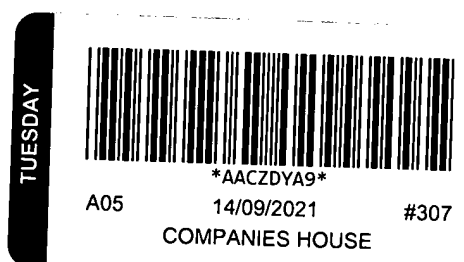


The Codemasters Software Company Limited
Annual Report and Financial Statements
for the period ended 3 April 2021

Registered number 02044132



The Codemasters Software Company Limited

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The Codemasters Software Company Limited

Directors' Report for the period ended 3 April 2021

The Directors submit their report, Strategic Report, and the audited financial statements, of the Company for the period ended 3 April 2021.

Results and Dividends

The results for the period are set out in detail on page 12.

The Directors do not recommend payment of any dividends (2020: £nil).

Items Covered in the Strategic Report

Please refer to the Strategic Report on pages 3 to 7 for activities and the likely future developments of the Company and a discussion of the Company's SECR, 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:

F Sagnier
R Varachia

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.

The Codemasters Software Company Limited

Directors' Report for the period ended 3 April 2021 (continued)

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.

Basis of Preparation

As mentioned in the Strategic Report, following the year end, the Company had no realistic alternative but to cease its current trade following the proposed acquisition of the Company's trade and assets by fellow sister companies. The Company will remain in existence going forwards but as a non-trading holding company. Following the year end, a group wide review has been undertaken of the Company's activities and it has been decided that the Company's IP will be transferred at fair value to sister companies and its employees, trade, assets and liabilities transferred as a going concern to another sister company at book value. Accordingly, the Company will cease to trade and the accounts have been drawn up on a non-going concern basis. The measurement principles applied in drawing up the annual reports and accounts are unchanged as the Company anticipates the trade and asset will be acquired at a value equal to or in excess of their carrying value.

The directors do however believe that the Company has adequate resources to continue in operational existence until the point of acquisition of trade and assets and to continue to meet its ongoing liabilities as they fall due for a period of at least 12 months from the date of this annual report and accounts.

Qualifying third party indemnity provisions

Qualifying indemnity insurance was in place for the Directors who held office during the period and through to the date of this report.

Post Balance Sheet Events

Following the year end, a group wide review has been undertaken of the Company's activities and it has been decided that the Company's IP will be transferred at fair value to sister companies and its employees, trade, assets and liabilities transferred as a going concern to another sister company at book value. Accordingly, the Company will cease to trade and the accounts have been drawn up on a non-going concern basis. The Company will remain in existence going forwards but as a non-trading holding company.

On behalf of the board



R Varachia
Director

Date : 30/6/2021

The Codemasters Software Company Limited

Strategic Report for the period ended 3 April 2021

The Directors present their Strategic Report for the period ended 3 April 2021.

Principal Activities, Key Performance Indicators and Business Review

The Company is 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. The financial statements cover the period 1 April 2020 to 3 April, with prior fiscal period being the period 1 April 2019 to 31 March 2020. The change in reporting period is to align with the ultimate parent company reporting date.

Revenue of £109.0 million represents a 44.7% increase on the previous year of £75.3 million. Operating profit of £29.8 million in the period represents a 264.3% increase from the £8.2 million generated in the year ended 31 March 2020.

Profit before tax amounted to £30.9 million in the period (year ended 31 March 2020: £4.6 million). Net assets at 3 April 2021 were £69.4 million which represents a 136.4% increase from the £29.4 million as at 31 March 2020.

Further details regarding the Company's key achievements during the period ended 3 April 2021 are detailed below:

Operational Review

Codemasters is renowned for developing high quality, AAA rated games and is 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 largely due to the release of the latest annual instalment of the F1® franchise (F1® 2020) and COVID-19 increasing demand for home entertainment and live-sport alternatives. With many sports events put on hold during the COVID-19 pandemic, esports has helped fill the void with bespoke official races aired on both streaming platforms and linear TV.

F1® 2020 – Launched 10 July 2020

Shortlisted for Best British Game at BAFTA Games Awards 2021.

F1® 2020 is one of the highest-scoring games of 2020 according to aggregator site Metacritic, averaging 91% on Xbox, 89% on PC and 86% on PlayStation 4 during the launch period. With two new circuits, the introduction of the driver-manager feature, My Team, improved on-track options, and the reintroduction of split-screen and more, F1® 2020 caters for race fans of all levels and experience.

Codemasters also celebrates the career of seven-time World Champion, Michael Schumacher. The Deluxe Schumacher Edition features four additional cars from his record-breaking career, car liveries, race equipment, and an exclusive podium emote.

DiRT 5 – Launched 6 November 2020

Award wins – Best Racing Game – gamescom 2020.

DiRT 5 provides fans with a new off-road experience set in amplified real-world locations, such as New York City and Rio de Janeiro, alongside the more challenging and remote areas of Greece and China. The game also includes the ground-breaking, brand new feature, Playgrounds mode, which combines creativity and community and gives players the ability to create, share, and discover player-made racing arenas.

Players experience extreme racing in various vehicle classes from buggies, unlimited trucks, rock bouncers to traditional and modern rally cars. It includes an expansive, narrative-driven Career mode featuring the iconic voice actors Nolan North and Troy Baker. The game also welcomes back the return of split-screen for up to four players.

DiRT 5 is Codemasters' first title to launch on the new PlayStation 5 and Xbox Series X|S consoles.

The Codemasters Software Company Limited

Strategic Report for the period ended 3 April 2021 (continued)

COVID-19

Since the outbreak of the COVID-19 pandemic, our focus has been on the health and safety of our employees. We were able to implement remote working, in line with the UK government guidance, quickly and effectively across all of our operations. The ability of our teams to adapt to new working practices and maintain the highest standards of performance has undoubtedly been one of the highlights of the period and I would like to thank each and every one of them.

We are incredibly fortunate to be in an industry that has been largely unaffected by this terrible pandemic. We are proud that our games have been able to bring enjoyment and escapism in such a difficult environment and have worked hard with our partners at F1® to bring alternative ways to follow sporting icons in the absence of live sport. We have also been proud to have supported Games for Carers: a UK initiative which gave free games to NHS staff to help them relieve stress amid the COVID-19 pandemic.

Future Developments

Following the year end, a group wide review has been undertaken of the Company's activities and it has been decided that the Company's IP will be transferred at fair value to sister companies and its employees, trade, assets and liabilities transferred as a going concern to another sister company at book value. Accordingly, the Company will cease to trade and the accounts have been drawn up on a non-going concern basis. The Company will remain in existence going forwards but as a non-trading holding company.

Section 172 Statement

In compliance with section 172 of the Companies Act 2006, the Directors recognise the importance of engagement with all stakeholders and the impact this has on the Company's long-term success. Through the presentations, discussions and reviews during the Board meetings throughout the period, the Board is able to ensure that the Company maintains an effective working relationship with its stakeholders and shareholders. Senior management disseminates updates and engagement with the wider business and partners providing insights into the Company's activities and initiatives. The annual budgeting and forecasting process provides the Board with the opportunity to understand and challenge the long-term business strategy to help deliver growth and future success of the Company through its team and the products they create, develop and publish ensuring that the long-term consequences of any decisions are considered.

The Directors recognise the importance of the talent of the Company's employees and the commitment they make to the success of the Company. The Company operates from high quality studios with good facilities to ensure there is a pleasant and constructive work environment with an aim to retain employees.

The Directors maintain face to face dialogue with shareholders on a regular basis, with feedback provided to the Board. This ensures that there is transparency and they act fairly between members of the Company.

Environment and the wider community are important considerations. As detailed below, the company has its own solar panels and is investing in increasing its capacity to generate a much higher proportion of its energy requirements from a sustainable source. Codemasters has joined #RaiseTheGame to demonstrate its commitment to the wider community and its desire to be seen to be maintaining a reputation for high standards of business conduct and acting ethically and with integrity in all it does.

The Company builds strong business relationships with its suppliers and customers alike without whom the Company would not be able to operate. The Company's ethos is to invest time to foster relationships to ensure that all parties thrive from the relationships. The Company acts with integrity in its dealings.

The Codemasters Software Company Limited

Strategic Report for the period ended 3 April 2021 (continued)

Streamlined Energy and Carbon Reporting (SECR)

The Company's energy consumption has been collated from the electricity bills across its three UK studios and that generated by its solar panels. The greenhouse gas emissions have been calculated using an industry standard conversion factor. The Company has no significant energy consumption which falls into Scope 1.

	Period ended 3 April 2021	Year ended 31 Mar 2020
UK energy consumption (Mwh)	1,844	2,241
Scope 2: (tCO ₂ e)	374	564
tCO ₂ e per employee	0.628	0.989

This period the Company generated over 255Mwh from its solar panels. An additional 93KW of solar panels installed during the period now means our total generating capacity is 346 kwh. The switch over to Philips interact lighting has been completed in our Runcorn office and a further 1647 square meters of office space at Southam has been converted to Philips interact LED lighting which features daylight harvesting, accurate scheduling and PIR activation. A DC fast charger for electric vehicles has also been installed to promote EV usage. Future planning for energy reduction will involve a study into our working practises going forward. Many staff have been working from home for the last period due to the pandemic their phased return is a possibility from September. Given the uncertainty over the proportion of time that employees will be home or office based, it is challenging to make further firm plans for energy reduction for the next 12 months.

Employees

It is the policy of the Company to encourage the employment, training and advancement of disabled persons.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

During the period the Company has maintained and developed its practice of consulting and communicating with employees and their representatives. Employees participate directly in the success of the business through bonus schemes.

The Codemasters Software Company Limited

Strategic Report for the period ended 3 April 2021 (continued)

Principal Risks and Uncertainties

The Company's activities are subject to risks and uncertainties, which may affect future financial performance. The Company's business is highly dependent on the success and availability of new video game hardware platforms, as well as its ability to develop commercially successful products for these platforms. These are not the only risks and uncertainties faced by the Company. There may be additional risks and uncertainties not currently known or that are not currently believed to be material.

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 26 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.

Credit risk: The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Exposure to credit risk has been mitigated further with the Company entering into distribution agreements with several partners. Where debt finance is utilised, this is subject to pre-approval by the Directors who also review the amount of exposure to any individual counterparty.

Currency risk: The Company seeks to balance the flows of revenues and costs across currencies to minimise the exposure to currency risk. Financial instruments are considered where appropriate to hedge such risk.

Economic conditions relating to COVID-19: The pandemic virus is impacting all companies, employees, suppliers and customers on a world-wide basis and provides significant uncertainty over the ability for companies to operate. The virus impacts on the Company's ability to work within the three physical studios and may impact on staff's ability to develop and promote new titles as well as manage the on-going promotion of its back catalogue. However, the wider Group's continued investment in IT infrastructure has seen a smooth transition to staff being able to work from home with minimal disruption to the business.

Intellectual property rights: The Company relies on a combination of trade secret, copyright, non-disclosure laws and other contractual arrangements and technical measures to protect its own and its customers' intellectual property. Despite its best efforts to protect its proprietary rights, unauthorised third parties may attempt to copy or use information from the games the Company is working on or has previously released. If the Company cannot successfully enforce its intellectual property rights this could have a material adverse effect on the Company's business. The Company has taken the appropriate steps with employees and third parties to ensure that the intellectual property that it uses in its products is owned or licensed by the Company. The Company's trademarks are monitored by a trademark attorney and third parties are bound by confidentiality provisions around the use of its intellectual property.

The Codemasters Software Company Limited

Strategic Report for the period ended 3 April 2021 (continued)

Principal Risks and Uncertainties (continued)

Launch of new titles and next generation of consoles: The Company is reliant on the success of any new title it launches, with each new title requiring a significant amount of expenditure to be incurred before it is released.

In addition, the launch of the next generation of consoles by console manufacturers, such as Microsoft and Sony, has historically presented challenges to developers and publishers. In the event that a new title is not successful it could materially adversely affect the operations or financial performance of the Company. Codemasters' strategy is to deliver high quality racing games. It has a portfolio of global brands that act as a platform to build from. The Company continues to invest in further developing its proprietary intellectual property to enable it to deliver market leading products to the next generation of consoles when they are released.

On behalf of the board



R Varachia

Director

Date : 30/6/2021

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 1 April 2020 to 3 April 2021, which comprise the Income Statement, the Statement of Changes in Equity, the 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 3 April 2021 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.

Emphasis of matter – basis of preparation of the financial statements

We draw attention to Note 1 to the financial statements, which describes the basis of preparation of the financial statements. As described in that note, the directors have no realistic alternative but to cease trading as a Company developing and publishing video games and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern as described in Note 1. Our opinion is not modified in this respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. 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.

The Codemasters Software Company Limited

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

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 period 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 the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on pages 1 and 2, 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.

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.

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.

The Codemasters Software Company Limited

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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, including the compliance with Video Games Tax Relief against which the Company make creative sector relief claims.
- 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 performance targets and their propensity to influence efforts made by management to manage earnings. We 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 of fraud or error.
- 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 issued by relevant authorities that interprets those rules
 - the applicable statutory provisions
- We did not identify any matters relating to non-compliance with laws and regulation 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 revenue sources, products and services and 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 Codemasters Software Company Limited

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- 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.

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 FCA BFP

Senior Statutory Auditor
for and on behalf of Grant Thornton (UK) LLP
Statutory Auditor, Chartered Accountants
London

Date: 30 June 2021

The Codemasters Software Company Limited

Income Statement for the period ended 3 April 2021

Registered number 02044132

	Note	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Revenue	3	108,972	75,299
Cost of sales		(15,834)	(10,776)
Gross profit		93,138	64,523
Distribution costs		(12,343)	(9,272)
Administrative expenses:			
- research expenses and amortisation and impairment of development costs		(37,257)	(38,188)
- R&D and Creative sector relief		5	9
- other administrative expenses		(11,595)	(7,746)
- share based payments	9	(2,111)	(1,136)
Total administrative expenses		(50,958)	(47,061)
Operating profit	4	29,837	8,190
Interest receivable and similar income	7	3,794	110
Interest payable and similar charges	8	(2,774)	(3,732)
Net interest receivable / (payable)		1,020	(3,622)
Profit on ordinary activities before taxation		30,857	4,568
Tax credit / (charge) on ordinary activities	10	2,041	(777)
Profit for the year and total comprehensive income		32,898	3,791

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

The Codemasters Software Company Limited

Statement of Changes in Equity for the period ended 3 April 2021

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total Shareholders funds £000
At 31 March 2019	2	16,243	8,195	24,440
Total comprehensive income for the year	-	-	3,791	3,791
Capital contribution in respect of equity-settled share options	-	1,136	-	1,136
At 31 March 2020	2	17,379	11,986	29,367
Total comprehensive income for the year	-	-	32,898	32,898
Waiver of liability owed to fellow subsidiaries	-	-	5,048	5,048
Capital contribution in respect of equity-settled share options	-	2,111	-	2,111
At 3 April 2021	2	19,490	49,932	69,424

The waiver of liability owed to fellow subsidiaries above was in respect of two fellow subsidiaries that have gone into liquidation.

The Codemasters Software Company Limited

Statement of Financial Position as at 3 April 2021

Registered number 02044132

	Note	3 April 2021 £000	31 Mar 2020 £000
Fixed assets			
Intangible assets	11	66,347	55,872
Tangible assets	12	11,548	9,669
Deferred tax asset	10	5,530	3,189
Investments	13	-	-
		83,425	68,730
Current assets			
Inventories	14	361	622
Trade and other receivables	15	13,456	15,568
Cash and cash equivalents	16	49,856	24,563
		63,673	40,753
Trade and other payables falling due in less than one year	17	(42,723)	(45,443)
Net current assets / (liabilities)		20,950	(4,690)
Total assets less current liabilities		104,375	64,040
Trade and other payables falling due after more than one year	18	(33,195)	(33,801)
Provisions for liabilities	21	(1,756)	(872)
Net assets		69,424	29,367
Capital and reserves			
Called up share capital	22	2	2
Capital contribution reserve		19,490	17,379
Profit and loss account		49,932	11,986
Total shareholders' surplus		69,424	29,367

The financial statements on pages 12 to 43 were authorised and approved by the Board of Directors on 30/6/2021 and were signed on its behalf by:



R Varachia
Director

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021

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.

As mentioned in the Strategic Report, following the year end, the Company had no realistic alternative but to cease its current trade following the proposed acquisition of the Company's trade and assets by fellow sister companies. The Company will remain in existence going forwards but as a non-trading holding company. Following the year end, a group wide review has been undertaken of the Company's activities and it has been decided that the Company's IP will be transferred at fair value to sister companies and its employees, trade, assets and liabilities transferred as a going concern to another sister company at book value. Accordingly, the Company will cease to trade and the accounts have been drawn up on a non-going concern basis. The measurement principles applied in drawing up the annual reports and accounts are unchanged as the Company anticipates the trade and asset will be acquired at a value equal to or in excess of their carrying value.

The directors do however believe that the Company has adequate resources to continue in operational existence until the point of acquisition of trade and assets and to continue to meet its ongoing liabilities as they fall due for a period of at least 12 months from the date of this annual report and accounts.

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 1 April 2020 to 3 April 2021, with prior fiscal year being the period 1 April 2019 to 31 March 2020. The change in reporting period is to align with the ultimate parent company reporting date.

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;

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

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 Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

1 Accounting policies (continued)

Revenue recognition (continued)

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

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.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (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.

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.

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.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

1 Accounting policies (continued)

Capitalised development costs (continued)

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 on page 26 (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.

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 26 (IAS 38.98A(b)):

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

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

1 Accounting policies (continued)

Licences, copyrights, patents and trademarks (continued)

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.

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.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

1 Accounting policies (continued)

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').
- '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.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

1 Accounting policies (continued)

Financial assets and liabilities (continued)

- 'forward foreign exchange contracts' – these are recorded at fair value, the aggregate gain or loss on all open contracts is recognised within other administrative expenses in the Income Statement. The fair value asset/liability is recognised within trade and other receivables/payables within the Statement of Financial Position. Were the value of open contracts to be a material amount it would be recognised on the face of the Statement of Financial Position. The fair value is determined by the counterparty to the forward contracts, a financial institution using a Level 2 hierarchy, which is a fair value estimate based upon a directly observable market.

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 3 April 2021 (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.

Employee share schemes

Codemasters Group Holdings Limited (formerly Codemasters Group Holdings plc), issues equity-settled share options and equity awards to certain employees of the Company, which are measured at fair value and recognised as an expense in the Income Statement with a corresponding amount recognised as a capital contribution from Codemasters Group Holdings Limited (formerly Codemasters Group Holdings plc), where material to the financial statements.

The fair values of the options and equity awards are measured at the dates of grant, taking into account the terms and conditions upon which the awards are granted using an industry accepted simulation model. The Company uses experts to estimate the fair value of any such agreements at the grant date. The valuation is calculated using the Black Scholes Model and the Monte Carlo method for LTIP's. The fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Company's estimate of the number of awards which will lapse, either due to employees leaving the Company prior to vesting or due to non-market-based performance conditions not being met. The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest. The fair value is recognised as a separate expense on the face of the Income Statement and within equity 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 Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

1 Accounting policies (continued)

Provision for claims and price protections (continued)

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.

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 3 April 2021 (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:

Impairment of capitalised development costs

After assessing the carrying value of the intangible asset associated to the capitalised development costs of each CGU at the reporting date, which is shown net of any impairment charge posted, the Directors are confident that the forecast cash generation from each CGU is in excess of the intangible asset held.

The forecast cash generation is taken from the Company's forecasts which cover the trading expectations for a minimum of two years after the reporting date. The forecast revenue and cash generation from each CGU are separately identifiable within the Company forecasts. The forecast cash generation for each CGU represents significant assumptions regarding its commercial performance, should the assumptions prove to be significantly incorrect there would be a risk of material adjustment in the financial period following the release of that product.

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 carryforward 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. The Directors expect the losses will remain available for utilisation against future trading profits and will not be restricted by the transfer of employees, IP, trade, assets and liabilities to sister Electronic Arts entities nor the change in ownership and the associated anti-avoidance provisions following the acquisition of the wider group by Electronic Arts Inc.

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 3 April 2021 (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.

Long-term licensing arrangements

Where the Company enters into long-term licensing arrangements, the liability for future periods cash outflows are discounted. The Directors use a discount rate calculated on the blended interest rate provide by its bankers for loans of equivalent value and maturity as the expected outflows. Where contracts allow for extensions based on certain criteria, the long-term asset and liability will be recognised in the accounts when it is probable that those criteria will be met.

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 £0.5 million higher in the period.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (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 3 April 2021 £000	Year ended 31 Mar 2020 £000
United Kingdom	16,267	8,766
Rest of Europe	57,762	38,170
United States	25,727	19,664
Australia	4,144	2,712
Rest of the World	5,072	5,987
	108,972	75,299

An analysis of revenue by income stream is shown below:

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Boxed revenue	35,246	24,600
Digital downloads	64,116	37,399
Digital revenue associated with subscription services	6,082	5,343
Total digital revenue	70,198	42,742
Other revenue streams		
Sale of product via other contracts with customers	2,719	6,635
Provision of product and training to third parties	359	1,143
Other revenue	450	179
Total other revenue streams	3,528	7,957
	108,972	75,299

Included within Digital downloads above is mobile income totalling £3,102,000 (2020: £3,152,000).

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 3 April 2021 £000	Year ended 31 Mar 2020 £000
Recognition of revenue:		
Upon delivery of product/service	106,086	68,656
Over a period of time	2,886	6,643
	108,972	75,299

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

3 Revenue (continued)

The revenue recognised over a period of time in 2021 relates to twelve separate contracts (2020: eleven), 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 3 April 2021 is as follows:

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Opening deferred income liability - 1 April	(1,374)	(2,256)
Revenue recognised in the year	1,374	2,256
Additional contract liabilities incurred	(277)	(1,374)
Deferred income liability 31 March - revenue recognised in future years	(277)	(1,374)

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 3 April 2021 is as follows:

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Opening accrued income asset - 1 April	8,460	5,911
Amounts invoiced and paid in the year	(8,460)	(5,911)
Additional contract assets in the year	4,324	8,460
Accrued income asset 31 March - revenue recognised in future years	4,324	8,460

Where the Company has entered into contracts that are unsatisfied or partially satisfied, the following aggregated amounts of transaction prices will be recognised in a future period:

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Recognised within:		
Less than 1 year	681	4,693
Future revenue to be recognised from contracts with customers	681	4,693

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

4 Operating profit

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

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Auditors' remuneration:		
- audit fees of the group	179	214
- non-audit fees on behalf of the Company	42	50
Inventories recognised as an expense	10,196	8,211
Depreciation of right of use assets	446	456
Depreciation of owned fixed assets	30	41
Amortisation and impairment of intangible fixed assets	25,274	27,473
Loss on exchange	529	442
Research and development expenses not capitalised	11,983	10,715

Amortisation of intangible fixed assets above comprises £21.6 million (2020: £24.2 million) amortisation of capitalised development costs, £nil of impairment (2020: £nil) of capitalised development cost, £342,000 (2020: £219,000) amortisation of Computer Software and £3.3 million (2020: £3.0 million) of Licenses, Patents and Trademarks in the period.

5 Directors' emoluments

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Aggregate emoluments	1,828	1,557
Pension Contributions	59	58
	1,887	1,615

During the period the Company contributed to two Director's personal pension plan (2020: two).

The emolument, excluding pension costs, of the highest paid Director was £1,084,000 (2020: £953,000). The pension contributions paid by the Company for the highest paid Director amounted to £35,000 (2020: £34,000).

The total gain on Directors' share options exercised during the period was £9,067,900 (2020: £nil)

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

6 Staff costs

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Wages and salaries	26,657	22,725
Social security costs	2,940	2,663
Share based payments	2,111	1,136
Pension Costs	1,038	949
Death in service and incapacity	142	108

Staff costs includes £13.4 million (2020: £14.7 million) of costs in respect of employees whose value of time is capitalised within the development costs of games (note 11).

The average monthly number of employees during the year was as follows:

	Period ended 3 April 2021 No.	Year ended 31 Mar 2020 No.
Management and administration	103	100
Development	454	419
	557	519

7 Interest receivable and similar income

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Bank and other interest	40	110
Foreign exchange profit on long term licensing agreements	3,754	-
	3,794	110

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

8 Interest payable and similar charges

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Bank interest and similar charges	141	938
Foreign exchange loss on borrowings	-	1,465
Other financing related expenses	7	17
Interest on unwinding of right of use assets	45	38
Unwinding of discount on licensing agreement minimum guarantees	2,581	1,274
	2,774	3,732

9 Share-based payments

As part of Codemasters Group Holdings Ltd ('CGHL') (formerly Codemasters Group Holdings plc) admission to AIM on 1 June 2018, three equity-settled share options plans were created:

- ESOP scheme for all permanent employees
- NED scheme for Non-Executive Directors
- LTIP scheme for Executive Management Scheme

All of the above schemes provide individuals with options over shares in CGHL. However, the employees, Directors and Senior Management are remunerated as employees/officers of the Company. As such the share-based payment charge is accounted for in the Income Statement of the Company.

The ESOP scheme is available to all employees (subject to certain criteria). The options vest one third on the first anniversary of the date of grant, and then monthly thereafter to be fully vested after three years from the date of grant.

If an employee leaves the Company, the options cease to vest at the date the Company receives their resignation. The employee can then exercise any vested options up to 6 months after leaving the Company.

The NED scheme has provided share options under the same terms as the ESOP scheme and the same fair value of the options would be applied as to the ESOP scheme. Share options under the NED scheme have been made available to two of the Group's Non-Executive Directors who were in office during the period.

The LTIP scheme has both market and non-market conditions for vesting and therefore has been valued separately to the ESOP and NED schemes. The market and non-market conditions relate to CGHL's share price growth and the Group's adjusted EBITDA growth respectively.

The exercise price for the LTIP scheme is £0.01 per share. No shares vest until at least three years after grant. The market and non-market conditions apply to 50% of the options each therefore have been considered separately.

The below table shows the movement in these shares from prior period. Further share options have been granted throughout the period to employees who met the length of service requirement at the applicable dates shown below. Due to the takeover by Electronic Arts Inc during the period, any outstanding share options were immediately vested and exercised on 16th February 2021.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

9 Share-based payments (continued)

	LTIP		NED		ESOP	
	Number of shares	Exercise price per share £	Number of shares	Exercise price per share £	Number of shares	Exercise price per share £
Options outstanding at 31 March 2019	1,190,000	-	560,000	-	1,253,635	-
Further options granted 1 April 2019	210,000	0.01	-	-	89,035	2.41
Further options granted 10 July 2019	-	-	-	-	175,106	2.19
Further options granted 23 October 2019	-	-	-	-	83,878	2.13
Further options granted 22 January 2020	-	-	-	-	61,929	2.90
Further options granted 10 March 2020	-	-	-	-	267,806	2.16
Options lapsed	-	-	-	-	(170,816)	-
Options exercised in year	-	-	-	-	(17,940)	-
Options outstanding at 31 March 2020	1,400,000	-	560,000	-	1,742,633	-
Further options granted 16 June 2020	-	-	-	-	24,500	4.82
Further options granted 24 November 2020	-	-	-	-	91,494	0.01
Further options granted 24 November 2020	-	-	-	-	123,631	4.82
Further options granted 24 November 2020	-	-	210,000	2.35	-	-
Options lapsed	-	-	-	-	(149,282)	-
Options exercised in year	(1,400,000)	-	(770,000)	-	(1,832,976)	-
Options outstanding at 3 April 2021	-	-	-	-	-	-
Options exercisable at 3 April 2021	-	-	-	-	-	-

10 Tax on profit on ordinary activities

a) Tax on profit on ordinary activities

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Current tax		
UK corporation tax	401	287
Adjustment in respect of prior periods	(263)	-
Withholding taxes	162	432
Total current tax charge	300	719
Deferred tax		
Adjustment in respect of prior period	(2,341)	58
Total deferred tax (credit) / charge	(2,341)	58
Tax (credit) / charge on profit on ordinary activities	(2,041)	777

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% (2020: 19.0%). The differences are reconciled below:

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

10 Tax on profit on ordinary activities (continued)

b) Factors affecting current tax charge (continued)

	Period ended 3 April 2021 £000	Year ended 31 Mar 2020 £000
Profit on ordinary activities before taxation	30,857	4,568
Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2019: 19%)	5,863	868
Effect of:		
Adjustment in respect of prior period	(2,341)	58
Withholding tax	162	432
Disallowed related party interest	143	(324)
Disallowed expenses	594	733
Non-taxable income	(10)	(77)
Capital allowances less than depreciation	(145)	(228)
Creative sector tax relief	(29)	(60)
Group relief	(682)	-
Brought forward losses used	(1,791)	(912)
Prior year corporation tax paid	(263)	287
Employee share acquisitions Chapter 2 Part 12 CTA 2009	(3,101)	-
Other	(441)	-
Total current tax charge	(2,041)	777

c) Deferred tax

The Company has recognised deferred tax assets in relation to the tax losses that are expected to be utilised in the subsequent two financial periods. Due to changes in UK tax legislation introduced from 1 April 2017, these losses are limited to the first £5 million of taxable profits and 50% of any additional profits. There is now a reasonable expectation that tax will need to be paid in future periods. As at 3 April 2021 the Company has recognised a deferred tax asset of £5.5 million (2020: £3.2 million) in respect of expected tax losses that the Company expects to utilise in the subsequent two financial periods.

The Company has not recognised deferred tax assets in relation to accelerated capital allowances, other timing differences and any additional tax losses that are not estimated to be utilised over the subsequent two financial periods.

As at 3 April 2021 and the prior year any deferred tax asset not shown on the face of the Statement of Financial Position is unrecognised.

The Company has £16.3 million of deferred tax assets unrecognised at the period-end (2020: £19.6 million).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the reporting date, its effects are not included in these financial statements.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

11 Intangible fixed assets

	Development Costs £000	Licences, Patents & Trade Marks £000	Computer Software £000	Total £000
Cost				
At 31 March 2020	92,384	48,162	1,277	141,823
Additions	29,575	5,799	375	35,749
Disposals	(21,419)	-	-	(21,419)
At 3 April 2021	100,540	53,961	1,652	156,153
Accumulated amortisation				
At 31 March 2020	71,169	14,029	753	85,951
Amortisation	21,583	3,349	342	25,274
Disposals	(21,419)	-	-	(21,419)
At 3 April 2021	71,333	17,378	1,095	89,806
Net book amount				
At 3 April 2021	29,207	36,583	557	66,347
At 31 March 2020	21,215	34,133	524	55,872

As at 3 April 2021, included within development costs are £21.4 million of costs incurred on projects not yet released.

The Company has not disclosed the carrying amount of any material individual intangible asset in relation to capitalised development costs. Any such disclosure would be commercially prejudicial to the Company.

The additions under licences, patents & trademarks relates to the capitalisation of long-term licensing agreements.

12 Tangible fixed assets

	Freehold Land & Buildings £000	Leasehold Improvements £000	Fixtures, Fittings & Computer Equipment £000	Right of Use Asset £000	Total £000
Cost or valuation					
At 31 March 2020	7,687	362	10,653	1,727	20,429
Additions	1	-	3,453	629	4,083
At 3 April 2021	7,688	362	14,106	2,356	24,512
Accumulated depreciation					
At 31 March 2020	2,295	125	7,636	704	10,760
Charge for year	148	7	1,603	446	2,204
At 3 April 2021	2,443	132	9,239	1,150	12,964
Net book amount					
At 3 April 2021	5,245	230	4,867	1,206	11,548
At 31 March 2020	5,392	237	3,017	1,023	9,669

Included in freehold land and buildings is land with a carrying amount of £150,000 (2020: £150,000) that is not depreciated. The carrying value of right of use assets includes leasehold property of £1,068,000, motor vehicles of £30,000 and fixtures, fittings & computer equipment of £108,000.

The Company had capital commitments at the reporting date of £nil (2020: £1,136,000).

£1,728,000 of the depreciation charge for the period has been capitalised within the capitalised development cost intangible asset (2020: 1,370,000).

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

13 Fixed asset investments

	Shares £000	Total £000
Cost		
At 31 March 2020	215	215
At 3 April 2021	215	215
Impairment		
At 31 March 2020	215	215
At 3 April 2021	215	215
Net book amount		
At 3 April 2021	-	-
At 31 March 2020	-	-

The Codemasters Software Company Limited is the owner of all the equity share capital of the following company:

Name of company	Country of incorporation	Nature of business
Codemasters Development Company Limited	England and Wales	Development of Video Games

The above company is wholly owned directly by the Company, their registered address is Codemasters Campus, Stoneythorpe, Southam, Warwickshire, CV47 2DL.

14 Inventories

	3 April 2021 £000	31 Mar 2020 £000
Finished goods	361	622

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

15 Trade and other receivables

	3 April 2021	31 Mar 2020
	£000	£000
Trade receivables due within one year:		
Neither past due nor impaired	3,862	4,919
Past due: 0-30 days	18	754
Past due: 31-60 days	32	504
Past due: 61-90 days	-	(6)
Past due: More than 91 days	25	48
Trade receivables past due and impaired	-	107
Less provision for expected credit loss	-	(107)
Trade debtors	3,937	6,219
Amounts owed by Group undertakings	2,665	130
Other receivables	7	5
Other taxation and social security	559	-
Prepayments and accrued income	6,288	9,214
	13,456	15,568

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.

Of the net trade receivables balance 93% was concentrated across five customers (each with 5% or more), (2020: 85% across three customers).

Accrued income relates to uninvoiced digital sales made to digital sellers (typically Sony, Microsoft and Steam), which are invoiced shortly after the period end following third party confirmation of the revenue recognised. There have been no historic credit losses associated with these balances, no provision for expected credit losses are required.

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

Credit loss allowance

Management has reviewed each of the trade and other receivables on a customer by customer basis and using a credit risk matrix assessed the level of potential credit loss that the Company is exposed to. The majority of the Company's customers are the leading platforms in the video games industry and other blue-chip organisations, which are not considered to be a credit risk. In addition, the trading history with these businesses also assists in enabling Management to assign minimal risk to these customers. The Company also takes steps to minimise its exposure to credit risk and hence following the assessment on a customer by customer basis there is only one that has been included on the credit loss allowance in the current and prior period relating to an intercompany balance.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

15 Trade and other receivables (continued)

The loss allowance and the movement from prior reporting periods are shown below:

	3 April 2021	31 Mar 2020
	£000	£000
At 1 April 2019	107	102
Change in exposure	(107)	5
At 31 March 2020	-	107

16 Cash and cash equivalents

	3 April 2021	31 Mar 2020
	£000	£000
Cash and cash equivalents		
Cash at bank and in hand	22,658	7,403
Short-term deposits	27,198	17,160
	49,856	24,563

The following amounts were held in foreign currencies:

	3 April 2021	31 Mar 2020
	£000	£000
Euros	528	2,100
United States Dollars	2,398	2,197
	2,926	4,297

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

	3 April 2021	31 Mar 2020
	£000	£000
Trade payables	5,054	5,446
Amounts owed to Group undertakings	20,414	25,870
Taxation and social security	685	549
Other creditors	9,666	7,435
Accruals and deferred income	6,511	5,598
Loans and borrowings	393	545
	42,723	45,443

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.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

17 Trade and other payables: amounts falling due within one year (continued)

Included within other creditors are advances from the Company's distribution partner Koch of £1.1 million (2020: £1.7 million). The advances are received from Koch to provide working capital for games in development, they are received in agreed amount dependent upon the milestone deliverables of titles in development by the Company. The balances are repayable out of revenues from the titles following release. In the event that revenues from a particular title are insufficient to settle the advance within 12 months of the release, the Company is liable to settle any shortfall. The net payable to distributors takes into account advances and all other receivables/payables, which will include revenue collected by distributors not yet received by the Company. Included within the other creditors balance is £5.5 million (2020: £5.1 million) related to long-term licensing agreements, with the portion falling due after more than one year included in note 18.

Included within accruals and deferred income are deferred income balances of £0.3 million (2020: £1.4 million) relating to separate contracts with a small number of third parties. These amounts represent monies received in advance of performance obligations being met in respect of these contracts.

Loans and borrowings falling due in less than one year:

	3 April 2021	31 Mar 2020
	£000	£000
Leases	393	545
	393	545

18 Creditors: amounts falling due after more than one year

	3 April 2021	31 Mar 2020
	£000	£000
Leases	771	465
Other creditors	32,424	33,336
	33,195	33,801

Other creditors above includes the minimum guarantees on long-term licensing agreements.

19 Loans and borrowings

	3 April 2021	31 Mar 2020
	£000	£000
Leases	1,164	1,010
	1,164	1,010

The maturity profile of loans and borrowings as at 3 April was as follows:

	3 April 2021	31 Mar 2020
	£000	£000
Amounts falling due within one year	393	545
Amounts falling due within one to two years	430	214
Amounts falling due within two to five years	341	251
	1,164	1,010

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

20 Financial Instruments

	3 April 2021 £000	31 Mar 2020 £000
Financial assets held at amortised cost:		
Trade and other receivables	6,602	6,349
Cash and cash equivalents	49,856	24,563
	56,458	30,912
	3 April 2021 £000	31 Mar 2020 £000
Financial liabilities held at amortised cost		
Loans and borrowings	(1,164)	(1,010)
Trade payables	(5,054)	(5,446)
Other payables	(62,274)	(66,416)
	(68,492)	(72,872)

Trade and other receivables above represent trade debtors and amounts owed by Group undertakings, see note 15. Other payables above represent amounts owed to group undertakings (note 17) and royalty provisions, long-term royalty contract liabilities and distributor advances.

21 Provisions for liabilities

	Provision for future credits & price protection £000
As at 31 March 2019	1,445
Charge in the year	5,916
Utilised in the year	(6,489)
As at 31 March 2020	872
Charge in the year	7,226
Utilised in the year	(6,342)
As at 3 April 2021	1,756

Provisions for future credits and price protections represent the Director's best estimate of the likely future costs of the present obligations arising for credits and to give price protections to customers and returns. It is anticipated that the majority of provisions will be utilised within 12 months of the reporting date. Amounts utilised in the period include credits applied to outstanding trade receivables.

22 Called up share capital

	3 April 2021 £000	31 Mar 2020 £000
Allotted and fully paid		
2,000 ordinary shares of £1 each	2	2

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

23 Leases

Lease liabilities presented in the Statement of Financial Position are as follows:

	3 April 2021	31 Mar 2020
	£000	£000
Within one year	393	545
Due after more than one year	771	465
	1,164	1,010

The Company has leases for studios, computer hardware and motor vehicles. With the exception of short-term and leases of low value underlying assets, each lease is reflected in the Statement of Financial Position as a right of use asset and a lease liability. The Company depreciates right of use assets in a consistent manner to its tangible fixed assets. Total cash outflows in the period with regards to leases amount to £405,000.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at 3 April 2021 are as follows:

	Less than one year	Due between one and two years	Due between two and five years	Total
	£000	£000	£000	£000
31 March 2020				
Lease payments	592	257	353	1,202
Finance charges	(47)	(43)	(102)	(192)
Net present values	545	214	251	1,010
3 April 2021				
Lease payments	451	491	432	1,374
Finance charges	(58)	(61)	(91)	(210)
Net present values	393	430	341	1,164

See note 8 for details of interest on unwinding of right of use assets. Note 12 includes the details of the right of use assets.

24 Pension commitments

There was £167,000 outstanding in respect of pension contributions unpaid as at 3 April 2021 (2020: £153,000). The Company has no obligations to defined benefit pension schemes.

25 Contingent liabilities

The Company has also provided Barclays Bank Plc with a fixed charge over two of its bank accounts in relation to a combined facility provided to the Company of £55,000.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

26 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. The only external borrowings at 31 March 2020 and 3 April 2021 relate to a small amount of lease liabilities.

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
3 April 2021			
Borrowings	393	430	341
Trade and other payables	41,645	6,678	25,746
	42,038	7,108	26,087

	Less than one year £000	Due between one and two years £000	Due between two and five years £000
31 March 2020			
Borrowings	545	214	251
Trade and other payables	44,898	5,359	27,977
	45,443	5,573	28,228

The outstanding borrowings relating to leases are at fixed interest rates.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

26 Financial risk management (continued)

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 15.

Currency risk: Should the USD rate move by 10 cents to the pound then the long-term license agreements held in USD would increase or decrease creditors by a value of £3,214,000. The Company seeks to balance the flows of revenues and costs across currencies to minimise the exposure to currency risk. Financial instruments are considered where appropriate to hedge such risk. Revenue is generated in Sterling, Euros and US Dollars. Those currencies are held and used to settle liabilities in the same currency. Any excess currencies are then converted into Sterling.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

26 Financial risk management (continued)

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

	3 April 2021 £000	31 Mar 2020 £000
Trade receivables		
US Dollars	3,671	5,331
Euros	84	500
Sterling	182	388
	3,937	6,219
	3 April 2021 £000	31 Mar 2020 £000
Loans and borrowings		
Sterling	1,164	1,010
	1,164	1,010
	3 April 2021 £000	31 Mar 2020 £000
Other financial liabilities		
US Dollars	34,345	45,041
Euros	7,314	2,242
Sterling	25,669	24,579
	67,328	71,862

27 Post balance sheet events

Following the year end, a group wide review has been undertaken of the Company's activities and it has been decided that the Company's IP will be transferred at fair value to sister companies and its employees, trade, assets and liabilities transferred as a going concern to another sister company at book value. Accordingly, the Company will cease to trade and the accounts have been drawn up on a non-going concern basis. The Company will remain in existence going forwards but as a non-trading holding company.

28 Ultimate parent undertaking and controlling party

As at 3 April 2021, the ultimate parent is Electronic Arts Inc (registered address 209 Redwood Shores Parkway, Redwood City, CA 94065) following the takeover on 18th February 2021.

Prior to this the shareholder of the Company was Codemasters Group Holdings Limited ('CGHL') (formerly Codemasters Group Holdings plc), which is still the Company's immediate parent.

The largest and smallest group of undertakings for which group financial statements have been drawn up for the period ended 3 April 2021 is that headed by Electronic Arts Inc, who are incorporated in the USA.

The Codemasters Software Company Limited

Notes to the Financial Statements for the period ended 3 April 2021 (continued)

Company information

Registered office

Codemasters Campus
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Registered number: 02044132

Company Secretary

Rashid Varachia

Auditor

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