CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2023

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

All the activities of the Group are classified as continuing.

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

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

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

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

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

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

ALEX BEVIS
DIRECTOR

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

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

	Notes	Share capital £'000	Share premium account £'000	Equity reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2021		197	36,079	(9,351)	1	86,228	113,154
Profit for the year		—	—	—	—	9,628	9,628
Other comprehensive income:							
Exchange differences on translation of foreign operations		—	—	—	(19)	—	(19)
Total comprehensive income/(loss) for the year		—	—	—	(19)	9,628	9,609
Issue of share capital net of expenses	21	—	389	—	—	—	389
Share-based payment charges	24	—	—	2,452	—	—	2,452
Share-based payment transfer relating to option exercises and lapses		—	—	(1,376)	—	1,376	—
Employee Benefit Trust cash outflows from share purchases		—	—	(5,000)	—	—	(5,000)
Employee Benefit Trust net cash inflows from option exercises		—	—	506	—	—	506
Deferred tax movements posted directly to reserves	7	—	—	—	—	(2,740)	(2,740)
Transactions with owners		—	389	(3,418)	—	(1,364)	(4,393)
At 31 May 2022		197	36,468	(12,769)	(18)	94,492	118,370
Loss for the year		—	—	—	—	(20,905)	(20,905)
Other comprehensive income:							
Exchange differences on translation of foreign operations		—	—	—	(578)	—	(578)
Total comprehensive loss for the year		—	—	—	(578)	(20,905)	(21,483)
Issue of share capital net of expenses	21	—	79	—	—	—	79
Share-based payment charges	24	—	—	3,340	—	—	3,340
Share-based payment transfer relating to option exercises and lapses		—	—	(2,357)	—	2,357	—
Employee Benefit Trust cash outflows from share purchases		—	—	(3,000)	—	—	(3,000)
Employee Benefit Trust net cash inflows from option exercises		—	—	233	—	—	233
Deferred tax movements posted directly to reserves	7	—	—	—	—	(1,571)	(1,571)
Transactions with owners		—	79	(1,784)	—	786	(919)
At 31 May 2023		**197**	**36,547**	**(14,553)**	**(596)**	**74,373**	**95,968**

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MAY 2023

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

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

1. CORPORATE INFORMATION

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

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

The Group's operations are based and headquartered in the UK, with subsidiaries based in Canada and the US.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted IASs. The financial information has been prepared on the basis of all applicable IFRSs, including all IASs, Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are applicable to the financial period.

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

GOING CONCERN BASIS

The Group and Company's forecasts and projections, taking account of current cash resources and reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the period to 31 December 2024. The Group and Company therefore continue to adopt the going concern basis in preparing their financial statements.

The Group's day-to-day working capital requirements are expected to be met through the cash and cash equivalent resources (including treasury deposits) at the balance sheet date of 31 May 2023 of £28.3 million along with expected cash inflows from current business activities. Cash and cash equivalent resources (including treasury deposits) at 31 August 2023 were £24.8 million. The Annual Budget approved by the Board of Directors, which has been used to assess going concern, reflects assessments of current and future market conditions and the impact this may have on cash resources.

The Group has also performed stress testing on the Annual Budget in respect of potential downside scenarios to identify the break point of current cash resources and to identify when current liquidity resources may fall short of requirements.

The scenarios both consider a reduction in predicted revenues; however, the reduction would need to be severe in order to prevent the Group from continuing as a going concern and is considered to be highly unlikely to occur. The Group has also identified mitigating actions that could be reasonably taken, if required, to offset the reduction of cash inflows, to enable it to continue its operations for the period to 31 December 2024. Consideration has also been made over the impairment charges (as disclosed in note 11), however given these are accounting charges as opposed to cash outflows do not materially change the forecasts for going concern purposes. The forecasts reflect the latest expectation of revenues across all key titles, including those which were subject to impairment in 2023.

The sensitivities included in the stress testing include the following potential scenarios for revenue:

- severe operational disruption across all third-party distributors resulting in a significant reduction of revenue for the Group; and
- some operational disruption across all third-party distributors resulting in a reduction of revenue for the Group.

As expected, the scenarios resulted in an accelerated use of current cash resources; however, in all scenarios tested the current cash resources were sufficient to support the Group's activities. This is due to a variety of factors:

- the Group currently has significant cash reserves to maintain the current level of operations;
- the Group has been able to continue with current headcount growth plans and has sustained a high level of recruitment to support the roadmap;
- the development and publishing of titles has progressed as expected; and
- should a more extreme downside scenario occur the Group could take further mitigating actions by reducing discretionary spend.

Having considered all the above, including the current strong cash position, no current impact on debtor recoverability and the continued strong trading performance for the Group, the Directors are satisfied that there are sufficient resources to continue operations for the period to 31 December 2024. The financial statements for the year ended 31 May 2023 are therefore prepared under the going concern basis.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable. The Directors also considered the impact on the Group of new and revised accounting standards, interpretations, or amendments which have been issued but were not effective for the Group for the year ended 31 May 2023.

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

BASIS OF CONSOLIDATION

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

BUSINESS COMBINATIONS AND GOODWILL

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

BUSINESS COMBINATIONS AND GOODWILL CONTINUED

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

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

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

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

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

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

CAPITALISATION OF OTHER INTANGIBLE ASSETS

Other intangible assets are measured at historical cost and comprise four categories:

- game technology, which includes Frontier's game engine and other technology which supports the development and publication of games;
- game developments, which include development of self-published games and also titles under Frontier Foundry;
- third-party software, which includes software bought from suppliers for use within the Group's activities; and
- IP licences, which are based on the minimum guarantees payable by Frontier to the IP owner.

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

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

Internally generated intangible assets consist of direct labour costs, other specific direct project costs and directly attributable project support costs. Where no internally generated intangible asset can be recognised, development expenditure, including research activities, is recognised as an expense in the period in which it is incurred.

From time to time the Group enters into agreements with third-party intellectual property (IP) owners to secure IP rights to support the development and publication of certain games or game content. These agreements typically contain a schedule of royalties payable to the IP owner, based on a percentage of sales which are expensed as incurred. The agreements may also include guaranteed minimum amounts payable to the IP owner. It is the Group's policy to record a financial liability for the total of any guaranteed minimum amount when the agreement is executed, and these amounts are typically treated as licence costs and capitalised as intangible assets according to, and subject to, the principles of IAS 38.

AMORTISATION OF OTHER INTANGIBLE ASSETS

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

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

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

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

Amortisation charges for other intangible assets that relate to game technology, game developments and third-party software are expensed within research and development expenses. Amortisation charges for IP licences are typically charged to cost of sales, which reflects the IP licence royalties which the minimum guarantees relate to.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three to five years. A long-term growth rate is calculated and applied to project future cashflows after the third year.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IMPAIRMENT OF NON-FINANCIAL ASSETS CONTINUED

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

The Group assesses where climate risks could have a significant impact, such as the introduction of emissions reduction legislation that may increase costs. These risks in relation to climate related matters are included as key assumptions where they materially impact the measure of recoverable amount. These assumptions have been included in the cashflow forecasts in assessing value in use amounts.

PROPERTY, PLANT AND EQUIPMENT

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

- Fixtures and fittings – 5 years
- Computer equipment – 2.5 years to 5 years
- Leasehold improvements – shorter of the lease term or the useful life of the underlying asset

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

Property, plant and equipment are also assessed for impairment. Refer to the accounting policies in the 'Impairment of non-financial assets' section.

ASSETS IN THE COURSE OF CONSTRUCTION

Assets in the course of construction are stated at cost. Once the asset has been completed the carrying value of the asset is transferred to leasehold improvements. The asset is depreciated over the remaining life of the lease.

LEASES

At the point of inception of a contract the Group will assess if the contract is for, or contains, a lease. For all contracts that the Group is lessee for, a right-of-use asset is recognised alongside a corresponding lease liability. The Group utilises the short-term lease assets (for leases of 12 months or less) and the low-value assets exemptions. The Group does not hold any contracts whereby it is the lessor.

The lease liability is initially measured as the present value of all future lease payments that are due, but not paid, at the commencement date. The discount factor used for the calculation of the present value is the Group's incremental borrowing rate.

Lease payments are defined as the following elements:

- fixed payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is then remeasured using the effective interest method. This method increases the lease liability to reflect the interest on the liability and is reduced by the lease payment actually made to result in the carrying amount.

The right-of-use asset is initially measured at cost.

The cost of the asset is defined as the following elements:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives; and
- any initial direct costs incurred by the lessee.

The asset is subsequently measured at cost less accumulated depreciation and any applicable impairment loss.

The depreciation period is the shorter of the lease term or the useful life of the underlying asset. The depreciation period starts at the commencement date of the lease.

The right-of-use asset is presented within the same category as that within which the underlying asset would be presented if the asset were owned and not leased. The Group recognises the asset within property, plant and equipment.

Right-of-use assets are also subject to impairment. Refer to the accounting policies in the 'Impairment of non-financial assets' section.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL ASSETS AT AMORTISED COST

Financial assets comprise trade receivables, other receivables and cash and cash equivalents.

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS AT AMORTISED COST CONTINUED

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For other financial assets at amortised cost, the Group determines whether there has been a significant increase in credit risk since initial recognition. The Group recognises 12-month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

Cash and cash equivalents comprise cash in hand and bank deposits available on demand, together with other short-term, highly liquid deposit accounts maturing within three months of their inception.

FINANCIAL LIABILITIES AT AMORTISED COST

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

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

The Group's financial liabilities include trade and other payables, deferred income and lease liability.

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

FINANCIAL ASSETS AND LIABILITIES AT FVTPL

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

EMPLOYEE BENEFITS

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

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

PROVISIONS

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

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

SHARE CAPITAL AND RESERVES

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

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

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

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

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

EMPLOYEE BENEFIT TRUST (EBT)

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

REVENUE

Revenue represents amounts derived from the design, production and sale of computer games software and related technology which fall within the Group's ordinary activities, exclusive of value-added tax and other similar sales taxes. Revenue is recognised as an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services.

Revenue includes income from the commercial release of full games and early access versions of self-published games, paid downloadable content, virtual currency, royalties from published games and associated physical merchandise.

Revenue from released self-published games is recognised in accordance with IFRS 15 on download of the game or upon purchase of in-game digital items.

Free downloadable content or updates provided to consumers are not considered additional performance obligations as these are not promised to the consumer and are only available at the discretion of the Group. Assessment is carried out by management each year as to whether a constructive obligation to provide free downloadable content or updates is created, with no such instances occurring in the financial year.

Revenue from pre-orders of self-published games, whereby receipt of advance payment takes place, is deferred and then recognised when the Group meets its performance obligations upon commercial release of the game.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

REVENUE CONTINUED

The Group also receives licence revenue from providers of subscription services. The Group's customers are the providers of online subscription services which will typically pay the Group a fee to include a product within their wider subscription package. For such arrangements the Group does not have control in relation to the arrangements between the subscription providers and their subscribers and as such the provider and not the consumer of the subscription service is considered to be the Group's customer. Licence revenue associated with subscription services is recognised, in accordance with IFRS 15, at the point in time when the Group has met its performance obligations associated with that service, which is when the customer is provided with the right to use licence for the game to be made available on a subscription service.

Physical discs are distributed through our agents to retailers and the retailers are considered to be our customer. The performance obligation is satisfied at the point the retailer takes delivery of the discs, but sales are made to retailers with a right of return. Revenue is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Due to the uncertainty around return levels for new games revenue is not recognised until the discs are sold by the retailer to the end user.

Revenue received from virtual currency is recognised once the performance obligation has been satisfied and the customer has redeemed the virtual currency on paid downloadable content.

SEGMENT REPORTING

The Group identifies one operating segment as the business is managed as a whole, reflecting the transition of the Group from an external publisher to self-publishing. For management purposes the chief operating decision maker, which the Group considers to be the Chief Executive Officer, reviews the financial information, which is consistent with that reported in its financial statements, with financial performance measured on the basis of contribution before central costs. Assets are not fully directly attributable to any separable activity, other than to self-published software intangibles.

SHARE-BASED PAYMENT TRANSACTIONS

Share options are periodically granted to staff. Share options and warrants are measured at fair value at the date of grant and recognised over the vesting period of the option. Fair value is measured using the Black-Scholes option pricing model or the Monte Carlo simulation. The expected life used in the model is an estimate of the likely average expiry date of the options by reference to the current rate of exercise by employees.

The share-based payment is recognised as an expense in profit or loss, together with a corresponding credit to an equity reserve. This expense is recognised on a straight line basis based on the Group's estimate of the number of shares that will vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, if new shares are issued, the proceeds received up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. If shares are issued via the EBT, the gain or loss on transfer of the shares from the EBT to employees is recognised within equity. Upon the exercise or lapsing of the grant a transfer of the cumulative value of the grant is made from the equity reserve to the profit and loss reserve.

INCOME TAXES

Income tax expense comprises the current and deferred tax.

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement, except where it relates to items outside profit or loss. Tax relating to items in other comprehensive income is recognised in other comprehensive income and tax relating to items directly in equity is recognised directly in equity.

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

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

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

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

The Group is elected into the Research and Development Expenditure Credit (RDEC) scheme due to the Company being defined as a 'large company' for taxation purposes.

The RDEC relates to the corporation tax relief receivable relating to qualifying research and development expenditure in the relevant periods and is offset against the related costs and therefore presented within research and development expenses in the consolidated income statement. The Group is also entitled to Scientific Research and Experimental Development (SRED) tax credits granted by the Canadian federal government and the Manitoba Interactive Digital Media Tax Credit (MIDMTC) granted by the Province of Manitoba. The tax credits are based on qualifying expenditures and are subject to review and possible adjustment by the Canadian Revenue Authority and the Provincial authorities. The tax credits have been recorded in the consolidated income statement in the period the related qualifying expenses have been incurred.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FOREIGN CURRENCIES

The assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the statement of financial position date. Income and expenses are translated at the average exchange rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are recognised in other comprehensive income and are accumulated in the foreign currency reserve in equity. On disposal of a foreign operation, the cumulative translation differences are transferred to the profit and loss as a reclassification adjustment as part of the gain or loss on disposal.

Transactions denominated in a foreign currency are translated at the rate of exchange ruling at a month-end rate in order to approximate to the actual rate for the relevant transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date.

Foreign exchange differences are charged to the income statement in the period in which they arise.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGEMENTS

Accounting judgements – the Group applies judgement in how it applies its accounting policies, which do not involve estimation, which could materially affect the numbers disclosed in these financial statements. The key judgements, without estimation, that could have the most significant effect on the amounts recognised in these financial statements are as follows:

CAPITALISATION OF DEVELOPMENT COSTS

The Group invests heavily in research and development. The identification of development costs that meet the criteria for capitalisation is dependent on management's judgement and knowledge of the work done. Judgements around capitalisation are based on the information available at initial recognition. Economic success of any development is based upon expected future cashflows, where this can be measured reliably, but remains uncertain at the time of recognition as it may be subject to future technical problems and therefore a review for indicators of impairment is completed by game at each period end date. The net book values of the Group's other intangible assets at 31 May 2023 are £57.0 million (31 May 2022: £70.8 million).

DEFERRED TAX

A deferred tax asset is recognised on tax losses carried forward where the Group considers it probable that the losses will be utilised by future profits. This specifically applies to tax losses at the statement of financial position date. In estimating the amount of the deferred tax asset that should be recognised, the Directors make judgements based on current forecasts about the amount of future taxable profits and the timings of when these will be realised. A deferred tax asset of £0.8 million was recognised at 31 May 2023 (31 May 2022: £1.0 million) in respect of carried forward tax losses in the Company to the extent of the taxable temporary differences. This is due to the unlikelihood of the Company having a taxable profit in the foreseeable future to utilise the losses carried forward. A deferred tax asset for the remaining carried forward tax losses of £80.2 million has not been recognised at 31 May 2023 (31 May 2022: £50.2 million) due to uncertainty on the timing of the utilisation of those losses.

Significant estimates – the preparation of financial statements in accordance with UK-adopted International Financial Reporting Standards (IFRSs) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the longer term:

IMPAIRMENT OF CAPITALISED DEVELOPMENT COSTS

Intangible assets are subject to amortisation and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, for example a decision to suspend a self-published title under development. Judgement around amortisation periods is needed to ensure the useful economic life of a game is relevant to the expected period of customer demand.

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

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are reviewed by project for which there are separately identifiable cashflows. Estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

The Group recognised total impairment losses of £18.1 million during FY23. £15.0 million related to the *F1® Manager* franchise due to the financial performance of *F1® Manager 2022* (released in August 2022) and *F1® Manager 2023* (released in July 2023). £3.1 million related to games published under the Foundry games label following disappointing financial performance following release. Further information is included in note 11 in respect of both of these impairments. The Group recognised an impairment loss of £7.4 million during FY22 in respect of *Elite Dangerous: Odyssey*.

USEFUL LIFE OF CAPITALISED DEVELOPMENT COSTS

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

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

SHARE-BASED PAYMENTS

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Black-Scholes option pricing model or the Monte Carlo simulation. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 24.

4. SEGMENT INFORMATION

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

Management information is reported as one operating segment, being revenue from publishing games and revenue from other streams such as royalties and licensing.

The Group does not provide any information on the geographical location of sales as the majority of revenue is through third-party distribution platforms which are responsible for the sales data of consumers. The cost to develop this information internally would be excessive.

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

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

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

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

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

5. STAFF COSTS

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

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

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

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

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

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

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

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

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

6. PROFIT BEFORE TAX

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

Research and development costs expensed is defined as follows:

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

7. TAXATION ON ORDINARY ACTIVITIES

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

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

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

7. TAXATION ON ORDINARY ACTIVITIES CONTINUED

Reconciliation of total tax credit at statutory tax rates:

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

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

For FY23 the Group has recorded a total corporation tax credit of £5.6 million (FY22: £8.7 million). The Group benefits from the enhanced tax deductions available from the Video Games Tax Relief (VGTR) scheme. The Group also benefits from the Patent Box relief that reduced the taxable profits for *Jurassic World Evolution 2* during FY23.

The Group recognised a prior year adjustment of £77k during FY23 due to additional core expenditure in the *Elite Dangerous* VGTR claim and brought forward balances on Complex Games Inc. The Group recognised a prior year adjustment of £957k during FY22 as a result of *Jurassic World Evolution 2's* VGTR claim in the final FY21 corporation tax return after receiving the final certificate from the British Film Institute (BFI) in March 2022, in which the losses not utilised were carried forward.

The tax rate benefit on surrender of tax losses of £972k during FY23 is the additional 5% tax benefit received in respect of surrendering the current year losses for the VGTR tax credit at 25% for the following trades: *Elite Dangerous, F1® Manager* franchise, *Warhammer Age of Sigmar: Realms of Ruin*, and a new creative management simulation game trade scheduled for release in FY25. The tax rate benefit on surrender of tax losses of £850k during FY22 is the additional 6% tax benefit received in respect of surrendering the current year losses for the VGTR tax credit at 25% for the following trades: *Elite Dangerous, F1® Manager 2022*, and *Warhammer Age of Sigmar: Realms of Ruin*.

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

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

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

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

The losses do not have an expiry date.

8. EARNINGS PER SHARE

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

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

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

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

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

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

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

9. BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

9. BUSINESS COMBINATIONS CONTINUED

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

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

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

10. GOODWILL

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

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

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

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

11. OTHER INTANGIBLE ASSETS

The Group's other intangible assets comprise game technology, game developments, third-party software and IP licences. Game technology includes Frontier's COBRA game engine and other technology which supports the development and publication of games. The game developments category includes capitalised development costs for base game and PDLC assets for both internally developed games and games developed by partners within the Frontier Foundry third-party publishing games label. Third-party software includes subscriptions to development and business software. Intangible assets for IP licences are recognised at the execution of the licence, based on the minimum guarantees payable by Frontier to the IP owner.

	Game technology £'000	Game developments £'000	Third-party software £'000	IP licences £'000	Total £'000
Cost					
At 31 May 2021	17,009	97,119	2,060	11,185	127,373
Additions	2,724	32,496	330	–	35,550
Disposals	–	(222)	–	–	(222)
At 31 May 2022	19,733	129,393	2,390	11,185	162,701
Additions	3,449	34,182	429	–	38,060
Acquisition of a subsidiary	–	3,910	58	–	3,968
Exchange rate movement	–	(300)	–	–	(300)
At 31 May 2023	**23,182**	**167,185**	**2,877**	**11,185**	**204,429**
Amortisation and impairment					
At 31 May 2021	7,058	46,434	1,227	1,336	56,055
Amortisation charges	2,115	24,360	424	1,738	28,637
Impairment charge	–	7,398	–	–	7,398
Disposals	–	(222)	–	–	(222)
At 31 May 2022	9,173	77,970	1,651	3,074	91,868
Amortisation charges	3,869	31,898	421	1,341	37,529
Acquisition of a subsidiary	–	–	58	–	58
Impairment charges	3,919	12,474	–	1,724	18,117
Exchange rate movement	–	(130)	–	–	(130)
At 31 May 2023	**16,961**	**122,212**	**2,130**	**6,139**	**147,442**
Net book value at 31 May 2023	**6,221**	**44,973**	**747**	**5,046**	**56,987**
Net book value at 31 May 2022	10,560	51,423	739	8,111	70,833

11. OTHER INTANGIBLE ASSETS CONTINUED

Amortisation charges for other intangible assets that relate to game technology, game developments and third-party software are expensed within research and development expenses. Amortisation charges for IP licences are typically charged to cost of sales, which reflects the IP licence royalties which the minimum guarantees relate to.

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

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 31 May 2021	863	4,156	5,358	10,377
Additions	5	2,495	—	2,500
At 31 May 2022	868	6,651	5,358	12,877
Additions	—	1,295	40	1,335
Acquisition of a subsidiary	12	98	53	163
Exchange rate movement	(1)	(7)	(4)	(12)
At 31 May 2023	**879**	**8,037**	**5,447**	**14,363**
Depreciation				
At 31 May 2021	546	2,737	1,016	4,299
Charge for the year	150	1,453	335	1,938
At 31 May 2022	696	4,190	1,351	6,237
Charge for the year	140	1,805	340	2,285
Acquisition of a subsidiary	6	98	53	157
Exchange rate movement	(1)	(7)	(4)	(12)
At 31 May 2023	**841**	**6,086**	**1,740**	**8,667**
Net book value at 31 May 2023	**38**	**1,951**	**3,707**	**5,696**
Net book value at 31 May 2022	172	2,461	4,007	6,640

Leasehold improvements related to the fit-out of a new leased building in the Science Park in Cambridge which was occupied from April 2018.

Depreciation charges were apportioned to the consolidated income statement as follows:

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

13. LEASES

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

The right-of-use asset relates to the leased building in the Science Park in Cambridge which was occupied from April 2018.

Depreciation charges are expensed within administrative expenses in the consolidated income statement.

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

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

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

	31 May 2023 £'000	31 May 2022 £'000
In not more than three months	**517**	517
In more than three months but less than one year	**1,551**	1,551
In more than one year but less than five years	**8,272**	8,272
In more than five years	**11,891**	13,959
Total	**22,231**	24,299

The discount rate applied to the lease is 3%.

14. TRADE AND OTHER RECEIVABLES

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

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

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included the following balances by currency:

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

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

16. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

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

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

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

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

NON-CURRENT LIABILITIES

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

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

17. DEFERRED INCOME

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

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

All deferred revenue recognised as revenue during FY23 and FY22 related to amounts included in deferred income at the beginning of the year or deferred revenue during the year.

The deferred income balance at 31 May 2023 is in respect of *Elite Dangerous* virtual currency, a subscription deal for *Jurassic World Evolution 2*, disc sales of *Jurassic World Evolution 2*, *F1® Manager 2022* and *Planet Coaster* Console that are still within the distribution channel, and the Research and Development Expenditure Credit (RDEC) grant. The deferred income balance at 31 May 2022 is in respect of *Elite Dangerous* virtual currency, and disc sales of *Jurassic World Evolution 2* and *Planet Coaster* Console that are still within the distribution channel.

Deferred income released during FY23 was £184k for *Planet Coaster* Console disc sales, £2,985k for *Jurassic World Evolution 2* disc sales, £1,345k for *F1® Manager 2022* disc sales and £206k for *Elite Dangerous* virtual currency. Deferred income released during FY22 was £227k for *Elite Dangerous* lifetime expansion passes, £390k for *Jurassic World Evolution* disc sales, £1,532k for *Planet Coaster* Console disc sales and £477k for *Elite Dangerous* virtual currency.

Income deferred during FY23 was in relation to £2,331k for *Jurassic World Evolution 2* disc sales, £1,806k for *F1® Manager 2022* disc sales, £201k for *Elite Dangerous* virtual currency, and £444k for the RDEC grant. Income deferred during FY22 was in relation to £1,341k for *Jurassic World Evolution 2* disc sales, £1,218k for *Planet Coaster* Console disc sales and £353k for *Elite Dangerous* virtual currency.

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

18. CURRENT TAX ASSETS

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

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

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

19. PROVISIONS

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

The provision is based on the estimated costs of work to be performed to bring the buildings back to a state of repair and condition similar to the start of the lease.

20. DEFERRED TAX ASSETS AND LIABILITIES

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

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, deferred taxes have therefore been measured using the tax rate at the date that the deferred tax asset or liability unwinds of 20-25% (31 May 2022: 19-25%).

20. DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

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

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

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

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

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

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

The losses do not have an expiry date.

21. SHARE CAPITAL AND SHARE PREMIUM

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

	Number	Nominal value £
At 31 May 2021	39,343,604	196,718
Shares issued on option exercises and warrants	79,745	399
At 31 May 2022	39,423,349	197,117
Shares issued on option exercises and warrants	55,186	276
At 31 May 2023	**39,478,535**	**197,393**

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

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

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

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

22. FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

The Group's foreign currency forward contracts have been fair valued using observable forward exchange rates corresponding to the maturity of the contract. The observable forward exchange rates are provided by a third party. They are defined as level 2 within the fair value hierarchy. There were no transfers between levels in FY23 or FY22.

23. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

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

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

24. SHARE OPTIONS

The Group has a number of share schemes whereby options may be granted to employees (including Executive Directors) to subscribe for Ordinary Shares in the Group.

The Group operates two EMI schemes (pre-July 2013), an HMRC-approved Company Share Option Plan (from January 2014), two unapproved schemes (one pre-July 2013 and one post-January 2014), an HMRC-approved Sharesave scheme (from October 2017 onwards) and a Long Term Incentive Plan (from November 2017 onwards). The share option grants for employees typically vest after three years with a contractual term of 10 years. The option holder must be employed by the Group at the time of exercise. The unapproved options carry similar conditions to the main Company Share Option Plan, except for one tranche issued on 15 September 2014 that had a shorter vesting period of one year. The Long Term Incentive Plan has a vesting period of three years and has performance conditions attached to the options, with a proportion of the options able to be exercised after the first and second anniversary (2022 grants only).

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

24. SHARE OPTIONS CONTINUED

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

24. SHARE OPTIONS CONTINUED

Movements in the number of share options and warrants outstanding:

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

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

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

Under the rules of the Long Term Incentive Plan, typically options are not exercisable until three years from the date of the grant. There are performance conditions attached to the options related to both profit and share price (TSR) performance during the vesting period. The option holder must also be employed by the Group at time of exercise.

FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS

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

CSOP (approved and unapproved)

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

LTIP

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

24. SHARE OPTIONS CONTINUED

FAIR VALUE ASSUMPTIONS OF SHARE-BASED PAYMENTS CONTINUED

Sharesave

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

EMPLOYEE BENEFIT TRUST (EBT)

On 5 December 2014, the Company set up an EBT for the purposes of allowing employees to exercise their share options, including the choice of being able to do this on a cashless exercise basis. The exercise of options is approved by the Board at each Board meeting, outside of share dealing closed periods, under a letter of recommendation to the Trustees of the EBT. The fulfilment of the share option conversions, whether by issue of shares to the EBT or market purchases, is also made at the same time. The EBT is limited under ABI guidelines to holding not more than 10% of the Ordinary Share capital of the Group. The Trustees are appointed by Ocorian Limited, which administers the Trust. The number of share options exercised by employees in the year and fulfilled as part of these arrangements was 88,830 Ordinary Shares. The Group funded the EBT £3.0 million in May 2023 and the EBT purchased 525,561 Ordinary Shares from the market. The EBT had no other assets or liabilities at 31 May 2023 outside of its interest in 880,262 Ordinary Shares.

25. RELATED PARTY TRANSACTIONS

One shareholder receives ongoing royalties or commission as a percentage of royalty sales for some of the Group's video games launched in prior periods.

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

Connected party	**Change in value of loan expense paid 31 May 2023 £'000**	Change in value of loan expense paid 31 May 2022 £'000
Contribution to EBT to purchase shares on market	**3,000**	5,000
Voluntary contribution to the Trust to repay outstanding loan balance during year ended 31 May 2023	**(3,000)**	(5,000)
Movement in year	**–**	–
Opening loan balance	**–**	–
Closing loan balance	**–**	–

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The actual remuneration of the Directors, who are the key management personnel of the Group, is disclosed in the Remuneration Report. The contractual employee benefits are set out below in aggregate for each of the categories specified in IAS 24 - Related Party Disclosures.

	31 May 2023 £'000	31 May 2022 £'000
Short-term employee benefits (including aggregate gains on the exercise of share options)	**1,499**	2,364
Post-employment benefits	**–**	–
Other long-term benefits	**–**	–
Termination benefits	**–**	–
IFRS 2 share-based payment charge	**778**	777

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

26. FINANCIAL INSTRUMENT RISKS

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various risks in relation to financial assets and liabilities. Financial assets and liabilities by category are summarised in note 22. The main types of risks are credit risk, currency risk and liquidity risk.

The Group's risk management is coordinated in close cooperation with the Board of Directors.

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

CREDIT RISK

The Group's exposure is limited to the carrying amount of financial assets and cash and cash equivalents recognised at the year-end date (as summarised in note 22).

In order to minimise credit risk the Group endeavours only to deal with counterparties which are demonstrably creditworthy. The Group deals with a low number of counterparties, which are all deemed to be quality counterparties.

The Group's management considers all financial assets, not impaired, for each reporting date to be of good credit quality, including those past due. The Board monitors the credit risk by reference to the date of receipt compared to the contractual terms.

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

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

26. FINANCIAL INSTRUMENT RISKS CONTINUED

CREDIT RISK CONTINUED

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

	31 May 2023 Days past due						31 May 2022 Days past due					
	Current £'000	**<30 days £'000**	**30–60 days £'000**	**61–90 days £'000**	**>91 days £'000**	**Total £'000**	Current £'000	<30 days £'000	30–60 days £'000	61–90 days £'000	>91 days £'000	Total £'000
Expected credit loss rate	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**		0.0%	0.0%	0.0%	0.0%	0.0%	
Estimated total gross carrying amount at default	**10,791**	**–**	**–**	**–**	**–**	**10,791**	20,316	–	–	–	–	20,316
Expected credit loss	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–

FOREIGN CURRENCY RISK

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

The Group has entered into several forward contracts during the financial year in order to mitigate the risk of US currency movements. The closing value of the contracts has been disclosed within note 22, and accounted for at fair value through the profit and loss.

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

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

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

FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

26. FINANCIAL INSTRUMENT RISKS CONTINUED

LIQUIDITY RISK ANALYSIS

Liquidity risk is the risk arising from the Group not being able to meet its obligations as they fall due. The Group manages its liquidity needs by carefully monitoring forecast cash inflows and outflows due in day-to-day business. Net cash requirements determine headroom or any shortfalls over the medium term. This analysis shows if there is a need to use the revolving credit facility or seek external funding or the need to secure finance from its shareholder base.

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

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

FINANCIAL ASSETS USED FOR MANAGING LIQUIDITY RISK

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

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

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

27. SUBSIDIARY AUDIT EXEMPTION

Frontier Games Limited (registered company number: 12553555) is exempt from the requirements relating to the audit of individual accounts for the year ended 31 May 2023 by virtue of Section 479A of the Companies Act 2006.

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

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

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

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

ALEX BEVIS
DIRECTOR

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

	Notes	Share capital £'000	Share premium account £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2021		197	36,079	(9,351)	85,616	112,541
Profit for the year		–	–	–	7,043	7,043
Total comprehensive income for the year		–	–	–	7,043	7,043
Issue of share capital net of expenses	21	–	389	–	–	389
Share-based payment charges	24	–	–	2,452	–	2,452
Share-based payment transfer relating to option exercises and lapses		–	–	(1,376)	1,376	–
Employee Benefit Trust cash outflows from share purchases		–	–	(5,000)	–	(5,000)
Employee Benefit Trust net cash inflows from option exercises		–	–	506	–	506
Deferred tax movements posted directly to reserves	7	–	–	–	(2,740)	(2,740)
Transactions with owners		–	389	(3,418)	(1,364)	(4,393)
At 31 May 2022		197	36,468	(12,769)	91,295	115,191
Loss for the year		–	–	–	(23,518)	(23,518)
Total comprehensive loss for the year		–	–	–	(23,518)	(23,518)
Issue of share capital net of expenses	21	–	79	–	–	79
Share-based payment charges	24	–	–	3,340	–	3,340
Share-based payment transfer relating to option exercises and lapses		–	–	(2,357)	2,357	–
Employee Benefit Trust cash outflows from share purchases		–	–	(3,000)	–	(3,000)
Employee Benefit Trust net cash inflows from option exercises		–	–	233	–	233
Deferred tax movements posted directly to reserves	7	–	–	–	(1,571)	(1,571)
Transactions with owners		–	79	(1,784)	786	(919)
At 31 May 2023		**197**	**36,547**	**(14,553)**	**68,563**	**90,754**

28. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The Company financial statements have been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted IASs.

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

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

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

OTHER SIGNIFICANT ACCOUNTING POLICIES

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

AUDITOR STATUTORY DISCLOSURE

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

29. STAFF COSTS

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

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

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

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

30. INVESTMENT IN SUBSIDIARIES

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

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

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

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

31. OTHER INTANGIBLE ASSETS

	Game technology £'000	Game developments £'000	Third-party software £'000	IP licences £'000	Total £'000
Cost					
At 31 May 2021	17,009	97,119	2,060	11,185	127,373
Additions	2,724	32,496	330	—	35,550
Disposals	—	(222)	—	—	(222)
At 31 May 2022	19,733	129,393	2,390	11,185	162,701
Additions	3,449	33,294	429	—	37,172
At 31 May 2023	**23,182**	**162,687**	**2,819**	**11,185**	**199,873**
Amortisation and impairment					
At 31 May 2021	7,058	46,434	1,227	1,336	56,055
Amortisation charges	2,115	24,360	424	1,738	28,637
Impairment charge	—	7,398	—	—	7,398
Disposals	—	(222)	—	—	(222)
At 31 May 2022	9,173	77,970	1,651	3,074	91,868
Amortisation charges	3,869	28,889	421	1,341	34,520
Impairment charges	3,919	12,474	—	1,724	18,117
At 31 May 2023	**16,961**	**119,333**	**2,072**	**6,139**	**144,505**
Net book value at 31 May 2023	**6,221**	**43,354**	**747**	**5,046**	**55,368**
Net book value at 31 May 2022	10,560	51,423	739	8,111	70,833

32. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
At 31 May 2021	863	4,156	5,358	10,377
Additions	5	2,495	—	2,500
At 31 May 2022	868	6,651	5,358	12,877
Additions	—	1,294	40	1,334
At 31 May 2023	**868**	**7,945**	**5,398**	**14,211**
Depreciation				
At 31 May 2021	546	2,737	1,016	4,299
Charge for the year	150	1,453	335	1,938
At 31 May 2022	696	4,190	1,351	6,237
Charge for the year	134	1,805	340	2,279
At 31 May 2023	**830**	**5,995**	**1,691**	**8,516**
Net book value at 31 May 2023	**38**	**1,950**	**3,707**	**5,695**
Net book value at 31 May 2022	172	2,461	4,007	6,640

33. TRADE AND OTHER RECEIVABLES

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

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

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

34. CASH AND CASH EQUIVALENTS

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

35. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

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

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

NON-CURRENT LIABILITIES

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

36. CURRENT TAX ASSETS

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

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

37. DEFERRED TAX ASSETS AND LIABILITIES

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

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. At the balance sheet date, deferred taxes have therefore been measured using the tax rate at the date that the deferred tax asset or liability unwinds of 20-25% (31 May 2022: 19-25%).

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

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

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

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

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

The losses do not have an expiry date.

38. FINANCIAL ASSETS AND LIABILITIES

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

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

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