

COMPANY REGISTRATION NUMBER 3425917

THE CREATIVE ASSEMBLY LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 MARCH 2005



THE CREATIVE ASSEMBLY LIMITED
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THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2005

The directors present their report on the company and the audited financial statements for the 4 months ended 31 March 2005.

REVIEW OF BUSINESS

PRINCIPAL ACTIVITIES

The company operates a computer games software design business.

The directors are pleased with the results for the period and the company's activities are likely to remain the same in the future.

RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have declared the following dividends:

	2005	2004
	£	£
Dividends paid on ordinary shares	—	39,333

AUDITORS

Honey Barrett resigned as auditors on 8 March 2005, and the directors appointed KPMG LLP. A resolution to re-appoint KPMG LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

SUBSIDIARY COMPANIES

On 7 March 2005, the company acquired:
The Creative Assembly International Limited
The Creative Assembly Studios Limited
Total War Limited

PARENT COMPANY

On 8 March 2005, the company was acquired by Sega Europe Limited. On 29 March 2006, SEGA Europe Limited sold its investment in the Creative Assembly Limited to SEGA Holdings Europe Limited.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the period ended 31 March 2005 were as follows:

T J Ansell	(resigned 8 March 2005)
Masanao Maeda	(appointed 8 March 2005)
Michael Hayes	(appointed 8 March 2005)
Nicola Steel	(appointed 8 March 2005)
Naoya Tsurumi	(appointed 12 December 2005)

Director share holdings during the period were as follows:

	Ordinary Shares of £1 each	
	At	At
	31 March 2005	30 November 2004
T J Ansell	—	85

No other director held any interest in the shares of the company.

THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' REPORT *(continued)*

FOR THE PERIOD ENDED 31 MARCH 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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 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 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.

By order of the board



M Hayes
Director

28 July 2006



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

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

We have audited the financial statements on pages 6 to 18.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 group'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 of the state the company's affairs as at 31 March 2005 and of its profit for the four months then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

28 July 2006

THE CREATIVE ASSEMBLY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2005

	Note	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
TURNOVER	2	1,625,149	4,836,307
Cost of sales		<u>(1,105,770)</u>	<u>(3,854,687)</u>
GROSS PROFIT		519,379	981,620
Administrative expenses		<u>(198,339)</u>	<u>(470,688)</u>
OPERATING PROFIT	3	321,040	510,932
Interest receivable		17,177	8,178
Interest payable and similar charges	6	<u>(6,718)</u>	<u>(11,841)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		331,499	507,269
Taxation on profit on ordinary activities	7	<u>592,127</u>	<u>(154,180)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		923,626	353,089
Dividends	8	-	<u>(39,333)</u>
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<u>923,626</u>	<u>313,756</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	331,499	507,269
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	<u>1,228</u>	-
Historical cost profit on ordinary activities before taxation	<u>332,727</u>	507,269
Historical cost profit for the period after taxation and dividends	<u>924,854</u>	<u>313,756</u>

All of the activities of the company are classed as continuing.

The notes on pages 8 to 18 form part of these financial statements.

THE CREATIVE ASSEMBLY LIMITED

BALANCE SHEET

31 MARCH 2005

	Note	2005 £	£	2004 £	£
FIXED ASSETS					
Intangible assets	9		2,288		2,806
Tangible assets	10		932,213		940,524
Investments	11		648,281		-
			1,582,782		943,330
CURRENT ASSETS					
Debtors	12	1,561,733		850,082	
Cash at bank and in hand		580,327		2,174,280	
			2,142,060		3,024,362
CREDITORS: Amounts falling due within one year	13	(1,328,053)		(2,167,409)	
NET CURRENT ASSETS			814,007		856,953
TOTAL ASSETS LESS CURRENT LIABILITIES			2,396,789		1,800,283
CREDITORS: Amounts falling due after more than one year					
	14		-		(360,870)
			2,396,789		1,439,413
CAPITAL AND RESERVES					
Called-up equity share capital	16		100		85
Share Premium account	16		33,735		-
Revaluation reserve	17		286,328		287,556
Profit and loss account	18		2,076,626		1,151,772
SHAREHOLDERS' FUNDS			2,396,789		1,439,413

These financial statements on pages 6 to 18 were approved by the board of directors on 28 July 2006 and were signed on its behalf by:


M HAYES
 Director

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

Turnover

Turnover arises from software games development and comprises recharges to group undertakings and royalty income.

Intangible assets and Amortisation

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 and Depreciation

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	- 50 years straight line
Fixtures, fittings & equipment	- 18 months - 7 years straight line
Motor vehicles	- 4 years straight line
Freehold Land is not depreciated	

THE CREATIVE ASSEMBLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 MARCH 2005

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
United Kingdom	<u>1,625,149</u>	<u>4,836,307</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

3. OPERATING PROFIT

Operating profit is stated after charging:

	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
Amortisation	518	1,892
Depreciation of owned fixed assets	12,213	54,623
Auditors' remuneration - as auditors	12,000	4,000
Net loss on foreign currency translation	-	299
	-	299

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period amounted to:

	4 months ended 31 March 2005 No	Year ended 30 November 2004 No
Number of production staff	60	55
Number of administrative staff	4	4
	64	59

The aggregate payroll costs of the above were:

	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
Wages and salaries	733,334	2,203,450
Social security costs	75,992	271,273
	809,326	2,474,723

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

5. DIRECTORS' EMOLUMENTS

Directors' aggregate emoluments in respect of qualifying services were:

	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
Emoluments receivable	<u>66,666</u>	<u>200,000</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
Interest payable	<u>6,718</u>	<u>11,841</u>

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
Current tax:		
UK Taxation		
UK Corporation tax based on the results for the period at 30% (2004 - 30%)	-	154,180
Refund of prior year tax	<u>(154,180)</u>	<u>-</u>
Total current tax (credit) / charge	<u>(154,180)</u>	154,180
Deferred tax		
Deferred tax asset arising from current year taxable losses available at 30%	<u>(437,947)</u>	<u>-</u>
Total tax (credit) / charge	<u>(592,127)</u>	<u>154,180</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

7. TAXATION ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower (2004 – higher) than the standard rate of corporation tax in the UK of 30% (2004 - 30%). The differences are explained below.

	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
Current Tax reconciliation		
Profit on ordinary activities before taxation	<u>331,499</u>	<u>507,269</u>
Current tax at 30%	99,450	152,181
Fixed asset differences	2,623	3,297
Other permanent differences	1,050	4,649
Marginal relief	-	(5,947)
Loss arising on share option exercise	(103,123)	-
Prior year adjustment	<u>(154,180)</u>	-
Total current tax (credit) / charge (note 7(a))	<u>(154,180)</u>	<u>154,180</u>

Tax losses arising in the period have been used to eliminate the current period tax charge and generate a deferred tax asset (note 15).

8. DIVIDENDS

The following dividends have been paid in respect of the period:

	4 months ended 31 March 2005 £	Year ended 30 November 2004 £
Dividend paid on ordinary shares	<u>-</u>	<u>39,333</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

9. INTANGIBLE FIXED ASSETS

	Trademarks
	£
COST	
At 1 December 2004	5,677
Additions	—
At 31 March 2005	<u>5,677</u>
AMORTISATION	
At 1 December 2004	2,871
Charge for the period	518
At 31 March 2005	<u>3,389</u>
NET BOOK VALUE	
At 31 March 2005	<u>2,288</u>
At 30 November 2004	<u>2,806</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

10. TANGIBLE FIXED ASSETS

	Freehold Property £	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
COST OR VALUATION				
At 1 December 2004	910,000	244,562	18,226	1,172,788
Additions	–	7,931	–	7,931
Disposals	–	(4,600)	–	(4,600)
At 31 March 2005	<u>910,000</u>	<u>247,893</u>	<u>18,226</u>	<u>1,176,119</u>
DEPRECIATION				
At 1 December 2004	–	214,038	18,226	232,264
Charge for the period	5,895	6,318	–	12,213
On disposals	–	(571)	–	(571)
At 31 March 2005	<u>5,895</u>	<u>219,785</u>	<u>18,226</u>	<u>243,906</u>
NET BOOK VALUE				
At 31 March 2005	<u>904,105</u>	<u>28,108</u>	<u>–</u>	<u>932,213</u>
At 30 November 2004	<u>910,000</u>	<u>30,524</u>	<u>–</u>	<u>940,524</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 2005.

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

	2005 £	2004 £
Historical Cost:		
Cost at end of period	<u>720,444</u>	<u>720,444</u>
Depreciation:		
At beginning of period	98,000	84,000
Charge for period	4,667	14,000
At end of period	<u>102,667</u>	<u>98,000</u>
Net historical cost amount:		
At end of period	<u>617,777</u>	<u>622,444</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

11. FIXED ASSET INVESTMENTS

	Total £
COST	
At 1 December 2004	-
Additions	648,281
Disposals	-
At 31 March 2005	<u>648,281</u>
PROVISION	
At 1 December 2004	-
Disposals	-
At 31 March 2005	<u>-</u>
NET BOOK VALUE	
At 31 March 2005	<u>648,281</u>
At 30 November 2004	<u>-</u>

On 7 March 2005, the company acquired:
The Creative Assembly International Limited
The Creative Assembly Studios Limited
Total War Limited

The acquisitions were made for cash consideration.

12. DEBTORS

	2005 £	2004 £
Trade debtors	4,187	3,880
Deferred tax asset	437,947	-
Amounts due from subsidiary undertakings	19,161	-
Other debtors	-	1,534
Prepayments and accrued income	1,100,438	844,668
	<u>1,561,733</u>	<u>850,082</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

13. CREDITORS: Amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdrafts	–	29,149
Trade creditors	30	524,240
Corporation tax	–	154,179
VAT	976	356,912
Amounts due to parent undertaking	8,480	–
Amounts due to subsidiary undertakings	641,911	–
Other creditors	–	643,534
Directors current accounts	–	39,333
Accruals and deferred income	676,656	420,062
	<u>1,328,053</u>	<u>2,167,409</u>

14. CREDITORS: Amounts falling due after more than one year

	2005	2004
	£	£
Bank loans and overdrafts	–	360,870

15. DEFERRED TAXATION

A tax loss arose in the period to 31 March 2005 of £1,991,000 in relation to the exercise of share options. Part of the loss has been carried back to the prior year, part has been used to eliminate the profit arising in the current period and the remainder will be used against future expected taxable profits. The deferred tax asset arising on the remaining losses of £1,460,000 has been recognised in the results and shown above in debtors.

16. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Authorised share capital:

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

THE CREATIVE ASSEMBLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD ENDED 31 MARCH 2005

16. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT (continued)

Allotted, called up and fully paid:

Ordinary shares of £1 each	No	Share Capital: allotted, fully paid shares £	Share Premium account £
At 31 March 2005	100	100	33,735
At 30 November 2004	85	<u>85</u>	<u>-</u>

During the period, 15 ordinary shares of £1 each were issued for £2,250 per share. The resulting share premium is shown above. The shares were issued under the terms of an Enterprise Management Incentive Scheme.

17. REVALUATION RESERVE

	2005 £	2004 £
Revaluation of fixed assets	287,556	287,556
Transfer to profit and loss account	<u>(1,228)</u>	<u>-</u>
	<u>286,328</u>	<u>287,556</u>

18. PROFIT AND LOSS ACCOUNT

	2005 £	2004 £
Balance brought forward	1,151,772	838,016
Retained profit for the financial period	923,626	313,756
Transfer from revaluation reserve	1,228	-
Balance carried forward	<u>2,076,626</u>	<u>1,151,772</u>

19. CASH FLOWS

The company is a wholly owned subsidiary of Sega Europe Limited, which itself is a wholly owned subsidiary of Sega Sammy Holdings Inc., which produces publicly available consolidated financial statements (see note 21). Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 (Revised 1996) from publishing a cash flow statement.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2005

20. RELATED PARTY DISCLOSURES

Financial Reporting Standard No. 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.

21. CONSOLIDATED FINANCIAL STATEMENTS

By virtue of section 228 of the Companies Act, 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 Europe Limited, which are publicly available.

22. 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.

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, Tokyo105-0021, Japan or from the company's website on www.segasammy.co.jp