
THE CREATIVE ASSEMBLY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014



THE CREATIVE ASSEMBLY LIMITED

CONTENTS

	Page
Strategic Report	1
Directors' Report	2
Directors' Responsibilities Statement	3
Independent Auditor's Report	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7 - 15

THE CREATIVE ASSEMBLY LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2014**

The directors present their Annual Report, consisting of the Strategic Report and the Directors' Report, and the audited financial statements of The Creative Assembly Limited ("the company") for the year ended 31 March 2014.

PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

The company operates a computer games software development business.

Turnover for the year to 31 March 2014 was £22,045,394 compared to £18,229,523 for 2013. The higher turnover is a result of the increased development work within the studio and the expansion of the console team. Turnover comprises income received under development agreements on titles developed by the company.

The company reported an operating profit of £2,188,003 for the year ended 31 March 2014 compared to an operating profit of £85,732 for 2013. The increase in operating profit is a result of increased turnover and operating margins.

KEY PERFORMANCE INDICATORS (KPIs)

The company focuses on various KPIs for the discussion within the management team. Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs are not necessary for an understanding by the relevant external parties for appraising the performance or position of the business further to the information included in this report and the financial information and notes contained in the body of the financial statements.

The profit for the year, after taxation, amounted to £2,204,501 (2013 - loss of £756,029).

At 31 March 2014, the company had net assets of £5,337,397 (2013 - £3,132,896).

BUSINESS OUTLOOK

Whilst the company has a wealth of capability in launching successful games, the interactive gaming industry market continues to shift from publishing packaged goods into digital content and as such the overall environment becomes more challenging.

PRINCIPAL RISKS AND UNCERTAINTIES

The company develops games in a highly competitive market whereby the success or failure of a title is consumer oriented. The company seeks to continue to enhance its portfolio of titles to exploit existing and new opportunities in the consumer market.

Effective project management is critical to the profitability of the company as overruns can mean the company can incur losses.

This report was approved by the board on 19 December 2014 and signed on its behalf.



D Ward
Director

THE CREATIVE ASSEMBLY LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2014**

DIRECTORS

The directors who served during the year ended 31 March 2014 and subsequently were as follows:

D Ward
J Post
T Miyazaki

DIVIDENDS

The directors do not recommend the payment of a dividend (2013 - £Nil).

POLITICAL CONTRIBUTIONS

The company made no political donations or incurred any political expenditure during the year (2013 - £Nil).

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken by a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.


AUDITOR

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor and will therefore continue in office.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors' assessment of the company's principal risks and uncertainties is set out in the Strategic Report.

This report was approved by the board and signed on its behalf.



D Ward
Director

Date: 19 December 2014

Registered address
27 Great West Road
Brentford
Middlesex
TW8 9BW

THE CREATIVE ASSEMBLY LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

The directors are responsible for preparing the Strategic Report, the Directors' Report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CREATIVE ASSEMBLY LIMITED

We have audited the financial statements of The Creative Assembly Limited ("the company") for the year ended 31 March 2014, set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Neil Hughes (Senior Statutory Auditor)
for and on behalf of
KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
Date: 23 December 2014

THE CREATIVE ASSEMBLY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £	2013 £
TURNOVER	1,2	22,045,394	18,229,523
Cost of sales		(17,545,400)	(16,045,825)
GROSS PROFIT		4,499,994	2,183,698
Administrative expenses		(2,311,991)	(2,097,966)
OPERATING PROFIT		2,188,003	85,732
Interest receivable and similar income		19,475	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	2,207,478	85,732
Taxation credit/(charge) on profit on ordinary activities	7	(2,977)	(841,761)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	14	2,204,501	(756,029)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and Loss Account.

The notes on pages 7 to 15 form part of these financial statements.

THE CREATIVE ASSEMBLY LIMITED
REGISTERED NUMBER: 03425917

BALANCE SHEET
AS AT 31 MARCH 2014

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible fixed assets	8		1,777,216		1,962,526
Investments	9		6,369		648,281
			<u>1,783,585</u>		<u>2,610,807</u>
CURRENT ASSETS					
Debtors	10	79,929,964		57,805,306	
Cash in hand		1,336		548	
		<u>79,931,300</u>		<u>57,805,854</u>	
CREDITORS: amounts falling due within one year	11		<u>(76,377,488)</u>		<u>(57,283,765)</u>
NET CURRENT ASSETS			<u>3,553,812</u>		<u>522,089</u>
NET ASSETS			<u>5,337,397</u>		<u>3,132,896</u>
CAPITAL AND RESERVES					
Called up share capital	13		100		100
Share premium account	14		33,735		33,735
Profit and loss account	14		5,303,562		3,099,061
TOTAL EQUITY SHAREHOLDERS' FUNDS	15		<u>5,337,397</u>		<u>3,132,896</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



D Ward
 Director

Date: 19 December 2014

The notes on pages 7 to 15 form part of these financial statements.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable UK accounting standards and the requirements of the United Kingdom Companies Act 2006, and under the historical cost convention.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The company has been profitable and the directors expect this to continue. The company has cash resources and net assets. Accordingly, the directors believe that the company is well placed to manage its business risks successfully and are satisfied that the company has and will maintain sufficient financial resources to enable it to continue operating in the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

By virtue of section 401 of the Companies Act 2006, the company is exempt from preparing consolidated financial statements as the results of this company are included in the financial statements of its ultimate parent company, SEGA Sammy Holdings Inc., which are publicly available.

1.2 Turnover

Turnover is determined primarily with reference to costs incurred for the year, which are recharged for services provided to Sega Publishing Europe Limited as well as income from owned titles.

1.3 Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction. All foreign currency exchange gains and losses are recognised in the Profit and Loss Account.

1.4 Operating leases

Costs in respect of operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	over the remaining term of the lease
Fixtures, fittings & equipment	-	25% - 33%

1.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment, if any.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

1. ACCOUNTING POLICIES (continued)

1.7 Deferred taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19 'Deferred tax'. A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.8 Research and development

All research and development costs are charged to the Profit and Loss Account during the period in which they occur. Development costs contracted out to third parties for certain games are charged to the Profit and Loss Account in the same period as that in which the associated revenues are generated.

1.9 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The contributions payable by the company to the defined contribution scheme are charged to the Profit and Loss Account when they are incurred.

1.10 Cash flows

The company is a wholly owned subsidiary of SEGA Holdings Europe Limited, which itself is a wholly owned subsidiary of SEGA Sammy Holdings Inc., which produces publicly available consolidated financial statements (Note 18). Consequently, the company is exempt under the terms of FRS 1 (Revised 1996) 'Cash flow statements' from publishing a cash flow statement.

1.11 Related party disclosures

FRS 8 'Related party disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The company has taken advantage of the exemption from providing such information on group transactions, as it is a 100% owned subsidiary and the parent company's financial statements are publicly available.

2. TURNOVER

The turnover and profit before tax are attributable to the principal activity of the company. All turnover originates in the United Kingdom.

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

3. DIRECTORS' EMOLUMENTS

The directors received no emoluments for their services to the company during the year (2013 - £Nil).

4. STAFF COSTS

Staff costs, were as follows:

	2014 £	2013 £
Wages and salaries	11,245,548	8,208,858
Social security costs	1,350,921	908,219
Other pension costs (Note 16)	348,524	275,939
	<u>12,944,993</u>	<u>9,393,016</u>

The average monthly number of persons, employed by the company during the year was as follows:

	2014 No.	2013 No.
Production	207	194
Administration	31	20
	<u>238</u>	<u>214</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2014 £	2013 £
Depreciation of tangible fixed assets: - owned by the company (Note 8)	998,907	818,997
Operating lease rentals: - land and buildings	327,935	304,568
Foreign exchange (gains)/losses	(281,516)	99,861
Impairment on fixed asset investment (Note 9)	641,912	-
	<u>641,912</u>	<u>-</u>

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

6. AUDITOR'S REMUNERATION

	2014 £	2013 £
Audit of these financial statements	<u>19,500</u>	<u>19,000</u>

All of the above costs have been borne by a fellow subsidiary undertaking with no recharge made to the company.

7. TAXATION (CREDIT)/CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2014 £	2013 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	493,618	784,440
Adjustments in respect of prior year	(312,487)	57,321
Total current tax	<u>181,131</u>	<u>841,761</u>
Deferred tax (Note 12)		
Origination and reversal of timing differences	(178,154)	-
Tax (credit)/charge on profit on ordinary activities	<u>2,977</u>	<u>841,761</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - higher than) the standard rate of corporation tax in the UK of 23% (2013 - 24%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>2,207,478</u>	<u>85,732</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 - 24%)	507,720	20,576
Effects of:		
Expenses not deductible for tax purposes	29,267	44,238
Difference between capital allowances and depreciation charge	68,792	43,013
Utilisation of tax losses	-	(209,046)
Adjustments to tax charge in respect of prior periods	(312,487)	57,321
Deduction for qualifying research and development expenditure	(112,161)	(101,437)
Group relief surrendered for which no payment is due	-	(95,304)
APA adjustment	-	1,082,400
Current tax charge for the year (see note above)	<u>181,131</u>	<u>841,761</u>

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

7. TAXATION (CREDIT)/CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate to 21% (effective 1 April 2014) and 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2014 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

8. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 April 2013	1,250,142	3,744,061	4,994,203
Additions	(12,043)	825,640	813,597
At 31 March 2014	<u>1,238,099</u>	<u>4,569,701</u>	<u>5,807,800</u>
Depreciation			
At 1 April 2013	731,935	2,299,742	3,031,677
Charge for the year	133,846	865,061	998,907
At 31 March 2014	<u>865,781</u>	<u>3,164,803</u>	<u>4,030,584</u>
Net book value			
At 31 March 2014	<u>372,318</u>	<u>1,404,898</u>	<u>1,777,216</u>
At 31 March 2013	<u>518,207</u>	<u>1,444,319</u>	<u>1,962,526</u>

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

9. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 April 2013 and 31 March 2014	648,281
Impairment	
At 1 April 2013	-
Charge for the year (refer below)	641,912
At 31 March 2014	641,912
Net book value	
At 31 March 2014	6,369
At 31 March 2013	648,281

The fixed asset investments comprise a 100% interest in the share capital of The Creative Assembly International Limited (Games development), The Creative Assembly Studios Limited (Dormant) and Total War Limited (Dormant).

Following a review of the carrying values of the company's investments in its subsidiary undertakings as at 31 March 2014, the directors considered that an impairment of £641,912 was required in respect of the investment in The Creative Assembly International Limited.

10. DEBTORS

	2014 £	2013 £
Amounts due from parent company and fellow subsidiary undertakings	79,441,988	57,419,720
Other debtors	9,825	9,341
Prepayments and accrued income	299,997	376,245
Deferred tax asset (Note 12)	178,154	-
	79,929,964	57,805,306

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

11. CREDITORS:

Amounts falling due within one year

	2014 £	2013 £
Bank loans and overdrafts	497,931	318,766
Trade creditors	500,879	356,574
Amounts due to fellow subsidiary undertakings	70,732,071	51,973,988
Amounts due to subsidiary undertakings	641,911	641,911
Corporation tax	373,030	841,761
Amounts payable on long term contracts owed to subsidiary undertaking	1,103,045	1,658,372
Other creditors	72,849	11,869
Accruals and deferred income	2,455,772	1,480,524
	<u>76,377,488</u>	<u>57,283,765</u>

12. DEFERRED TAXATION

	2014 £	2013 £
At beginning of year	-	-
Movement during the year (Note 7)	178,154	-
At end of year	<u>178,154</u>	<u>-</u>

The deferred taxation balance is made up as follows:

	2014 £	2013 £
Other short term timing differences	<u>178,154</u>	<u>-</u>

13. SHARE CAPITAL

	2014 £	2013 £
Allotted, called up and fully paid		
100 (2013 - 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

14. RESERVES

	Share premium account £	Profit and loss account £
At 1 April 2013	33,735	3,099,061
Profit for the financial year	-	2,204,501
	<hr/>	<hr/>
At 31 March 2014	<u>33,735</u>	<u>5,303,562</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Opening shareholders' funds	3,132,896	3,888,925
Profit/(loss) for the financial year	2,204,501	(756,029)
	<hr/>	<hr/>
Closing shareholders' funds	<u>5,337,397</u>	<u>3,132,896</u>

16. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. Costs relating to this scheme are charged to the Profit and Loss Account when they are incurred. The cost for the year is £348,524 (2013 - £275,939).

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

17. CAPITAL AND OPERATING LEASE COMMITMENTS

(a) Capital commitments

There were no capital commitments at 31 March 2014 (2013 - £Nil).

(b) Operating lease commitments

At 31 March 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
	£	£
Expiry date:		
Between 2 and 5 years	<u>533,449</u>	<u>574,664</u>

(c) Off balance sheet arrangements

The operating leases noted above are entered into to provide normal operational and trading support for the company. They consist of property leases obligations.

The total financial obligations over the remaining lease terms are:

	2014	2013
	£	£
Property leases obligations	<u>1,374,471</u>	<u>2,539,542</u>

18. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is SEGA Corporation and the ultimate parent company and controlling party is SEGA Sammy Holdings Inc., a company incorporated in Japan.

SEGA Sammy Holdings Inc. is the parent undertaking of the largest group of undertakings in which these financial statements are consolidated. Copies of the consolidated financial statements of SEGA Sammy Holdings Inc. may be obtained from the head office Shiodome Sumitomo Building 1-9-2, Higashi Shimbashi, Minato-Ku, Tokyo 105-0021, Japan or from the company's website on www.segasammy.co.jp.