

The Creative Assembly Limited
Financial Statements
for the year ended 31 March 2007



The Creative Assembly Limited

Directors' report and financial statements for the year ended 31 March 2007

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The Creative Assembly Limited

Directors' Report for the year ended 31 March 2007

The directors present their report on the company and the audited financial statements for the year ended 31 March 2007

Principal activity and business review

The company operates a computer games software design business

Turnover for the year to 31 March 2007 was £7,179,814 compared to £5,683,457 for 2006. Turnover comprises royalty income received under publishing agreements on titles developed by the company and the recognition of milestone income receivable for games under development at year end.

The company reported an operating profit of £19,979 for the year ending 31 March 2007 compared to an operating profit of £562,225 for 2006. Operating margin for the year reduced from 9.9% to 0.3% mainly as a result of a higher development costs

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.

At the year end, the company had entered into, and recognised income from, a number of development agreements. These agreements are priced to reflect the estimated cost of completing the development of the game, but delays or cost overruns may mean that the company can incur losses. Effective project management is therefore critical to the profitability of the company.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements. The directors do not recommend the payment of a dividend (2006: £ nil).

Directors

The directors of the company during the year ended 31 March 2007 were as follows:

M Maeda
M Hayes
N Tsurumi

The Creative Assembly Limited

Directors' Report for the year ended 31 March 2007 (continued)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Charitable donations

Charitable donations made by the company during the year amounted to £nil (2006 nil)

Financial instruments

The directors do not consider any additional disclosure is required under Schedule 7 5A of the Companies Act 1985.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board



M Hayes
Director

24 September 2008

The Creative Assembly Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of The Creative Assembly Limited

We have audited the financial statements of The Creative Assembly Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed. We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 September 2008

The Creative Assembly Limited

Profit and loss account for the year ended 31 March 2007

		Year ended 31 March 2007 £	Year ended 31 March 2006 £
Turnover from continuing operations	2	7,179,814	5,683,457
Cost of sales		(6,425,996)	(4,825,445)
Gross profit		753,818	858,012
Administrative expenses		(733,839)	(295,787)
Operating profit		19,979	562,225
Interest receivable		-	3,432
Profit on ordinary activities before taxation	5	19,979	565,657
Taxation credit/(charge) on profit on ordinary activities	6	5,450	(117,107)
Profit for the financial year		25,429	448,550

Note of historical cost profits and losses

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Reported profit on ordinary activities before taxation	19,979	565,657
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	3,684	3,684
Historical cost profit on ordinary activities before taxation	23,663	569,341
Historical cost profit for the year after taxation	29,113	452,234

The notes on the following pages form an integral part of these financial statements.

The Creative Assembly Limited

Balance sheet at 31 March 2007

	Note	2007 £	2006 £
Fixed assets			
Intangible assets	7	-	734
Tangible assets	8	1,364,958	1,069,900
Investments	9	648,281	648,281
		<u>2,013,239</u>	<u>1,718,915</u>
Current assets			
Debtors	10	11,094,103	4,771,435
Cash at bank and in hand		42,211	79,624
		<u>11,136,314</u>	<u>4,851,059</u>
Creditors: amounts falling due within one year	11	<u>(10,278,785)</u>	<u>(3,724,635)</u>
Net current assets		<u>857,529</u>	<u>1,126,424</u>
Net assets		<u>2,870,768</u>	<u>2,845,339</u>
Capital and reserves			
Called-up share capital	12	100	100
Share premium account	12	33,735	33,735
Revaluation reserve	13	278,960	282,644
Profit and loss account	14	2,557,973	2,528,860
Total equity shareholders' funds		<u>2,870,768</u>	<u>2,845,339</u>

The notes on the following pages form an integral part of these financial statements

These financial statements were approved by the board of directors on 24 September 2008 and were signed on its behalf by


M HAYES
Director

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

1 Principal accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention, modified to include the revaluation of certain fixed assets.

Turnover

Turnover comprises royalty income received under publishing agreements on titles developed by the company and the recognition of milestone income receivable for games under development at year end

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 the transaction. Exchange differences are taken into account in arriving at the operating profit.

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.

Intangible assets

Intangible assets are stated at cost. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Trademarks - 3 years straight line

Tangible fixed assets

Tangible fixed assets are recorded at cost or valuation less accumulated depreciation and any provision for impairment.

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

1 Principal accounting policies (continued)

Tangible fixed assets (continued)

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value and any provision for impairment, over the useful economic life of that asset as follows

	%
Freehold buildings	2
Leasehold improvements	over the remaining term of the lease
Fixtures, fittings & equipment	25 - 33
Motor vehicles	25
Freehold land is not depreciated	

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. 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Research and development costs

All internal 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.

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.

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 (see note 17). Consequently, the company is exempt under the terms of FRS 1 (Revised 1996) 'Cash flow statements'.

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

1 Principal accounting policies (continued)

Cash flows (continued)

from publishing a cash flow statement

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.

3 Directors' emoluments

No directors received any emoluments from the company during the year (2006: £nil).

4 Employee information

The average number of persons employed by the company during the year was

	Year ended 31 March 2007 Number	Year ended 31 March 2006 Number
Headcount		
Production staff	76	58
Administrative staff	7	6
	<u>83</u>	<u>64</u>
	£	£
Staff costs (for the above persons):		
Wages and salaries	2,899,342	2,588,442
Social security costs	319,819	336,157
Pension costs	96,109	71,078
	<u>3,315,270</u>	<u>2,995,677</u>

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

5 Profit on ordinary activities before taxation

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Amortisation of intangible fixed assets	734	1,554
Depreciation of owned fixed assets (note 8)	145,471	37,850
Auditors' remuneration		
- audit of these financial statements	22,125	13,000
- non-audit services	16,880	-
Operating lease charges		
- land and buildings	53,557	-
Profit on disposal of fixed assets	-	(2,350)
Net (gain)/loss on foreign currency translation	(3,250)	2,093

6 Taxation on ordinary activities – analysis of tax (credit)/charge for the year

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Current tax		
UK Corporation tax based on the results for the year at 30% (2006 – 30%)	-	-
Adjustments in respect of prior year	-	(56,867)
Total current tax credit	-	(56,867)
Deferred tax		
Deferred tax current year	7,213	166,346
Adjustment in respect of prior year	(12,663)	7,628
Total deferred tax	(5,450)	173,974
Total tax (credit)/charge on ordinary activities	(5,450)	117,107

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

6 Taxation on ordinary activities – analysis of tax (credit)/charge for the year (continued)

The differences between the current tax for the year and the standard rate of corporation tax in the UK (30%) are explained below:

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Current tax reconciliation		
Profit on ordinary activities before taxation	<u>19,979</u>	<u>565,657</u>
Current tax at 30%	5,994	169,697
Accelerated capital allowances and other timing differences	(1,494)	(4,848)
Other permanent differences	1,219	1,497
Loss utilised	(5,719)	(166,346)
Prior period adjustment	-	(56,867)
Total current tax credit	<u>-</u>	<u>(56,867)</u>

Tax losses arising in the prior period have been used to eliminate the current year tax charge. In 2007, the UK Government made a change to the rate of corporation tax from 30% to 28% with effect from 1 April 2008

A deferred taxation asset has been provided in the financial statements as the directors consider it more likely than not that future taxable profits will arise against which the potential deferred tax assets can be recovered. The amount of the deferred tax asset recognised in the financial statements is as follows

	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Excess of depreciation over capital allowances	7,077	8,571
Tax losses	<u>262,346</u>	<u>255,402</u>
Total deferred tax asset	<u>269,423</u>	<u>263,973</u>

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

7 Intangible fixed assets

	Trademarks £
Cost	
At 1 April 2006 and 31 March 2007	<u>5,677</u>
Amortisation	
At 1 April 2006	4,943
Charge for the year	734
At 31 March 2007	<u>5,677</u>
Net book value	
At 31 March 2007	-
At 31 March 2006	<u>734</u>

8 Tangible fixed assets

	Land and buildings £	Fixtures, fittings & equipment £	Total £
Cost or valuation			
At 1 April 2006	910,000	423,430	1,333,430
Additions	22,715	417,814	440,529
Disposals	-	-	-
At 31 March 2007	<u>932,715</u>	<u>841,244</u>	<u>1,773,959</u>
Depreciation			
At 1 April 2006	24,095	239,435	263,530
Charge for the year	22,629	122,842	145,471
Disposals	-	-	-
At 31 March 2007	<u>46,724</u>	<u>362,277</u>	<u>409,001</u>
Net book value			
At 31 March 2007	<u>885,991</u>	<u>478,967</u>	<u>1,364,958</u>
At 31 March 2006	<u>885,905</u>	<u>183,995</u>	<u>1,069,900</u>

The Key Partnership, Chartered Surveyors, Valuers and Property Consultants, an external valuer, carried out a valuation of the freehold property in February 2005. The valuation was based upon market value, with vacant possession. The directors consider that this valuation is not materially different from the value at 31 March 2007.

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

8 Tangible fixed assets (continued)

In respect of certain fixed assets stated at valuation, the comparable historical cost and depreciation amounts are as follows.

	2007 £	2006 £
Historical cost:		
Cost at 31 March	<u>720,444</u>	<u>720,444</u>
Depreciation:		
At 1 April	116,667	102,667
Charge for the year	14,000	14,000
At 31 March	<u>130,667</u>	<u>116,667</u>
Net historical cost amount:		
At 31 March	<u>589,777</u>	<u>603,777</u>

9 Fixed asset investments

	Total £
Cost and net book value	
At 1 April 2006 and at 31 March 2007	<u>648,281</u>

The fixed asset investments comprise 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)

10 Debtors

	2007 £	2006 £
Trade debtors	-	4,187
Deferred tax asset	269,423	263,973
Parent company and fellow subsidiary undertakings	10,744,021	4,431,822
Corporation tax	-	29,414
Prepayments and accrued income	80,659	42,039
	<u>11,094,103</u>	<u>4,771,435</u>

11 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	74,495	131,911
Amounts due to subsidiary undertakings	-	638,092
Amounts due to fellow subsidiary undertakings	9,326,435	2,848,256
Other creditors	538	27,421
Accruals and deferred income	877,317	78,955
	<u>10,278,785</u>	<u>3,724,635</u>

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

12 Share capital and share premium account

Authorised share capital:

	2007 £	2006 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

Ordinary shares of £1 each	No	Share capital: allotted, fully paid shares £	Share premium account £
At 31 March 2007	100	<u>100</u>	<u>33,735</u>
At 31 March 2006	100	<u>100</u>	<u>33,735</u>

13 Revaluation reserve

Arising on revaluation of fixed assets	2007 £	2006 £
At 1 April	282,644	286,328
Transfer to profit and loss account	<u>(3,684)</u>	<u>(3,684)</u>
At 31 March	<u>278,960</u>	<u>282,644</u>

14 Profit and loss account

	2007 £	2006 £
At 1 April	2,528,860	2,076,626
Profit for the financial year	25,429	448,550
Transfer from revaluation reserve	<u>3,684</u>	<u>3,684</u>
At 31 March	<u>2,557,973</u>	<u>2,528,860</u>

The Creative Assembly Limited

Notes to the financial statements for the year ended 31 March 2007

15 Financial commitments

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as follows

	2007		2006	
	Other £	Land and buildings £	Other £	Land and buildings £
Expiring within one year	-	57,058	-	-
Expiring between two and five years inclusive	-	-	-	-
Expiring after five years	-	-	-	-
	<u>-</u>	<u>57,058</u>	<u>-</u>	<u>-</u>

16 Consolidated financial statements

By virtue of section 228 of the Companies Act 1985, the company is exempt from preparing consolidated financial statements as the results of this company are included in the accounts of its immediate parent company SEGA Holdings Europe Limited, which are publicly available

17 Parent company and controlling party

The company's immediate parent company is SEGA Holdings Europe Limited incorporated in England and Wales. The company's ultimate parent company and controlling party is SEGA Sammy Holdings Inc. This company was created on 1 October 2004, following the merger between SEGA Corporation and Sammy Corporation.

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

SEGA Holdings Europe Limited is the parent undertaking of the smallest group of undertakings in which these financial statements are consolidated. The consolidated financial statements of SEGA Holdings Europe Limited can be obtained from the Company Secretary, 27 Great West Road, Brentford, Middlesex, TW8 9BW.