

Frontier Developments plc

Annual Results

A record year. An exciting future.

Frontier Developments plc (AIM: FDEV, 'Frontier', the 'Group' or the 'Company'), a leading developer and publisher of videogames based in Cambridge, UK, has published its unaudited full-year results for the 12 months to 31 May 2019 ('financial year 2019' or 'FY19').

Overview

Frontier is a world-class videogame developer and publisher, with a proven track record of launching multiple successful franchises with a strong post-launch nurturing strategy which delivers multi-year revenues. Each new release provides strong launch sales, while a combination of regular free and chargeable updates, together with active community support, ensures longevity of sales performance. Frontier is currently the UK's largest independent studio and continues to grow. In the 12 months to 31 May 2019, Frontier recruited more than 120 people, growing headcount to over 460 staff in its Cambridge headquarters.

In financial year 2019, Frontier grew revenue by more than 160% and operating profit by nearly 600%, representing record financial performance. This was delivered through the success of *Jurassic World Evolution* (June 2018), and the ongoing performance of Frontier's first two self-published titles, *Elite Dangerous* (2014) and *Planet Coaster* (2016).

Frontier's next major release is *Planet Zoo*, the Company's fourth title launch since the transition to a self-publishing business model in 2013-2014. *Planet Zoo* is the ultimate zoo simulation, featuring authentic living animals, rich management, and limitless creativity, and is coming exclusively to PC on 5 November 2019.

In addition to Frontier's core model of developing and publishing its own games, the Company is partnering with other high-quality developers to bring more games to market through the Company's Frontier Publishing initiative. In June 2019 Frontier announced the first of these deals with Haemimont Games, an experienced and respected developer of quality strategy and management titles.

Frontier continues to grow its franchise portfolio and its headcount in order to deliver long-term revenue and earnings growth, and support the ambition to be the most respected and highest quality entertainment company in the world.

Financial summary

	FY19 (12 months to 31 May 2019)	FY18 (12 months to 31 May 2018)	Change (%)
Revenue	£89.7m	£34.2m	+162%
Operating profit	£19.4m	£2.8m	+593%
Operating margin %	22%	8%	+14pp
EBITDA*	£29.0m	£9.4m	+209%
EPS (basic)	45.4p	9.6p	+373%
Operating cash flow**	£15.4m	(£2.8m)	n/a
Net cash balance	£35.3m	£24.1m	+46%

*Earnings before interest, tax, depreciation and amortisation

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

Operational and strategic highlights

- Frontier achieved its biggest launch to date with *Jurassic World Evolution*. Released in June 2018 alongside the launch of the *Jurassic World: Fallen Kingdom* film, the game achieved 1 million unit sales in five weeks and 2 million in seven months.
- Frontier's strategy of supporting and nurturing its titles through active community engagement, free updates, and chargeable content (paid downloadable content or 'PDLC') continues to deliver, with *Jurassic World Evolution*, *Planet Coaster*, and *Elite Dangerous* all continuing to entertain existing players and attract new ones.
- *Jurassic World Evolution* has been supported since launch through a number of free updates and by a growing range of chargeable content, with five separate PDLC packs now available as at 4 September 2019.
- *Planet Coaster*, launched in November 2016, continues to lead its genre. Eleven separate chargeable themed expansion packs are now available, enabling existing players to access substantial new features and content, and attracting new players into the *Planet Coaster* world of creativity and sharing. *Planet Coaster* base game unit sales passed 2 million units in January 2019.
- *Elite Dangerous*, launched in December 2014, continues to deliver exciting game experiences to active players whilst welcoming new ones. In December 2018, Frontier delivered the fourth chapter of the *Beyond* season of free updates, which added a number of gameplay features and further narrative to the *Elite Dangerous* universe. In January 2019, *Elite Dangerous* crossed the 3 million base game unit threshold.
- *Planet Zoo* will be Frontier's fourth major game release since the transition to self-publishing. Coming exclusively on PC on 5 November 2019, *Planet Zoo* will be the ultimate zoo simulation, featuring authentic living animals, rich management, and limitless creativity.
- On 6 March 2019 Frontier announced securing a major global IP licence for a future game release in 2021.
- On 11 June 2019 Frontier announced its first partnership under the Frontier Publishing initiative, with experienced developer Haemimont Games. The partnership will see Frontier and Haemimont work together on a new project for release in two to three years' time.

Financial highlights

- The launch of *Jurassic World Evolution*, combined with the ongoing performance of all three titles, *Jurassic World Evolution*, *Planet Coaster* and *Elite Dangerous*, propelled the Company to a record financial performance for the year ended 31 May 2019.
- Revenue increased by over 160% to £89.7 million in FY19 (FY18: £34.2 million), which was 2.4 times the previous record of £37.4 million in FY17.
- Operating profit, as reported under IFRS, grew to £19.4 million, nearly 600% higher than the prior year (FY18: £2.8 million) and 2.5 times the previous record of £7.8 million in FY17.
- Operating profit margin increased to approximately 22% (FY18: 8%, FY17: 21%).
- Operating cash flow** generated an inflow of £15.4 million (FY18: an outflow of £2.8 million), reflecting the strong trading performance.
- Cash balances increased by £11.2 million during the year to £35.3 million (FY18: £24.1 million).

Current trading and outlook

Frontier's first three self-published titles, *Elite Dangerous*, *Planet Coaster*, and *Jurassic World Evolution*, continue to perform well, in line with expectations, supported by the Company's strategy of active community engagement, free updates, chargeable content and price promotions.

Revenue in the current financial year, (FY20, running from 1 June 2019 to 31 May 2020), will benefit from the launch of *Planet Zoo* on 5 November 2019. Whilst Frontier anticipates considerable success with the release of *Planet Zoo*, it is unlikely to drive total revenues within the financial year as high as those achieved by *Jurassic World Evolution* in FY19. This is due to three main factors:

- The fact that *Planet Zoo* is a single-format PC exclusive. *Jurassic World Evolution* was a multi-platform release, launching simultaneously on PC, PlayStation 4 and Xbox One, with console representing roughly half of the total unit sales. Frontier's strategy includes the release of certain games (especially own-IP games) on PC first in order to maximise long term engagement, taking into account audience considerations and hardware capability, while retaining the opportunity to expand to console later.
- The strength of the *Jurassic World* brand. Support for the launch of *Jurassic World Evolution* was boosted by its release alongside the *Jurassic World: Fallen Kingdom* film, and the considerable marketing activity surrounding it.
- The timing of the release. *Planet Zoo* launches half-way through FY20, so contributes half a year of revenue, whilst *Jurassic World Evolution*, which launched at the beginning of FY19, provided a full 12 months of revenue.

Taking into account the ongoing performance of *Elite Dangerous*, *Planet Coaster*, and *Jurassic World Evolution*, including the expansion content for each of those games, and the planned launch of *Planet Zoo* on 5 November 2019, the Board is comfortable with the current range of analyst revenue projections of £65 million to £73 million for financial year 2020 (the 12 months to 31 May 2020).

The Board expect revenue from the Frontier Publishing initiative to grow over time, although does not expect it to be material in FY20.

David Braben, Chief Executive, said:

"I am delighted to report a record level of financial performance, which reflects the skill and hard work of our talented team and the support of our players around the world. We continue to nurture and enhance all three of our existing titles (Elite Dangerous, Planet Coaster and Jurassic World Evolution), and I look forward to the release of our fourth highly anticipated game, Planet Zoo, later this year.

Earlier in 2019 we celebrated our 25th anniversary as a company, and while I am very proud of all of our achievements to date, it feels like we are at the start of our journey. The opportunities we have now are better than ever. I am more excited about our future, our next 25 years, as a result, as we continue to expand our horizons and grow our portfolio, our team, and our partnerships."

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.

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About Frontier Developments plc

Frontier is a leading independent creator of self-published videogame franchises founded in 1994 by David Braben, co-author of the iconic Elite game. Based in Cambridge, Frontier uses its proprietary 'COBRA' game development technology to create innovative games, currently focusing on videogame consoles and personal computers.

Frontier's LEI number: 213800B9LGPWUAZ9GX18.

www.frontier.co.uk

About *Planet Zoo*

Simulation Runs Wild in *Planet Zoo*. From the developers of *Jurassic World Evolution* (2018), *Planet Coaster* (2016) and *Zoo Tycoon* (2013) comes the ultimate zoo sim, featuring authentic living animals who think, feel and explore the world players create around them. *Planet Zoo* allows players to experience a globe-trotting campaign or let their imagination run wild in the freedom of Sandbox mode, create unique habitats and vast landscapes, make big decisions and meaningful choices, and nurture their animals as they construct and manage a truly modern zoo where animal welfare and conservation comes first.

www.planetzoogame.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.jurassicworlddevolution.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 create the theme park of their dreams as they surprise, delight and thrill incredulous crowds, and share their success with the world via the Steam Workshop community.

www.planetcoaster.com

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

Chairman's Statement

OVERVIEW

The hard work of our amazing team has delivered a set of record financial results; of which we are all extremely proud. This has not happened by accident. Over the last 25 years our talented personnel, led by David Braben and Jonny Watts, have established a culture and reputation for high quality, as well as for creating enduring and authentic game experiences. It's this sharp focus on quality that led us to achieve our best year yet in FY19 through the success of our biggest launch to date, *Jurassic World Evolution*, and the ongoing popularity of *Elite Dangerous* and *Planet Coaster*.

In 2013 we made the brave decision to transition to a self-publishing business model because of the opportunities we saw from the growth of digitalisation. This included an expectation that the development and ownership of game content would increase in importance and prominence over time. David, Jonny, and their teams grabbed the opportunity, and we now have three strong game franchises in the market and more in the pipeline. I am personally delighted that our decision to change our business model has proven correct, and that we continue to deliver for all of our stakeholders, including our communities of players, our staff, and our investors.

Our reputation for quality and our increased profile have helped us strengthen our existing partnerships and build new relationships. We already have one future title which will be based on a major global IP, and discussions are ongoing with a number of IP owners. In June 2019 we announced our first partnership under the Frontier Publishing initiative, with experienced developer Haemimont Games. Frontier Publishing partnerships are an excellent way for us to build our portfolio by leveraging our publishing capability, our channel relationships, and our financial resources to help talented external development teams bring their games to market.

BOARD

I believe that our Board of Directors is a team of highly experienced, capable, and motivated individuals. Whilst we are all well-aligned in terms of our strategy and direction, there is regular debate and challenge at Board meetings, which is facilitated by each of our different areas of expertise, business experiences and individual perspectives. At the AGM in October 2018 our former Chief Operating Officer, David Walsh, transitioned to a Non-Executive Director role in order to focus his attention on a start-up opportunity outside of the games industry. I would like to thank David for his 17 years of excellent service to Frontier in an executive role, and I am pleased to report that he is proving to be a very capable Non-Executive Director.

OUTLOOK

We are proud of our strong growth and record financial performance for last year, but we have much more to come in the future. It's thanks to our fantastic people that we are in such a strong position. I'd like to take this opportunity to thank them for all of their hard work.

Chief Executive's Statement

The five years since we transitioned to a self-publishing model have been really exciting. We continue to successfully execute the strategy we set out at IPO, building a great portfolio of our own games in the process. FY19 has been our best yet, and I am very pleased to report a record level of financial performance, which reflects the skill and hard work of our talented people and the support of our players around the world. We continue to nurture and enhance all three of our existing titles (*Elite Dangerous*, *Planet Coaster* and *Jurassic World Evolution*), and I look forward to the release of our fourth, *Planet Zoo*, later this year. Our roadmap for future releases both as a developer and publisher is looking particularly strong, including our announcement in March 2019 that one future launch, in 2021, will benefit from a major global IP licence. More IP licences are anticipated.

Over the last 12 to 18 months we have been exploring the potential to use our publishing capability, industry experience, commercial partnerships and financial resources to supplement our own development roadmap. The three areas we have been reviewing are:

- Third party publishing (controlling the promotion and distribution of other developers' games);
- Commissioning (outsourcing the majority of development of Frontier games to other developers); and
- Acquisitions (to enhance our franchise portfolio or capabilities).

In June 2019 we announced our first deal under our Frontier Publishing initiative (third party publishing) with experienced developer Haemimont Games. I anticipate further deals in the future for Frontier Publishing, and we also continue to explore commissioning and acquisition opportunities.

Earlier in 2019 we celebrated our 25 year anniversary as a company, and while I am very proud of all of our achievements to date, it feels like we are at the start of our journey. The opportunities we have now are better than ever. I am excited about our future, our next 25 years, as we continue to expand our horizons and grow our portfolio, our team and our partnerships.

THE GAMES MARKET

The games market, along with film, TV, and music, is part of the wider \$300 billion entertainment industry. Games forms the largest sector, worth in excess of \$130 billion, and it is still growing rapidly unlike its other counterparts, such as TV, that have typically experienced declines over several years.

With audiences craving greater levels of interactivity within their entertainment experiences, the lines between these sectors continue to blur. Frontier is well placed to both drive and support future changes in the wider industry, including the potential addition of whole new forms of entertainment, leveraging our strong relationships with leading entertainment companies.

The games market is typically seen as three different sectors, PC, console and mobile/tablet, each with distinct characteristics, though increasingly it is play styles that matter. Rich, engaging experiences where the expectation might be to play for an hour or so in a session, for example, are currently confined to PC and console. In the future we might see these coming to other platforms too like mobile and tablet, via the new streaming services. Our main development focus is therefore on those rich, engaging experiences currently most suited to PC and console, as the audiences on these platforms greatly value games exhibiting Frontier's key development strengths of compelling gameplay and high production quality. Currently, the mobile sector is overcrowded and has a very low barrier to entry, typically with games with a 5-10 minute play expected play session, making audiences less predictable and much less influenced by quality. 'Discoverability' (the ability to find a title) is also better on PC and console, with excellent support from reviewers, content creators and social media.

The entire games market is moving rapidly towards digital download as the primary delivery model. Mobile and PC are now almost 100% digital, and the console audience is quickly catching up, as focus shifts to the new generation of hardware and older business models are replaced. We have also seen a number of interesting developments and announcements for streaming game content. While technical considerations mean that streaming games from the cloud to consumer devices may take several years to become mainstream, we believe the prospect of streaming is already shifting the balance of power from distribution stores in favour of game developers, as evidenced by a leading distribution store adjusting its distribution fees from 30% to 20%-25%.

Our industry has always thrived on disruption, in terms of individual games, game genres, charging models, technology and routes to market, and it has been interesting to observe the impact of some of those disrupting factors in the last 12 months, particularly in terms of new digital distribution channels and streaming services. We believe that many of these changes benefit those companies who both create and own their own content, which is a further validation of our transition to a self-published development model. Our particular focus on 'games as a service'— supporting our titles and their communities with regular updates – is working very well, producing three successful titles so far, with early indications that the fourth is being well received, but we will continue to monitor and consider different delivery model options as the industry continues to evolve.

STRATEGY

We believe that publishing our own franchises, and selectively those of other high-quality development studios, is the best way to maximise the benefit of our core skills, our assets and our COBRA technology platform. The Company's focus is on developing and delivering top-quality, self-published PC and console titles for digital distribution.

We will continue to follow our repeatable model to support our great franchises over many years with new releases and updates, and to create further franchises in popular game genres where we can use our key expertise, knowledge and/or valuable external IP to deliver highly differentiated, best-in-class player experiences, and to further build our revenue pipeline over the long term.

Our strategic objective is to create long-term sustainable growth through successfully publishing a growing number of franchises. Our strategic focus is on two key areas:

- developing our business to achieve repeatable success; and
- creating and managing franchises.

We are scaling up for the future so we can release games more frequently, and we already have future franchises in different phases of development. The increase in the number of releases supporting our existing games helps smooth revenue, but major releases of new franchises are still a significant factor in the revenue stream. As we scale the number of franchises over future years, and as the frequency of these releases approaches one per year, this will have a smoothing effect on growth, but in the meantime revenue is sensitive to the specific schedule of such releases and may therefore exhibit 'stepped' behaviour across financial years, as those new franchises are released.

We are growing our portfolio, and consequently we are increasing our development team to enable us to support additional titles while generating new content for our existing titles. We expect to grow our resources and capability over time to enable us to achieve one major launch every 12 months, but this will not require us to increase our workforce linearly because supporting an existing franchise typically requires fewer staff than creating a new one.

As stated in the Group's previous Annual Reports and other communications, in addition to the current core model of using internal resources, supplemented by outsourced services, the Group will continue to explore other opportunities to accelerate its scale-up.

The Board expects the third party publishing initiative announced in June 2019 to grow as more third party games are signed and added to the publishing roster, though it is not expected that these games will contribute material revenue in the current financial year (FY20).

We will also continue to explore opportunities for commissioning (outsourcing the majority of development of Frontier games to other developers), and enhancing the Group's franchise portfolio or capabilities via acquisitions. The Group has considered a number of possible acquisitions, but so far none have met our valuation, product alignment, and culture fit thresholds.

Strategic Report

Developing our business to achieve repeatable success

We invest our development resources in games with strong franchise potential, primarily on PC and console. In order to maximise the return on our core skills and assets we target game genres where we have established expertise and/or intellectual property within our teams. Audiences on the chosen platforms tend to value games that exhibit Frontier's key development strengths.

We have a proven and successful model for repeatable success, looking at under-served areas of the market in which we can excel. To accelerate our progress and increase the frequency of launches we are continuing to scale up our organisation, not just in terms of staff numbers, but also in terms of leadership skills, training, organisational structure, process and external partnerships.

We also invest in the necessary facilities to support our world-class team. In April 2018 we moved all of our staff into a brand new office space on the Cambridge Science Park, with a great many custom features. It is our belief that having all our people in Cambridge working together in a single building helps maximise our operational effectiveness and efficiency, and the improved work environment helps with recruitment and overall productivity.

We use online channels to create and engage with player communities during game development, a practice which provides a valuable source of both feedback, and these player communities provide excellent advocacy for each franchise prior to launch.

Our development process uses our proprietary COBRA development tools and technology to facilitate innovative features and the creation of top-quality games with strong differentiation for the PC and console audiences. Our control of this technology also removes the risks related to ongoing access to third party licensed technology alternatives, as has happened in the past where successful tool providers are acquired by a major rival player. In addition, the direct engagement with those involved in the engine development, and the ability to control the delivery dates and new feature roadmap of that technology can be invaluable, for example giving first-mover advantage with new technologies such as VR.

With each of our franchises, we plan for the long term, and how best to support and sustain the audience for each one. A dedicated team monitors progress based on sentiment towards the games, success of each of the distribution channels and platforms, and the up-take of additional content both free and paid, allowing us to reach the widest possible audience over time. Free content is a valuable tool to help retain and restore existing audiences and support sentiment, while paid content both helps monetise the game and brings new players as new content triggers online coverage on platforms like YouTube or Twitch, increasing sales of the corresponding base game and for other paid expansion content.

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

Creating and managing franchises

In order to maximise the return on our core skills and assets we target game genres where we believe we can deliver both high-quality, differentiated offerings using established expertise and intellectual property, and have a strong chance of successful market entry as we believe that sector is under-served by the existing offerings, based on past experience or knowledge of that sector.

We use this proven, rigorous and repeatable model to invest our resources with the intention of creating world-class games with strong franchise potential and plans for strong post-launch product support to help realise this potential. With *Elite Dangerous* we knew there had been significant success in the past, not least because of our own games in that area in previous decades, and also that there were no games like it at the time. We verified that there was a significant appetite for such a game with Kickstarter crowdfunding at the end of 2012 and early 2013, and the game itself has now vindicated that decision with continued success in its fifth year since full release.

With *Planet Coaster*, we were releasing a title in competition with an established and well-loved franchise, *RollerCoaster Tycoon 3*. Frontier developed *RollerCoaster Tycoon 3* for Atari in 2004 when we were a work-for-hire business and it was a very successful game for over a decade. This led us to believe the sector was under-served and given our experience developing *RollerCoaster Tycoon 3* we were confident we could create its natural successor as the genre-defining title. Despite the release of another game in the sector the day prior to *Planet Coaster's* launch, we have achieved that aim and Planet Coaster now dominates the sector and continues to be successful in its third year since release.

Jurassic World Evolution followed in June 2018 (working with the team at Universal Games and Digital Platforms), and now *Planet Zoo* has been announced, for release on 5th November 2019. With *Planet Zoo*, we are following the same model. The last successful game in this sector was *Zoo Tycoon* with Microsoft in 2013, developed by Frontier for Microsoft, and again we are confident we have developed a game that will be the dominate its sector for years to come. Early indications are encouraging. The responses to our *Planet Zoo* announcements, videos and hands-on demonstrations so far have been overwhelmingly positive.

Future Plans

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

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

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

We are building a broad portfolio of franchises, each different to the last and each with the capabilities to expand over time and we are scaling up for the future so we can release games more frequently. All upcoming franchises will be selected using the same approach set out above, and we already have several in different phases of development.

Subject to Frontier's disclosure obligations as an AIM company, it is the Board's intention to make announcements about upcoming projects at the optimum time for the success of that particular franchise, which may be some time after the start of a particular project.

Our future franchise portfolio is likely to contain some with Frontier owned IP (like *Elite Dangerous*, *Planet Coaster* and *Planet Zoo*) and some with third party licensed IP (like *Jurassic World Evolution*). Games based on owned IP provide Frontier with the benefit of having complete creative freedom, whilst games based on licensed IP have the potential to more easily reach very large audiences, such as with *Jurassic World Evolution*. We will review the value of licensing proven third party major global IP versus developing our own IP for each potential future franchise on a case-by-case basis. We will also consider the long term benefits of relationships with these IP partners and how it can help with future opportunities as the wider entertainment sector continues to change, presenting ever more new opportunities for new types of entertainment.

ELITE DANGEROUS

Elite Dangerous is now in its sixth financial year since release in December 2014. Since launch we have continued to release expansions to the original *Elite Dangerous* game, simultaneously on PC, PlayStation 4 and Xbox One as those platforms have been added. Simultaneous releases on all supported platforms are planned to continue going forward. These updates add to the quality of the game, renew the interest of existing players and also generate additional awareness across traditional media and social media platforms, resulting in new sales. The attach rate of *Elite Dangerous: Horizons* to the base game continues to grow steadily, helped by the regular updates.

Having the base game and *Horizons* expansions in the market covers mid-price entry to the franchise with an upgrade path, and we bundle the two together and add some digital items to create a Deluxe edition for a premium price point entry. We believe each product offers great value individually and a compelling premium package together.

The *Horizons* season of chargeable expansions launched in December 2015 with *Planetary Landings* and concluded in September 2017 with *The Return*, with each release in the season providing new headline gameplay features plus a large number of quality of life enhancements and other tweaks, fixes and improvements.

The *Beyond* season of free updates was announced in October 2017 at the Frontier Expo 17 fan convention, and released in four chapters during the period February 2018 to December 2018. Each *Beyond* update was free for all players, regardless of whether they had the *Horizons* season pass, providing enhancements to the overall player experience, bringing foundational changes to the core systems of *Elite Dangerous* and delivering new in-game content for Commanders to experience as they explore the massively multiplayer galaxy.

Elite Dangerous is Frontier's biggest selling game franchise to date. The franchise continues to perform strongly as we continue to focus on enhancements within the strategy of further improving perceived quality and sentiment, adding significant long-term new features and supporting the unique evolving player-driven story, which all players experience together. We will continue to support existing players and further expand the player base over the next financial year through the addition of new content.

PLANET COASTER

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

accordance with our strategy, we began to release free updates, each of which adds headline features but also expands and improves different creative and management aspects of the game. 15 free updates have now been released for *Planet Coaster*, starting with the *Winter Update* one month after launch in December 2016 and continuing at regular intervals, with the latest released in June 2019. In addition to the free content updates, we released the *Thememaker's Toolkit* in winter 2018. *Thememaker's Toolkit* is a free feature that allows players to unleash their creativity and enhance their parks by importing bespoke 3D models of their own design into the game.

In addition to the free updates, players are able to introduce further content into their parks through the purchase of paid downloadable content (PDLC) packs. The first of these released in July 2017 with three packs involving Universal IP – *Back to the Future*, *The Munsters*, and *Knight Rider*. In total *Planet Coaster* has 11 separate PDLC packs available to date. The most recent, the *Ghostbusters* pack using Sony Pictures IP, released in June 2019. The *Ghostbusters* pack took the game on a new direction, introducing a narrative scenario that directly tied into the original film, in which Dan Aykroyd and William Atherton reprised their iconic roles. It also presented players with new gameplay elements that have injected an abundance of new creative options for their enjoyment.

The combination of free updates and PDLC packs is an important part of Frontier's strategy for *Planet Coaster*, as they keep the game fresh for existing players and help attract new players into the game.

JURASSIC WORLD EVOLUTION

Jurassic World Evolution, our first self-published licensed title, launched on 12 June 2018. It was our first self-published title (although not our first game) to debut simultaneously on PC, PlayStation 4 and Xbox One, and the first to benefit from a major marketing event by launching alongside the latest film in the franchise, *Jurassic World: Fallen Kingdom* at the start of the biggest games industry show of the year – the Electronic Entertainment Expo (E3) in Los Angeles.

The opportunity was identified and approved through our thorough project assessment process. It leveraged our management and builder game expertise, plus our unrivalled expertise in implementing believable in-game animals from games such as *Dog's Life*, *Kinectimals* and *Zoo Tycoon*. In this case, we determined that being able to use the *Jurassic World* IP would significantly benefit awareness with the most recent movie in the franchise released in June 2018, around the 25th anniversary of the original movie.

Jurassic World Evolution evolves the players' relationship 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.'

Jurassic World Evolution was announced in August 2017, with pre-order announced on 28 March 2018 for a digital launch on 12 June 2018 on all three platforms. In addition, physical discs went on sale for PlayStation 4 and Xbox One on 3 July 2018 for those who still prefer physical media. Player engagement has been very positive, and the game achieved 1 million units in five weeks and passed the 2 million unit marker within seven months.

Jurassic World Evolution's first PDLC pack was available at launch and as a 'deluxe' bundle during pre-order. Consistent with our strategy for our first two titles, we have released a number of free updates since launch and we have also provided players the opportunity to engage with paid-for content. To date, we have released five separate PDLC packs in total. As with *Planet Coaster*, the combination of free updates and PDLC packs is an important part of our strategy.

PLANET ZOO

In April 2019 Frontier announced its next major release would be *Planet Zoo*, launching exclusively for PC on 5 November 2019. Frontier aims to make *Planet Zoo* the ultimate zoo simulation, featuring authentic living animals, rich management, and limitless creativity. In *Planet Zoo* players can build and manage a truly modern zoo where animal welfare and conservation comes first.

Planet Zoo will present the most authentic animals in videogame history. From playful lion cubs to mighty elephants, every animal in *Planet Zoo* is an individual who thinks, feels and explores the world players build around them. *Planet Zoo's* animals care about their surroundings and each other, with complex environmental and social needs. Players will nurture their animals throughout their lives, study and manage every species to see them thrive, and help them raise young to pass their genes onto future generations.

Players can manage their zoo in an expressive world that reacts to every choice they make, as they choose to focus on the big picture or go hands-on and look after the smallest details. Players can thrill visitors with prestigious animals and famous exhibits, develop their zoo and research new technologies, and release animals back into the wild to repopulate the planet.

And in *Planet Zoo* players can unleash their creativity with the next evolution of *Planet Coaster's* best-in-class creation mechanics. With powerful creative tools players can create stunning scenery and habitats, dig lakes and rivers, raise hills and mountains, and carve tunnels and caves as they build their own zoo. Players will see their animals and visitors respond to their creative vision, and can share their designs with friends in *Planet Zoo's* online community.

FRONTIER PUBLISHING

We are actively pursuing opportunities to use our publishing capability, industry experience, commercial partnerships and financial resources to supplement our own development roadmap by partnering with other high-quality developers to bring more games to market.

In June 2019 we announced our first deal under this Frontier Publishing initiative with experienced developer Haemimont Games. Haemimont Games ("Haemimont"), founded in 1997 in Bulgaria, boasts a passionate team of over 60 highly skilled people and a wealth of experience in developing quality strategy and management games, including *Victor Vran*, *Surviving Mars*, and titles in the *Tropico* series. The partnership will see Frontier and Haemimont work together on a new project for release in two to three years' time, with Frontier providing the development funding as well as marketing and distribution.

This deal is strategic and a strong start to growing Frontier's publishing business with third party titles. The Board expects the publishing business to become a material contributor to the Company in years to come, as more partnerships are agreed.

Our Frontier Publishing initiative helps us expand our game portfolio further, through external development partnerships that supplement our own internal development roadmap. We are in discussions with other developers and hope to be able to announce additional publishing partnerships in the future.

Financial Review

OVERVIEW

The launch of *Jurassic World Evolution* in June 2018, combined with the ongoing performance of all three titles, *Jurassic World Evolution*, *Planet Coaster* and *Elite Dangerous*, propelled the Company to a record financial performance for the year ended 31 May 2019. Revenue increased by over 160% to £89.7 million (FY18: £34.2 million) and operating profit grew by nearly 600% to £19.4 million (FY18: £2.8 million). Cash balances increased by £11.2 million during the year to £35.3 million (FY18: £24.1 million) reflecting the strong trading performance.

TRADING

Jurassic World Evolution accounted for a large proportion of the total annual revenue of £89.7 million in the period (FY18: £34.2 million) through its strong launch in the first month of the financial year on PC, PlayStation 4 and Xbox One. *Elite Dangerous* and *Planet Coaster* continue to deliver sustained revenue from both sales of the base game and PDLC, and sales of *Jurassic World Evolution* in the second half of the financial year, i.e. beyond its initial launch period, were encouraging in terms of both base game sales and PDLC. The ongoing performance of all three titles reflects Frontier's approach to supporting and nurturing each of its franchises.

Self-publishing revenue accounted for 99.8% of sales in the year (FY18: 95%) with the significant majority being digital sales. Physical sales represented around 15% of total company revenue in FY19 (FY18: 7%), with disc sales of *Jurassic World Evolution* on PlayStation 4 and Xbox One accounting for around one third of the base game unit sales of *Jurassic World Evolution* on console during the period.

Gross profit was £54.6 million in the year (FY18: £24.1 million) with gross margin at 61% (FY18: 70.5%). 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 grew by 33% to £21.2 million (FY18: £15.9 million). 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 31 May 2019, Frontier had grown its total headcount to 466 staff compared to 377 at 31 May 2018.

Capitalisation of development costs on franchise assets and other game related intangibles accounted for £14.8 million in the period (FY18: £13.4 million). As a consequence the percentage of gross research and development costs which were capitalised reduced to 70% compared to 85% for 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 first six months of the financial year 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. A higher percentage of costs were capitalised in the second half of the financial year and to date in the current financial year as a greater proportion of staff have been working on development activity associated with new chargeable products, including paid downloadable content (PDLC) for existing game franchises.

Amortisation charges for franchise assets and other game related intangibles grew to £8.5 million for the period (FY18: £6.1 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 £14.9 million (FY18: £8.5 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).

Sales, marketing and administrative expenses grew to £20.4 million (FY18: £12.8 million). This substantial increase resulted mainly from three factors: i) higher marketing costs to support the launch of *Jurassic World Evolution* in June 2018; ii) higher bonus costs, as the bonus scheme is based on profit, which was significant in the period; iii) higher facilities costs following the move into new premises in April 2018.

Operating profit of £19.4 million was recorded in the year (FY18: £2.8 million) representing an operating margin of approximately 22% (FY18: 8%). 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 £29.0 million (FY18: £9.4 million).

Total corporation tax charges in the income statement for the period totalled £2.2 million (FY18: a credit of £0.7 million), which would imply an effective tax rate of 11% on the £19.7 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 31 May 2019. The reason that a tax charge of £2.2 million was recorded in the income statement is largely due to a £2.0 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 £2.0 million credit directly to reserves instead of to the income statement. The Group has recognised a deferred tax asset of £0.6 million as at 31 May 2019 which mainly relates to carried forward tax losses, and the Group has also recorded a current tax liability as at 31 May 2019 of £1.0 million based on a provisional estimate of corporation tax due for FY19.

Profit after tax for FY19 was £17.4 million (FY18: £3.6 million) and basic earnings per share was 45.4p (FY18: 9.6p).

BALANCE SHEET AND CASHFLOW

The Company runs a robust balance sheet, and this was further boosted by the record financial performance achieved in the year with operating cash flow (operating profit excluding non-cash items, less investments in franchises and other game related intangible assets) of £15.4 million (FY18: an outflow of £2.8 million), resulting in a cash position at 31 May 2019 of £35.3 million (31 May 2018: £24.1 million).

Tangible assets increased to £6.4 million (FY18: £5.0 million) mainly as a result of the second phase of the fit-out of the new leased office facility, which the Company occupied in April 2018.

Intangible assets increased by £6.3 million to £36.5 million at 31 May 2019 (FY18: £30.2 million) as investments in game franchise assets, particularly *Jurassic World Evolution*, exceeded amortisation charges related to those assets.

Trade and other receivables totalled £5.2 million at the end of the period (FY18: £6.7 million). The higher balance at 31 May 2018 mainly resulted from pre-order sales of *Jurassic World Evolution*, and this was the principle reason for a high level of deferred income at the end of the prior period, with a deferred income balance of £1.5 million at 31 May 2019 compared to £4.3 million at 31 May 2018.

Trade and other payables totalled £10.0 million (FY18: £6.9 million) with the largest factor for the increase being the profit related bonus accrual. The Company ran a two-year bonus plan for all staff for the combined period of FY18 and FY19, and most of the bonus charge was accrued in FY19 since that financial year generated the majority of operating profit (FY19: £19.4 million, FY18: £2.8 million).

Cash balances increased £11.2 million during the year to £35.3 million (FY18: £24.1 million) with operating cash flow (operating profit excluding non-cash items, less investments in franchises and other game related intangible assets) providing an inflow of £15.4 million in the period (FY18: an operating cash outflow of £2.8 million).

In September 2018 the Frontier Developments plc Employee Benefit Trust (the "EBT") used £5.0 million of Company cash to acquire 466,173 Ordinary Shares of 0.5p each in the Company ("Ordinary Shares") at an average price of £10.70 per Ordinary Share. These Ordinary Shares are 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.

As at 31 May 2019 there were 38,741,068 Ordinary Shares in issue including 502,668 Ordinary Shares in total held by the EBT.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2019

	Notes	31 May 2019 £'000	31 May 2018 £'000
Revenue	3	89,669	34,192
Cost of sales		(35,021)	(10,092)
Gross profit		54,648	24,100
Research and development expenses		(14,891)	(8,500)
Sales and marketing expenses		(7,852)	(6,076)
Administrative expenses		(12,536)	(6,724)
Operating profit		19,369	2,800
Finance income		289	81
Profit before tax		19,658	2,881
Income tax		(2,248)	713
Profit for the period attributable to shareholders		17,410	3,594
Earnings per share			
Basic earnings per share	4	45.4	9.6
Diluted earnings per share	4	43.2	9.1

All the activities of the Group are classified as continuing.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2019

	31 May 2019 £'000	31 May 2018 £'000
Profit for the period	17,410	3,594
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(4)	2
Total comprehensive income for the period attributable to the equity holders of the parent	17,406	3,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 MAY 2019***(REGISTERED COMPANY NO: 02892559)*

	Notes	31 May 2019 £'000	Restated* 31 May 2018 £'000	Restated* 31 May 2017 £'000
Non-current assets				
Intangible assets	5	36,450	30,186	22,860
Property, plant and equipment	6	6,352	4,966	696
Deferred tax asset		605	-	-
		43,407	35,152	23,556
Current assets				
Trade and other receivables		5,178	6,720	2,941
Current tax asset		141	536	510
Cash and cash equivalents		35,332	24,124	12,579
		40,651	31,380	16,030
Total assets		84,058	66,532	39,586
Current liabilities				
Trade and other payables		(9,026)	(6,909)	(4,894)
Deferred income		(1,036)	(3,634)	(459)
Current tax liabilities		(966)	-	(747)
Provisions		-	(11)	(275)
		(11,028)	(10,554)	(6,375)
Net current assets		29,623	20,826	9,655
Non-current liabilities				
Provisions		(13)	-	-
Deferred income		(465)	(690)	(927)
Other payables		(939)	-	(989)
		(1,417)	(690)	(1,916)
Total liabilities		(12,445)	(11,244)	(8,291)
Net assets		71,613	55,288	31,295
Equity				
Share capital		194	193	171
Share premium account		34,390	34,132	14,601
Equity reserve		(3,073)	780	972
Foreign exchange reserve		(16)	(12)	(4)
Retained earnings		40,118	20,195	15,555
Total equity		71,613	55,288	31,295

* Restated for a licence related accounting adjustment as per note 5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2019

	Share capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2017	171	14,601	972	(4)	15,555	31,295
Profit for the year	-	-	-	-	3,594	3,594
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	(8)	-	(8)
Exchange differences on translation of net investment	-	-	-	-	10	10
Total comprehensive income for the year	-	-	-	(8)	3,604	3,596
Issue of share capital net of expenses	22	19,531	-	-	-	19,553
Share-based payment charges	-	-	992	-	-	992
Share-based payment transfer relating to option exercises and lapses	-	-	(1,036)	-	1,036	-
EBT share inflows from issues and/or purchases	-	-	(263)	-	-	(263)
EBT share outflows from option exercises	-	-	115	-	-	115
Transactions with owners	22	19,531	(192)	-	1,036	20,397
At 31 May 2018	193	34,132	780	(12)	20,195	55,288
Profit for the year	-	-	-	-	17,410	17,410
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	-	-	(4)	-	(4)
Exchange differences on translation of net investment	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(4)	17,410	17,406
Issue of share capital net of expenses	1	258	-	-	-	259
Share-based payment charges	-	-	1,564	-	-	1,564
Share-based payment transfer relating to option exercises and lapses	-	-	(535)	-	535	-
EBT share inflows from issues and/or purchases	-	-	(5,000)	-	-	(5,000)
EBT share outflows from option exercises	-	-	118	-	-	118
Tax credits on share options taken directly to reserves	-	-	-	-	1,978	1,978
Transactions with owners	1	258	(3,853)	-	2,513	(1,081)
At 31 May 2019	194	34,390	(3,073)	(16)	40,118	71,613

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MAY 2019

	31 May 2019 £'000	31 May 2018 £'000
Cash generated from operations	32,312	10,252
Taxes received/(paid)	480	(41)
Cashflow from operating activities	32,792	10,211
Investing activities		
Purchase of property, plant and equipment	(2,269)	(4,660)
Expenditure on intangible assets	(14,981)	(13,503)
Interest received	289	81
Cashflow from investing activities	(16,961)	(18,082)
Financing activities		
Proceeds from issue of share capital	259	19,553
Employee Benefit Trust net investment	(4,882)	(148)
Cashflow from financing activities	(4,623)	19,405
Net change in cash and cash equivalents from continuing operations	11,208	11,534
Cash and cash equivalents at beginning of period	24,124	12,579
Exchange differences on cash and cash equivalents	-	11
Cash and cash equivalents at end of period	35,332	24,124

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

Reconciliation of operating profit to cash generated from operations

	31 May 2019 £'000	31 May 2018 £'000
Operating profit	19,369	2,800
Depreciation and amortisation	9,600	6,567
EBITDA	28,969	9,367
Movement in unrealised exchange (gains)/losses on forward contracts	(340)	287
Share-based payment expenses	1,564	992
Operating cash flows before movements in working capital	30,193	10,646
Net changes in working capital:		
Change in trade and other receivables	1,542	(4,069)
Change in trade and other payables	575	3,939
Change in provisions	2	(264)
Cash generated from operations	32,312	10,252

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The basis of preparation and going concern policies applied in the preparation of these financial statements 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, for both the Group and Company, has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS.

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

Going concern basis

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

3. SEGMENT INFORMATION

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

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

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

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

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

In both the period ended 31 May 2019 and the period ended 31 May 2018, 'Other Revenue' mainly related to royalty income.

	12 months to 31 May 2019 £'000	12 months to 31 May 2018 £'000
Self-publishing revenue	89,476	32,644
Other revenue	193	1,548
	89,669	34,192

4. EARNINGS PER SHARE

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

	31 May 2019	31 May 2018
Profit attributable to shareholders (£'000)	17,410	3,594
Weighted average number of shares	38,337,119	37,519,639
Basic earnings per share (pence)	45.4	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 year as adjusted for the dilutive effect of share options.

	31 May 2019	31 May 2018
Profit attributable to shareholders (£'000)	17,410	3,594
Diluted weighted average number of shares	40,254,488	39,485,283
Diluted earnings per share (pence)	43.2	9.1

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

	31 May 2019	31 May 2018
Weighted average number of shares	38,337,119	37,519,639
Dilutive effect of share options	1,917,369	1,965,644
Diluted average number of shares	40,254,488	39,485,283

5. INTANGIBLE ASSETS

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

	Development tools and licences £'000	Self- published software and licences £'000	Third-party software £'000	Total £'000
Cost				
At 31 May 2017*	4,537	31,665	344	36,546
Additions	930	12,489	84	13,503
Disposals	-	-	-	-
At 31 May 2018*	5,467	44,154	428	50,049
Additions	1,295	13,518	168	14,981
Disposals	-	-	-	-
At 31 May 2019	6,762	57,672	596	65,030
Amortisation and impairment				
At 31 May 2017	3,479	10,029	178	13,686
Amortisation charges	949	5,101	127	6,177
Disposals	-	-	-	-
At 31 May 2018	4,428	15,130	305	19,863
Amortisation charges	365	8,174	178	8,717
Disposals	-	-	-	-
At 31 May 2019	4,793	23,304	483	28,580
Net book value at 31 May 2019	1,969	34,368	113	36,450
Net book value at 31 May 2018*	1,039	29,024	123	30,186

* Restated for license commitment previously not recorded which increased intangible assets and trade and other payables at 31 May 2017 and 31 May 2018 by £989,000.

The majority of amortisation charges for intangible assets are expensed within research and development expenses.

6. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 31 May 2017	115	898	-	394	1,407
Additions	-	317	-	4,343	4,660
Transfer	459	307	3,971	(4,737)	-
Disposals	-	-	-	-	-
At 31 May 2018	574	1,522	3,971	-	6,067
Additions	276	616	1,377	-	2,269
Transfer	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 May 2019	850	2,138	5,348	-	8,336
Depreciation					
At 31 May 2017	106	605	-	-	711
Charge for the period	19	309	62	-	390
Transfer	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 May 2018	125	914	62	-	1,101
Charge for the period	121	478	284	-	883
Transfer	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 May 2019	246	1,392	346	-	1,984
Net book value at 31 May 2019	604	746	5,002	-	6,352
Net book value at 31 May 2018	449	608	3,909	-	4,966

Assets in the course of construction related to the fit-out of a new leased building in the Science Park in Cambridge which was occupied from April 2018. During the period to 31 May 2019 further fit-out costs were incurred as previously unused office space was occupied by the Group.