
THE CREATIVE ASSEMBLY LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**



THE CREATIVE ASSEMBLY LIMITED

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THE CREATIVE ASSEMBLY LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

The directors present their report on the company and the audited financial statements for the year ended 31 March 2011

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company operates a computer games software development business

Turnover for the year to 31 March 2011 was £14,269,792 compared to £12,434,985 for 2010. Turnover is primarily derived from services rendered in the development of titles and royalty income for titles owned by the company

The company reported an operating profit of £239,206 for the year ended 31 March 2011 compared to an operating profit of £840,895 for 2010 as a result of increased administrative costs in the year

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 profit for the year, after taxation, of £211,426 (2010 - £258,225) will be transferred to reserves

The directors do not recommend the payment of a dividend (2010 - £Nil)

DIRECTORS

The directors of the company who served during the year ended 31 March 2011 and subsequently were as follows

M Hayes
N Tsurumi
D Ward (appointed 15 June 2011)

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 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

THE CREATIVE ASSEMBLY LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

CHARITABLE CONTRIBUTIONS

Charitable donations made by the company during the year amounted to £Nil (2010 - £Nil)

AUDITORS

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

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



Director

Date *31 October 2011*

Registered address
27 Great West Road
Brentford
Middlesex
TW8 9BW

THE CREATIVE ASSEMBLY LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2011**

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 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 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 judgments 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,
- 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 have a 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
15 Canada Square
London
E14 5GL

Independent auditor's 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 2011 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 (APB'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 APB's web-site at www.frc.org.uk/apb/scope/private.cfm

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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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 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

N M Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London

3 November 2011

THE CREATIVE ASSEMBLY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £	2010 £
TURNOVER	1,2	14,269,792	12,434,985
Cost of sales		(11,958,279)	(10,177,176)
GROSS PROFIT	5	2,311,513	2,257,809
Administrative expenses		(2,072,307)	(1,416,914)
OPERATING PROFIT		239,206	840,895
Interest payable and similar charges		-	(4,371)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	239,206	836,524
Taxation charge on profit on ordinary activities	6	(27,780)	(578,299)
PROFIT FOR THE FINANCIAL YEAR	13	211,426	258,225

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and Loss Account

The notes on pages 8 to 16 form part of these financial statements

THE CREATIVE ASSEMBLY LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2011

	2011 £	2010 £
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	239,206	836,524
Realisation of valuation gains of previous periods (Note 13)	<u>267,908</u>	<u>3,684</u>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>507,114</u>	<u>840,208</u>
HISTORICAL COST PROFIT FOR THE YEAR AFTER TAXATION	<u>479,334</u>	<u>261,909</u>

The notes on pages 8 to 16 form part of these financial statements

THE CREATIVE ASSEMBLY LIMITED
REGISTERED NUMBER: 03425917

BALANCE SHEET
AS AT 31 MARCH 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible fixed assets	7		1,307,149		1,324,249
Investments	8		648,281		648,281
			<u>1,955,430</u>		<u>1,972,530</u>
CURRENT ASSETS					
Debtors	9	23,021,213		12,078,096	
Cash at bank and in hand		2,928		23,832	
		<u>23,024,141</u>		<u>12,101,928</u>	
CREDITORS amounts falling due within one year	10		<u>(21,474,118)</u>		<u>(10,780,431)</u>
NET CURRENT ASSETS			<u>1,550,023</u>		<u>1,321,497</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,505,453</u>		<u>3,294,027</u>
CAPITAL AND RESERVES					
Called up share capital	12		100		100
Share premium account	13		33,735		33,735
Revaluation reserve	13		-		267,908
Profit and loss account	13		3,471,618		2,992,284
TOTAL EQUITY SHAREHOLDERS' FUNDS	14		<u>3,505,453</u>		<u>3,294,027</u>

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


 Director

Date 31 October 2011

The notes on pages 8 to 16 form part of these financial statements

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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 as modified by the revaluation of certain fixed assets

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of the Directors' 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 Directors' 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

In the company's financial statements, 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.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES (continued)

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost or valuation less accumulated depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual values and any provision for impairment, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

Freehold buildings	-	2%
Leasehold improvements	-	over the remaining term of the lease
Fixtures, fittings & equipment	-	25% - 33%

Freehold land is not depreciated

1.6 Investments

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

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 substantially 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 17). Consequently, the company is exempt under the terms of FRS 1 (Revised 1996) 'Cash flow statements' from publishing a cash flow statement.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES (continued)

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.

3. DIRECTORS' EMOLUMENTS

No directors received any emoluments from the company during the year (2010 - £Nil).

4. STAFF COSTS

Staff costs, including executive directors' remuneration, were as follows:

	2011 £	2010 £
Wages and salaries	5,406,724	4,668,349
Social security costs	578,547	486,037
Other pension costs (Note 15)	186,901	174,164
	<u>6,172,172</u>	<u>5,328,550</u>

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

	2011 No.	2010 No.
Production	139	124
Administration	7	7
	<u>146</u>	<u>131</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2011 £	2010 £
Depreciation of tangible fixed assets		
- owned by the company (Note 7)	296,890	306,220
Auditors' remuneration - audit of these financial statements	17,000	16,000
Auditors' remuneration - non-audit services - taxation	7,375	13,811
Operating lease rentals		
- plant and machinery	421	-
- land and buildings	223,757	181,903
Foreign exchange losses	116,197	260,646
Loss on sale of tangible fixed assets (Note 7)	27,551	-
	<u>27,551</u>	<u>-</u>

6. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2011 £	2010 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	-	-
Deferred tax		
Charge on profit for year	161,761	563,292
Adjustments in respect of prior year	(133,981)	15,007
Total deferred tax (Note 11)	<u>27,780</u>	<u>578,299</u>
Tax charge on profit on ordinary activities	<u>27,780</u>	<u>578,299</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

6. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 28% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>239,206</u>	<u>836,524</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 - 28%)	66,978	234,227
Effects of:		
Expenses not deductible for tax purposes	42,404	46,374
Difference between capital allowances and depreciation charge	(38,496)	(15,007)
Deduction for qualifying research and development expenditure	(388,640)	(459,600)
Unrelieved tax losses carried forward	143,225	-
Group relief surrender for which no payment is due	174,529	194,006
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

A deferred tax asset relating to trading losses of approximately £2,244,000 (2010 - £1,732,000) carried forward has not been provided in the financial statements as the directors do not consider it more likely than not that future taxable profit will arise against which the potential deferred tax asset can be recovered

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

7. TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold improve- ments £	Fixtures, fittings & equipment £	Total £
Cost or valuation				
At 1 April 2010	937,664	571,683	1,237,510	2,746,857
Additions	-	328,177	798,470	1,126,647
Disposals	(937,664)	-	-	(937,664)
At 31 March 2011	-	899,860	2,035,980	2,935,840
Depreciation				
At 1 April 2010	90,807	274,357	1,057,444	1,422,608
Charge for the year	-	114,236	182,654	296,890
On disposals	(90,807)	-	-	(90,807)
At 31 March 2011	-	388,593	1,240,098	1,628,691
Net book value				
At 31 March 2011	-	511,267	795,882	1,307,149
At 31 March 2010	846,857	297,326	180,066	1,324,249

On 7 May 2010, the company sold its freehold property for £820,000 and realised a loss on sale, after related sales costs, of £27,551

8. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost or valuation	
At 1 April 2010 and 31 March 2011	648,281

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)

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

9. DEBTORS

	2011 £	2010 £
Trade debtors	220,555	-
Amounts due from parent company and fellow subsidiary undertakings	22,626,101	11,936,193
Other debtors	4,014	-
Prepayments and accrued income	170,543	114,123
Deferred tax asset (Note 11)	-	27,780
	23,021,213	12,078,096

**10. CREDITORS:
Amounts falling due within one year**

	2011 £	2010 £
Bank loans and overdrafts	492,770	-
Trade creditors	224,755	123,362
Amounts due to subsidiary undertakings	641,911	641,911
Amounts due to fellow subsidiary undertakings	17,422,684	5,927,960
Other taxation and social security	-	2,026,163
Amounts payable on long term contracts owed to subsidiary undertaking	1,820,216	1,194,687
Other creditors	11,869	12,710
Accruals and deferred income	859,913	853,638
	21,474,118	10,780,431

11. DEFERRED TAXATION

	2011 £	2010 £
At beginning of year	27,780	606,079
Movement during the year (Note 8)	(27,780)	(578,299)
	-	27,780

The deferred taxation balance is made up as follows

	2011 £	2010 £
Other short term timing differences	-	27,780
	-	27,780

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

12. SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

13. RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 April 2010	33,735	267,908	2,992,284
Profit for the year	-	-	211,426
Transfer between revaluation reserve and profit and loss account	-	(267,908)	267,908
At 31 March 2011	33,735	-	3,471,618

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Opening shareholders' funds	3,294,027	3,035,802
Profit for the year	211,426	258,225
Closing shareholders' funds	3,505,453	3,294,027

15. 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 £186,901 (2010 - £174,164).

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

16. CAPITAL AND OPERATING LEASE COMMITMENTS

(a) Capital commitments

There were no capital commitments at 31 March 2011 (2010 - £Nil)

(b) Operating lease commitments

At 31 March 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2011	2010
	£	£
Expiry date:		
Between 2 and 5 years	401,667	-
After more than 5 years	-	265,264
	<u>401,667</u>	<u>265,264</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

	2011	2010
	£	£
Property leases obligations	<u>2,547,558</u>	<u>1,768,427</u>

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is SEGA Holdings Europe Limited, a company 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, Tokyo 105-0021, Japan or from the company's website on www.segasammy.co.jp