is present. If a quorum is not present a chairman of the meeting can still be chosen and this will not be treated as part of the business of the meeting. Two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.
- 5.9.2.2 If a quorum is not present within fifteen minutes (or such longer interval as the Chairman in his absolute discretion thinks fit) from the time appointed for holding a general meeting, or if a quorum ceases to be present during a meeting, the meeting shall be dissolved if convened on the requisition of members. In any other case, the meeting shall stand adjourned to another day, (not being less than ten clear days after the date of the original meeting), and at such time and place as the Chairman (or, in default, the Board) may determine. If at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, one person entitled to vote on the business to be transacted, being a member or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum and any notice of an adjourned meeting shall state this.

### 5.9.3 *Chairman of general meeting*

- 5.9.3.1 The Chairman of the Board shall preside at every general meeting of the Company. If there is no such Chairman or if at any meeting he shall not be present within five minutes after the time appointed for holding the meeting, or shall be unwilling to act as Chairman, the Deputy Chairman (if any) of the Board shall, if present and willing to act, preside at such meeting. If more than one Deputy Chairman is present they shall agree amongst themselves who is to take the chair or, if they cannot agree, the Deputy Chairman who has been in office as a director the longest shall take the chair. If no Chairman or Deputy Chairman shall be so present and willing to act, the Directors present shall choose one of their number to act or, if there be only one Director present, he shall be Chairman if willing to act. If there be no Director present and willing to act, the members present and entitled to vote shall choose one of their number to be Chairman of the meeting. Nothing in the Articles shall restrict or exclude any of the powers or rights of a chairman of a meeting which are given by law.

### 5.9.4 *Adjournment and proceedings after adjournment*

- 5.9.4.1 The Chairman may, with the consent of a meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. However, without prejudice to any other power which he may have under the Articles or at common law, the Chairman may, without the need for the consent of the meeting, interrupt or adjourn any meeting from time to time and from place to place or for an indefinite period if he is of the opinion that it has become necessary to do so in order to secure the proper and orderly conduct of the meeting or to give all persons entitled to do so a reasonable opportunity of attending, speaking and voting at the meeting or to ensure that the business of the meeting is properly disposed of.
- 5.9.4.2 If the meeting is adjourned indefinitely or for more than three months, notice of the adjourned meeting shall be given in the same manner as in the case of the original meeting. Except as provided in the Articles, there is no need to give notice of the adjourned meeting or of the business to be considered there.
- 5.9.4.3 No business shall be transacted at any adjourned meeting other than the business which might properly have been transacted at the meeting from which the adjournment took place.

### 5.9.5 *Method of voting and demand for poll*

- 5.9.5.1 At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands) a poll is duly demanded. Subject to the Acts, a poll may be demanded by:
- (a) the Chairman of the meeting; or
  - (b) at least five members present in person (or by proxy) and entitled to vote at the meeting; or
  - (c) a member or members present in person (or by proxy)
    - (i) representing at least one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
    - (ii) holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to at least one-tenth of the total sum paid up on all the shares conferring that right.

- 5.9.5.2 The Chairman may also demand a poll before a resolution is put to the vote on a show of hands.
- 5.9.5.3 At general meetings, resolutions shall be put to the vote by the Chairman and there shall be no requirement for the resolution to be proposed or seconded by any person.
- 5.9.5.4 Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- 5.9.6 *Proxies*
- 5.9.6.1 Any person (whether a member of the Company or not) may be appointed to act as a proxy. Deposit of an instrument of proxy shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed (or at any adjournment of that meeting).
- 5.9.7 *Form of proxy*
- 5.9.7.1 An instrument appointing a proxy shall:
- (a) be in writing in any common form (or in such other form as the Board may approve), signed by the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, executed under its common seal or signed by some officer or attorney or other person duly authorised in that behalf;
  - (b) be deemed (subject to any contrary direction contained in the same) to confer authority to demand (or join in demanding) a poll and to vote on any resolution (or amendment of a resolution) put to the meeting for which it is given, as the proxy thinks fit;
  - (c) unless the contrary is stated in it, be as valid for any adjournment of the meeting as for the meeting to which it relates; and
  - (d) where it is stated to apply to more than one meeting, be valid for all such meetings as well as for any adjournment of such meetings.
- 5.9.7.2 Without limiting the Articles, the Board may in relation to uncertificated shares:
- (a) approve the appointment of a proxy by means of an electronic communication in the form of an **uncertificated proxy instruction** (a properly authenticated dematerialised instruction and/or other instruction or notification, which is sent by means of the relevant system and received by such participant in that system acting on behalf of the Company as the Board may prescribe, in such form and subject to such terms and conditions as the Board may prescribe (subject always to the facilities and requirements of the relevant system));
  - (b) approve supplements to, or amendments or revocations of, any such uncertificated proxy instruction by the same means; and
  - (c) prescribe the method of determining the time at which any such uncertificated proxy instruction is to be treated as received by the Company or such participant and may treat any such uncertificated proxy instruction which purports to be or is expressed to be sent on behalf of the holder of a share as



sufficient evidence of the authority of the person sending that instruction to send it on behalf of that holder.

The term “properly authenticated dematerialised instruction” shall have the meaning given in the uncertificated securities rules.

#### 5.9.8 *Deposit of proxy*

5.9.8.1 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority certified notarially or in some other way approved by the Board, shall:

- (a) in the case of an instrument made in hard copy, be deposited at the Company’s registered office or at such other place or places within the UK as is specified:
  - (i) in the notice convening the meeting or in any notice of any adjourned meeting; or
  - (ii) in any instrument of proxy sent out by the Company in relation to the meeting;
  - (iii) not less than 48 hours (or such shorter time as the Board may determine) before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote;
- (b) in the case of an instrument made by electronic means, where an address has been specified for the purpose of receiving electronic communications:
  - (i) in the notice convening the meeting; or
  - (ii) in any instrument of proxy sent out by the Company in relation to the meeting; or
  - (iii) in any invitation contained in an electronic communication to appoint a proxy issued by the Company in relation to the meeting,  
  
be received at such address not less than 48 hours (or such shorter time as the Board may determine) before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote;
- (c) in the case of a poll taken more than 48 hours after it is demanded, be deposited or received as set out in the Articles after the poll has been demanded and not less than 24 hours (or such shorter time as the Board may determine) before the time appointed for the taking of the poll; or
- (d) in the case of a poll not taken immediately but taken within 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the Chairman of the meeting or to any Director.

An instrument of proxy not deposited or delivered or received in a manner so permitted shall be invalid.

5.9.8.2 The proceedings at a general meeting shall not be invalidated where an appointment of a proxy in respect of that meeting is sent in electronic form as provided in the Articles but because of a technical problem it cannot be read by the recipient.

5.9.8.3 The Board may at its discretion determine that in calculating the periods mentioned in the Articles no account shall be taken of any part of a day that is not a working day.

**5.9.9 *More than one proxy may be appointed***

- 5.9.9.1 A member may appoint more than one proxy to attend on the same occasion. When two or more valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting and in respect of the same matter, the one which is last validly delivered (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was last validly delivered, none of them shall be treated as valid in respect of that share.

**5.9.10 *Revocation of proxy***

- 5.9.10.1 A vote given or poll demanded by a proxy shall be valid in the event of the death or mental disorder of the principal or the revocation of the instrument of proxy, or of the authority under which the instrument of proxy was executed, or the transfer of the share for which the instrument of proxy is given, unless notice in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Company's registered office, or at such other place as has been appointed for the deposit of instruments of proxy, no later than the last time at which an appointment of a proxy should have been received in order for it to be valid for use at the meeting or on the holding of the poll at which the vote was given or the poll taken.

**5.9.11 *Corporate representatives***

- 5.9.11.1 A corporation (whether or not a company within the meaning of the Act) which is a member may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative (or, as the case may be, representatives) at any meeting of the Company or at any separate meeting of the holders of any class of shares.
- 5.9.11.2 Any person so authorised shall be entitled to exercise the same powers on behalf of the corporation (in respect of that part of the corporation's holdings to which the authority relates) as the corporation could exercise if it were an individual member.
- 5.9.11.3 The corporation shall for the purposes of the Articles be deemed to be present in person and at any such meeting if a person so authorised is present at it, and all references to attendance and voting in person shall be construed accordingly.
- 5.9.11.4 A Director, the Secretary or some person authorised for the purpose by the Secretary may require the representative to produce a certified copy of the resolution so authorising him or such other evidence of his authority reasonably satisfactory to them before permitting him to exercise his powers.

**5.10 *Directors***

**5.10.1 *Number***

The number of Directors (other than any alternate Directors) shall be at least two but shall not be subject to any maximum number.

**5.10.2 *Appointment, retirement, removal and vacation of office by directors***

- 5.10.2.1 Subject to the Articles and the Acts, the Company may by ordinary resolution appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles.
- 5.10.2.2 Subject to the Articles, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition



to the existing Board but the total number of Directors shall not exceed any maximum number fixed in accordance with the Articles. Any Director so appointed shall retire at the next AGM of the Company following such appointment and shall be eligible for re-appointment.

5.10.2.3 No person, other than a retiring Director, shall be appointed or re-appointed a Director at any general meeting unless:

- (a) he is recommended by the Board; or
- (b) at least seven but not more than 42 clear days before the date appointed for the meeting the Company has received notice from a member (other than the person proposed) entitled to vote at the meeting of his intention to propose a resolution for the appointment or re-appointment of that person, stating the particulars which would, if he were so appointed or re-appointed, be required to be included in the Company's register of directors and a notice executed by that person of his willingness to be appointed or re-appointed, is lodged at the Company's registered office.

5.10.2.4 No shareholding qualification for Directors shall be required.

5.10.2.5 There is no maximum age for a Director.

5.10.3 *Retirement of directors by rotation*

At every AGM of the Company each director shall retire from office who is required to do so in accordance with any corporate governance policy adopted from time to time by the Board and may offer himself for re-appointment by the members.

5.10.4 *Position of retiring director*

A Director who retires at an AGM may, if willing to act, be re-appointed. If he is not re-appointed or deemed to have been re-appointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

5.10.5 *Deemed re-appointment of directors*

5.10.5.1 If:

- (a) at the AGM in any year any resolution for the appointment or re-appointment of the persons eligible for appointment or re-appointment as Directors are put to the meeting and lost; and
- (b) at the end of that meeting the number of Directors is fewer than the minimum number of Directors required under the Articles,

all retiring Directors who stood for re-appointment at that meeting ("**Retiring Directors**") shall be deemed to have been re-appointed as Directors and shall remain in office but the Retiring Directors may only act for the purpose of convening general meetings of the Company and perform such duties as are essential to maintain the Company as a going concern, and not for any other purpose.

5.10.5.2 The Retiring Directors shall convene a general meeting as soon as reasonably practicable following the meeting referred to in paragraph 5.10.5.1 above and they shall retire from office at that meeting.

5.10.6 *Removal of and vacation of office by director*

5.10.6.1 In addition to any power of removal conferred by the Acts, the Company may by ordinary resolution (of which special notice has been given in accordance with

section 312 of the Act) remove any Director before the expiration of his period of office, but without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company. The Company may (subject to the Articles) by ordinary resolution appoint another person who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or re-appointed a Director.

5.10.6.2 Without prejudice to the provisions for retirement (by rotation or otherwise) contained in the Articles, the office of a Director shall be vacated if:

- (a) he resigns by notice in writing delivered to the Secretary at the Company's registered office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a Board meeting;
- (b) he offers to resign by notice in writing delivered to the Secretary at the Company's registered office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a Board meeting and the Board resolves to accept such offer;
- (c) he is requested to resign by all of the other Directors by notice in writing addressed to him at his address as shown in the register of Directors (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company);
- (d) he ceases to be a Director by virtue of any provision of the Acts, is removed from office pursuant to the Articles or the Act or becomes prohibited by law from being a Director;
- (e) he becomes bankrupt or makes an arrangement or composition with his creditors generally;
- (f) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that person has become physically or mentally incapable of acting as a director and may remain so for more than three months or he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated; or
- (g) he is absent (whether or not his alternate Director appointed by him attends), without the permission of the Board, from Board meetings for six consecutive months and the Board resolves that his office be vacated.

5.10.6.3 If the office of a Director is vacated for any reason, he shall cease to be a member of any committee or sub-committee of the Board.

5.10.7 *Directors Fees, Expenses, Additional Remuneration and Remuneration of Executive Directors*

5.10.7.1 Each of the Directors may be paid a fee at such rate as may from time to time be determined by the Board. However, the aggregate of all fees payable to the Directors (other than amounts payable under any other provision of the Articles) must not exceed £200,000 a year or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any such fees payable shall be distinct from any salary, remuneration or other amounts payable to a Director under any other provisions of the Articles.

5.10.7.2 Each Director may be paid his reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as Director, including any expenses incurred in attending meetings of the Board or any

committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company.

5.10.7.3 If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine.

5.10.7.4 The salary or remuneration of any Director appointed to hold any employment or executive office in accordance with the Articles may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his services as Director under the Articles.

#### 5.10.8 *Pensions and Benefits*

5.10.8.1 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or has at any time been a Director or employee of the Company or any company which is a holding company or a subsidiary undertaking of or allied to or associated with the Company or any such holding company or subsidiary undertaking or any predecessor in business of the Company or of any such holding company or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him.

5.10.8.2 The Board may establish, maintain, subscribe and contribute to any scheme, institution, association, club, trust or fund and pay premiums and, subject to the Acts, lend money or make payments to, guarantee or give an indemnity in respect of, or give any financial or other assistance in connection with any of the matters set out in paragraph 5.10.8.1 above. The Board may procure any of such matters to be done by the Company either alone or in conjunction with any other person. Any Director or former Director shall be entitled to receive and retain for his own benefit any pension or other benefit provided and shall not have to account for it to the Company. The receipt of any such benefit will not disqualify any person from being or becoming a Director of the Company.

#### 5.10.9 *Powers of the Board*

5.10.9.1 Subject to the Acts, the Articles and to any directions given by special resolution of the Company, the business of the Company will be managed by the Board, which may exercise all the powers of the Company, whether relating to the management of the business or not.

5.10.9.2 No alteration of the Articles and no such direction given by the Company shall invalidate any prior act of the Board which would have been valid if such alteration had not been made or such direction had not been given. Provisions contained elsewhere in the Articles as to any specific power of the Board shall not be deemed to limit the general powers set out in this paragraph 5.10.9.

5.10.9.3 The Board or any committee authorised by the Board may:

- (a) delegate or entrust to and confer on any Director holding executive office (including a Chief Executive or Managing Director) such of its powers, authorities and discretions (with power to sub-delegate) for such time, on such terms and subject to such conditions as it thinks fit; and
- (b) revoke, withdraw, alter or vary all or any of such powers.

#### 5.10.10 *Directors interests*

##### 5.10.10.1 General

For the purposes of this paragraph 5.10.10:

- (a) an interest of a person who is connected (which word shall have the meaning given to it by section 252 of the Act) with a Director shall be treated as an interest of the Director;
- (b) a contract includes references to any proposed contract and to any transaction or arrangement or proposed transaction or arrangement whether or not consulting a contract;
- (c) a conflict of interest includes a conflict of interest and duty and a conflict of duties; and
- (d) subject to the Companies Acts, the Company may by ordinary resolution suspend or relax the provisions of Articles in respect of the matters covered in this paragraph 5.10.10 or ratify any contract not properly authorised by reason of a contravention of the provisions of the Articles relating to such matters.

##### 5.10.10.2 Transactions or other arrangements with the company

- (a) Subject to the Companies Acts and provided he has declared the nature and extent of his interest in accordance with the requirements of the Companies Acts, a Director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company may:
  - (i) be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
  - (ii) act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
  - (iii) be or become a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested; and
  - (iv) hold any office or place of profit with the Company (except as auditor) in conjunction with his office of Director for such period and upon such terms, including as to remuneration as the Board may decide.
- (b) A Director shall not, save as he may otherwise agree, be accountable to the Company for any benefit which he derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such body corporate and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such remuneration or other benefit constitute a breach of his duty under section 176 of the Act.

##### 5.10.10.3 Permitted interests and voting

- (a) A Director cannot vote or be counted in the quorum on any resolution which may give rise to a conflict of interest but can vote on the following:
  - (i) giving him any security, guarantee or indemnity for any money or any liability which he, or any other person, has lent or obligations he or any

other person has undertaken at the request, or for the benefit, of the Company or any of its subsidiary undertakings;

- (ii) giving any security, guarantee or indemnity to any other person for a debt or obligation which is owed by the Company or any of its subsidiary undertakings, to that other person if the Director has taken responsibility for some or all of that debt or obligation. The Director can take this responsibility by giving a guarantee, indemnity or security;
  - (iii) a proposal or contract relating to an offer of any shares or debentures or other securities for subscription or purchase by the Company or any of its subsidiary undertakings, if the Director takes part because he is a holder of shares, debentures or other securities, or if he takes part in the underwriting or sub-underwriting of the offer;
  - (iv) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which only gives him benefits which are also generally given to employees to whom the arrangement relates;
  - (v) any arrangement involving any other company if the Director (together with any person connected with the Director) has an interest of any kind in that company (including an interest by holding any position in that company or by being a shareholder of that company). This does not apply if he knows that he has a Relevant Interest;
  - (vi) a contract relating to insurance which the Company can buy or renew for the benefit of the Directors or a group of people which includes Directors; and
  - (vii) a contract relating to a pension, superannuation or similar scheme or a retirement, death, disability benefits scheme or employees' share scheme which gives the Director benefits which are also generally given to the employees to whom the scheme relates.
- (b) A Director cannot vote or be counted in the quorum on a resolution relating to his own appointment or the settlement or variation of the terms of his appointment to an office or place of profit with the Company or any other company in which the Company has an interest.
- (c) Where the Directors are considering proposals about the appointment, or the settlement or variation of the terms or the termination of the appointment of two or more Directors to other offices or places of profit with the Company or any company in which the Company has an interest, a separate resolution may be put in relation to each Director and in that case each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment or the settlement or variation of the terms or the termination of his own appointment or the appointment of another director to an office or place of profit with a company in which the Company has an interest and the Director seeking to vote or be counted in the quorum has a Relevant Interest in it.
- (d) A company shall be deemed to be one in which the Director has a Relevant Interest if and so long as (but only if and so long as) he is to his knowledge (either directly or indirectly) the holder of or beneficially interested in one per cent or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company. In relation to an alternate Director, an interest of his appointor shall be treated

as an interest of the alternate Director without prejudice to any interest which the alternate Director has otherwise. Where a company in which a Director has Relevant Interest is interested in a contract, he also shall be deemed interested in that contract.

- (e) If a question arises at a Board meeting about whether a Director (other than the Chairman of the meeting) has an interest which is likely to give rise to a conflict of interest, or whether he can vote or be counted in the quorum, and the Director does not agree to abstain from voting on the issue or not to be counted in the quorum, the question must be referred to the Chairman of the meeting. The Chairman's ruling about the relevant Director is final and conclusive, unless the nature and extent of the Director's interests have not been fairly disclosed to the Directors. If the question arises about the Chairman of the meeting, the question must be directed to the Directors. The Chairman cannot vote on the question but can be counted in the quorum. The Directors' resolution about the Chairman is final and conclusive, unless the nature and extent of the Chairman's interests have not been fairly disclosed to the Directors.

#### 5.10.10.4 Directors' conflicts of interest

- (a) The Board may, in accordance with the requirements set out in the Articles, authorise any matter or situation proposed to them by any Director which would, if not authorised, involve a Director (an Interested Director) breaching his duty under the Act to avoid conflicts of interest (Conflict).
- (b) A Director seeking authorisation in respect of a Conflict shall declare to the Board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The Director shall provide the Board with such details of the matter as are necessary for the Board to decide how to address the Conflict together with such additional information as may be requested by the Board.
- (c) Any authorisation will be effective only if:
  - (i) to the extent permitted by the Act, the matter in question shall have been proposed by any Director for consideration in the same way that any other matter may be proposed to the Directors under the provisions of the Articles;
  - (ii) any requirement as to the quorum for consideration of the relevant matter is met without counting the Interested Director; and
  - (iii) the matter is agreed to without the Interested Director voting or would be agreed to if the Interested Director's vote is not counted.
- (d) Any authorisation of a Conflict must be recorded in writing (but the authority shall be effective whether or not the terms are so recorded) and may (whether at the time of giving the authorisation or subsequently):
  - (i) extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter or situation so authorised;
  - (ii) provide that the Interested Director be excluded from the receipt of documents and information and the participation in discussions (whether at meetings of the Directors or otherwise) related to the Conflict;
  - (iii) impose upon the Interested Director such other terms for the purposes of dealing with the Conflict as the Directors think fit;



- (iv) provide that, where the Interested Director obtains, or has obtained (through his involvement in the Conflict and otherwise than through his position as a Director) information that is confidential to a third party, he will not be obliged to disclose that information to the Company, or to use it in relation to the Company's affairs where to do so would amount to a breach of that confidence; and
  - (v) permit the Interested Director to absent himself from the discussion of matters relating to the Conflict at any meeting of the Directors and be excused from reviewing papers prepared by, or for, the Directors to the extent they relate to such matters.
- (e) Where the Directors authorise a Conflict, the Interested Director will be obliged to conduct himself in accordance with any terms and conditions imposed by the Directors in relation to the Conflict.
  - (f) The Directors may revoke or vary such authorisation at any time, but this will not affect anything done by the Interested Director, prior to such revocation or variation, in accordance with the terms of such authorisation.
  - (g) A Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a director), to account to the Company for any remuneration, profit or other benefit which he derives from or in connection with a relationship involving a Conflict which has been authorised by the directors or by the Company in general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation) and no contract shall be liable to be avoided on such grounds.

#### 5.10.11 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertakings, property, assets (present or future) and uncalled capital and, subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company and its subsidiaries (exclusive of intra-group borrowings and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £20 million or an amount equal to 2 times adjusted capital and reserves.

#### 5.10.12 *Indemnity of Directors and officers*

Subject to the provisions of any relevant legislation, the Company shall indemnify any Director or other officer or former director or other officer of the Company or an associated company (other than an auditor) (a “**relevant officer**”) against any loss or liability incurred by a relevant officer in connection with the exercise of his duties or powers in relation to the Company, any associated company or any pension fund or employees' share scheme of the Company or associated company.

#### 5.10.13 *Board meetings (Notice of board meetings; Quorum; Voting; Telephone and video conference meetings; Resolutions in writing)*

- 5.10.13.1 The Board can decide when and where to have meetings and how they will be conducted. They may also adjourn meetings.
- 5.10.13.2 A Board meeting can be called by any Director. The Secretary must call a Board meeting if asked to do so by a Director.

- 5.10.13.3 Notice of a Board meeting shall be deemed to be duly given to a Director if it is given to him personally or given in writing or by electronic means to him at his last known address or any other address given by him to the Company for that purpose.
- 5.10.13.4 A Director may waive the requirement that notice be given to him of any Board meeting, either prospectively or retrospectively and any retrospective waiver shall not affect the validity of the meeting or of any business conducted at the meeting.
- 5.10.13.5 It shall not be necessary to give notice of a Board meeting to a Director who is absent from the UK unless he has asked the Board in writing that notices of Board meetings shall during his absence be given to him at any address in the UK notified to the Company for this purpose, but he shall not, in such event, be entitled to a longer period of notice than if he had been present in the UK at that address.
- 5.10.13.6 The quorum necessary for the transaction of business may be determined by the Board and until otherwise determined shall be two persons, each being a Director or an alternate Director. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions for the time being vested in or exercisable by the Board.
- 5.10.13.7 If a Director ceases to be a director at a Board meeting, he can continue to be present and to act as a director and be counted in the quorum until the end of the meeting if no other Director objects and if otherwise a quorum of Directors would not be present.
- 5.10.13.8 The Board may appoint one or more of its body as Chairman or Joint Chairman and one or more of its body as Deputy Chairman of its meetings and may determine the period for which he is or they are to hold office and may at any time remove him or them from office.
- 5.10.13.9 If no such Chairman or Deputy Chairman is elected, or if at any meeting neither a Chairman nor a Deputy Chairman is present within ten minutes of the time appointed for holding the same, the Directors present shall choose one of their number to be Chairman of such meeting. In the event two or more Joint Chairmen or, in the absence of a Chairman, two or more Deputy Chairman being present, the Joint Chairman or Deputy Chairman to act as Chairman of the meeting shall be decided by those Directors present. Any Chairman or Deputy Chairman may also hold executive office under the Company.
- 5.10.13.10 Questions arising at any Board meeting shall be determined by a majority of votes. In the case of an equality of votes the Chairman of that meeting shall have a second or casting vote.
- 5.10.13.11 Any Director or his alternate may validly participate in a meeting of the Board or a committee of the Board through the medium of telephone, video or web link, or any other form of communications equipment (whether in use when the Articles are adopted or developed subsequently), provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting.
- 5.10.13.12 A person so participating by telephone, video or web link or other communication shall be deemed to be present in person at the meeting and shall be counted in a quorum and entitled to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, where the Chairman of the meeting then is or designates.



5.10.13.13 A resolution passed at any meeting held in the above manner, and signed by the Chairman of the meeting, shall be as valid and effectual as if it had been passed at a meeting of the Board (or committee, as the case may be) duly convened and held.

5.10.13.14 A resolution in writing signed or confirmed electronically by all the Directors for the time being entitled to receive notice of a Board meeting and to vote on the resolution and not being less than a quorum (or by all the members of a committee of the Board for the time being entitled to receive notice of such committee meeting and to vote on the resolution and not being less than a quorum of that committee), shall be as valid and effective for all purposes as a resolution duly passed at a meeting of the Board (or committee, as the case may be).

5.10.13.15 Such a resolution may consist of several documents or electronic communications in the same form each signed or authenticated by one or more of the Directors or members of the relevant committee.

5.10.14 *Delegation to individual Directors and Committees and power to appoint alternates*

5.10.14.1 All committees of the Board shall, in the exercise of the powers delegated to them and in the transaction of business, conform with any mode of proceedings and regulations which the Board may prescribe and subject to this shall be governed by such of the Articles as regulate the proceedings of the Board as are capable of applying.

5.10.14.2 Each Director may appoint any person (including another Director) to be his alternate and may at his discretion remove an alternate Director so appointed. Any appointment or removal of an alternate Director must be by written notice delivered to the Company's registered office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a Board meeting or in any other manner approved by the Board. The appointment requires the approval of the Board unless it has been previously approved or the appointee is another Director.

5.10.14.3 An alternate Director must provide the particulars, and sign any form for public filing required by the Acts relating to his appointment.

## **6. SHARE OPTIONS**

### **6.1 2005 EMI Options**

The EMI Options granted in December 2005 were granted pursuant to individual letters of grant. These provided that the options could be exercised at any time after the first anniversary of grant but before the tenth anniversary. The letters of grant provided that the options are not assignable but if the option holder dies whilst employed by the Company his personal representatives can exercise the option within one month of death. The options lapse if the holder ceases to be employed by the Company for any reason.

### **6.2 Frontier Developments PLC Enterprise Management Incentive Plan (the "EMI Plan")**

The following is a summary of the rules of the EMI Plan. The EMI Plan was adopted by the Board on 20 June 2012. Options granted pursuant to the EMI Plan to UK resident participants are intended to be qualifying EMI Options in accordance with schedule 5 of ITEPA. The EMI Plan allows for the grant of non-qualifying options. The Company expects to cease to fulfill the qualifying tests for the grant of EMI options shortly following Admission (due to the number of employees). The Directors intend to use the Approved Scheme for the grant of options following Admission.

#### 6.2.1 *Eligibility*

All employees and directors of the Company or any of its subsidiaries, whose committed time to the business of the Group constitutes at least 25 hours per week or 75 per cent. of his or her working time, are eligible to participate in the EMI Plan, unless they hold a material interest in the Company being the beneficial ownership of or ability to control 30 per cent. or more of the ordinary share capital of the Company, or 30 per cent. of the assets on a winding up in the case of a close company (as defined in s.989 Income Tax Act 2007 and paragraph 29(4) of schedule 5 of ITEPA). Participation in the EMI Plan is at the discretion of the Directors, subject to the limits described in paragraph 6.2.2 below.

#### 6.2.2 *Limits on participation*

No option will be granted to participant if the aggregate market value of the Ordinary Shares to be granted under option at the relevant date of grant exceeds:

- (i) £249,999 when added to the aggregate market values (at their respective dates of grant) of all rights which have been granted to that individual under the EMI Plan (whether exercised or not) or under a plan approved by HMRC under schedule 4 of ITEPA; or
- (ii) £3,000,000 when added to the aggregate market values (at their respective dates of grant) of all rights which have been granted under the EMI Plan and are outstanding at the relevant date of grant.

#### 6.2.3 *Grant of Options*

Options are granted at the discretion of the Board but can be granted either by the Company or any other person, including the trustee of an employee share ownership trust. Options are granted for no consideration. No option may be granted on or after the tenth anniversary of the date of adoption of the EMI Plan. Options are personal to the participant and, except on the participant's death, may not be transferred.

#### 6.2.4 *Exercise Price*

The price per share at which an option may be exercised under the EMI Plan shall be determined by the Board at their discretion save that the exercise price shall not be lower than the nominal value of a share if the option is an option to acquire shares by subscription only.

#### 6.2.5 *Performance Targets*

Options may be granted subject to objective performance conditions specified on grant. No options have been granted under the EMI Plan subject to performance conditions nor does the Company intend to grant option under the EMI Plan subject to performance conditions in the future.

#### 6.2.6 *Exercise of Options*

Options may only be exercised between the first and the tenth anniversary of the grant date. Options will lapse immediately if the option holder ceases to be an employee or director of a Group company for any reason. Options will generally lapse immediately following the sale of 50 per cent. or more of the Ordinary Shares to an independent purchaser or 30 days after the sale of all or substantially all of the Group's assets.

#### 6.2.7 *Option Shares*

The Ordinary Shares issued on the exercise of an option granted under the EMI Plan will rank *pari passu* in all respects with the Ordinary Shares then in issue save as regards any dividend payable by reference to a record date prior to the date of issue.

#### 6.2.8 *Adjustments*

The number and/or class of shares comprised in an option and/or exercise price may be adjusted if any demerger involving the Company occurs or if there is any increase or variation of the share capital of the Company or if the Company pays a special dividend.

#### 6.2.9 *Tax Withholding*

No option may be exercised under the EMI Plan unless the Company is satisfied that payment has been made in respect of any tax withholding liability arising in respect of the exercise, including payment of any employer's Class 1 National Insurance contribution liability, or an agreement has been entered into with the relevant participant to ensure that the payment in respect of the tax withholding liability will be made.

#### 6.2.10 *Amendments*

The EMI Plan is administered by the Board. The Board may amend the rules of the EMI Plan provided that no alteration or addition to the terms upon which an option has been granted shall be made if it is disadvantageous to a participant without the consent of the majority in number of participants so affected by such alteration or addition.

#### 6.2.11 *Termination*

The EMI Plan will automatically terminate on 20 June 2022 or earlier if determined by the Board. The termination of the EMI Plan will not affect outstanding options.

#### 6.2.12 *General*

Benefits provided under the terms of the EMI Plan are not pensionable.

### 6.3 ***The Frontier Developments Company Share Option Plan (the "Approved Plan")***

The Approved Plan is intended to be an approved company share option plan and has been submitted to HMRC for approval pursuant to schedule 4 of ITEPA. It is intended that, subject to its approval by HMRC, the Approved Plan will be used for the grant of options following Admission. Other arrangements will be looked at by the Board for senior employees where the proposed grants exceed the individual limits below.

The main features of the Approved Plan are summarised below:

#### 6.3.1 *Eligibility*

All employees and full time directors of the Group are eligible to participate at the discretion of the Board unless they hold a material interest in the Company being the beneficial ownership of or ability to control 30 per cent. or more of the ordinary share capital of the Company, or 30 per cent. of the assets on a winding up in the case of a close company (as defined in section 989 Income Tax Act 2007 and paragraph 9(4) of schedule 4 of ITEPA). Participation in the Approved Plan is at the discretion of the Directors, subject to the limits described in paragraph 6.3.2 below.

#### 6.3.2 *Grant of options*

Options granted under the Approved Plan will be granted at the discretion of the Board but can be granted either by the Company or by a third party, including the trustee of an employee share ownership trust. Options will be granted for no consideration. Options may only be granted under the Approved Plan:

- (i) within the period of six weeks after the date upon which the Approved Plan is approved by HMRC;
- (ii) within the periods of six weeks beginning with the dealing day immediately following the date on which the Company announces its annual or half-yearly results; and

(iii) at other times in exceptional circumstances as determined by the Board.

No options may be granted under the Approved Plan after the tenth anniversary of the date it is adopted by the Board.

#### 6.3.3 *Individual Limits*

No option will be granted to a participant under the Approved Plan if the aggregate market value of the Ordinary Shares subject to that option at the relevant date of grant, when added to the aggregate market value of all the rights granted to him under the Approved Plan or any other HMRC approved plan in accordance with Schedule 4 of ITEPA for employees of the Group and which in every case remain outstanding would exceed £30,000.

#### 6.3.4 *Limit on Share Capital*

No option will be granted under the Approved Plan if as a result, the aggregate number of Ordinary Shares issued or issuable in respect of all options granted under the Plan or any other share option plan for employees of the Group, adopted or entered into on or after the date of adoption of the Approved Plan would, in the ten years immediately preceding the date upon which the option is granted, exceed 10 per cent. of the issued Ordinary Shares. Any option or right granted prior to Admission shall be ignored for the purposes of this limit as shall any Ordinary Shares comprised in an option which has been released, cancelled or lapsed without being exercised.

#### 6.3.5 *Exercise Price*

The price at which participants may acquire Ordinary Shares on the exercise of an option under the Approved Plan shall not be less than the greater of the nominal value of a Share and its market price on the date of grant. The market price will be determined in accordance with the provisions of section 272 and 273 of the Taxation of Chargeable Gains Act 1992 and agreed with HMRC Shares and Assets Valuation division.

#### 6.3.6 *Performance Targets*

The Board may impose objective conditions on the exercise of the options. The Company does not intend to grant options under the Approved Plan subject to performance conditions.

#### 6.3.7 *Exercise, lapse and exchange of options*

Options may normally be exercised between the third and tenth anniversaries of their grant or such shorter period, not expiring after the tenth anniversary date, as the Board determines at grant, provided any performance targets have been satisfied. Options may be satisfied by the issue of shares or the transfer of existing shares.

Notwithstanding the above, options may be exercised (whether the initial three year period has expired or not) in the following circumstances:

- (i) if the participant ceases to be a director or employee of a Group company by reason of injury, disability, redundancy or because his employing company or business is transferred out of the Group he may exercise his options within six months from the date of such termination but only in respect of such proportion of Ordinary Shares under option as corresponds to such portion of the three years as has elapsed between the date of grant and the date of termination of the relevant option. At the end of the six month period the options shall lapse;
- (ii) if the participant gives or receives notice of termination of office or employment or ceases to be a director or employee of a Group company for any other reason, the Board may in their absolute discretion determine the extent, if any, and time period within which that the option may be exercised and so notify the participant. If no such determination is made the option shall lapse at the end of the period of three months

starting with the date of termination or otherwise at the end of the period determined by the Board.

If there is a takeover or an amalgamation of the Company and if the acquiring company so agrees, an option may be exchanged for an option to subscribe for shares in the acquiring company on terms equivalent to the option granted to a participant under the Approved Plan. Options shall lapse at the end of the period of six months from the date of a takeover, amalgamation or winding up of the Company unless exchanged for an option over shares in an acquiring company.

The personal representatives of a deceased participant may exercise the participant's options within one year after the date of death but only to the extent exercisable at the date of death of the relevant participant.

#### 6.3.8 *Adjustments*

With the prior approval of HMRC the number and/or class of shares comprised in an option and/or exercise price may be adjusted if any capitalisation issue, offer by way of rights or any sub-division, reduction or consolidation of the Company's share capital occurs.

#### 6.3.9 *Option Shares*

The Ordinary Shares issued on the exercise of an option granted under the Approved Plan will rank *pari passu* in all respects with the Ordinary Shares then in issue save as regards any dividend payable by reference to a record date prior to the date of issue.

#### 6.3.10 *Withholding*

No option may be exercised under the Approved Plan unless the Company is satisfied that payment has been made in respect of any tax withholding liability arising in respect of the exercise, including payment of any employer's Class 1 National Insurance contribution liability, or any agreement has been entered into with the relevant participant to ensure that the payment in respect of the tax withholding liability will be made.

#### 6.3.11 *Amendments*

The Approved Plan is administered by the Board. The Board may at any time amend the Approved Plan provided that no amendment will be made which would adversely affect the subsisting rights of a participant without either:

- (i) the written consent of the number of participants that hold options under the Approved Plan to acquire 51 per cent. of the shares which would be delivered if all options granted and subsisting under the Approved Plan were exercised; or
- (ii) a resolution of a meeting of participants that hold options under the Approved Plan, passed by not less than 51 per cent. of the participants who attend and vote either in person or by proxy.

Such consent will not be required in relation to any amendment which is made to obtain or maintain approval under schedule 4 of ITEPA or to take into account any changes in legislation or to obtain favourable tax, exchange control or regulatory treatment of any participating company or participant.

Amendments made to a key feature of the Approved Plan shall have no effect without prior approval of HMRC.

#### 6.3.12 *General*

Benefits under the Approved Plan are not pensionable.

## 7. DIRECTORS AND OTHER INTERESTS

- 7.1 As at the date of this document and on Admission, the ownership of Ordinary Shares by Directors and persons connected with them are and will be as follows:

<i>Director</i>	<i>Immediately before the Placing and Admission</i>		<i>Immediately following the Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
David John Braben	17,494,380	69.3	17,494,380	56.4
David Ranken Gammon	224,720 <sup>1</sup>	0.9	224,720 <sup>1</sup>	0.7
Jonathan Simon Milner	224,720 <sup>2</sup>	0.9	224,720 <sup>2</sup>	0.7
David John Walsh	1,245,820 <sup>3</sup>	4.9	1,245,820 <sup>3</sup>	4.0
Jonathan Francis Watts	23,500	0.1	23,500	0.1

1. Held by Rockspring. David Gammon and his family are beneficially interested in these Ordinary Shares.
2. 56,180 Ordinary Shares are held by the JS Milner Accumulation and Maintenance Trust in which Jonathon Milner is beneficially interested.
3. 490,000 Ordinary Shares are registered in the name of Gillian Walsh.

- 7.2 Details of the total number of options granted to the Directors and persons connected with them under the Share Option Plans and pursuant to the arrangements under paragraph 4.8 of this Part 5 as at the date of this document are as follows:

<i>Director</i>	<i>Date of Grant</i>	<i>Exercise Price per Ordinary Share</i>	<i>Number of Ordinary Shares under Option</i>	<i>Exercise Period</i>
David Ranken Gammon <sup>1</sup>	8 July 2013	95p	52,632	8 July 2013 – 7 July 2023
	8 July 2013	127p	118,111	8 July 2014 – 7 July 2023
Jonathan Simon Milner <sup>2</sup>	8 July 2013	95p	13,158	8 July 2013 – 7 July 2023
	8 July 2013	127p	29,528	8 July 2014 – 7 July 2023
David John Walsh	27 July 2012	89p	20,000	27 July 2013 – 26 July 2022
	15 May 2013	95p	180,000	15 May 2014 – 14 May 2023
Jonathan Francis Watts	6 December 2005	67p	60,000	Anytime prior to 5 December 2015
	27 July 2012	89p	140,000	27 July 2013 – 26 July 2022

1. Options granted to Rockspring, in which David Gammon is a shareholder. These options have been granted pursuant to the option agreements dated 8 July 2013.
2. These options have been granted pursuant to the option agreements dated 8 July 2013.

- 7.3 Save as disclosed above, none of the Directors nor any member of his immediate family or person connected with him (within the meaning of section 252 of the Act) holds or is interested, whether beneficially or non-beneficially, directly or indirectly, in any shares or options over shares, or securities convertible into, shares of the Company or any of its subsidiaries.
- 7.4 Save as disclosed in paragraph 7.1 and the table below, so far as the Company is aware, there are no persons who are at the date of this document or will be immediately following Admission, interested directly or indirectly in three per cent. or more of the issued share capital of the Company or who could directly or indirectly, jointly or severally, exercise or could exercise, control over the Company.



<i>Name</i>	<i>Immediately before the Placing and Admission</i>		<i>Immediately following the Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Christopher Sawyer	2,565,726	10.1%	2,565,726	8.3%
Andrew John Cummins	1,000,000	3.9%	1,000,000	3.2%
Lansdowne Partners Limited	0	0.0%	2,362,204	7.6%
Amati Global Investors	131,580	0.5%	1,173,730	3.8%

- 7.5 The persons, including the Directors, referred to in this paragraph 7, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company.
- 7.6 The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 7.7 Save as disclosed in the document no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company or the Group effected during the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 7.8 No Director nor any member of his immediate family nor any person connected with him (within the meaning of Section 252 of the Act) has a Related Financial Product (as defined in the AIM Rules) referenced to Ordinary Shares.

## **8. FURTHER INFORMATION ABOUT DIRECTORS**

- 8.1 The full names, ages, functions and dates of appointment of the Directors are as follows:

<i>Name</i>	<i>Age</i>	<i>Functions in the Company</i>	<i>Date of Appointment as Director</i>
David John Braben	49	CEO	28/01/1994
David Ranken Gammon	52	Non-Executive Chairman	15/02/2012
Jonathan Simon Milner	48	Non-Executive Director	1/11/2012
David John Walsh	49	Chief Operating Officer	19/10/2000
Jonathan Francis Watts	44	Chief Creative Officer	15/02/2012

- 8.2 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships in addition to their directorships of the Company and its subsidiary undertakings:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
David John Braben	Raspberry Pi Foundation	Phonetic Arts Limited
David Ranken Gammon	Rockspring Rockspring Nominees Limited Rockspring Advisory Services Limited LO-Q PLC Imaginatik PLC	Bglobal Public Limited Company AG Tax Limited Deepmind Technologies Limited Anqa Limited The Corporate Arts Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Jonathan Simon Milner	ABCAM PLC Camgene Limited Cambridge Temperature Concepts Limited The ABCAM Employee Share Benefit Trust The Evolution Education Trust Horizon Discovery Limited Meltwind Ltd The National History Museum Development Trust Axol Bioscience Ltd	Cambridge Riverside Management Company Limited
David John Walsh	Entertainment Software Association of Canada	None
Jonathan Francis Watts	None	None

8.3 None of the Directors has:

- 8.3.1 any unspent convictions in relation to indictable offences;
- 8.3.2 been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies) nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- 8.3.3 been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;
- 8.3.4 been a partner in a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or partnership voluntary arrangement;
- 8.3.5 had any asset of his subject to a receivership or been a partner in a partnership at the time of or within the 12 months preceding any asset of such partnership being subject to a receivership;
- 8.3.6 been bankrupt nor been the subject of any form of individual voluntary arrangement;

8.4 There are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.

**9. DIRECTORS' AND SENIOR MANAGEMENT'S SERVICE AGREEMENTS, LETTERS OF APPOINTMENT AND CONSULTANCY AGREEMENTS**

**9.1 *Executive Directors***

The following agreements have been entered into between the Directors and the Company:

- 9.1.1 David John Braben entered into a service agreement with the Company on 8 July 2013 pursuant to which he is to be employed as Chief Executive Officer of the Company terminable by either party giving the other not less than six months' prior written notice at a salary (subject to annual review, the first of which shall take place on 1 August 2013) of £115,000 per annum plus a discretionary bonus and other benefits commensurate with his position.



- 9.1.2 David John Walsh entered into a service agreement with the Company on 8 July 2013 pursuant to which he is to be employed as Chief Operating Officer of the Company terminable by either party giving the other not less than six months' prior written notice at a salary (subject to annual review, the first of which shall take place on 1 August 2013) of £115,000 per annum plus a discretionary bonus and other benefits commensurate with his position.
- 9.1.3 Jonathan Francis Watts entered into a service agreement with the Company on 8 July 2013 pursuant to which he is to be employed as Chief Creative Officer of the Company terminable by either party giving the other not less than six months' prior written notice at a salary (subject to annual review, the first of which shall take place on 1 August 2013) of £115,000 per annum plus a discretionary bonus and other benefits commensurate with his position.
- 9.2 *Non-Executive Directors*
- 9.2.1 The following letters of appointment and consultancy agreements have been entered into in respect of the provision of the services of the non-executive directors to the Company:
- 9.2.1.1 David Ranken Gammon entered into a letter of appointment with the Company on 1 July 2013 with respect to his appointment as Non-Executive Chairman of the Company, the appointment being for an initial period commencing on 1 July 2013 until the conclusion of the Company's AGM occurring approximately three years from that date unless terminated earlier by either party giving to the other six months' prior written notice, at an annual fee (exclusive of VAT) of £10,000.
- 9.2.1.2 Jonathan Simon Milner entered into a letter of appointment with the Company on 1 July 2013 with respect to his appointment as a Non-Executive Director of the Company, the appointment being for an initial period commencing on 1 July 2013 until the conclusion of the Company's AGM occurring approximately three years from that date unless terminated earlier by either party giving to the other three months' prior written notice, at an annual fee (exclusive of VAT) of £10,000.
- 9.2.1.3 Rockspring Advisory entered into a consultancy agreement with the Company on 1 July 2013 regarding the provision of additional consultancy services to the Company. Such agreement is terminable by either party giving to the other six months' prior written notice. The agreement provides for an annual fee (exclusive of VAT) of £26,000. The services to be provided pursuant to the consultancy agreement include (but are not limited to) the provision of strategic advice on raising equity and/or debt finance, company development and potential mergers and acquisitions.
- 9.2.1.4 Jonathan Simon Milner entered into a consultancy agreement with the Company on 1 July 2013 regarding the provision of additional consultancy services to the Company. Such agreement is terminable by either party giving to the other three months' prior written notice. The agreement provides for an annual fee (exclusive of VAT) of £17,500. The services to be provided pursuant to the consultancy agreement include (but are not limited to) the provision of strategic advice to the Company.
- 9.3 The aggregate remuneration paid (including pension fund contributions and benefits in kind) to the Directors by members of the Group during the financial year ended 31 May 2012 of the Company was approximately £288,000. It is estimated that the aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses payable to the Directors by members of the Group) in respect of the current financial year ended 31 May 2013 will be £343,000.
- 9.4 Neil Armstrong entered into a service agreement with the Company on 8 July 2013 pursuant to which he is to be employed as Chief Financial Officer of the Company terminable by either party giving the other not less than six months' prior written notice, at a salary (subject to annual review, the first of

which shall take place on 1 August 2013) of £78,000 per annum plus a discretionary bonus and other benefits commensurate with his position including private medical insurance and life assurance.

- 9.5 The Board has approved a discretionary bonus scheme for the executive Directors and officers of the Company in line with the recommendations of the Remuneration Committee. Under this scheme in respect of the financial year of the Company ended 31 May 2013 they are entitled to receive a bonus of up to 8 per cent. of basic salary (at time of payment) in December 2013. The Board has also approved a bonus scheme for the executive Directors, officers and certain senior managers of the Company for the year ending 31 May 2014, and annually thereafter, in line with the recommendations of the Remuneration Committee. Under this scheme they will be entitled to a bonus of up to 21 per cent. of basic salary (at the time of payment) payable in December 2014 subject to the achievement of performance conditions to be agreed by the Remuneration Committee with each participant. These performance conditions are expected to be agreed by the end of July 2013 and to cover personal, strategic and financial performance measures.
- 9.6 Save as disclosed in paragraphs 9.1 and 9.2 above, there are no service agreements, existing or proposed, between any Director and the Company or any member of the Group providing for benefits upon termination of employment.

## **10. EMPLOYEES**

As at the end of 31 May 2012, the Group had 215 full-time employees, all of which were based in the UK.

## **11. MANDATORY TAKEOVER ARRANGEMENTS**

### ***Mandatory Takeover Bids and/or “squeeze out” and “sell out rights”***

- 11.1 The Company will be subject to the provisions of the Code. Under Rule 9 of the Code, when a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him (as defined in the Code), carry 30 per cent. or more of the voting rights of a company subject to the Code (a “**Code Company**”), or any person, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of a Code Company, and such person or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights in the company, then, in either case, that person together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him for shares in the Code Company within the preceding twelve months, for all of the remaining equity share capital of the company.
- 11.2 The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in sections 979 to 991 (inclusive) of the Act, which provide that where an offeror makes a takeover offer (within the meaning of section 974 of the Act) and receives valid acceptances in respect of, or acquires, more than 90 per cent. of the shares to which the offer relates, that offeror is entitled to compulsory acquire the shares of any shareholder who has not accepted the offer, on the terms of such offer.
- 11.3 There have been no takeover offers (within the meaning of section 974 of the Act) for any Ordinary Shares during the Company’s last or current financial years.

## **12. UNITED KINGDOM TAXATION**

The following statements are intended only as a general guide to United Kingdom tax legislation and to the current practice of the HMRC and do not constitute tax advice. They may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position or who is resident for tax purposes outside the United Kingdom is strongly recommended to consult his professional advisers immediately.

### ***12.1 Stamp Duty and Stamp Duty Reserve Tax***

Save in relation to non-EU depository receipt arrangements or clearance services, where special rules apply, no charge to stamp duty or stamp duty reserve tax (“**SDRT**”) should arise on the issue of new

Ordinary Shares pursuant to the Placing or on their registration in the names of applicants. A subsequent transfer on the sale of Ordinary Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the amount or value of the consideration. Paperless transfers of shares within CREST will be liable to SDRT rather than stamp duty (generally at a rate of 0.5 per cent.) and SDRT on the relevant transactions settled in CREST or reported through CREST for regulatory purposes will generally be settled by CREST. Special rules apply to market intermediaries, dealers and certain other persons and professional advice should be sought if these rules apply.

## 12.2 *Dividends*

The United Kingdom taxation implications relevant to the receipt of dividends on the new Ordinary Shares are as follows:

There is no United Kingdom withholding tax on dividends. UK resident individual holders of new Ordinary Shares will be taxable on the total of the dividend and the related notional tax credit (“**gross dividend**”), which will be regarded as the top slice of the individual’s income.

The notional tax credit on dividends is one-ninth of the dividend paid (or 10 per cent. of the aggregate of the dividend and the tax credit). For individuals, the income tax rates on dividend income are such that basic rate taxpayers will have no further tax liability on a dividend receipt. Higher rate taxpayers pay tax on dividends at 32.5 per cent. so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability. An individual who receives a dividend falling above the threshold for additional rate tax, will be subject to tax on the gross dividend exceeding the threshold at the rate of 37.5 per cent. Generally, holders of new Ordinary Shares will not be entitled to reclaim the tax credit attaching to any dividends paid.

A holder of new Ordinary Shares which is a company resident for tax purposes in the United Kingdom will have to pay corporation tax in respect of any dividends it receives from another company resident for tax purposes in the United Kingdom, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular UK resident company shareholder, although it is expected that the dividends paid would normally be exempt.

Shareholders resident for tax purposes outside the UK may be subject to foreign taxation on dividends received on their new Ordinary Shares or in respect of other transactions relating to the shares under the tax law of their country of residence. Such shareholders will not be subject to any further UK tax on their dividends where they have no other sources of income from the UK and do not have a UK representative or, in the case of trustees, there are no UK resident beneficiaries of the trust. Entitlement to claim repayment of any part of a tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident (however, given the rate of the tax credit on dividends, any such repayment may not be significant). Non-UK resident shareholders should consult their own tax advisers as soon as possible concerning their tax liability on dividends received; what relief, credit or entitlement to a refund of any tax credit may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the new Ordinary Shares.

## 12.3 *Disposal of shares acquired under the Placing*

A Shareholder who is an individual resident or ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised at a rate of 28 per cent., or 18 per cent. for basic rate taxpayers. Corporate shareholders within the charge to UK corporation tax may be liable to corporation tax on any chargeable gains realised on the disposal of Ordinary Shares but will generally be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a permanent establishment and such Ordinary Shares are to have been used, held or acquired for the purposes of such UK permanent establishment. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).

#### 12.4 *Tax reliefs*

Entrepreneurs' Relief may be available to apply a lower rate of capital gains tax (10 per cent.) on a disposal of Ordinary Shares by a shareholder who is an officer or employee of the Company and who meets certain other conditions, including holding at least 5 per cent. of the ordinary share capital and voting power of the Company. A holding in the shares of the Company may qualify for other reliefs such as capital gains tax gift relief and inheritance tax business property relief. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time. Subject to satisfying certain qualifying criteria, including period of ownership and percentage shareholding, the shareholdings of corporate shareholders within the charge to UK tax may qualify for the Substantial Shareholdings Exemption ("SSE"). Where applicable, the SSE exempts any gain arising on the disposal of qualifying shares and, conversely, no capital loss will crystallise on disposal.

**Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.**

### 13. MATERIAL CONTRACTS

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by any member of the Group and which contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

#### 13.1 *Placing Agreement*

Placing Agreement dated 9 July 2013 and made between the Company, the Directors, and Canaccord.

Canaccord has agreed (conditionally, *inter alia*, on Admission taking place not later than 15 July 2013) as agent for the Company to procure subscribers for the Placing at the Placing Price.

Under the Placing Agreement and subject to its becoming unconditional the Company has agreed to pay Canaccord commissions aggregating 5 per cent. of the value at the Placing Price of the Placing Shares (or 2.5 per cent. of the value at the Placing Price of Placing Shares subscribed by investors introduced by the Company) together with a corporate finance fee of £200,000 together with any applicable VAT. The Company has also agreed to grant Canaccord the option referred to in paragraph 4.8.6 of this Part 5.

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission,

expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains warranties and indemnities given by the Company and the Directors to Canaccord as to the accuracy of the information contained in this document and other matters relating to the Group and its business. Canaccord is entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

### 13.2 ***Lock-In and Orderly Market Agreement***

Lock-In and Orderly Market Agreement dated 9 July 2013 and made between (i) the Company, (ii) Canaccord and (iii) the Directors, certain connected persons and the Company Secretary (the “**Covenantors**”).

The Covenantors have entered into covenants with the Company and Canaccord that, subject to various exceptions, they shall, following Admission, refrain from and shall use their reasonable endeavours to procure that their respective connected persons refrain from: (i) disposing of certain Ordinary Shares during the period of 12 months following Admission pursuant to a “lock-in” undertaking; and (ii) disposing of certain Ordinary Shares other than through Canaccord for so long as Canaccord acts as Nominated Advisor and/or Broker to the Company pursuant to an “orderly market” undertaking.

The Lock-in restrictions do not apply to disposals: (a) if the Company and Canaccord agree to waive the restrictions; (b) pursuant to the acceptance of a general offer; (c) pursuant to an irrevocable undertaking to accept the offer; (d) pursuant to an intervening court order; (e) pursuant to a compromise or arrangement between the Company and its members or creditors; (f) pursuant to a scheme of arrangement; (g) pursuant to a Company purchase of own shares; (h) to or by personal representatives; and (i) to connected persons provided in the case of (h) and (i) the transferee shall first undertake to be bound by similar lock-in and orderly market restrictions.

### 13.3 ***Nominated Advisor and Broker Agreement***

Nominated Advisor and Broker Agreement dated 9 July 2013 and made between the Company, the Directors, and Canaccord.

Canaccord has agreed to act as nominated advisor and broker to the Company following Admission as required by the AIM Rules.

Under the Nominated Advisor and Broker Agreement, Canaccord shall provide, amongst other things:

- advice to the Company and Directors in relation to matters concerning the London Stock Exchange and the AIM Rules; and
- advice to the Company and Directors on all other matters relevant to a company whose shares are admitted to trading on AIM.

The Company will pay Canaccord a retainer fee as well as payment of any out-of-pockets expenses reasonably incurred by Canaccord in connection with the performance of its services under the Nominated Advisor and Broker Agreement.

The Nominated Advisor and Broker Agreement is terminable upon 3 months’ notice given by either Canaccord or the Company. The Nominated Advisor and Broker Agreement contains provisions for early termination in certain circumstances and an indemnity given by the company to Canaccord in relation to the provision by Canaccord of its services under the Nominated Advisor and Broker Agreement.

### 13.4 ***Facility Agreement***

Facility Agreement dated 8 July 2013 and made between the Company and Barclays Bank plc.



The Company entered into a revolving loan facility agreement with Barclays Bank plc on 8 July 2013 pursuant to which Barclays Bank plc, as lender, has made available to the Group a facility of up to £3 million. The facility is expressed to be for working capital purposes and is on generally standard terms for a loan agreement of this type. The loan carries interest at 4 per cent. over LIBOR. The final repayment date for the loan is 18 August 2016. The amount from time to time outstanding under the facility is secured under the terms of a debenture granted by the Company in favour of Barclays Bank plc over the assets and undertakings of the Company. The draw down of the loan facility is subject to and conditional on, amongst other things, the completion of the IPO.

#### 13.5 *Convertible Loan Note Instruments and Related Subscription Agreements*

Subscription Agreements entered into in June 2013 in respect of the Pre-IPO under which the Company issued the Convertible Notes and the relevant Ordinary Shares (“**Subscription Agreements**”) together with the instruments dated 31 May 2013 constituting the Convertible Notes.

The Convertible Notes will convert into Ordinary Shares on Admission at a 15 per cent. discount to the Placing Price. Interest on the Convertible Notes is payable at the time of conversion on Admission from the date of issue until conversion at a rate of 8 per cent. per annum.

Under the Subscription Agreements the holders of the Series A1 Unsecured Convertible Loan Notes have agreed, save for in limited prescribed circumstances, not to dispose of any of the Ordinary Shares issued on conversion of the Series A1 Unsecured Convertible Loan Notes for a 12 month period from and including Admission other than through the Canaccord as the Company’s broker in accordance with their requirements to maintain an orderly market in the Company’s shares.

#### 13.6 *Option Agreements*

Option Agreements dated 8 July 2013 made between the Company and each of Rockspring, Jonathan Milner, Adam Glinsman and Canaccord details of which are provided at paragraph 4.8 of this Part 5.

#### 13.7 *IP Assignment Agreement*

The agreement dated 1 June 2008 made between the Company and David Braben referred to in paragraph 14.2 of this Part 5 below.

### 14. RELATED PARTY TRANSACTIONS

- 14.1 Save as disclosed in paragraph 24 of Part 3B of this document, and as summarized in paragraph 14.2 below, the Company has not entered into any related party transactions of the type set out in the Standards adopted according to the Regulation (EC) No. 1606/2002.

#### 14.2 *IP Assignment Agreement*

The Company has entered into an agreement dated 1 June 2008 with David Braben (“**IP Assignment Agreement**”) in respect of the assignment of all rights to the games known as “Elite”, “Elite 2: Frontier”, “Frontier: First Encounters” (collectively, the “**Elite Sequel Products**”) and “Zarch”, “Virus”, “V2000” (collectively, the “**Virus Franchise Products**”).

The Company has agreed to pay David Braben royalties on profits of exploitation of Elite Sequel Products (at 10 per cent.). No royalties are payable in respect of the Virus Franchise Products. For this purpose, (i) “exploitations” include a non-exhaustive list of commercial activities that the Company may carry out, (ii) “profits on exploitations” are calculated as being net receipts after all costs of exploitations (including development, manufacturing and marketing costs) incurred by the Company; and (iii) “net receipts” are all monies received or credited to the Company from exploitations less: (a) discounts given or allowed to re-sellers or distributors; and (b) royalties paid to manufacturers in relation to such exploitations.

The Company has agreed to indemnify David Braben against any loss as a result of the breach by the Company of its obligations under the agreement or the Company's loss of the rights assigned to it under the agreement.

The agreement can be terminated by David Braben if the Company is in material breach.

## **15. WORKING CAPITAL**

The Directors are of the opinion, having made due and careful enquiry, and after taking into account the net proceeds of the Placing receivable by the Company and the Group's borrowing facilities, that the working capital available to the Group will be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

## **16. LEGAL AND ARBITRATION PROCEEDINGS**

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document, a significant effect on the Company and/or the Group's financial position or profitability nor, so far as the Company is aware, are there any such proceedings pending or threatened.

## **17. GENERAL**

17.1 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since 31 May 2012, the date to which the latest audited accounts of the Group were prepared.

17.2 The total costs/charges and expenses of, or incidental to, the Placing and Admission are estimated to amount to approximately £746,550 (excluding VAT where applicable). The total net proceeds of the Placing are expected to amount to £3,278,451.

17.3 Grant Thornton UK LLP, a member of the Institute of Chartered Accountants in England and Wales and whose registered address is at Byron House, 2 Cambridge Business Park, Cambridge, CB4 0WZ is acting as the Company's reporting accountants and registered auditors. Grant Thornton has been the auditor of the Company for the financial year ended 31 May 2012. Prior to this, Bernard Edge and Co acted as auditors to the Company for the financial years ended 31 May 2010 and 31 May 2011. The financial information contained in Part 3 of this document does not constitute statutory accounts within the meaning of Section 240 of the Act. A copy of the audited statutory accounts of the Company for each of the three financial years ended 31 May 2010, 2011 and 2012 have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act. The auditor's reports produced under Section 235 of the Act on those accounts were unqualified and did not contain any statement under Section 237 of the Act.

17.4 Canaccord Genuity Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

17.5 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion of their report in Part 3A of this document in the form and in the context in which it is included, and has authorised the contents of its report for the purposes of Schedule 2 of the AIM Rules for Companies.

17.6 Save as disclosed in this document the Directors believe that the Company is not dependent on patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

17.7 Save as disclosed in the document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

17.7.1 received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or

- 17.7.2 entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
- 17.7.2.1 fees totaling £10,000 or more;
  - 17.7.2.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - 17.7.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 17.8 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 17.9 Save as disclosed in this document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.
- 17.10 Save as disclosed in this document, there are no investments in progress, and there are no future investments on which the Directors have already made firm commitments which are significant to the Company or the Group.

## **18. AVAILABILITY OF THIS DOCUMENT**

Copies of this document are available free of charge for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered offices of the Company and from Bird & Bird LLP at 15 Fetter Lane, London EC4A 1JP and on the Company's website at [www.frontier.co.uk](http://www.frontier.co.uk) for at least one month after Admission.







