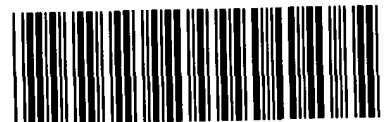

THE CREATIVE ASSEMBLY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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THE CREATIVE ASSEMBLY LIMITED

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THE CREATIVE ASSEMBLY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

INTRODUCTION

The directors present their Annual Report, consisting of the Strategic Report and the Directors' Report, and the audited financial statements of The Creative Assembly Limited ("the company") for the year ended 31 March 2020.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company operates a computer games software development business. It charges the commissioning company a mark-up for the development undertaken, based upon the costs incurred.

Turnover for the year to 31 March 2020 was £90,497,255 compared to £67,140,671 for 2019. Turnover comprises of income received under development agreements on titles developed by the company and from the lending of services of game personnel as required by The Creative Assembly VGDC Limited, a 100% owned subsidiary, in connection with the design, development, testing and production of certain video games under Games Development Agreements.

The higher turnover is a result of the company's increased development work as the studio expanded their development teams from 360 to 429 production personnel in 2020. The company reported an operating profit of £6,483,690 for the year ended 31 March 2020 compared to an operating profit of £5,443,178 for 2019. The increase in operating profit is a result of increased development work services provided to group companies.

KEY PERFORMANCE INDICATORS (KPIs)

The company focuses on various KPIs for the discussion within the management team. Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs are not necessary for an understanding by the relevant external parties for appraising the performance or position of the business further to the information included in this report and the financial information and notes contained in the body of the financial statements.

The profit for the year, after taxation, amounted to £8,237,879 (2019 - £9,755,580).

At 31 March 2020, the company had net assets of £37,965,186 (2019 - £29,727,307).

BUSINESS OUTLOOK

Software revenues have enjoyed a short term boost from the current situation including "lockdown".

Management expect worldwide software sales are to grow in the medium term with mobile and the subscription based business models being the main growth drivers. Cloud gaming revenues have already outperformed original projections with the highest year-on-year growth rates across all hardware formats. The fragmentation of the interactive entertainment market continues with Google Stadia and Amazon Luna game streaming services impacting on the traditional model with new tools and technologies. Epic Games is consolidating rapidly with an aggressive user acquisition strategy.

As a content provider, this continues to give the Studio various channels to grow and the opportunity to reach new audiences in new markets which previously may have been subject to barriers to entry.

THE CREATIVE ASSEMBLY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

SECTION 172(1) STATEMENT

The following disclosure outlines how the directors have had regard to the matters set out in section 172 (1) (a) to (f) when performing their duties.

The company's business involves committing funds to the development of projects which are not guaranteed to be successful upon commercial release. Financial losses may also arise in the wider SEGA Group if a project is cancelled before completion. In order to minimise the risk of this occurring, the company seeks to work only on development projects which are considered to offer the strongest likelihood of a profitable end product. Control procedures include management information systems to manage financial risk and periodic 'pillar review meetings' in respect of key performance measures against the 'mid-term plan roadmap'.

The following paragraphs summarise how the Directors' fulfil their duties:

Our people

The company is committed to being a responsible business. Consultation with employees continues at all levels, with the aim of ensuring employee views are taken into consideration when decisions are made that are likely to affect their interests. Our behaviour is aligned with the expectations of our people, clients, investors, communities and society as a whole. People are at the heart of our organisation. Communication with all employees continues through a weekly, company-wide call. A weekly newsletter is circulated to all employees, and the intranet website is updated regularly with company and industry news.

For our business to succeed, we encourage our people's performance and develop their talent, while ensuring we operate as efficiently as possible. The company is committed to the recruitment and retention of talented people, and therefore offers a competitive compensation and benefits package. It believes in rewarding performance and consequently The Creative Assembly Limited operates a cash bonus plan that rewards all employees for the success of the company and their own personal performance.

Business relationships

Our strategy prioritises organic growth to existing clients and bringing new clients into the group. To do this, we need to develop and maintain strong client relationships. We value all of our suppliers and have multi-year contracts with our key suppliers.

Community and environment

The company's approach is to use our position of strength to create positive change for the people and communities with which we interact. The Creative Assembly has expanded upon the work done by the Group to deliver recyclable packaging across its entire PC portfolio following their eco-friendly packaging initiative, starting with Total War: Rome II - Enemy at the Gates Edition. We want to leverage our expertise and enable colleagues to support the communities around us.

THE CREATIVE ASSEMBLY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Shareholder

The Creative Assembly Limited is a wholly owned subsidiary of SEGA Europe Limited and the ultimate parent company and controlling party is SEGA Sammy Holdings Inc, a company incorporated in Japan. The Board of the ultimate parent entity is committed to openly engaging with the shareholders, as they recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. As a group, it is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered. High standards of business conduct are maintained by the company to maintain its reputation in its business sector. The directors regularly review the activities of the company to ensure it meets its stakeholder obligations.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a constantly evolving and highly competitive market. Our business is therefore subject to many risks and uncertainties which may affect our future financial performance. Principal risks and uncertainties in the current environment are:

Competitors

A significant portion of the Studio's resources are committed to the "Total War™" franchise. The underperformance of a title could have an adverse impact on the funding of future Total War projects as development teams may need to be rationalised. Any events or circumstances that negatively impact the Total War franchise, such as product or service quality, competing products that take a portion of consumer spending and time, the delay or cancellation of a product or service launch, could negatively impact the wider group's financial results.

The availability of significant financial resources has become a major competitive factor in developing and marketing software games. Some of our competitors have greater financial, technical, personnel, and other resources than we do and are able to finance larger development and marketing budgets.

Our business depends on our ability to attract and retain executive, technical, creative, marketing and other personnel that are essential to the development, marketing and support of our products and services. The market for highly-skilled workers in our industry is extremely competitive, particularly around the Studio's geographical location, making our key creative and technical talent prime targets for recruiting.

Licences

Many of our products and services are based on or incorporate intellectual property owned by others. Our Total War™: Warhammer® products include rights licensed from Games Workshop®. Competition for these licences and rights is intense. If we are unable to maintain these licenses and rights or obtain additional licenses or rights with significant commercial value, our ability to develop successful and engaging products and services may be adversely affected and our revenue and profitability may decline significantly.

Reliance on third-party platforms

We are reliant upon third-party digital delivery platforms such as Steam, Epic, and other third-party services. Connectivity issues could prevent customers from accessing third-party digital delivery platforms leading to significant business interruption and adversely affect our ability to successfully engage with our communities, market and sell our products.

Intellectual property infringement

We regard our products, brands and intellectual property as proprietary and take measures to protect our assets from infringement. We are aware that some unauthorised copying of our products and brands occurs, and if a significantly greater amount were to occur, it could negatively impact our business.

THE CREATIVE ASSEMBLY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Covid-19

The coronavirus ("Covid-19") pandemic spread rapidly in early 2020, causing major disruptions to businesses and economic activities around the world. The company has taken a number of health and safety measures to monitor and reduce the effects of the Covid-19 pandemic on our staff, including working from home and social distancing. Potential risks imposed to the company by the Covid-19 pandemic include:

- Reduced efficiency due to the home working environment and changes in communication channels leading to delays in the development life cycle;
- Cyber-attacks as pandemic has seen an unprecedented rise in phishing and ransomware specifically targeting organisations' IT infrastructure increasing the risk of business disruption, information and financial loss; and
- Potential slowdown in recruitment activity.

At the time of writing (March 2021) the company's IT systems have proved to be sufficiently robust to enable remote working across the company and wider SEGA organisation. Whilst there was some initial disruption and loss of efficiency during the switch to home working, the company has taken a number of steps to ensure all staff have the appropriate equipment and resources to perform their daily duties. The loss of face time has been mitigated through the use of proprietary business communication platforms which facilitate workspace chat and video conferencing.

IT security

A breach of IT security could result in major business disruption and reputational damage to the company as well as an operational and financial cost. The company has an experienced and dedicated IT team, incorporating a cyber security function. The IT team send regular communications throughout the company raising awareness of the latest phishing and malware attacks company operates in a constantly evolving and highly competitive market.

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

John Ward

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contractworks

D Ward
Director

Date: 31 March 2021

THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

DIRECTORS

The directors who served during the year were as follows:

D Ward
T Miyazaki
G Dale

DIVIDENDS

The directors declared, and authorised payment of interim dividends totaling £Nil during the year ended 31 March 2020 (2019 - £Nil).

ENGAGEMENT WITH EMPLOYEES

The company places great value on its employees and their continued involvement in the business. Effort is made to ensure all employees have a common awareness of the performance and the economic conditions of the company and its impact on their position within the company.

Regular communication includes staff inductions, a dedicated intranet with email updates, company briefing sessions and quarterly divisional briefings. Employees are consulted on important decisions which are likely to affect their interests.

It is the policy of the company to provide a safe and healthy workplace. Employee health and wellbeing is taken very seriously and consequently the company offers a range of benefits and services to staff to support their mental and physical health.

It is the policy of the company that disabled people, whether registered disabled or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants as well as training, career development and promotion opportunities. Employees who become disabled during their working life will be retained in employment whenever possible and will be helped with any necessary rehabilitation and retraining.

The company is prepared to modify procedures or equipment when this is practicable so that the individual can be developed to their full potential.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

SEGA Group have a small number of key licencing agreements which allow us to distribute physical boxed product and digital downloadable content on Nintendo Switch, Sony PlayStation and Microsoft Xbox consoles as well as mobile content and services through Apple iOS and Google Android. Building strong relationships with these partners will ensure the long-term success of SEGA as they have significant control over the approval and distribution of the products and services that we market and distribute for their consoles, systems and devices.

With all suppliers and customers, it is important to the company to ensure both parties work quickly to resolve issues, continually look for ways to improve operations and help each other to reap benefits from the relationship. This is achieved by the company through effective, open two way communication. A mutual appreciation and willingness to consider the needs and opinions of the other party clears the ground for the company to work with suppliers and customers in ways which maximise the interests of both parties.

Community engagement is also a critical success factor as we transition to a 'Games as a Service' (GaaS) business model designed to provide players with an enhanced gameplay experience through additional content and subscription-based offerings.

THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

MATTERS COVERED IN THE STRATEGIC REPORT

The directors have chosen, in accordance with Section 414C of the Companies Act 2006, to set out information relating to the business review, key performance indicators, research and development, and principal risks and uncertainties, within the Strategic Report, which would otherwise be required to be contained within the Directors' Report.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the auditor is aware of that information.

GOING CONCERN

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared an assessment of forecast cash flow for a period of 12 months from the date of approval of these financial statements. These forecasts reflect the current and anticipated impact of COVID-19 on the operations and its financial resources and include a severe but plausible downside scenario. They indicate that the company will have sufficient funds to meet its liabilities as they fall due for that period.

The company's only source of revenue is through games development activity for other group entities and meets its day-to-day working capital requirements through the use of a cash pooling facility provided by Sega Europe Limited (from 1 April 2020, the company's parent - "the Parent"). The cash pool facility operated by the Parent provides access to cash upon request to enable the company to pay its obligations as they fall due. The company is therefore dependent on the Parent to ensure that the cash pooling facility remains available. Sega Europe Limited intends to make available such funds as are needed by the company for the period covered by the forecasts.

As with any company placing reliance on another group company for access to a cash pool, the directors acknowledge that there can be no certainty that this facility will continue, although, at the date of approval of these financial statements, they have no reason to believe that this facility will not continue to be made available.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the company since the year end.

AUDITOR

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

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

John Ward

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D Ward
Director

Date: 31 March 2021

THE CREATIVE ASSEMBLY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or cease operations, or have no realistic alternative to do so.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

THE CREATIVE ASSEMBLY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CREATIVE ASSEMBLY LIMITED

Opinion

We have audited the financial statements of The Creative Assembly Limited ("the company") for the year ended 31 March 2020, which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including the accounting policies in note 2:

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

THE CREATIVE ASSEMBLY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CREATIVE ASSEMBLY LIMITED

Strategic report and directors report

The directors are responsible for the strategic and directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE CREATIVE ASSEMBLY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CREATIVE ASSEMBLY LIMITED

The purpose of our audit work and to whom we owe our responsibilities

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.



Kevin Hall (Senior statutory auditor)

for and on behalf of
KPMG LLP, Statutory Auditor

Chartered Accountants

Canary Wharf
London
E14 5GL

31 March 2021

THE CREATIVE ASSEMBLY LIMITED

**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
TURNOVER	4	90,497,255	67,140,671
Cost of sales		(78,502,995)	(56,364,113)
GROSS PROFIT		11,994,260	10,776,558
Administrative expenses		(5,510,570)	(5,333,380)
OPERATING PROFIT	5	6,483,690	5,443,178
Interest receivable	9	-	15,279
Interest payable	10	(45,215)	-
PROFIT BEFORE TAXATION		6,438,475	5,458,457
Tax credit on profit	11	1,799,404	4,297,123
PROFIT AFTER TAXATION		8,237,879	9,755,580
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,237,879	9,755,580

The notes on pages 15 to 36 form part of these financial statements.

THE CREATIVE ASSEMBLY LIMITED
REGISTERED NUMBER: 03425917

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
FIXED ASSETS			
Tangible assets	12	11,512,253	9,487,243
Investments	13	2	2
		<u>11,512,255</u>	<u>9,487,245</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	14	52,341,058	51,791,711
Cash at bank and in hand	15	736,820	1,695,472
		<u>53,077,878</u>	<u>53,487,183</u>
Creditors: amounts falling due within one year	16	(24,571,825)	(33,247,121)
		<u>28,506,053</u>	<u>20,240,062</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>40,018,308</u>	<u>29,727,307</u>
Creditors: amounts falling due after more than one year	17	(1,996,135)	-
PROVISIONS FOR LIABILITIES			
Deferred taxation	20	(56,987)	-
		<u>(56,987)</u>	<u>-</u>
NET ASSETS		<u>37,965,186</u>	<u>29,727,307</u>
CAPITAL AND RESERVES			
Called up share capital	21	100	100
Share premium account	22	33,735	33,735
Profit and loss account	22	37,931,351	29,693,472
		<u>37,965,186</u>	<u>29,727,307</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 March 2021.

D Ward *John Ward*
 Director 08206150CFC9582300E742EB92B11BCE contractworks.
 31/03/2021

The notes on pages 15 to 36 form part of these financial statements.

THE CREATIVE ASSEMBLY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2019	100	33,735	29,693,472	29,727,307
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	8,237,879	8,237,879
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	8,237,879	8,237,879
AT 31 MARCH 2020	100	33,735	37,931,351	37,965,186

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2018	100	33,735	19,937,892	19,971,727
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	9,755,580	9,755,580
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	9,755,580	9,755,580
AT 31 MARCH 2019	100	33,735	29,693,472	29,727,307

The notes on pages 15 to 36 form part of these financial statements.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. GENERAL INFORMATION

The Creative Assembly Limited ("the company") is a private company and is incorporated and domiciled in the United Kingdom. The address of its registered office is 27 Great West Road, Brentford, Middlesex, TW8 9BW.

The company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 26.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3)

By virtue of section 401 of the Companies Act 2006, the company is exempt from preparing consolidated financial statements as the results of this company are included in the financial statements of its ultimate parent company, SEGA Sammy Holdings Inc., which are available from on the corporate website, www.segasammy.co.jp.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

SEGA Sammy Holdings Inc. is the parent undertaking of the largest group of undertakings in which these financial statements are consolidated. Copies of the consolidated financial statements of SEGA Sammy Holdings Inc. which are prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), may be obtained from the head office Sumitomo Fudosan Osaki Garden Tower, 1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo 141-0033, Japan or from the company's website on www.segasammy.co.jp/english/.

2.3 GOING CONCERN

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared an assessment of forecast cash flow for a period of 12 months from the date of approval of these financial statements. These forecasts reflect the current and anticipated impact of COVID-19 on the operations and its financial resources and include a severe but plausible downside scenario. They indicate that the company will have sufficient funds to meet its liabilities as they fall due for that period.

The company's only source of revenue is through games development activity for other group entities and meets its day-to-day working capital requirements through the use of a cash pooling facility provided by Sega Europe Limited (from 1 April 2020, the company's parent - "the Parent"). The cash pool facility operated by the Parent provides access to cash upon request to enable the company to pay its obligations as they fall due. The company is therefore dependent on the Parent to ensure that the cash pooling facility remains available. Sega Europe Limited intends to make available such funds as are needed by the company for the period covered by the forecasts.

As with any company placing reliance on another group company for access to a cash pool, the directors acknowledge that there can be no certainty that this facility will continue, although, at the date of approval of these financial statements, they have no reason to believe that this facility will not continue to be made available.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.4 REVENUE

Creative Assembly is a SEGA studio focused on making computer games for PC and consoles. It primarily develops games for the SEGA group on a non-exclusive basis. It is remunerated on a group arm's length basis from the Group.

The development studio creates and enhances the game that the customer controls as the game is developed. Revenue is recognised over time as the studio satisfies its performance obligations. The amount of revenue is determined under the input method.

2.5 IMPACT OF NEW INTERNATIONAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

IFRS 16

The company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019.

On transition to IFRS 16, the company elected to apply the following practical expedients:

- the company has not reassessed contracts that were not identified as leases under IAS 17 and IFRIC 4 to determine whether these is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified on or after 1 April 2019.
- for leases previously classified as operating leases under IAS 17
- the company has applied a single discount rate to a portfolio of leases with similar characteristics.
- the company has adjusted the right of use assets by the amount of IAS 37 onerous contract provisions immediately before the date of initial application; as an alternative to an impairment review.
- the company has applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of remaining lease term at the date of application.
- the company has excluded initial direct costs from measuring the right of use asset at the date of initial application.
- the company has used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 31 March 2019.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.6 FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction. All foreign currency exchange gains and losses are recognised in the Profit and Loss Account.

2.7 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold land	- Not depreciated
Leasehold improvements	- over the remaining term of the lease
Fixtures, fittings & equipment	- 3 - 4 years
Freehold buildings and improvements	- 12 - 30 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.8 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.9 DEBTORS

Trade and other receivables are amounts due from group undertakings for services performed in the ordinary course of business. Debtors are included in current assets and separately disclosed any due after more than one year based on contractual terms.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

2.10 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 FINANCIAL INSTRUMENTS

Trade debtors and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade debtor without a significant financing component) or financial liability including trade creditors is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL INSTRUMENTS (continued)

dividend or interest earned on the financial asset.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.12 CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.13 FINANCE COSTS

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 PENSIONS

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

2.15 HOLIDAY PAY ACCRUAL

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.16 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

2.17 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.18 CURRENT AND DEFERRED TAXATION

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. For income tax arising on dividends, the related tax is recognised in the income statement, statement of other comprehensive income, or in equity consistently with the transactions that generated the distributable profits.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

2.19 LEASES

Prior to 1 April 2019 the company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Only finance leases were then recognised on the balance sheet.

Rentals paid under operating leases were charged to the Profit and Loss Account on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease were recognised on a straight line basis over the lease term, unless another systematic basis was representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company as a lessee (from 1 April 2019 onwards)

The company assesses whether a contract is or contains a lease, at inception of a contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate to discount the lease payments.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance Sheet.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.19 LEASES (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Balance Sheet.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.7.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The company has used this practical expedient.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES (CONTINUED)

2.20 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, management has to make judgements on how to apply the company's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the financial statements and the key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year, are discussed below:

Critical judgements

The company sells digital products via third party sales channels and must judge whether revenue should be recorded net (at the amount received by the company) or gross (at the end user price with the channel partner's margin recorded as a cost). The company analyses the relevant facts for each arrangement and has concluded that most such revenue should be recorded net.

Estimation uncertainty

The company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See Note 16 for the net carrying amount of the receivables.

4. TURNOVER

The turnover and profit before tax are attributable to the principal activity of the company. All turnover originates in the United Kingdom.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets	1,994,222	2,075,137
Right of use asset depreciation	318,744	-
Exchange differences	(669,400)	(1,215,688)
Other operating lease rentals - land & buildings	-	357,620
	<u> </u>	<u> </u>

6. AUDITOR'S REMUNERATION

	2020 £	2019 £
Fees payable to the company's auditor for the audit of the company's annual accounts	20,000	22,600
FEES PAYABLE TO THE COMPANY'S AUDITOR IN RESPECT OF:		
The auditing of accounts of associates of the company pursuant to legislation	<u>15,000</u>	<u>5,200</u>

All of the above costs have been borne by the company with no recharge made to related undertakings.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. EMPLOYEES

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	26,311,657	20,220,784
Social security costs	3,261,788	2,377,236
Cost of defined contribution scheme	1,118,005	895,636
	<u>30,691,450</u>	<u>23,493,656</u>

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

	2020 No.	2019 No.
Production	429	360
Administration	51	44
	<u>480</u>	<u>404</u>

8. DIRECTORS' EMOLUMENTS

The directors are also directors of SEGA Europe Limited and SEGA Corporation. The company considers their services to the company insignificant compared with their services performed for the other SEGA companies and therefore no directors' emoluments are reported for the company for the year (2019 - £Nil).

9. INTEREST RECEIVABLE

	2020 £	2019 £
Other interest receivable	<u>-</u>	<u>15,279</u>

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £	2019 £
Bank interest payable	6,419	-
Interest on lease liabilities	38,796	-
	<u>45,215</u>	<u>-</u>

11. TAX ON ORDINARY ACTIVITIES

	2020 £	2019 £
CORPORATION TAX		
Current tax on profits for the year	(1,710,911)	(2,737,769)
Adjustments in respect of previous periods	(158,981)	(1,539,717)
	<u>(1,869,892)</u>	<u>(4,277,486)</u>
TOTAL CURRENT TAX	<u>(1,869,892)</u>	<u>(4,277,486)</u>
DEFERRED TAX		
Origination and reversal of timing differences	113,966	(48,643)
Changes to tax rates	(5,997)	5,120
Adjustments in respect of prior year	(37,481)	23,886
TOTAL DEFERRED TAX	<u>70,488</u>	<u>(19,637)</u>
TAXATION CREDIT ON PROFIT ON ORDINARY ACTIVITIES	<u>(1,799,404)</u>	<u>(4,297,123)</u>

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11. TAX ON ORDINARY ACTIVITIES (CONTINUED)

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	6,438,475	5,458,457
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	1,223,310	1,037,107
EFFECTS OF:		
Expenses not deductible for tax purposes	88,703	87,339
Current tax adjustments to tax charge in respect of prior periods	(158,981)	(1,539,717)
Changes to tax rates	(5,997)	5,120
Deferred tax adjustments in respect of prior periods	(37,481)	23,886
Tax effect of video games tax relief	(2,849,697)	(3,910,858)
Group relief not paid for	(59,261)	-
TOTAL TAX CHARGE FOR THE YEAR	(1,799,404)	(4,297,123)

The adjustments to current tax in respect of previous periods are primarily in respect of the finalisation of video games tax relief claims.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A deferred tax asset has been recognised in the financial statements as shown in Note 20.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. A rate of 19% has been applied to the deferred tax asset at the balance sheet date.

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land & buildings £	Leasehold improve- ments £	Fixtures, fittings & equipment £	Total £
COST				
At 1 April 2019	7,919,521	761,711	4,949,954	13,631,186
Recognition of right-of-use assets on initial application of IFRS 16	-	2,682,764	-	2,682,764
At 1 April 2019 (adjusted balance)	7,919,521	3,444,475	4,949,954	16,313,950
Additions	-	140,896	1,514,721	1,655,617
Disposals	-	(34,786)	(1,807,603)	(1,842,389)
Transfers between classes	(3,192,297)	3,192,297	-	-
At 31 March 2020	4,727,224	6,742,882	4,657,072	16,127,178
DEPRECIATION				
At 1 April 2019	889,385	401,247	2,853,311	4,143,943
Charge for the year on owned assets	106,907	443,506	1,443,809	1,994,222
Charge for the year on right-of-use assets	-	318,744	-	318,744
Disposals	-	(34,786)	(1,807,198)	(1,841,984)
Transfers between classes	373,045	(373,045)	-	-
At 31 March 2020	1,369,337	755,666	2,489,922	4,614,925
NET BOOK VALUE				
At 31 March 2020	3,357,887	5,987,216	2,167,150	11,512,253
At 31 March 2019	7,030,136	360,464	2,096,643	9,487,243

Included in freehold land and buildings is freehold land at cost of £1,520,000 which is not depreciated. During the year the directors reviewed the recognition of the assets held in freehold land and buildings, and leasehold improvements. Following the review, it was decided that a number of assets should be transferred from freehold land and buildings to leasehold improvements to reflect their nature.

Included within right of use assets the company has a lease contract for property floor space with lease termination dates of 31 August 2027.

Right of use assets additions comprise £2,682,763 for Creative Assembly's property lease at Spire Court, Horsham which were recognised on 1 April 2019.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2020 £
Tangible fixed assets owned	9,148,233
Right-of-use tangible fixed assets	2,364,020
	<hr/> 11,512,253 <hr/>

Information about right-of-use assets is summarised below:

Net book value

	2020 £
Leasehold improvements	2,364,020
	<hr/> 2,364,020 <hr/>

Depreciation charge for the year ended

	2020 £
Leasehold improvements	(318,744)
	<hr/> (318,744) <hr/>

Additions to right-of-use assets

	2020 £
Additions to right-of-use assets	2,682,764

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

13. FIXED ASSET INVESTMENTS

	Investments in subsidiary company £
COST	
At 1 April 2019	2
At 31 March 2020	<u>2</u>

The fixed asset investment comprises a 100% interest in the share capital of The Creative Assembly VGDC Limited (Games development), with registered office 27 Great West Road, Brentford, Middlesex, TW8 9BW. The company was dormant.

14. DEBTORS

	2020 £	2019 £
Trade debtors	1,800	83,237
Amounts owed by group undertakings	37,236,417	41,812,525
Other debtors	81,326	58,331
Prepayments and accrued income	2,778,721	1,254,162
Tax recoverable	12,242,794	8,569,955
Deferred taxation	-	13,501
	<u>52,341,058</u>	<u>51,791,711</u>

15. CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash at bank and in hand	736,820	1,695,472
	<u>736,820</u>	<u>1,695,472</u>

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

16. CREDITORS: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	166,442	115,122
Amounts owed to group undertakings	18,502,407	29,988,724
Other taxation and social security	120,000	88,717
Lease liabilities	306,000	-
Other creditors	896,313	817,883
Accruals and deferred income	4,580,663	2,236,675
	<u>24,571,825</u>	<u>33,247,121</u>

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

	2020 £	2019 £
Lease liabilities	1,996,135	-
	<u>1,996,135</u>	<u>-</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18. LEASES

company as a lessee

Full details of the leases in place are given in Note 12.

On recognition on 1 April 2019, £301,000 was current and £2,302,000 was non-current. A weighted average incremental borrowing rate has been applied to all leases.

Lease liabilities as at 31 March 2020 are due as follows:

Lease liabilities are due as follows:

	2020 £
Not later than one year	306,000
Between one year and five years	1,996,135
	<u>2,302,135</u>

Contractual undiscounted cash flows are due as follows:

The following amounts in respect of leases, where the company is a lessee, have been recognised in profit or loss:

	2020 £
Interest expense on lease liabilities	<u>38,796</u>

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

19. FINANCIAL INSTRUMENTS

	2020 £	2019 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	736,820	1,695,472
Financial assets that are debt instruments measured at amortised cost	37,319,543	41,954,093
	<u>38,056,363</u>	<u>43,649,565</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	<u>(24,143,264)</u>	<u>(33,158,404)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise trade debtors, amounts due to fellow subsidiary undertakings and other debtors.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owed to fellow subsidiary undertakings and accruals.

THE CREATIVE ASSEMBLY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

20. DEFERRED TAXATION

	2020 £
At beginning of year	13,501
Charged to profit or loss (Note 11)	(70,488)
AT END OF YEAR	(56,987)

The deferred taxation balance is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(56,987)	13,501
	(56,987)	13,501

21. SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid		
100 (2019 - 100) Ordinary shares of £1.00 each	100	100

22. RESERVES

Share premium account

The share premium account represents the premium arising on the issue of shares net of issue costs.

Retained earnings

The profit and loss account represents accumulated comprehensive income for the year and prior periods less dividends.

23. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. Costs relating to this scheme are charged to the Profit and Loss Account when they are incurred. The cost for the year is £1,118,005 (2019 - £895,636).

THE CREATIVE ASSEMBLY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. POST BALANCE SHEET EVENTS

There have been no significant events affecting the company since the year end.

25. CONTROLLING PARTY

The immediate parent company SEGA Europe Limited and the ultimate parent company and controlling party is SEGA Sammy Holdings Inc., a company incorporated in Japan.

SEGA Sammy Holdings Inc. is the parent undertaking of the largest group of undertakings in which these financial statements are consolidated. Copies of the consolidated financial statements of SEGA Sammy Holdings Inc. may be obtained from the head office Sumitomo Fudosan Osaki Garden Tower, 1-1-1 Nishi-Shinagawa, Shinagawa-ku, Tokyo 141-0033, Japan or from the company's website on www.segasammy.co.jp.

26. FIRST TIME ADOPTION OF FRS 101

The policies applied under the entity's previous accounting framework are not materially different to FRS 101 and have not impacted on equity or profit or loss. There have been no profit and loss or balance sheet re-classifications.