

REGISTERED NUMBER: 2892559 (England and Wales)

**ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31ST MAY 2007
FOR
FRONTIER DEVELOPMENTS LIMITED**

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FRONTIER DEVELOPMENTS LIMITED

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FOR THE YEAR ENDED 31ST MAY 2007**

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FRONTIER DEVELOPMENTS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST MAY 2007

DIRECTORS:	Mr D J Braben Mr J S Roach Mr D J Walsh Mrs J Brennan
SECRETARY:	Mrs J Brennan
REGISTERED OFFICE:	306 Science Park Milton Road Cambridge Cambridgeshire CB4 0WG
REGISTERED NUMBER:	2892559 (England and Wales)
AUDITORS:	Bernard Edge & Co Chartered Accountants Registered Auditors The Old Courts 147 All Saints Road Newmarket CB8 8HH
BANKERS:	Barclays Bank Plc 28 Chesterton Road Cambridge CB4 3AZ

FRONTIER DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MAY 2007

The directors present their report with the accounts of the company for the year ended 31st May 2007

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of design and production of computer software, particularly computer games

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed accounts

During the financial year we released Thrillville on PlayStation2, PSP and Xbox. Published by LucasArts in the USA it became the number one original kid's game of 2006 in the 5 weeks it was on sale that year, and achieved the necessary sales to qualify for the 'Greatest Hits' or equivalent budget ranges on each format it was released on in the USA. With LucasArts we started work on a sequel for the 2007 Christmas season called Thrillville Off the Rails for Nintendo Wii, Xbox360, PlayStation2, PSP and PC.

Development of The Outsider continued. We deliberately delayed our licensing efforts until we felt the optimum time to start the process of seeking a publishing partner was reached - this was relatively late in our financial year. By the end of the financial year no license was concluded, but there was significant interest in the game from multiple publishers. We therefore remain very confident of securing a publishing deal for the title and in our strategy of the delayed license benefiting us in the longer term through comparatively more favourable commercial terms.

We continued to invest in development of FGDK4, our next generation of in-house technologies and tools, which was adopted by one of our internal games teams during the year and is delivering the intended performance benefits. Development will continue into next financial year.

We continue to generate novel and valuable technologies to support our game and engine developments, and in the financial year we filed our first patent application. We plan to follow a strategy of selective protection of certain key Intellectual Property going forward.

We completed the negotiation of and executed a Master Services Agreement with our non-games customer which has been used to cover multiple new projects as the commercial relationship with them continues to strengthen.

As expected the royalties from the RollerCoaster Tycoon 3 product declined but generally held up better than we anticipated. Although absolute values will continue to decline, we now expect significant royalty income during the coming financial year from this product.

Our strategy of delaying the Outsider license has meant our revenues have declined slightly year on year, however in general our business is in good health. In the next financial year we expect to license The Outsider to a publisher and deliver Thrillville Off the Rails. Our relationship with LucasArts is strong and we currently expect it to continue after Thrillville Off The Rails. We remain well positioned to continue our progress, and we continue to look forward to the future with confidence.

DIVIDENDS

No dividends will be distributed for the year ended 31st May 2007

FRONTIER DEVELOPMENTS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MAY 2007

DIRECTORS

The directors shown below have held office during the whole of the period from 1st June 2006 to the date of this report

Mr D J Braben
Mr J S Roach
Mr D J Walsh

Other changes in directors holding office are as follows

Mrs J Brennan - appointed 3rd November 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:



Mr D J Braben - Director

Date 13th February 2008

**REPORT OF THE INDEPENDENT AUDITORS TO
FRONTIER DEVELOPMENTS LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts set out on pages five to fifteen, together with the financial statements of Frontier Developments Limited for the year ended 31st May 2007 prepared under Section 226 of the Companies Act 1985

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The Special Auditor's Report on Abbreviated Accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.



Bernard Edge & Co
Chartered Accountants
Registered Auditors
The Old Courts
147 All Saints Road
Newmarket
CB8 8HH

Date 15 February 2007

FRONTIER DEVELOPMENTS LIMITED

**ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MAY 2007**

	Notes	2007 £	2006 £
GROSS PROFIT		1,490,825	2,352,123
Administrative expenses		959,168	1,054,746
OPERATING PROFIT	3	531,657	1,297,377
Interest receivable and similar income		108,497	100,182
		640,154	1,397,559
Interest payable and similar charges	4	60	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		640,094	1,397,559
Tax on profit on ordinary activities	5	34,288	338,533
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		605,806	1,059,026

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these abbreviated accounts


FRONTIER DEVELOPMENTS LIMITED

**ABBREVIATED BALANCE SHEET
31ST MAY 2007**

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	6	445,229	311,438
Investments	7	25,005	-
		<u>470,234</u>	<u>311,438</u>
CURRENT ASSETS			
Stocks	8	432,356	15,754
Debtors	9	1,283,318	2,119,474
Cash at bank and in hand		2,857,539	2,782,206
		<u>4,573,213</u>	<u>4,917,434</u>
CREDITORS			
Amounts falling due within one year	10	936,914	1,722,145
		<u>936,914</u>	<u>1,722,145</u>
NET CURRENT ASSETS		<u>3,636,299</u>	<u>3,195,289</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,106,533</u>	<u>3,506,727</u>
PROVISIONS FOR LIABILITIES	13	26,900	32,900
		<u>26,900</u>	<u>32,900</u>
NET ASSETS		<u><u>4,079,633</u></u>	<u><u>3,473,827</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	11,853	11,853
Share premium	15	1,678,397	1,678,397
Profit and loss account	15	2,389,383	1,783,577
		<u>4,179,633</u>	<u>3,573,827</u>
SHAREHOLDERS' FUNDS	16	<u><u>4,079,633</u></u>	<u><u>3,473,827</u></u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies

The financial statements were approved by the Board of Directors on 13th February 2008 and were signed on its behalf by


Mr D J Walsh - Director

The notes form part of these abbreviated accounts

FRONTIER DEVELOPMENTS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY 2007**

	Notes	2007 £	2006 £
Net cash inflow from operating activities	1	555,275	771,800
Returns on investments and servicing of finance	2	108,437	100,182
Taxation		(320,403)	(8,226)
Capital expenditure and financial investment	2	(267,976)	(163,110)
Increase in cash in the period		<u>75,333</u>	<u>700,646</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>75,333</u>	<u>700,646</u>
Change in net funds resulting from cash flows		<u>75,333</u>	<u>700,646</u>
Movement in net funds in the period		75,333	700,646
Net funds at 1st June		<u>2,632,206</u>	<u>1,931,560</u>
Net funds at 31st May		<u>2,707,539</u>	<u>2,632,206</u>

The notes form part of these abbreviated accounts

FRONTIER DEVELOPMENTS LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY 2007**

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating profit	531,657	1,297,377
Depreciation charges	109,116	84,194
Loss on disposal of fixed assets	66	122
(Increase)/Decrease in stocks	(416,602)	68,771
Decrease/(Increase) in debtors	836,154	(1,498,593)
(Decrease)/Increase in creditors	(505,116)	819,929
	<u>555,275</u>	<u>771,800</u>
Net cash inflow from operating activities	<u><u>555,275</u></u>	<u><u>771,800</u></u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007	2006
	£	£
Returns on investments and servicing of finance		
Interest received	108,497	100,182
Interest paid	(60)	-
	<u>108,437</u>	<u>100,182</u>
Net cash inflow for returns on investments and servicing of finance	<u><u>108,437</u></u>	<u><u>100,182</u></u>
 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(242,971)	(163,112)
Purchase of fixed asset investments	(25,005)	-
Sale of tangible fixed assets	-	2
	<u>(267,976)</u>	<u>(163,110)</u>
Net cash outflow for capital expenditure and financial investment	<u><u>(267,976)</u></u>	<u><u>(163,110)</u></u>

The notes form part of these abbreviated accounts

FRONTIER DEVELOPMENTS LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MAY 2007**

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1/6/06 £	Cash flow £	At 31/5/07 £
Net cash			
Cash at bank and in hand	2,782,206	75,333	2,857,539
	<u>2,782,206</u>	<u>75,333</u>	<u>2,857,539</u>
 Debt			
Debts falling due within one year	(150,000)	-	(150,000)
	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
 Total	<u>2,632,206</u>	<u>75,333</u>	<u>2,707,539</u>

The notes form part of these abbreviated accounts

FRONTIER DEVELOPMENTS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31ST MAY 2007

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Office Equipment	- 20% on reducing balance
Computer equipment	- 40% on reducing balance and 20% on reducing balance

Stocks

Work in progress is valued at the lower of cost and net realisable value

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Research and development

Expenditure on research and development is written off in the year in which it is incurred

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

2 STAFF COSTS

	2007	2006
	£	£
Wages and salaries	2,996,687	2,707,439
Social security costs	32,031	37,877
Other pension costs	3,709	3,645
	<u>3,032,427</u>	<u>2,748,961</u>

FRONTIER DEVELOPMENTS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS - continued FOR THE YEAR ENDED 31ST MAY 2007

2 STAFF COSTS - continued

The average monthly number of employees during the year was as follows

	2007	2006
Administration	10	9
Production	108	84
	<u>118</u>	<u>93</u>

3 OPERATING PROFIT

The operating profit is stated after charging

	2007 £	2006 £
Depreciation - owned assets	109,116	84,194
Loss on disposal of fixed assets	66	122
Auditors' remuneration	4,300	3,200
	<u>268,682</u>	<u>310,922</u>
Directors' emoluments		
	<u>268,682</u>	<u>310,922</u>

Information regarding the highest paid director is as follows

	2007 £	2006 £
Emoluments etc	80,000	106,732
	<u>80,000</u>	<u>106,732</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Corporation tax interest	60	-
	<u>60</u>	<u>-</u>

5 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2007 £	2006 £
Current tax		
UK corporation tax	40,288	321,333
Deferred tax	(6,000)	17,200
	<u>34,288</u>	<u>338,533</u>
Tax on profit on ordinary activities		
	<u>34,288</u>	<u>338,533</u>

FRONTIER DEVELOPMENTS LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 31ST MAY 2007**

6 TANGIBLE FIXED ASSETS

	Office Equipment £	Computer equipment £	Totals £
COST			
At 1st June 2006	51,936	576,154	628,090
Additions	19,697	223,274	242,971
Disposals	(100)	(387)	(487)
	<u>71,533</u>	<u>799,041</u>	<u>870,574</u>
At 31st May 2007			
DEPRECIATION			
At 1st June 2006	23,779	292,871	316,650
Charge for year	7,533	101,583	109,116
Eliminated on disposal	(42)	(379)	(421)
	<u>31,270</u>	<u>394,075</u>	<u>425,345</u>
At 31st May 2007			
NET BOOK VALUE			
At 31st May 2007	<u>40,263</u>	<u>404,966</u>	<u>445,229</u>
At 31st May 2006	<u>28,157</u>	<u>283,283</u>	<u>311,440</u>

7 FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
Additions	25,005
At 31st May 2007	<u>25,005</u>
NET BOOK VALUE	
At 31st May 2007	<u>25,005</u>

8 STOCKS

	2007 £	2006 £
Work-in-progress	<u>432,356</u>	<u>15,754</u>

FRONTIER DEVELOPMENTS LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 31ST MAY 2007**

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade debtors	943,371	1,599,247
Other debtors	274,616	367,484
VAT	13,637	44,881
Prepayments	51,694	107,862
	<u>1,283,318</u>	<u>2,119,474</u>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Other loans (see note 11)	150,000	150,000
Trade creditors	256,528	127,984
Corporation tax	40,288	320,403
Social security and other taxes	117,148	91,276
Other creditors	39,421	265,046
Accrued expenses	333,529	767,436
	<u>936,914</u>	<u>1,722,145</u>

11 LOANS

An analysis of the maturity of loans is given below

	2007	2006
	£	£
Amounts falling due within one year or on demand		
Loan	<u>150,000</u>	<u>150,000</u>

12 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

		Land and buildings
	2007	2006
	£	£
Expiring		
Between one and five years	<u>206,870</u>	<u>175,245</u>

FRONTIER DEVELOPMENTS LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 31ST MAY 2007**

13 PROVISIONS FOR LIABILITIES

	2007 £	2006 £
Deferred tax	<u>26,900</u>	<u>32,900</u>
Balance at 1st June 2006		32,900
Capital allowances in excess of depreciation		<u>(6,000)</u>
Balance at 31st May 2007		<u>26,900</u>

14 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value	2007 £	2006 £
16,000,000	Ordinary	0 1p	<u>16,000</u>	<u>16,000</u>
Allotted, issued and fully paid Number	Class	Nominal value	2007 £	2006 £
11,852,632	Ordinary	0 1p	<u>11,853</u>	<u>11,853</u>

15 RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1st June 2006	1,783,577	1,678,397	3,461,974
Profit for the year	<u>605,806</u>		<u>605,806</u>
At 31st May 2007	<u>2,389,383</u>	<u>1,678,397</u>	<u>4,067,780</u>

FRONTIER DEVELOPMENTS LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 31ST MAY 2007**

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	605,806	1,059,026
Net addition to shareholders' funds	605,806	1,059,026
Opening shareholders' funds	3,473,827	2,414,801
Closing shareholders' funds	4,079,633	3,473,827

17 ULTIMATE CONTROL

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