

Frontier Developments plc

Interim Results

Record financial performance driven by Frontier's biggest launch to date

Frontier Developments plc (AIM: FDEV, "Frontier", the "Company"), a leading developer and publisher of video games based in Cambridge, UK has published its interim results for the 6 months to 30 November 2018.

Overview

Frontier, founded in 1994, has a proven track record of world-class video-game development in many different genres on many different platforms, delivered over multiple decades, using its own COBRA engine. 2013 saw Frontier begin the transition to a higher margin self-publishing business model, combined with a strategy of growing a portfolio of game franchises over time and supporting, nurturing and enhancing each game franchise for many years after its launch.

December 2014 marked the release of *Elite Dangerous*, followed by *Planet Coaster* in November 2016 and in June 2018, Frontier launched *Jurassic World Evolution*, inspired by the *Jurassic World* film franchise. Frontier intends to continue to nurture and grow its portfolio, supporting existing franchises whilst investing in new titles. The development of Frontier's fourth game franchise is on track, with release planned for later in calendar year 2019.

For the six months to 30 November 2018 Frontier delivered a record financial performance, driven by the launch of *Jurassic World Evolution* in June 2018, Frontier's biggest launch to date, and the ongoing performance of *Elite Dangerous* and *Planet Coaster*. Frontier achieved revenue of £64.7 million in the period compared to £19.0 million for the six months to 30 November 2017.

Financial Summary

	Interim results for Financial Year 2019 (6 months to 30 November 2018)	Interim results for Financial Year 2018 (6 months to 30 November 2017)	Full results for Financial Year 2018 (12 months to 31 May 2018)
Revenue	£64.7m	£19.0m	£34.2m
Operating Profit	£17.2m	£3.0m	£2.8m
Operating Margin %	27%	16%	8%
EBITDA*	£21.7m	£6.0m	£9.4m
EPS (basic)	40.2p	8.0p	9.6p
Operating Cash Flow**	£16.5m	£1.0m	(£2.8m)
Net Cash Balance	£39.5m	£29.1m	£24.1m

*Earnings before interest, tax, depreciation and amortisation

** Operating profit excluding non-cash items, less investments in franchises and other intangible assets

Operational & Strategic Highlights

- *Jurassic World Evolution* launched on PC, PlayStation 4 and Xbox One in June 2018 alongside the film release of *Jurassic World: Fallen Kingdom*. *Jurassic World Evolution* is Frontier's biggest launch to date, achieving 1 million base game unit sales in 5 weeks and 2 million base game units in seven months.
- *Planet Coaster*, which launched in November 2016, continues to perform well, and has now passed 2 million base game units sold. Frontier's strategy of providing free updates alongside the creation of a PDLC (paid downloadable content) business has been successful; 9 separate PDLC 'add-on' products are available as of 6 February 2019.
- *Elite Dangerous*, which launched in December 2014, continues to expand and develop. In December 2018 the *Beyond* series of free updates concluded with the release of *Beyond - Chapter Four*, introducing even

more enhancements and features to further expand the *Elite Dangerous* gaming experience. *Elite Dangerous* has now sold over 3 million base game units*** since launch in December 2014.

- The development of Frontier's fourth game franchise, based on the Company's own un-announced IP, is on track, with release planned for later in calendar year 2019.
- In January 2019 Frontier celebrated 25 years of creativity, quality and innovation with a series of community events, culminating in a staff celebration event on 25 January 2019.

*** Previously the Company has reported "franchise units" for *Elite Dangerous* whereby the *Elite Dangerous: Horizons* expansion, sold at the same price as the base game, was also counted as one unit. The Company has now simplified unit reporting to state gross unit sales of the base game only.

Financial Highlights

- Revenue increased by 240% to £64.7 million for H1 FY19 (the 6 months ended 30 November 2018) compared to £19.0 million for H1 FY18. The significant growth reflects the success of *Jurassic World Evolution* together with the ongoing performance of *Elite Dangerous* and *Planet Coaster*, in line with the Company's strategy.
- Gross profit margin of 61% (H1 FY18: 69%). The reduction reflects royalties payable to Universal Games and Digital Platforms on sales of *Jurassic World Evolution* and physical disc sales of *Jurassic World Evolution*, which are lower margin than digital sales.
- Operating profit of £17.2 million at a margin of 27% (H1 FY18: £3.0 million, 16%), with the growth in the percentage margin reflecting the substantial growth in revenue, albeit at lower gross profit margins.
- Operating cash flow (operating profit excluding non-cash items, less investments in franchises and other intangible assets) increased to £16.5 million (H1 FY18: £1.0 million) due to the strong trading performance.
- Cash balances increased by £15.4 million during the 6 month period to £39.5 million at 30 November 2018 (31 May 2018: £24.1 million).

Current Trading and Outlook

All three game franchises continue to perform well, following good trading performance during the competitive Holiday period incorporating Black Friday and Christmas price promotions. The Board is comfortable with analysts' revenue projections of £79 million to £88 million for the current financial year (FY19, the year ending 31 May 2019).

Frontier's strategy of continuing to grow its portfolio whilst supporting existing game franchises is delivering well. The development of Frontier's fourth game franchise, based on the Company's own un-announced IP, is on track, with release planned for later in calendar year 2019.

David Braben, Chief Executive, said:

"In January we celebrated our 25th anniversary, and I am very proud of all of our achievements during our first 25 years. In the last five years we have successfully transitioned from a trusted 'work-for-hire' developer to an established self-publisher with a portfolio of three released games franchises, a substantial and world-class team, and strong partnerships. It's particularly pleasing that our most recent launch, *Jurassic World Evolution*, has been our biggest to date.

However, I believe we are still at the start of our journey; we have a lot of exciting opportunities ahead of us driven by our resources, capability and experience, our strong partnerships, and the widening opportunities for games companies within the ever-changing entertainment industry."

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation (EU) 596/2014. The person responsible for making this announcement on behalf of the Company is Alex Bevis.

Enquiries:

Frontier Developments David Braben, CEO / Alex Bevis, CFO	+44 (0)1223 394300
Liberum - Nomad and Joint Broker Neil Patel / Cameron Duncan	+44 (0)20 3100 2000
finnCap – Joint Broker Matt Goode / Giles Rolls / Alice Lane	+44 (0) 20 7220 0500
Tulchan Communications Matt Low / Deborah Roney	+44 (0) 20 7353 4200

About Frontier Developments plc

Frontier Developments plc, listed on the AIM stock market (AIM: FDEV), is a leading independent creator of self-published video game franchises founded in 1994 by David Braben, co-author of the seminal *Elite* game. Based in Cambridge, Frontier uses its proprietary 'COBRA' game development technology to create innovative games, currently focusing on video game consoles and personal computers.

Frontier's LEI number: 213800B9LGPWUAZ9GX18.

www.frontier.co.uk

About *Elite Dangerous*

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

www.elitedangerous.com

About *Planet Coaster*

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

www.planetcoaster.com

About *Jurassic World Evolution*

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

www.jurassicworldevolution.com

Financial Review

TRADING

Total annual revenue in H1 FY19 (the six months to 30 November 2018) grew to £64.7 million (H1 FY18: £19.0 million). This record level of sales was achieved through the launch of *Jurassic World Evolution* in June 2018 combined with ongoing revenue contributions from *Elite Dangerous* and *Planet Coaster*, in line with the Company's strategy.

Frontier's strategy is to grow a portfolio of game franchises by launching, and then supporting, each game. In June 2018 Frontier achieved its biggest launch to date, releasing *Jurassic World Evolution* simultaneously on PC, PlayStation 4 and Xbox One alongside the theatrical release of *Jurassic World: Fallen Kingdom*. The game launched on the first day of E3 Expo, the biggest games industry event of 2018, following a major marketing programme which had included digital marketing campaigns, influencer focused engagement activity and digital pre-order sales from the end of March 2018. Following the successful launch in June 2018, Frontier has pursued its usual strategy of supporting and nurturing the game and engaging closely with the growing community of players, including the release of free updates incorporating enhancements requested by the community. Frontier has also added paid downloadable content (PDLC) for *Jurassic World Evolution*, with three packs available so far, to further stimulate existing players and encourage new players.

This strategy of support and nurture post-launch also continues on *Elite Dangerous* and *Planet Coaster*. *Elite Dangerous*, which launched in December 2014, continues to expand and develop. In December 2018 the *Beyond* series of free updates concluded with the release of *Beyond - Chapter Four*, introducing even more enhancements and features to further expand the *Elite Dangerous* gaming experience. *Planet Coaster*, which launched in November 2016, also continues to perform well. Frontier's strategy of providing free updates alongside the creation of a PDLC (paid downloadable content) business has been successful; 9 separate PDLC 'add-on' products are available for *Planet Coaster* as of 6 February 2019.

In terms of base game unit sales, as reported in the trading statement on 15 January 2019, all three game franchises have recently crossed major thresholds, with *Jurassic World Evolution* and *Planet Coaster* each passing 2 million base game units sold, and *Elite Dangerous* exceeding 3 million base game units sold. Previously, the Company reported "franchise units" for *Elite Dangerous* whereby the *Elite Dangerous: Horizons* expansion, sold at the same price as the base game, was also counted as one unit. The Company has now simplified unit reporting to state gross unit sales of the base game only. For comparative purposes cumulative franchise units for *Elite Dangerous* are now over 4.3 million.

Frontier's games are performing well in an increasingly competitive market. In the annual Top 100 Sellers chart based on worldwide gross revenue on Steam (a leading PC digital distribution platform), *Jurassic World Evolution* achieved a "gold" position (in the 13th to 24th chart position range) and *Planet Coaster* achieved a "bronze" position (in the 41st to 100th chart position range).

As expected, price promotions have been, and are expected to be, an effective sales tool for all three franchises, particularly when combined with community announcements, free updates and the release of paid content.

PROFITABILITY

Gross profit of £39.3 million was recorded in the period (H1 FY18: £13.2 million) with gross margin at 61% (H1 FY18: 69%). The significant growth in gross profit resulted from the increase in revenue achieved from the launch of *Jurassic World Evolution*. The reduction in gross margin percentage to 61% reflects the royalties payable to Universal Games and Digital Platforms on sales of *Jurassic World Evolution* and physical disc sales of *Jurassic World Evolution* which are lower margin than digital sales.

Gross research and development expenses in the period increased to £10.4 million, compared to £6.8 million in the first six months, and £9.1m in the second six months, of the last financial year (FY18, the 12 months ending 31 May 2018). The continued growth reflects further investment to support Frontier's franchise portfolio strategy, through increases in internal staff combined with greater levels of outsourced activity. As at 30 November 2018, Frontier had grown its total headcount to 422 staff compared to 344 at 30 November 2017.

Capitalisation of development costs on franchise assets and other intangibles accounted for £5.6 million in the six months to 30 November 2018 (H1 FY18: £5.0 million, H2 FY18: £8.4m). The percentage of gross research and development costs which were capitalised reduced, therefore, to 54% compared to 84% for the whole of the last financial year. This reduction resulted mainly from the interaction of two factors. Firstly, the Company refined the application of its capitalisation accounting policy with effect from 1 June 2018, such that only development activity associated with new chargeable products would be capitalised (subject to the usual criteria set out under accounting standard IAS 38). Secondly, during the six month period to 30 November 2018 a substantial number of Frontier's development team were engaged on the *Beyond* series of free updates for *Elite Dangerous* (which concluded in December 2018) and a number of free updates for *Jurassic World Evolution* and *Planet Coaster*. Whilst costs for those activities were not capitalised during the period as they were developments of existing released products rather than new products, Frontier believes that investment in free updates is an important part of its strategy in supporting and nurturing games after launch. The Company anticipate a higher percentage of costs will be capitalised in 2019 as a greater proportion of staff will work on development activity associated with new chargeable products, including paid downloadable content (PDLC) for existing game franchises.

Amortisation charges related to previously capitalised development costs grew to £4.0 million (H1 FY18: £2.8 million, H2 FY18: £3.2 million) following the launch of *Jurassic World Evolution* in June 2018.

Net research and development expenses recorded in the income statement in the period were £8.8 million (H1 FY18: £4.6 million, H2 FY18: £3.9 million), being gross spend, less capitalised costs, plus amortisation charges. The increase is therefore due to the combination of factors described above (a higher level of gross spend, a lower proportion of those costs being capitalised and an increase in amortisation charges).

Total sales, marketing and administrative expenses increased to £13.3 million (H1 FY18: £5.6 million, H2 FY18: £7.2 million). This substantial increase resulted mainly from three factors: 1) higher marketing costs to support the launch of *Jurassic World Evolution* in June 2018; 2) higher bonus costs, as the bonus scheme is based on profit, which was significant in the period; 3) higher facilities costs following the move into new premises in April 2018.

Operating profit of £17.2 million was recorded in the period (H1 FY18: £3.0 million) representing an operating margin of 27% (H1 FY18: 16%). The substantial increase in both profit and profit margin reflected the strong sales performance in the period. EBITDA (earnings before interest, tax, depreciation and amortisation) also increased substantially to £21.7 million (H1 FY18: £6.0 million).

Total corporation tax charges in the income statement for the period totalled £1.9 million, which would imply an effective tax rate of 11% on the £17.3 million of pre-tax profits recorded. However, the Company estimates that the taxable profits generated in the period were actually almost completely offset by brought forward tax losses combined with tax deductions related to staff share option gains recorded up to 30 November 2018. The net movement in tax related balances on the Company's balance sheet during the period represented a tax charge of only £0.1m. The reason that a tax charge of £1.9 million was recorded in the income statement compared to the £0.1m balance sheet movement is largely due to a £1.9 million tax accounting charge adjustment related to staff share options. In accordance with accounting standard IAS 12, the benefit of tax deductible share option gains in excess of the cumulative IFRS 2 accounting charges related to those gains must be credited directly to reserves rather than being taken through the income statement, which generated this £1.9 million credit directly to reserves instead

of to the income statement. The Group expects to provide additional details on its tax status in the FY19 financial statements.

Profit after tax in the period was £15.4 million (H1 FY18: £2.9 million) and total comprehensive income, including the credit for the element of share option tax deductible amount taken directly to equity, was £17.3 million (H1 FY18: £2.9 million). Basic earnings per share was 40.2 pence (H1 FY18: 8.0 pence).

BALANCE SHEET AND CASH FLOW

The Company further strengthened its balance sheet during the period through the cash inflows generated by the launch of *Jurassic World Evolution*, together with ongoing performance of *Elite Dangerous* and *Planet Coaster*.

Intangible assets increased by £1.7 million during the period to £30.9 million at 30 November 2018 (31 May 2018: £29.2 million) as investments in franchise assets and other intangibles exceeded amortisation charges. Tangible assets increased by £0.8 million to £5.8 million (31 May 2018: £5.0 million) through investment in the fit-out of the remaining space in Frontier's leased building on the Cambridge Science Park, first occupied in April 2018.

Trade and other receivables of £6.5 million at 30 November 2018 were similar to the position at the end of the last financial period (31 May 2018: £6.7 million). Trade and other payables totalled £10.9 million at 30 November 2018 (31 May 2018: £5.9 million). The increase was due to higher accrued bonus charges (the bonus scheme is based on profit performance) and accrued royalty and commission costs. Total deferred income reduced slightly to £3.5 million at the period end (31 May 2018: £4.3 million).

Cash balances increased by £15.4 million during the period to £39.5 million (31 May 2018: £24.1 million). The increase in cash was mainly due to the strong trading performance in the period. During the six months to 30 November 2018 operating cash flow (operating profit excluding non-cash items, less investments in franchises and other intangible assets) accounted for an inflow of £16.5 million (H1 FY18: an operating cash inflow of £1.0 million).

In September 2018 the Frontier Developments plc Employee Benefit Trust (the "EBT"), which is included within Frontier's consolidated accounts, acquired 466,173 ordinary shares of 0.5p each in the Company ("Ordinary Shares") at an average price of £10.70 per Ordinary Share, therefore investing £5.0 million. These Ordinary Shares are to be held in the EBT and are intended to be used to satisfy the exercise of share options by employees. The EBT is a discretionary trust for the benefit of the Company's employees, including the Directors of the Company.

BOARD CHANGES

On 5 September 2018, David Walsh, Chief Operating Officer and Executive Director, transitioned to a Non-Executive Director role, in order to focus his attention on a start-up opportunity outside of the games industry. Following this transition the Board of Directors comprises four Non-Executive Directors (including the Chairman) and three Executive Directors.

CONSOLIDATED INCOME STATEMENT

	Notes	6 months to 30 Nov 2018 £'000	6 months to 30 Nov 2017 £'000	12 months to 31 May 2018 £'000
Revenue	6	64,656	18,990	34,192
Cost of sales		(25,387)	(5,816)	(10,092)
Gross profit		39,269	13,174	24,100
Research and development expenses		(8,786)	(4,580)	(8,500)
Sales and marketing expenses		(5,523)	(2,817)	(6,076)
Administrative expenses		(7,749)	(2,816)	(6,724)
Operating profit		17,211	2,961	2,800
Finance income		107	15	81
Profit before tax		17,318	2,976	2,881
Income tax	7	(1,880)	(34)	713
Profit for the period attributable to shareholders		15,438	2,942	3,594
Earnings per share				
Basic earnings per share	8	40.2	8.0	9.6
Diluted earnings per share	8	38.1	7.6	9.1

All the activities of the Group are classified as continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 30 Nov 2018 £'000	6 months to 30 Nov 2017 £'000	12 months to 31 May 2018 £'000
Profit for the period	15,438	2,942	3,594
Other comprehensive income:			
Tax credits on share options taken directly to equity	1,855	-	-
Exchange differences on translation of foreign operations	(3)	4	2
Total comprehensive income for the period attributable to the equity holders of the parent	17,290	2,946	3,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 Nov 2018 £'000	31 May 2018 £'000	30 Nov 2017 £'000
Non-current assets				
Intangible assets	9	30,875	29,197	24,433
Property, plant and equipment	10	5,761	4,966	3,533
Deferred tax assets		754	-	-
		37,390	34,163	27,966
Current assets				
Trade and other receivables		6,520	6,733	3,400
Other short-term assets		537	523	515
Cash and cash equivalents		39,457	24,124	29,098
		46,514	31,380	33,013
Total assets		83,904	65,543	60,979
Current liabilities				
Trade and other payables		(10,891)	(5,920)	(5,125)
Deferred income		(2,807)	(3,634)	(230)
Current tax liabilities		(869)	-	(747)
Provisions		(7)	(11)	(275)
		(14,574)	(9,565)	(6,377)
Net current assets		31,940	21,815	26,636
Non-current liabilities				
Deferred income		(696)	(690)	(919)
		(696)	(690)	(919)
Total liabilities		(15,270)	(10,255)	(7,296)
Net assets		68,634	55,288	53,683
Equity				
Share capital	11	194	193	192
Share premium account		34,389	34,132	33,845
Equity reserve		(3,590)	780	303
Foreign exchange reserve		(15)	(12)	(12)
Retained earnings		37,656	20,195	19,355
Total equity		68,634	55,288	53,683

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 1 June 2017	171	14,601	972	(4)	15,555	31,295
Profit for the period	-	-	-	-	2,942	2,942
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	(8)	12	4
Total comprehensive income for the period	-	-	-	(8)	2,954	2,946
Issue of share capital net of expenses	21	19,244	-	-	-	19,265
Share-based payment charges	-	-	325	-	-	325
Share-based payment transfer relating to option lapses	-	-	(846)	-	846	-
EBT net cash outflow from issues and/or purchases of shares	-	-	(263)	-	-	(263)
EBT net cash inflow from option exercises	-	-	115	-	-	115
At 30 November 2017	192	33,845	303	(12)	19,355	53,683
Profit for the period	-	-	-	-	651	651
Total comprehensive income for the period	-	-	-	-	651	651
Issue of share capital net of expenses	1	287	-	-	-	288
Share-based payment charges	-	-	667	-	-	667
Share-based payment transfer relating to option lapses	-	-	(190)	-	190	-
At 31 May 2018	193	34,132	780	(12)	20,195	55,288
Profit for the period	-	-	-	-	15,438	15,438
Other comprehensive income:						
Tax credits on share options taken directly to equity					1,855	1,855
Exchange differences on translation of foreign operations	-	-	-	(3)	-	(3)
Total comprehensive income for the period	-	-	-	(3)	17,293	17,290
Issue of share capital net of expenses	1	257	-	-	-	258
Share-based payment charges	-	-	706	-	-	706
Share-based payment transfer relating to option lapses	-	-	(168)	-	168	-
EBT net cash outflow from issues and/or purchases of shares	-	-	(5,000)	-	-	(5,000)
EBT net cash inflow from option exercises	-	-	92	-	-	92
At 30 November 2018	194	34,389	(3,590)	(15)	37,656	68,634

CONSOLIDATED STATEMENT OF CASHFLOWS

	6 months to 30 Nov 2018	6 months to 30 Nov 2017	12 months to 31 May 2018
	£'000	£'000	£'000
Cash generated from operations	26,726	5,823	10,252
Taxes received/(paid)	79	(40)	(41)
Cashflow from operating activities	26,805	5,783	10,211
Investing activities			
Purchase of property, plant and equipment	(1,182)	(2,960)	(4,660)
Expenditure on intangible assets	(5,747)	(5,436)	(13,503)
Interest received	107	15	81
Cashflow from investing activities	(6,822)	(8,381)	(18,082)
Financing activities			
Proceeds from issue of share capital	258	19,265	19,553
Employee Benefit Trust net investment	(4,908)	(148)	(148)
Cashflow from financing activities	(4,650)	19,117	19,405
Net change in cash and cash equivalents from continuing operations	15,333	16,519	11,534
Cash and cash equivalents at beginning of period	24,124	12,579	12,579
Exchange differences on cash and cash equivalents	-	-	11
Cash and cash equivalents at end of period	39,457	29,098	24,124

The accompanying notes form part of this financial information.

Reconciliation of operating profit to cash generated from operations

	6 months to 30 Nov 2018	6 months to 30 Nov 2017	12 months to 31 May 2017
	£'000	£'000	£'000
Operating profit	17,211	2,961	2,800
Depreciation and amortisation	4,455	2,997	6,567
EBITDA	21,666	5,958	9,367
Movement in unrealised exchange (gains)/losses on forward contracts	(311)	(271)	287
Share-based payment expenses	706	325	992
Operating cashflow before movements in working capital	22,061	6,012	10,646
Net changes in working capital:			
Change in trade and other receivables	213	(713)	(4,069)
Change in trade and other payables	4,456	524	3,939
Change in provisions	(4)	-	(264)
Cash generated from operations	26,726	5,823	10,252

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Frontier Developments plc 'the Group' develops and publishes video games for the interactive entertainment sector.

The Company is a public limited company and is incorporated and domiciled in the United Kingdom.

The address of its registered office is 26 Science Park, Milton Road, Cambridge CB4 0FP.

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

The condensed, consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 May 2018 were approved by the Board of Directors on 5 September 2018 and delivered to the Registrar of Companies. The Auditors Report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

Basis of preparation

The consolidated interim financial statements should be read in conjunction with the financial statements for the year ended 31 May 2018.

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 consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34).

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

Going concern basis

The Group's forecasts and projections, taking account of current cash resources and reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of approval of these financial statements. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

3. ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 May 2018.

4. ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurements of assets, liabilities, income and expenses. The actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 31 May 2018.

5. SIGNIFICANT EVENTS AND TRANSACTIONS

There were no significant events or transactions in the interim period (1 June 2018 to 30 November 2018) which were not included within the interim financial statements. There have been no significant events or transactions during the period from the end of the interim period to the day preceding the date of this report (1 December 2018 to 5 February 2019).

6. SEGMENT INFORMATION

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

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

The Group does not provide any information on the geographical location of sales as the majority of revenue is through 3rd party distribution platforms which are responsible for the sales data of consumers.

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

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

	6 months to 30 Nov 2018 £'000	6 months to 30 Nov 2017 £'000	12 months to 31 May 2018 £'000
Self-publishing revenue	64,512	18,471	32,644
Other revenue	144	519	1,548
	64,656	18,990	34,192

7. INCOME TAX

In accordance with IAS 34, the tax charge in the period is consistent with the expected effective tax rate for the full year of 11%.

	£'000
Tax at 19% on the taxable profits generated during the period (after estimated tax deductions)	2,687
Less brought forward tax losses utilised in the period	(1,818)
Less the value of the deferred tax asset recognised in the period for losses carried forward	(754)
Add back tax credits taken directly to the reserves for tax deductible share option gains in excess of the cumulative IFRS 2 accounting charges related to those gains	1,855
Less a prior period related tax refund	(90)
Net tax charge in the income statement	1,880
Profit before tax	17,318
Effective tax rate	11%

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Frontier Developments plc divided by the weighted average number of shares in issue during the period, adjusted for shares held within the Employee Benefit Trust.

	6 months to 30 Nov 2018	6 months to 30 Nov 2017	12 months to 31 May 2018
Profit attributable to shareholders (£'000)	15,438	2,942	3,594
Weighted average number of shares	38,436,040	36,659,973	37,519,639
Basic earnings per share (pence)	40.2	8.0	9.6

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

	6 months to 30 Nov 2018	6 months to 30 Nov 2017	12 months to 31 May 2018
Profit attributable to shareholders (£'000)	15,438	2,942	3,594
Weighted average number of shares	40,486,893	38,580,165	39,485,283
Diluted earnings per share (pence)	38.1	7.6	9.1

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

	6 months to 30 Nov 2018	6 months to 30 Nov 2017	12 months to 31 May 2018
Weighted average number of shares	38,436,040	36,659,973	37,519,639
Dilutive effect of share options	2,050,853	1,920,192	1,965,644
Diluted average number of shares	40,486,893	38,580,165	39,485,283

9. INTANGIBLE ASSETS

Intangible assets comprise capitalised development tools and self-published software from internal development activities and acquired software licences.

	Development tools and licences £'000	Self- published software £'000	Third party software £'000	Total £'000
Cost				
At 31 May 2017	4,537	30,676	344	35,557
Additions - arising from capitalised development expenses and purchases	424	4,611	-	5,035
At 30 November 2017	4,961	35,287	344	40,592
Additions - arising from capitalised development expenses and purchases	506	7,878	84	8,468
At 31 May 2018	5,467	43,165	428	49,060
Additions - arising from capitalised development expenses and purchases	649	4,961	137	5,747
At 30 November 2018	6,116	48,126	565	54,807
Amortisation				
At 31 May 2017	3,479	10,029	178	13,686
Amortisation charges	474	2,337	63	2,874
At 30 November 2017	3,953	12,366	241	16,560
Amortisation charges	475	2,764	64	3,303
At 31 May 2018	4,428	15,130	305	19,863
Amortisation charges	182	3,817	70	4,069
At 30 November 2018	4,610	18,947	375	23,932
Net book value at 30 November 2018	1,506	29,179	190	30,875
Net book value at 31 May 2018	1,039	28,035	123	29,197
Net book value at 30 November 2017	1,008	22,921	103	24,032
Net book value at 31 May 2017	1,058	20,647	166	21,871

10. TANGIBLE ASSETS

	Fixtures and Fittings £'000	Computer Equipment £'000	Leasehold Improvements £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 31 May 2017	115	898	-	394	1,407
Additions	-	167	-	2,793	2,960
At 30 November 2017	115	1,065	-	3,187	4,367
Additions	-	150	-	1,550	1,700
Transfer	459	307	3,971	(4,737)	-
At 31 May 2018	574	1,522	3,971	-	6,067
Additions	10	266	906	-	1,182
Disposals	-	-	(1)	-	(1)
At 30 November 2018	584	1,788	4,876	-	7,248
Depreciation					
At 31 May 2017	106	605	-	-	711
Charge for the period	1	122	-	-	123
At 30 November 2017	107	727	-	-	834
Charge for the period	18	187	62	-	267
At 31 May 2018	125	914	62	-	1,101
Charge for the period	1	147	238	-	386
At 30 November 2018	126	1,061	300	-	1,487
Net book value at 30 November 2018	458	727	4,576	-	5,761
Net book value at 31 May 2018	449	608	3,909	-	4,966
Net book value at 30 November 2017	8	338	-	3,187	3,533
Net book value at 31 May 2017	9	293	-	394	696

11. SHARE CAPITAL

	Number	Nominal Value £
At 1 June 2017	34,230,529	171,153
Shares issued to Tencent Holdings Limited	3,386,252	16,931
Shares issued on option exercises and warrants	839,367	4,197
At 30 November 2017	38,456,148	192,281
Shares issued on option exercises and warrants	146,150	731
At 31 May 2018	38,602,298	193,012
Shares issued on option exercises and warrants	138,070	690
At 30 November 2018	38,740,368	193,702

12. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Foreign Currency Forward Contracts

The Group used foreign exchange forward contracts to mitigate exchange rate exposure arising from forecast sales in US Dollars. The forward contracts are considered by management to be part of economic hedge arrangements but have not been formally designated.

All forward contracts are held at fair value through the profit and loss by reference to the exchange rate at the balance sheet date.

	30 Nov 2018 £'000	31 May 2018 £'000	30 Nov 2017 £'000
Forward exchange contracts – held for trading	(66)	(373)	205