The Codemasters Software Company Limited

Annual Report and Financial Statements for the period ended 1 April 2023

Registered number 02044132

The Codemasters Software Company Limited

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The Codemasters Software Company Limited

Directors' Report for the period ended 1 April 2023

The Directors submit their report, Strategic Report, and the audited financial statements, of the Company for the period 3 April 2022 to 1 April 2023, with prior fiscal period being the period 4 April 2021 to 2 April 2022.

Results and Dividends

The results for the period are set out in detail on page 9.

On 29 July 2022, an interim dividend of £20,000,000 was paid (2022: £435,918,575). The Directors do not propose a final dividend.

Items Covered in the Strategic Report

Please refer to the Strategic Report on pages 3 and 4 for activities and the likely future developments of the Company and a discussion of the Company's employees and principal risks and uncertainties.

Directors

The Directors of the Company who were in office during the period and up to the date of signing the financial statements were:

C Calonge
R Tait (appointed 23 June 2023)
L Payne (appointed 23 June 2023)
D W S Chan (resigned 23 June 2023)
M C S Webster (resigned 9 December 2022)

All Directors have indemnity cover under Directors and Officers insurance policies, the premiums of which are paid for by Electronic Arts Limited.

Independent Auditor

The auditor, Grant Thornton UK LLP, has indicated their willingness to continue in office. A resolution concerning their appointment will be proposed in accordance with section 485 of the Companies Act 2006.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 period. 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, including FRS 101 'Reduced Disclosure Framework'). 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 and 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Directors' Responsibilities (continued)

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The Directors have reviewed the impact of the wider macro-economic situation on the underlying business and its cash position and the wider group. They consider the Group to continue to be in a strong position for the foreseeable future. The Company will remain in existence going forwards as a non-trading holding company.

Electronic Arts Inc (a group company), has confirmed it will support the company for a period of not less than one year from the date of signing. As such, the directors are satisfied the going concern basis is appropriate for the company.

Post Balance Sheet Events

The Directors are not aware of any events post 1 April 2023 that require disclosure in these financial statements.

Overseas Branches

The Company has no overseas branches.

Research and Development Activities

As disclosed in the Strategic Report, in the prior period, the Company was engaged in the development of video games until 30 June 2021, After this date, the Company did not undertake any research and development activities.

On behalf of the board

R Tait
Director

Date : 24/8/2023

The Codemasters Software Company Limited

Strategic Report for the period ended 1 April 2023

The Directors present their Strategic Report for the period ended 1 April 2023.

Principal Activities, Key Performance Indicators and Business Review

During the period, the Company was a non-trading Company.

During the period, the Company received no dividends (2022: £18.9 million) from Codemasters Development Company Limited.

Profit before tax amounted to £63,000 in the period (2022: £464.5 million). Net assets at 1 April 2023 were £14.4 million which represents a 57.9% decrease from the £34.2 million as at 2 April 2022, owing to the payment of a £20 million dividend in the period as noted above.

Revenue of £nil compared to the previous period of £13.2 million reflects the sale of the Company's IP.

Until 30 June 2021, the Company was engaged in the development (via its subsidiary, Codemasters Development Company Limited ('CDCL')) and publishing of the Group's products, being video games created for a variety of platforms including console, PC and mobile.

During the prior period, on 30 June 2021, the Company ceased to trade and its employees, assets and liabilities transferred to another sister company at book value.

On 4 July 2021, the Company's IP was transferred at fair value to sister companies, generating a profit on disposal of £445.2 million.

Further details regarding the Company's key achievements during the period ended 1 April 2023 are detailed below:

Operational Review

The Company is a non-trading Company.

Until the Company ceased trading, Codemasters was renowned for developing high quality, AAA rated games and was focused solely on the racing category for which it is best known. Its success to date has focused around its franchises, GRID, DiRT, and F1®, with the first two being fully owned IP, and F1® benefitting from exclusive rights. As the Company has invested more in these franchises and expanded its distribution agreements, their performance has continued to improve and provide growing and predictable revenue streams at increasingly profitable levels, driven by the growing trend towards digital delivery which also gives players 24/7 access to our growing back catalogue of titles.

The sales performance this period has been delivered due to the back catalogue of the Company's games with no release in the period.

Future Developments

The Company will remain in existence going forwards as a non-trading company.

The Codemasters Software Company Limited

Strategic Report for the period ended 1 April 2023 (continued)

Principal Risks and Uncertainties

Following the cessation of trade and the sale of the Company's IP, the principal risks and uncertainties are *Financial Risk management* and *liquidity and interest rate risk.*

Financial risk management: The Company's operations expose it to a variety of financial risks that include liquidity and interest rate risk, credit risk and currency risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs. Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the Directors are implemented by the Company's finance department. There are processes in place to manage the financial risks listed.

Liquidity and interest rate risk: The Company when required may use a mixture of long-term and short-term financing to meet the needs of the Company and ensure it has sufficient available funds for operations and planned expansions at any given time. Further commentary on liquidity risk is included in note 19 to the financial statements. Financing used by the Company may include loans for the development of specific games, a mortgage, and loans from other group companies. The Company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets are placed to earn maximum interest while also ensuring appropriate flexibility. The Company has a policy of maintaining debt at fixed rate where possible to give certainty of future interest cash flows.

On behalf of the board

R Tait
Director
Date : 24/8/2023

The Codemasters Software Company Limited

Independent Auditor's Report to the Members of The Codemasters Software Company Limited

Opinion

We have audited the financial statements of The Codemasters Software Company Limited (the 'company') for the period from 3 April 2022 to 1 April 2023, which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 April 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model and we have assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

The Codemasters Software Company Limited

Independent Auditor's Report to the Members of The Codemasters Software Company Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of The Codemasters Software Company Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting frameworks (FRS 101 and Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the Company operates.
- We understood how the Company is complying with relevant legal and regulatory frameworks by making enquiries of management and have corroborated our enquiries through our review of board minutes.
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from different parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered the programs and controls that the entity has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Our audit procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management. In addition, we completed audit procedures to conclude on the compliance of disclosures in the Annual Report and Accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

Independent Auditor's Report to the Members of The Codemasters Software Company Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - Knowledge of the industry in which the client operates
  - Understanding of the legal and regulatory requirements specific to the Company including:
    - the provisions of the applicable legislation;
    - the regulators rules and related guidance, including guidance issues by relevant authorities that interprets those rules;
    - the applicable statutory provisions
- We did not identify any matters relating to non-compliance with laws and regulations or relating to fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Company's operations, including the nature of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the applicable statutory provisions;
  - the Company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the Company's compliance with regulatory requirements and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Grant Thornton UK LLP

Philip Sayers

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leicester

Date : 24/8/2023

The Codemasters Software Company Limited

Income Statement for the period ended 1 April 2023

Registered number 02044132

	Note	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Revenue	3	-	13,227
Cost of sales		-	(2,435)
Gross profit		-	10,792
Distribution costs		-	(144)
Administrative expenses:			
- research expenses and amortisation and of development costs		-	(3,858)
- R&D and Creative sector relief		-	4
- other administrative expenses		1,473	(8,123)
Total administrative expenses		1,473	(11,977)
Operating profit / (loss)	4	1,473	(1,329)
Interest receivable and similar income	8	531	374
Interest payable and similar charges	9	(492)	(961)
Net interest receivable / (payable)		39	(587)
Dividends received from subsidiary		-	18,861
Non-recurring items	7	-	447,534
Profit on ordinary activities before taxation		1,512	464,479
Tax credit / (charge) on ordinary activities	10	156	(63,778)
Profit for the year and total comprehensive income		1,668	400,701

All of the activities of the Company are from discontinued operations.

The Codemasters Software Company Limited

Statement of Changes in Equity for the period ended 1 April 2023

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total Shareholders funds £000
At 3 April 2021	2	19,490	49,932	69,424
Total comprehensive income for the period	-	-	400,701	400,701
Capital reduction	(2)	(19,490)	19,492	-
Dividend paid	-	-	(435,919)	(435,919)
At 2 April 2022	-	-	**34,206**	**34,206**
Total comprehensive income for the period	-	-	219	219
Dividend paid	-	-	(20,000)	(20,000)
At 1 April 2023	-	-	**14,425**	**14,425**

The Codemasters Software Company Limited

Statement of Financial Position as at 1 April 2023

Registered number 02044132

	Note	**1 April 2023**	2 April 2022
		£000	£000
Current assets			
Trade and other receivables	11	**14,089**	14,148
Cash and cash equivalents	12	**45,740**	70,348
		59,829	84,496
Trade and other payables falling due within one year	13	**(19)**	(836)
Net current assets		**59,810**	83,660
Total assets less current liabilities		**59,810**	83,660
Trade and other payables falling due after more than one year	14	**(34,936)**	(40,454)
Provisions for liabilities	16	**(9,000)**	(9,000)
Net assets		**15,874**	34,206
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account		**15,874**	34,206
Total shareholder's surplus		**15,874**	34,206

The financial statements on pages 9 to 36 were approved by the Board of Directors on 24/8/2023 and were signed on its behalf by:

R Tait
Director

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023

1 Accounting policies

Company information

The Codemasters Software Company Limited is a private company, limited by ordinary shares and incorporated in England. The Registered number is 02044132 and Registered Office is Codemasters Campus, Stoneythorpe, Southam, Warwickshire, CV47 2DL.

Statement of compliance

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable Accounting Standards in the UK. The principal accounting policies, which have been applied consistently to all the periods presented are set out below.

Basis of preparation

These financial statements are prepared in accordance with The Companies Act 2006, under the historical cost convention and in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and applicable accounting standards in the United Kingdom.

The financial statements are prepared in sterling, which is the functional currency of the Company and rounded to the nearest £000 unless otherwise stated. The totals of the data presented may vary slightly from the arithmetic totals of such data due to rounding. The financial statements cover the period 3 April 2022 to 1 April 2023, with prior period being 4 April 2021 to 2 April 2022.

A number of exemptions from the requirements in IFRS have been applied in the preparation of these financial statements, in accordance with FRS101:

- to prepare a Statement of Cash Flows (and related notes to the statement of cash flows);
- to produce a Statement of Financial Position at the beginning of the earliest comparative period;
- the requirements under IAS 1 to provide capital management disclosures;
- the requirement under IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of the Group as they are wholly owned within the Group;
- the requirement under IAS 24 to disclose key management personnel compensation;
- disclosures in respect of Standards in issue not yet effective; and
- the requirements under IAS 1 to present a reconciliation for the number of shares outstanding at the beginning and end of the period;

Going concern

The Directors have reviewed the impact of the wider macro-economic situation on the underlying business and its cash position and the wider group. They consider the Group to continue to be in a strong position for the foreseeable future.

Electronic Arts Inc (a group company), has confirmed it will support the company for a period of not less than one year from the date of signing. As such, the directors are satisfied the going concern basis is appropriate for the company.

1 Accounting policies (continued)

Consolidation

The Company has taken advantage of the exemption provided by Section 401 of the Companies Act 2006 not to prepare consolidated financial statements, because the Company is included in the consolidated financial statements of its ultimate parent company, Electronic Arts Inc (registered address: 209 Redwood Shores Parkway, Redwood City, CA 94065). Those consolidated financial statements are publicly available. Accordingly, these financial statements present information about the Company as an individual undertaking and not as a Group.

Revenue recognition

The Company's revenue is driven by sales of interactive entertainment software, brought to market as 'boxed' products sold in retail outlets or digital products which are downloadable. Products are sold via distribution partners, the most significant being Koch who manage the majority of the Company's distribution of boxed product.

Revenue comprises:

- Boxed product to retailers and external distributors/wholesalers. Revenue is recognised upon performance of the obligation to the customer which is when delivery and transfer of the legal ownership of the products passes to the customer. Revenue is recorded after the impact of variable consideration constraint arising for subsequent returns and price protection claims. Settlement terms for boxed product is typically 30 days from the end of the month of the revenue being recognised.

- Digital content is created by online stores in the form of download keys using the Company's IP. Such revenue is recognised via a royalty at an agreed rate with the Company's customer (the online store). Codemasters sales-based royalty revenue is recognised at the point the end user has downloaded the product. Codemasters' customer is the online retailer for digital product. Revenue is recognised as the unit price received from the platforms in relation to their onward sales to their customers from the number of downloaded items from their online stores, typically Microsoft (Xbox), Sony (PlayStation) or Steam (PC). The online stores remit an agreed percentage of the price paid by their customer to the Company. Whilst settlement terms vary by provider, they are between 30 days from the end of the month of the revenue being recognised and 45 days from the end of the quarter of the revenue being recognised. Digital sales also include the sales of game keys to other online platforms. The revenue for these sales is recognised at the point of sale of the keys.

- The Company also receives digital revenue from providers of subscription services. The Company's customers are the providers of online subscription services who will typically pay the Company a fee to include a product within their wider subscription package. For such arrangements the Company does not have control in relation to the arrangements between the subscription providers and their subscribers and as such the provider and not the consumer of the subscription service is considered to be the Company's customer. Digital revenue associated with subscription services is recognised at a point in time when the Company has met its performance obligations associated with that service. This is when the customer is provided with the right of use licence for the game to be made available on a subscription service.

- The Company receives mobile income through Apple and Android where it sells certain of its games to end users through these distribution channels. These sales are recognised as gross sales with the commissions deducted by Apple and Android treated as a cost of sale. Other mobile income is received from advertising partners and third parties where the Company receives royalties, where the Company only recognises its share of the sale.

To assist in the development of products, the Company receives cash advances from its main distribution partner. These are recognised as a liability within the Statement of Financial Position. At this point no revenue is recognised as no sales of product have occurred. All funding is less than 12 months.

The balance held is repaid as sales of the product are remitted directly from customers to the distribution partner.

1 Accounting policies (continued)

Revenue recognition - other revenue

Other revenue comprises various types of income. Revenue in respect of each agreement is recognised dependent upon the specific performance obligations of that agreement.

Other revenue is derived from a small number of specific contracts; the performance obligations of such contracts are unique to that contract. As such management assesses when to recognise revenue in relation to these contracts on a contract by contract basis using the criteria of IFRS 15. Namely for each contract management follows a five-step process:

1. identifying the contract with the customer;
2. identifying the performance obligations within the contract;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and
5. recognising revenue when/as performance obligations are satisfied.

Where a contract provides that cash is received greater than a year before the associated revenue is recognised, management will consider whether there is a financing element to that contract.

Other revenue driven from the ad hoc sales of titles or licenses to distribute titles are recognised when the performance obligations of such agreements are met by the Company. Where possible the Company pursues minimum payments in advance of completion of such agreements. Where balances are received in advance, they are recognised as a liability until the performance obligations are met by the Company.

Revenue from sales of licenses are either recognised when the performance obligations of the contract are met at a point in time or over the development phase where not distinct dependent upon the specific nature of the licence agreement.

Specific arrangements are summarised as follows:

- Sale of product via other contracts with customers. Typical contracts generating revenue of this type include where a third party requests the modification of a Codemasters product for a particular market or device. The invoice profile for these contracts is bespoke for each contract but generally is invoiced in line with milestone deliverables as per each contract. Each contract is assessed separately using the five-step method above, with the contract values allocated against the performance obligations in the contract. Variable consideration is considered for each contract and constraint is applied where appropriate. Where work is undertaken over time for a bespoke product with no alternative use and an enforceable right to payment exists, revenue associated to each performance obligation is recognised over time with the proportion of input costs incurred over the expected total costs to fulfil that contract.
- Provision of product and training to third parties relates to the specific arrangements whereby the Company has provided its own IP source code and training to a third party in order for them to develop a new title. The standalone selling price of the source code, training and consultancy services provided under that contract have been assessed reviewing the expected value of each element to the customer when comparing the training and consultancy expectations in the open market. Variable consideration is considered for each contract and constraint is applied where appropriate. Under this agreement revenue in relation to the stand-alone selling price of the delivery of the Company's IP is recognised at the point in time the IP is delivered to the customer. Revenue in relation to training and consultancy services are recognised over time in accordance with the timing of the delivery of those services.

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

1 Accounting policies (continued)

Revenue recognition - other revenue (continued)

- The residual method has been adopted in respect of two contracts in the period in order to determine the fair value of elements of the contracts. This has been achieved by comparing the value to similar contracts with the same counter party and similar performance obligations, uplifted for an appropriate inflationary method either linked to general price inflation or specific performance of the particular game franchise and thus the amount of revenue relating to each deliverable has been determined.

Cost of sales

Costs of sales comprise costs incurred by the Company that are directly incurred for the purpose of being able to recognise revenue in relation to a specific contract with a customer. Typically, these comprise the following:

- Manufacturing costs in relation to boxed products;
- Where revenue recognised generates an onward royalty to licensors of intellectual property rights included within the Company's products, these royalties are recognised as a cost of sale;
- Commission deducted by Apple and Android on mobile revenue from sales through their platforms; and
- Development costs incurred specifically for the fulfilment of revenue generating contracts with customers, such as internal development costs for certain business development arrangements with customers to create a specific version of a game for a specific market.

All of the above costs are incurred in line with the timing of associated revenues.

Distribution costs

Costs incurred directly in respect of bringing products to market. These will include marketing costs and commissions to distributors. Costs are recognised at the point the cost is incurred, which includes recognition of commission in line with the timing of revenue recognised.

Dividends

During the year, dividends were paid to the Company's parent undertaking. In the event that a dividend is approved by the Company's shareholders, it will be recognised as a liability in the Company's financial statements in the period in which it has been approved.

During the prior period, the Company received a dividend from subsidiaries arising from prior periods profits.

Non-recurring items

Items that are non-recurring in nature and of a significant size are considered to be appropriate to be classed as 'non-recurring items'. Any such items are presented separately on the face of the Income Statement to highlight them to the user of the Financial Statements.

Capitalised development costs

Costs relating to the development of new products are capitalised and disclosed as an intangible asset once the Company has determined that:-

- the product is technically and commercially feasible. For products developed via proven game engine technology, this may occur early in the development cycle.
- the project is clearly defined and associated costs are separately identifiable.
- future revenues are expected to exceed current and future costs of the product.
- the Company has the intention, ability and resources to complete development of the product.

1 Accounting policies (continued)

Capitalised development costs (continued)

Development costs will include amounts payable to external developers under development agreements and the direct payroll and overhead costs of the internal development teams. Capitalised development costs are those that are directly attributable to a game, such as internal labour or external costs incurred on that title. Studio overheads such as those relating to certain general and administrative overheads are allocated on the proportion of development staff time spent working on a product as a total of all staff time in that studio.

Development costs not capitalised relate to costs attributable to a product that has been released (such as additional features or maintenance work as these costs are not material and would be amortised over a period of less than 12 months). In addition, where costs are incurred on amended versions of a previously released title and those costs are not material, such as a conversion onto a different console, these costs are not capitalised.

Capitalised development expenditure for each unreleased product is reviewed at the end of each accounting period and where the circumstances which have justified the initial capitalisation of the expenditure, as set out above, no longer apply, or are considered doubtful, the previously capitalised development expenditure, to the extent to which it is considered to be irrecoverable, is immediately impaired on a project by project basis.

In addition, where the forecast revenue for a product does not exceed the current and future costs of the product, a provision for impairment is recognised immediately.

On product release, capitalised development costs are amortised over a year in the following proportions, rebutting the presumption that an amortisation method based on revenue would be inappropriate as it can be demonstrated that revenue and the consumption of the economic benefits of the capitalised development costs are highly correlated as set out under Significant Estimates on page 23 (IAS 38.98A(b)):

- 65% in month 1 of release.
- 35% equally over the next 11 months.

Amortisation is recognised within 'research expenses, amortisation and impairment of intangible assets' within the Income Statement.

Capitalised development costs are removed from the schedule of intangible fixed assets 3 years after the product release or on removal from the catalogue if earlier.

Prior to each reporting date, the Directors assess for indicators of impairment within the carrying value of capitalised development costs held on a game by game basis. This does not constitute a full impairment review but considers where a potential impairment may be present and identify where a further detailed review including an assessment of the asset/assets under IAS 38 may be required.

The Directors have considered the carrying value of the level of capitalised development costs held as an intangible asset, they have compared the carrying value to the future cash flows arising from that cash generating unit ('CGU'). Where the Company's forecasts indicate that there may be a shortfall of expected future cash flows when compared to the carrying value of a CGU, an impairment charge is recognised.

Licences, copyrights, patents and trademarks

The cost of other licences, patents and trademarks, which have been treated as intangible fixed assets, are released to the Income Statement on a straight-line basis, within 'research expenses, amortisation and impairment of intangible assets' over a year in accordance with the terms of the contract or if not defined, a three-year period.

Where a licensing agreement involving a minimum payment by the Company is signed relating to game development and the associated product is yet to be released, the associated liability is recorded within other payables within the Statement of Financial Position. Upon recognition, the corresponding asset value is recognised at the discounted value of the guarantee and is held as an intangible asset within the Statement of Financial Position.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

1 Accounting policies (continued)

Licences, copyrights, patents and trademarks (continued)

On product release, capitalised licenses are amortised over a year in the following, rebutting the presumption that an amortisation method based on revenue would be inappropriate as it can be demonstrated that revenue and the consumption of the economic benefits of the capitalised development costs are highly correlated as set out on page 23 (IAS 38.98A(b)):

- 65% in month 1 of release.
- 35% equally over the next 11 months.

Licenses paid on games which are under development are written off where impairment of the game development cost is also required (see capitalised development cost policy above). Management also regularly reviews the carrying value of capitalised licenses for impairment and will charge any irrecoverable advances to the Income Statement.

Capitalised licenses (and capitalised development costs) are amortised over a year to allocate the development cost proportionally in line with the expected revenue profile associated to that product.

Computer Software

Computer software is classified within intangible fixed assets. Computer software assets are initially recorded at cost. Cost comprises the purchase price and costs directly incurred in bringing the asset into use. Amortisation is provided on a straight-line basis over its expected useful life of three years. These are amortised within 'research expenses, impairment and amortisation of intangible assets' in the Income Statement.

Tangible fixed assets

All tangible fixed assets are initially recorded at cost. Cost comprises the purchase price and costs directly incurred in bringing the asset into use.

The Board of Directors will continue to use the cost model for land and buildings and will annually compare the carrying value to their expectation of open market value for this class of tangible fixed asset.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset, on a straight-line basis over its expected useful life, as follows:

Freehold buildings	-	50 years
Leasehold improvements	-	shorter of useful life of asset or lease term
Fixtures and fittings	-	6 years
Computer equipment	-	3 years

Assets under construction are not depreciated until the asset is completed and brought into use.

Subsequent expenditure to freehold property, which provides an enhancement of the economic benefits of the asset, is depreciated over its individual useful economic life.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash generating unit), or fair value less cost to sell.

Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less any provision for impairment in value. Such investments include both investments in ordinary shares issued the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long-term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in debtors.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

1 Accounting policies (continued)

Inventories

Inventories comprise finished goods for resale and components thereof, and are stated at the lower of cost and net realisable value being estimated selling price less costs to sell. Cost is determined on a first-in, first out (FIFO) method and includes the purchase price of materials of game discs, boxes, manuals, printing and royalties to the console manufacturers.

Royalty advances and minimum guarantees

The initial measurement of non-refundable royalty advances and minimum guarantees are based on the Company's expected performance against the contractual obligations of the agreement and recognised at their discounted value of expected future cashflows. Royalty costs are recognised in the period to which they relate. Subsequent measurement is required where the contractual obligations of the agreement are not expected to be met and a liability is recognised of the expected onerous portion of the agreement based on forecast sales. Royalty advances are written down to the estimated amount that will be recoverable from future royalty payments to the licensor.

Financial assets and liabilities

Financial assets and liabilities are recognised on the date on which the Company becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Any impairment of a financial asset is charged to the Income Statement when incurred. Financial assets are derecognised when the Company's rights to cash inflows from the asset expire. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

The Company's principal financial assets and liabilities are measured as follows:

- 'trade and other receivables' – these are short-term financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides goods directly to a receivable, or advances money, with no intention of trading the loan or receivable. Subsequent to initial recognition, loans and receivables are included in the Statement of Financial Position at amortised cost using the effective interest method less any amounts written off to reflect an expected credit loss, with changes in carrying amount recognised in the Income Statement within administrative expenses. A provision for credit impaired trade and other receivables is established when there is evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The Company assess each receivable on a customer by customer basis for the expected lifetime credit loss. Where an expected credit loss is identified an impairment is made against the receivable. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the unavailability of credit insurance at commercial rates are considered indicators that the receivable may be impaired. When these factors are confirmed for a trade receivable it is considered uncollectible and a default event is triggered. At this point it is written off against the credit loss provision account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Income Statement.
- 'cash and cash equivalents' – these comprise bank balances, bank overdrafts and cash in hand (classified as 'cash at bank and in hand'). The Company also holds cash in bank deposit accounts deposits with an original maturity of three months or less with banks and financial institutions (classified as 'short-term deposits').

1 Accounting policies (continued)

Financial assets and liabilities (continued)

- 'trade and other payables' – these arise when the Company receives goods or services directly from a creditor or supplier with no intention of trading the liability, and are typically non-interest bearing and following initial recognition are included in the Statement of Financial Position at amortised cost. If the arrangements of an instrument constitute a financing transaction, such as payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not market rate, the financial liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost. The unwinding of the discount is recognised as a finance cost in the Income Statement in the period it arises.

Current taxation

Tax on the profit or loss for the period comprises current tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, where it would be recognised in either other comprehensive income or in equity, respectively.

Current tax is the expected payable amount arising from the taxable income in the period, using tax rates enacted or substantively enacted at the end of the applicable financial period. This amount is adjusted in respect of any adjustment to current taxes from any previous financial period.

Deferred taxation

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income.

An estimate of the expected cash saving from utilised tax losses over the next two financial periods is recognised at the reporting date as a deferred tax asset. Movement on the deferred tax is recognised within the tax charge line of the Income Statement, with the corresponding asset included on the Statement of Financial Position.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the average tax rates and laws enacted or substantively enacted at the reporting date.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions. As a result of these exemptions, the Company does not recognise deferred tax on temporary differences relating to its investments in subsidiaries.

Leases

IFRS 16 – Leases replaces IAS 17 – Leases. The adoption of this new standard has resulted in the Company recognising a right of use asset and related lease liability in connection with all former operating leases except for those identified as low value or having a remaining lease term of less than 12 months from the date of initial application, being 1 April 2019. A portfolio interest rate was used as a practical expedient on the introduction of IFRS 16.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior years have not been restated.

At 1 April 2019, the Company has elected to measure the right of use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right of use assets at the date of initial application, the Company has relied on its historic assessment as to whether the leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low value assets, the Company has applied the optional exemptions to not recognise right of use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

1 Accounting policies (continued)

Leases (continued)

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.6%.

On transition to IFRS 16, the Company has taken advantage of the exemptions available not to remeasure assets previously held as finance leases.

Creative sector relief

Creative sector relief, which is Video Games Tax Relief ('VGTR') tax credits are only recognised where the Directors believe that a tax credit will be recoverable. This is based upon the Company's experience of obtaining the required certification to facilitate its titles in development to qualify for VGTR and success of previous submitted claims. An estimate is made throughout the period, and a receivable recognised, based on qualifying expenditure during the period. VGTR is recognised in the Income Statement in the creative sector relief line. The figure is included within the operating profit of the business as it materially impacts operating profit and the cash generation of the business.

Pensions

Pension contributions are made to personal pension plans for certain employees on a defined contribution basis. Contributions are charged to the Income Statement as they become payable. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Provision for claims and price protections

Where revenue is recognised and the terms and conditions of the sale allow variable consideration where the customer is able to make a claim for returns or price protection allowances, an estimate of the likely obligation is made and deducted from revenue at the date revenue is recognised. The Company estimates the amount of the provision for returns and price protections using the 'most likely amount' approach. The Company's estimate of the transaction price includes the variable amounts where it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the claims and provision protection is resolved. The resulting provision is based on the assessment of a number of factors including (but not limited to) historical performance of similar titles, consumer sell-through and chart-tracking data, the level of customer reorders and the level of inventory in channel.

The Company is not subject to any contractual arrangements to accept returned products but may, on an ad hoc basis, agree to a commercial arrangement for returns of boxed products. In the event a product is returned, the value of the revenue associated to that return is allocated as a utilisation of the price protection provision in place at the point the goods are received back by the Company.

At each accounting date an estimate is also undertaken of the likely exposure the Company has to returns of boxed products that have not been sold through to the end consumer. An exercise is undertaken along with the estimate of the potential exposure to price protection provisions and where the risk of material returns of products sold in the current or preceding financial period is identified, a provision for returns is recorded.

Provisions for leasehold property dilapidations

Management estimate the expected liability for property repair or dilapidations that are expected to arise in accordance with the relevant lease agreement the Company is party to. Where the expected cost of dilapidations are individually not material to the accounts they are classified within accruals and other payables within the Statement of Financial Position. A separate provision is recorded where they are individually material.

1 Accounting policies (continued)

Contingencies

The Company makes and is subject to claims and actions. The facts and circumstances relating to particular cases are evaluated regularly in determining whether the likelihood is 'probable' that there will be a future inflow or outflow of funds and, once established, whether an asset or provision relating to a specific litigation should be recognised or adjusted. Accordingly, significant management judgement relating to contingent liabilities is required, since the outcome of litigation is difficult to predict.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling when the transactions occur. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences are taken to the Income Statement, exchange differences arising on foreign currency borrowings are classified within 'interest payable and other similar charges'; all other exchange differences are classified within other administrative expenses.

Where monetary assets denominated in a foreign currency forms part of the net investment in another group company in the form of long-term loans and deferred trading balances and there is no intention to settle the loan in the foreseeable future, any exchange differences are recognised in other comprehensive income.

Where non-monetary assets are denominated in a foreign currency, these are measured at the exchange rate at the date of recognition and not revalued at the reporting date.

Capital and reserves

The following reserves are shown within the statement of changes in equity:

- Called up share capital – called up and issued share capital of the Company.
- Capital contribution reserve – historic reserve relating to previous capital contributions from other group companies, including the historic cumulative balance of equity-settled share-based payments in respect of shares in Codemasters Group Holdings Limited (formerly Codemasters Group Holdings plc) that has been recognised in the Company's Income Statement. Where contributions are from a group company which is being liquidated, the amount is transferred to the profit and loss account on the appointment of the liquidator.
- Profit and loss account – historic cumulative balance of Company comprehensive income/expense.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

1 Accounting policies (continued)

Critical accounting estimates and judgements

When preparing the financial statements, Management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Material judgements:

Deferred tax asset

Deferred tax assets have been recognised which are contingent and dependent upon future trading performance. The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. The Company has substantial tax losses available to be utilised against its future trading profits. From 1 April 2017 onwards UK tax laws have been amended to prevent unlimited utilisation of tax losses going forward. The Company has an expectation that a tax charge will occur and therefore recognised an asset for deferred tax. To recognise the cash benefit to the Company of these losses, management assessed the expected taxable profit for the subsequent two financial periods and recognised the level of deferred tax asset in relation to the cash benefit of utilising those losses. Given the inherent uncertainty of any market, it is considered appropriate to recognise only two periods of deferred tax asset. The Directors use trading forecasts and the current UK tax law to determine the value of the deferred tax asset recorded.

Principal vs agent assessment

Management have reviewed the contractual agreements with its distributors and customers to assess whether the agreement is under a principal or agent arrangement. This is a material judgement as the disclosure of revenue is significantly different between a principal and agent scenario. The Company is responsible for fulfilling the contract, holds the risk of inventory and has discretion in setting prices for distributors to deal with customers.

As such management have assessed under IFRS 15 'Revenue from Contracts with Customers' that the contractual arrangements with its distributors for boxed revenue the Company is the principal within the arrangements and revenue is recognised on a gross basis. For mobile income, the management have determined that the Company acts as principal in relation to sales of in app purchases through the Apple and Android platforms and income from these sources is recognised on a gross basis. Where the Company receives royalties from advertising and similar arrangements, management view is that the Company is merely acting in the capacity of an agent and such income is recognised on a net basis.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

1 Accounting policies (continued)

Bespoke contracts with customers – assessment of the standalone selling price

The Company agrees bespoke contracts with customers on an ad hoc basis to deliver product or provide licences to distribute the Company's products. These agreements are often bespoke in nature with no standard selling price available to be able to compare the value of the contracts against. Management review these contracts and allocate the contract value in accordance with IFRS 15, by identifying the performance obligations stated in the contract and allocating the revenue against these obligations. The assumptions used in the allocation of revenue on these contracts in accordance with IFRS 15 involve considerable judgement. In some instances for certain contracts using different assumptions could lead to a materially different profile of revenue recognition across periods. When the Company enters into such agreements, management assesses each contract separately and other available information to determine the stand-alone selling price of the performance obligations in accordance with IFRS 15.

Also, where assessing the contract value to separate performance obligations within a specific contract delivered across more than one accounting period could materially impact the revenue recognised within a particular financial period. The judgements used have allocated contract value based upon an assessment of the market value of those elements to the customer in relation to a bespoke contract entered into by the Company.

Significant estimates:

Amortisation of capitalised development costs

The Directors have considered that the appropriate period to amortise development costs is over a 12-month period.

Amortisation is also weighted with a greater proportion of amortisation in the immediate period following release. The estimate of amortisation is matched against the sales profile of recent titles. This policy is reviewed periodically and amended to reflect updating trends in product lifecycle and to ensure that the carrying value of any intangible asset is not impaired.

IAS 38 suggests that an amortisation profile should be over a fixed period on a flat rate. However, the revenue profile of the Company's products is historically driven in the immediate months following release. The Directors consider that it is appropriate for the amortisation period to be based upon the expected revenue profile applying the rebuttable presumption that an amortisation method based on revenue would be inappropriate as it can be demonstrated that revenue and the consumption of the economic benefits of the capitalised development costs are highly correlated (IAS 38 98A(b)). Following an assessment of the proportions of sales recognised over time on a number of titles, undertaken in 2018, it was determined that the majority of a titles, cash inflows were received within a period following release and this was the most appropriate time period to amortise the associated development costs. In addition, whilst there are revenues generated from products released more than one year previously, these revenues are less significant percentage of revenue from that product. Using a 12-month period represents a prudent assessment of each product.

If the amortisation were changed to a straight-line basis over 12-months, then the amortisation charge would have been the same in the period (2022: £3.5m higher in the period).

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

2 Segmental analysis

Management identified one operating segment in the business, being the sale of internally developed video games. The single operating segment is reported in a manner consistent with the internal reporting to the Board for monitoring and strategic decisions.

3 Revenue

Revenue, which is stated net of value added tax, is attributable to the principal activity of the Company, being the development and marketing of computer games software. An analysis of revenue by geographical market of destination is given below:

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
United Kingdom	-	1,310
Rest of Europe	-	7,022
United States	-	3,648
Australia	-	273
Rest of the World	-	974
	-	13,227

An analysis of revenue by income stream is shown below:

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Boxed revenue	-	2,337
Digital downloads	-	9,983
Digital revenue associated with subscription services	-	260
Total digital revenue	-	10,243
Other revenue streams		
Sale of product via other contracts with customers	-	397
Provision of product and training to third parties	-	250
Total other revenue streams	-	647
	-	13,227

Included within Digital downloads above is mobile income totalling £nil (2022: £480,000).

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

3 Revenue (continued)

For some specific contracts, the performance obligations of meeting these are recognised over time. The split of revenue recognised at a point in time is shown below:

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Recognition of revenue:		
Upon delivery of product/service	-	12,614
Over a period of time	-	613
	-	13,227

There is no revenue recognised over a period of time in 2023 (2022: four contracts), where the contractual revenue assigned against the performance obligation of delivering those contracts is recognised using an input method, whereby revenue is apportioned based upon the proportion of development costs incurred at the period end of the total expected costs to satisfy the applicable performance obligations of those contracts during the reporting period.

Where the Company has entered into contracts with customers and received monies in advance of satisfying the performance obligations of those contracts, such monies are recognised as a deferred income liability. The deferred income liability as at 1 April 2023 is as follows:

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Opening deferred income liability	-	(277)
Revenue recognised in the year	-	277
Closing deferred income liability - revenue recognised in future years	-	-

Where the Company has entered into contracts with customers and satisfies the performance obligations of those contracts ahead of monies being received, the related revenue is recognised as an accrued income asset. The accrued income asset as at 1 April 2023 is as follows:

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Opening accrued income asset	-	4,324
Amounts invoiced and paid in the year	-	(4,324)
Closing accrued income asset - revenue recognised in future years	-	-

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

4 Operating profit

The following items are included within operating profit within the Income Statement:

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Auditors' remuneration:		
- audit fees of the group	-	130
- non-audit fees on behalf of the Company	-	19
Inventories recognised as an expense	-	1,229
Depreciation of right of use assets	-	80
Depreciation of owned fixed assets	-	64
Amortisation of intangible fixed assets	-	2,349
(Profit) on exchange	**(528)**	(156)
Research and development expenses not capitalised	-	1,509
Creative Sector Relief	-	(4)

Amortisation of intangible fixed assets above comprises £nil (2022: £1.9 million) amortisation of capitalised development costs, £nil (2022: £89,000) amortisation of Computer Software and £nil (2022: £334,000) of Licenses, Patents and Trademarks in the period.

The audit fees for the current period of £13,000 are paid by Electronic Arts Limited. The prior year's audit fees for the group were split £99,000 for the company, £13,000 for Codemasters Group Holdings Limited and £18,000 for Codemasters Development Company Limited.

5 Directors' emoluments

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Aggregate emoluments	-	159
Pension Contributions	-	21
	-	180

During the period the Company contributed to no Director's personal pension plan (2022: two).

The Directors are paid by Group Companies and receive no remuneration for qualifying services to the Company.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

6 Staff costs

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Wages and salaries	-	8,085
Social security costs	-	901
Pension Costs	-	281
Death in service and incapacity	-	41
	-	9,308

The average monthly number of employees during the year was as follows:	**Period ended 1 April 2023 No.**	Period ended 2 April 2022 No.
Management and administration	-	25
Development	-	116
	-	141

7 Non-recurring items

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Profit on disposal of IP	-	445,562
Surplus on write-off of long-term royalty contract	-	1,972
	-	447,534

As mentioned in the Strategic Report, in the prior period, the Company sold its Intellectual Property at fair value which created a profit on disposal. This sale also necessitated the write-of the long term intangible asset and corresponding liability, which resulted in a net credit to the Income Statement.

8 Interest receivable and similar income

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Bank and other interest	-	13
Foreign exchange profit on long term licensing agreements	**531**	361
	531	374

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

9 Interest payable and similar charges

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Bank interest and similar charges	**6**	13
Intercompany Loan Interest Payable	**486**	399
Other financing related expenses	**-**	1
Interest on unwinding of right of use assets	**-**	12
Unwinding of discount on licensing agreement minimum guarantees	**-**	536
	492	961

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

10 Tax on profit on ordinary activities

a) Tax on profit on ordinary activities

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Current tax		
UK corporation tax	-	58,499
Adjustment in respect of prior periods	**(197)**	(261)
Withholding taxes	**41**	10
Total current tax (credit) / charge	**(156)**	58,248
Deferred tax		
Current period	-	5,112
Adjustment in respect of prior period	-	418
Total deferred tax charge	-	5,530
Tax (credit) / charge on profit on ordinary activities	**(156)**	63,778

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period differs from the main rate of corporation tax in the UK of 19.0% (2022: 19.0%). The differences are reconciled below:

	Period ended 1 April 2023 £000	Period ended 2 April 2022 £000
Profit on ordinary activities before taxation	**1,512**	464,479
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2019: 19%)	**287**	88,251
Effect of:		
Adjustment in respect of prior period	**(197)**	418
Withholding tax	**41**	10
Disallowed expenses	**(275)**	(369)
Capital allowances less than depreciation	-	406
Group relief	**(12)**	(187)
Brought forward losses used	-	(24,699)
Prior year corporation tax refund	-	(261)
Other	-	210
Total current tax (credit) / charge	**(156)**	63,778

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

10 Tax on profit on ordinary activities (continued)

c) Deferred tax

Following the cessation of trade, the Company has not recognised deferred tax assets in relation to accelerated capital allowances, other timing differences and any additional tax losses.

The Company has £nil of deferred tax assets unrecognised at the period-end (2022: £nil).

d) Future developments

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%.

11 Trade and other receivables

	1 April 2023	2 April 2022
	£000	£000
Trade receivables due within one year:		
Past due: 0-30 days	-	(22)
Past due: 31-60 days	-	(1)
Past due: More than 91 days	-	58
Trade debtors	-	35
Amounts owed by Group undertakings	**5,635**	5,869
Other receivables	**6,900**	6,900
Other taxation and social security	**15**	2
Prepayments and accrued income	**1,539**	1,342
	14,089	14,148

Trade receivables and accrued income are all current and any fair value difference is not material. Trade and other receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment on a customer by customer basis.

At 1 April 2023, there were no net trade receivables, (2022: 95% was concentrated across five customers).

Included within other receivables is £6.9m (2022: £6.9m) which represents contractual reimbursement for the liability included within 'Provisions' (see note 16).

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Credit loss allowance

The Company also takes steps to minimise its exposure to credit risk and hence following the assessment on a customer-by-customer basis there are none that have been included on the credit loss allowance in the current period. *In the prior period there was one, relating to an intercompany balance which has been reversed.*

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

12 Cash and cash equivalents

	1 April 2023 £000	2 April 2022 £000
Cash and cash equivalents		
Cash at bank and in hand	**45,740**	70,348
	45,740	70,348

The following amounts were held in foreign currencies:

	1 April 2023 £000	2 April 2022 £000
Euros	-	708
United States Dollars	-	4,351
	-	5,059

13 Trade and other payables: amounts falling due within one year

	1 April 2023 £000	2 April 2022 £000
Amounts owed to Group undertakings	-	577
Other creditors	-	6
Accruals and deferred income	**19**	253
	19	836

Trade payables are all current and fair value difference is not material.

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 Creditors: amounts falling due after more than one year

	1 April 2023 £000	2 April 2022 £000
Amounts owed to Group undertakings	**34,936**	40,454
	34,936	40,454

Amounts owed to Group undertakings are repayable in 2041 and bear interest at a commercial rate. During the period one of the balances was repaid.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

15 Financial Instruments

	1 April 2023 £000	2 April 2022 £000
Financial assets held at amortised cost:		
Trade and other receivables	**5,635**	5,869
Cash and cash equivalents	**45,740**	70,348
	51,375	76,217

	1 April 2023 £000	2 April 2022 £000
Financial liabilities held at amortised cost		
Other payables	**(43,936)**	(50,037)
	(43,936)	(50,037)

Trade and other receivables above represent trade debtors and amounts owed by Group undertakings, see note 11. Other payables above represent amounts owed to group undertakings (notes 13 and 14)

16 Provisions for liabilities

	Other £000	Provision for future credits & price protection £000	Total £000
As at 3 April 2021	-	1,756	1,756
Charge in the period	9,000	2,250	11,250
Utilised in the period	-	(4,006)	(4,006)
As at 2 April 2022	**9,000**	-	**9,000**
As at 1 April 2023	**9,000**	-	**9,000**

Included within other provisions is a potential liability of £9.0 million (2022: £9.0 million) the settlement of which is subject to negotiation. The amount accrued represents management's best estimate based on current information available, a period of negotiation and the presumption that it is in the mutual interest of both parties to settle and bring the matter to closure. In the event of a settlement, there is a contractual right for reimbursement from third parties. A corresponding amount has, therefore, been included in 'Other receivables' (see note 11).

17 Called up share capital

	1 April 2023 £000	2 April 2022 £000
Allotted and fully paid		
1 (2022: 1) ordinary share of £1 each	-	-

18 Contingent liabilities

The Company has also provided Barclays Bank Plc with a fixed charge over one of its bank accounts in relation to a facility provided to the Company of £5,000.

19 Financial risk management

The Company uses a number of financial instruments. These include cash (including in foreign currency denominations), borrowings, forward foreign exchange contracts and trade receivables and payables that arise from its operations. The purpose of these financial instruments is to provide finance for the Company's operations. There is an inherent risk to the Company of using these financial instruments.

The main risks arising from the Company's financial instruments are financial risk, liquidity and interest rate risk, credit risk and currency risk, these are described below:

- *Financial risk management:* The Company's operations expose it to a variety of financial risks that include liquidity and interest rate risk, credit risk and currency risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs. Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Directors are implemented by the Company's finance department. There are processes in place to manage the financial risks listed.
- *Liquidity and interest rate risk:* The Company actively manages a mixture of financing that is designed to ensure the Company has sufficient available funds for operations and planned expansions. Financing used by the Company throughout the period has included loans for the development of specific games and other working capital loans. The Company has both interest-bearing assets and interest-bearing liabilities. The Company has a policy of maintaining debt at fixed rate where possible to give certainty of future interest cash flows. There were no external borrowings at 1 April 2023 (2022: £nil).

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

19 Financial risk management (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based upon the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year £000	Due between one and two years £000	Due between two and five years £000	Due after more than five years £000
1 April 2023				
Trade and other payables	-	-	-	34,936
	-	-	-	**34,936**

	Less than one year £000	Due between one and two years £000	Due between two and five years £000	Due after more than five years £000
2 April 2022				
Trade and other payables	-	-	-	40,454
	-	-	-	**40,454**

The outstanding borrowings in both 2023 and 2022 relate amounts due to Group undertakings which are at a variable interest rate.

Sensitivity to interest rate fluctuations:
All of the borrowings highlighted above were all at fixed exchange rates in the current and prior period. As such, any movement in interest rates in the current or prior period would have had no impact on the Company's profit before tax.

Credit risk: The Company's principal financial assets are cash and trade receivables. The credit risk associated with cash is considered to be minimal as the cash is held with parties with high credit ratings as assigned by internationally recognised rating agencies.

The Company has implemented policies that require appropriate credit checks on potential customers before digital sales are made. There are very few new digital sales providers introduced to the Company and low risk customers are accepted, as such there is minimal risk from such areas. Exposure to credit risk has been mitigated further with the Company entering into distribution agreements with partners.

The Company mitigates the credit risk of business development or one-off transactions by pursuing a minimum guarantee payable in advance of the deliverable to the customer. The revenue recognised for any such transactions is only recognised when the performance obligations of the agreement are met, with the balance held as a creditor for any cash received in advance of that point.

The Company's method of assessing the expected credit loss is discussed in detail in note 11.

Currency risk: Following the cessation of trade in the prior period, the Company has limited exposure to currency risk.

19 Financial risk management (continued)

Summarised in the table below are financial assets and liabilities denominated by currency:

	1 April 2023 £000	02 Apr 2022 £000
Trade receivables		
US Dollars	-	(1)
Euros	-	38
Sterling	-	(2)
	-	35

	1 April 2023 £000	02 Apr 2022 £000
Other financial liabilities		
Sterling	**43,936**	50,037
	43,936	50,037

20 Related party transactions

The Company has taken advantage of the exemption included in IAS 24 'Related Party Disclosures' to not disclose details of transactions with Group undertakings, on the basis that it is the parent company of a Group whose accounts are publicly available (see note 21).

21 Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Codemasters Group Holdings Limited, a company incorporated in England. The ultimate parent undertaking of the Company is Electronic Arts Inc ("EA"), a company incorporated in the USA and traded on NASDAQ. The largest and smallest group of undertakings for which group financial statements have been drawn up for the period ended 1 April 2023 is that headed by EA and group financial statements can be obtained from 209 Redwood Shores Parkway, Redwood City, CA 94065, USA.

Notes to the Financial Statements for the period ended 1 April 2023 (continued)

Company information

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