

The Creative Assembly Limited
Financial Statements
for the year ended 31 March 2006



THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report on the company and the audited financial statements for the year ended 31 March 2006

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company operates a computer games software design business

Turnover for the year was £5,683,457 compared to £1,625,149 for the four month period to 31 March 2005 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 for the year of £562,225 compared to £321,040 for the four month period to 31 March 2005 Operating margin for the year reduced from 19.8% to 9.9% mainly as a result of the lower levels of royalty income received under publishing agreements on titles developed by the company

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 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 (2005 £ nil)

PARENT COMPANY

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 year ended 31 March 2006 were as follows

M Maeda

M Hayes

N Tsurumi (appointed 12 December 2005)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company

THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2006 (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

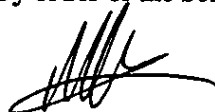
FINANCIAL INSTRUMENTS

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

26 July 2007

THE CREATIVE ASSEMBLY LIMITED

FOR THE YEAR ENDED 31 MARCH 2006

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 2006 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 2006 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

26 July 2007

THE CREATIVE ASSEMBLY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Note	Year ended 31 March 2006 £	4 month period ended 31 March 2005 £
TURNOVER FROM CONTINUING OPERATIONS	2	5,683,457	1,625,149
Cost of sales		(4,825,445)	(1,105,770)
GROSS PROFIT		858,012	519,379
Administrative expenses		(295,787)	(198,339)
OPERATING PROFIT	3	562,225	321,040
Interest receivable		3,432	17,177
Interest payable and similar charges	6	-	(6,718)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		565,657	331,499
Taxation on profit on ordinary activities	7	(117,107)	592,127
PROFIT FOR THE FINANCIAL PERIOD		<u>448,550</u>	<u>923,626</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	565,657	331,499
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	3,684	1,228
Historical cost profit on ordinary activities before taxation	<u>569,341</u>	<u>332,727</u>
Historical cost profit for the period after taxation	<u>452,234</u>	<u>924,854</u>

The notes on pages 9 to 17 form part of these financial statements

THE CREATIVE ASSEMBLY LIMITED

BALANCE SHEET AT 31 MARCH 2006

	Note	£	2006 £	£	2005 £
FIXED ASSETS					
Intangible assets	8		734		2,288
Tangible assets	9		1,069,900		932,213
Investments	10		648,281		648,281
			<u>1,718,915</u>		<u>1,582,782</u>
CURRENT ASSETS					
Debtors	11	4,771,435		1,561,733	
Cash at bank and in hand		79,624		580,327	
			<u>4,851,059</u>	<u>2,142,060</u>	
CREDITORS: Amounts falling due within one year	12	<u>(3,724,635)</u>		<u>(1,328,053)</u>	
NET CURRENT ASSETS			<u>1,126,424</u>		814,007
NET ASSETS			<u>2,845,339</u>		<u>2,396,789</u>
CAPITAL AND RESERVES					
Called-up share capital	14		100		100
Share premium account	14		33,735		33,735
Revaluation reserve	15		282,644		286,328
Profit and loss account	16		2,528,860		2,076,626
SHAREHOLDERS' FUNDS			<u>2,845,339</u>		<u>2,396,789</u>

These financial statements on pages 7 to 17 were approved by the board of directors on 26 July 2007 and were signed on its behalf by



M HAYES
Director

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

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, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date'
- FRS 28 'Corresponding amounts'

There has been no material effect on these financial statements following the adoption of these new standards

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

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	2
Fixtures, fittings & equipment	25 - 33
Motor vehicles	25
Freehold land is not depreciated	

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

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

	Year ended 31 March 2006 £	4 month period ended 31 March 2005 £
United Kingdom	<u>5,683,457</u>	<u>1,625,149</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

3. OPERATING PROFIT

Operating profit is stated after charging

	Year ended 31 March 2006 £	4 month period ended 31 March 2005 £
Amortisation	1,554	518
Depreciation of owned fixed assets	37,850	12,213
Auditors' remuneration		
- as auditors	13,000	12,000
Profit on disposal of fixed assets	2,350	-
Net loss on foreign currency translation	2,093	-
	<u>2,093</u>	<u>-</u>

4. PARTICULARS OF EMPLOYEES

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

	Year ended 31 March 2006 No	4 month period ended 31 March 2005 No
Production staff	58	60
Administrative staff	4	4
	<u>62</u>	<u>64</u>

The aggregate payroll costs of the above were

	Year ended 31 March 2006 £	4 month period ended 31 March 2005 £
Wages and salaries	2,588,442	733,334
Social security costs	336,157	75,992
Pension costs	71,078	-
	<u>2,995,677</u>	<u>809,326</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

5. DIRECTORS' EMOLUMENTS

Directors' aggregate emoluments in respect of qualifying services were

	Year ended 31 March 2006	4 month period ended 31 March 2005
	£	£
Emoluments receivable	<u>-</u>	<u>66,666</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2006	4 month period ended 31 March 2005
	£	£
Interest payable	<u>-</u>	<u>6,718</u>

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Year ended 31 March 2006	4 month period ended 31 March 2005
	£	£
Current tax		
UK Taxation		
UK Corporation tax based on the results for the period at 30% (2005 - 30%)	-	-
Adjustments in respect of prior period	(56,867)	-
Refund of prior period tax	-	(154,180)
Total current tax credit	<u>(56,867)</u>	<u>(154,180)</u>
Deferred tax		
Deferred tax charge / (credit) arising from taxable losses utilised / (available) at 30%	<u>173,974</u>	<u>(437,947)</u>
Total tax charge / (credit) on ordinary activities	<u>117,107</u>	<u>(592,127)</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

7. TAXATION ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2005 – higher) than the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are explained below

Current tax reconciliation	Year ended 31 March 2006 £	4 month period ended 31 March 2005 £
Profit on ordinary activities before taxation	<u>565,657</u>	<u>331,499</u>
Current tax at 30%	169,697	99,450
Fixed asset differences	(4,848)	2,623
Other permanent differences	1,497	1,050
Loss utilised	(166,346)	(103,123)
Prior period adjustment	<u>(56,867)</u>	<u>(154,180)</u>
Total current tax credit (note 7(a))	<u>(56,867)</u>	<u>(154,180)</u>

Tax losses arising in the prior period have been used to eliminate the current year tax charge
Deferred tax asset is shown in note 13

8. INTANGIBLE FIXED ASSETS

	Trademarks £
COST	
At 1 April 2005	5,677
Additions	-
At 31 March 2006	<u>5,677</u>
AMORTISATION	
At 1 April 2005	3,389
Charge for the year	1,554
At 31 March 2006	<u>4,943</u>
NET BOOK VALUE	
At 31 March 2006	<u>734</u>
At 31 March 2005	<u>2,288</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

9. TANGIBLE FIXED ASSETS

	Freehold Property £	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
COST OR VALUATION				
At 1 April 2005	910,000	247,893	18,226	1,176,119
Additions	-	178,537	-	178,537
Disposals	-	(3,000)	(18,226)	(21,226)
At 31 March 2006	<u>910,000</u>	<u>423,430</u>	<u>-</u>	<u>1,333,430</u>
DEPRECIATION				
At 1 April 2005	5,895	219,785	18,226	243,906
Charge for the year	18,200	19,650	-	37,850
On disposals	-	-	(18,226)	(18,226)
At 31 March 2006	<u>24,095</u>	<u>239,435</u>	<u>-</u>	<u>263,530</u>
NET BOOK VALUE				
At 31 March 2006	<u>885,905</u>	<u>183,995</u>	<u>-</u>	<u>1,069,900</u>
At 31 March 2005	<u>904,105</u>	<u>28,108</u>	<u>-</u>	<u>932,213</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 2006.

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

	2006 £	2005 £
Historical Cost:		
Cost at end of year	<u>720,444</u>	<u>720,444</u>
Depreciation:		
At beginning of year	102,667	98,000
Charge for year	14,000	4,667
At end of year	<u>116,667</u>	<u>102,667</u>
Net historical cost amount:		
At end of year	<u>603,777</u>	<u>617,777</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

10. FIXED ASSET INVESTMENTS

	Total £
COST AND NET BOOK VALUE	
At 1 April 2005 and at 31 March 2006	<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)

11. DEBTORS

	2006 £	2005 £
Trade debtors	4,187	4,187
Deferred tax asset	263,973	437,947
Amounts due from fellow subsidiary undertakings	4,431,822	19,161
Other taxation and social security	29,414	-
Prepayments and accrued income	42,039	1,100,438
	<u>4,771,435</u>	<u>1,561,733</u>

12. CREDITORS: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	131,911	30
Other taxation and social security	-	976
Amounts due to parent undertaking	-	8,480
Amounts due to subsidiary undertakings	638,092	641,911
Amounts due to fellow subsidiary undertakings	2,848,256	-
Other creditors	27,421	-
Accruals and deferred income	78,955	676,656
	<u>3,724,635</u>	<u>1,328,053</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

13. DEFERRED TAX ASSET

	£
At 1 April 2005 tax losses available	437,947
Utilised during year	(173,974)
	<hr/>
At 31 March 2006 tax losses available	263,973
	<hr/> <hr/>

The deferred tax asset arises on taxable losses that in the opinion of the directors will reverse against future taxable profits

14. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Authorised share capital:

	2006	2005
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

		Share Capital: allotted, fully paid shares	Share Premium account
Ordinary shares of £1 each	No	£	£
At 31 March 2006	100	100	33,735
At 31 March 2005	100	<hr/> <hr/> 100	<hr/> <hr/> 33,735

15. REVALUATION RESERVE

	2006	2005
	£	£
Arising on revaluation of fixed assets		
At 1 April	286,328	287,556
Transfer to profit and loss account	(3,684)	(1,228)
	<hr/> <hr/> 282,644	<hr/> <hr/> 286,328

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2006

16. PROFIT AND LOSS ACCOUNT

	2006	2005
	£	£
At 1 April	2,076,626	1,151,772
Profit for the financial period	448,550	923,626
Transfer from revaluation reserve	3,684	1,228
At 31 March	<u>2,528,860</u>	<u>2,076,626</u>

17. 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 20). Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from publishing a cash flow statement.

18. 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.

19. 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.

20. 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.