CODEMASTERS®

READY

Annual report & accounts 2019

Ford cover photograph by Andrew Donahoe

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Visit: www.codemasters.com

DiRT Rally 2.0
Carve your way through iconic rally locations from across the globe, knowing that the smallest mistake could end your stage.

Released
26 February 2019

Read more on pg 18

TO RACE

"It already feels close to reality"

–
Pierre Gasly
Red Bull Racing

Codemasters has been making iconic games for over 30 years and is a world leader in the development and publishing of racing games. We have been guardians of some of the most adored intellectual properties and are proud to be the home of DiRT, GRID, ONRUSH and the official games of F1®.

Read more on pg 16-19

ONRUSH
ONRUSH heralds the return of all-action, gravity defying, arcade racing. A celebration of sensational speed, outright fun and over the top spectacle, ONRUSH is a racing game where you are always in the heart of the action.

Released
5 June 2018

Read more on pg 19

Trusted to deliver the highest quality racing titles

F1 2018
The official videogame of the 2018 FIA Formula One World Championship™, immerses players into the world of Formula 1® more than ever before.

Released
24 August 2018

Read more on pg 16-17

TO WIN

Our goal is to be the world's premier racing game brand

Leaders in what we do

We believe that the racing market will continue to be a strong gaming segment, built on its consistent popularity over the last 40 years and the global understanding of car culture and racing. Codemasters' proven expertise in this category along with its existing franchises, reduces forecasting risk, and every new release adds further capabilities to its proprietary technology and a stronger understanding of its player base.

International Expansion

There is a growing appetite in China for AAA games. The addition of local content and the entry into key publishing partnerships will increase our market share in this region.

Read more on pg 15

Keeping pace with a changing marketplace

Mobile Gaming

The mobile gaming market is rapidly expanding globally due to the accessibility and performance of smartphones. Codemasters believes it has the potential to capitalise on this opportunity. The company launched F1® Mobile Racing in October 2018 and regularly updates features and content to respond to player behaviour and demand.

Read more on pg 15

Digital Services

Codemasters is committed to delivering additional post-launch content and services (Games as a Service) to increase the engagement, retention and monetisation of the Group's games. The aim is to become less dependent on expensive new releases and secure more predictable, recurring and profitable revenues, while improving games experience and satiating their demand. The Group recently launched downloadable content (DLC) in DiRT Rally 2.0 with its Season One pack.

By 2022 Esports estimated to be worth

$1.8bn

Source: NewZoo Global Esports Market Report 2019

F1® Mobile Racing
A brand new way to race has arrived in F1® Mobile Racing. This version reduces barriers to entry and increases Codemasters' reach in markets where console and PC are less strong.

Released
18 October 2018

TO INSPIRE

"Our culture is inspiring, dynamic & inclusive, fostering an environment of creativity."

Frank Sagnier
Chief Executive Officer

Locations
04

Permanent headcount
511

Building Talented Teams

Ask anyone at Codemasters about the secret of our success and they'll tell you it's about our vision, the creativity, technology and our teams. We've grown to over 450 fabulous people across our three UK studios – plus our dedicated art studio in Kuala Lumpur.

We've reached where we are today by raising the game, empowering people and sharing our passion to make the greatest racing games in the world.

2019 PERFORMANCE

FY19 Adjusted earnings per share[1]

13.3p

FY19 Net cash

£18.2m

Launch ONRUSH

Our own IP was released on 5 June 2018 – has received positive reviews and benefitted from an agreement with SUBOR for exclusive distribution in China.

Read more on pg 19

Successfully completed IPO

Raised £15m of new funding, providing capital to invest further in the business and enhance the existing portfolio of successful franchises.

1 Adjusted earnings per share is a non-GAAP measure presented as a meaningful comparison of earnings per share across periods. It is defined as Adjusted net income per share (which is a non-GAAP measure used as a proxy for cash earnings), where the number of shares across each period is the outstanding amount of Ordinary Shares in issue as at 31 March 2019, given the significant variance in average number of shares in issue between periods, an adjusted measure has been presented. Adjusted net income is defined as adjusted EBITDA less cash interest and tax paid.

FY19 Adjusted EBITDA[2]

£18.7m

Increased gross margin

87.6%

F1 2018 THE OFFICIAL VIDEOGAME

Annual release

F1® 2018 allowed players to 'Make Headlines' when it launched to critical acclaim in August 2018, and is the most complete F1® experience ever seen in gaming . Featuring all of the official teams, cars, drivers and circuits from the thrilling 2018 season, F1® 2018 also includes 20 iconic, classic cars from the history of the sport.

Read more on pg 17

FY19 Revenue

£71.2m

DiRT RALLY 2.0

Launch DiRT2.0

DiRT Rally 2.0 is the most alive DiRT game to date. The My Team career campaign is our most complex offering ever and features Community events built in to increase engagement. The online connection helps maintain a level playing field for all players by allowing all race results to be verified.

Read more on pg 18

2 Adjusted EBITDA, is a non-GAAP measure used by the Group, which is defined as profit before finance costs on borrowings, tax, capitalisation, depreciation, amortisation and non-recurring items.

WE'RE READY

It's been an exciting year at Codemasters. We are well positioned in our market and focused on the future.

INVESTMENT CASE

Codemasters has consistently delivered the highest quality racing games and growth in earnings in recent years. The Group is well placed to drive further growth in a rapidly expanding market.

High quality portfolio of licensed and owned IP

Proprietary technology

Long-term relationship with F1®

Established relationships with all key platforms

Loyal community de-risking the launch of new games

Predictable earnings from established franchises

Profitable & established business with strong momentum

Favourable market dynamics

Potential M&A

Overview

The year ended 31 March 2019 ('FY2019') represents a milestone in the Company's long and rich history. The IPO in June 2018 welcomed new shareholders and raised additional funds to help the business take advantage of the significant opportunities that lie ahead. The gaming industry has grown enormously during the last decade and is forecasted to continue to do so in the future. Changing and improved infrastructure in the form of online and mobile gaming, online distribution and completely new business models have led to increased investment in games and distribution platforms. This has enabled us to deliver games to an ever-growing proportion of the global population and Codemasters is benefiting from its focus on producing racing games of the highest quality.

Result

The Group has delivered FY2019 revenue of £71.2 million, adjusted EBITDA of £18.7 million and profit before tax of £2.9 million, its maiden results since IPO. The Group successfully launched four titles in the financial year: F1® 2018, DiRT Rally 2.0, ONRUSH and F1® Mobile Racing. It also benefitted from a strong back catalogue and key strategic partnerships in the period. The positive rate at which the shift to digital has occurred has also improved margins.

Strategy

The Group's immediate strategy as highlighted in its admission document at the time of the IPO is as follows:

- strengthen Codemasters' overall leadership position in racing;
- grow the audience;
- increase average revenue per user; and
- raise competitive barriers to entry.

The growth strategy remains unchanged and is based on the strength of the Group's overall leadership in racing through the Group's proven expertise in this category and the quality of its AAA franchises.

We are well positioned to take advantage of a strong growth market, the increasing shift to digital distribution and post launch services, increasing the Group's penetration into existing and new markets, as well as the new opportunities from upcoming streaming platforms.

People

The Group currently employs 511 people across three locations in the United Kingdom and one in Kuala Lumpur, Malaysia. I would like to extend my thanks to the whole Codemasters team for their hard work and commitment which has delivered experiences for our loyal gamers of which they can be extremely proud.

Outlook

The global gaming industry's outlook is highly positive with experts predicting further significant growth going forward. We expect future growth to be driven by three main factors:

- improved technology, including faster and even more reliable online networks and the potential introduction of new consoles from Sony and Microsoft;
- investments by large companies building new streaming platforms. As an example, Google with their service, Stadia, which enables Codemasters to create content for up to two billion players who are no longer tied to individual consoles; and
- the continued growth of competitive gaming both through participation in bigger esports competitions and viewership of content on platforms such as Twitch and YouTube.

The racing genre has its clear place within today's video gaming industry and will play an equally important part within the above mentioned expected growth areas.

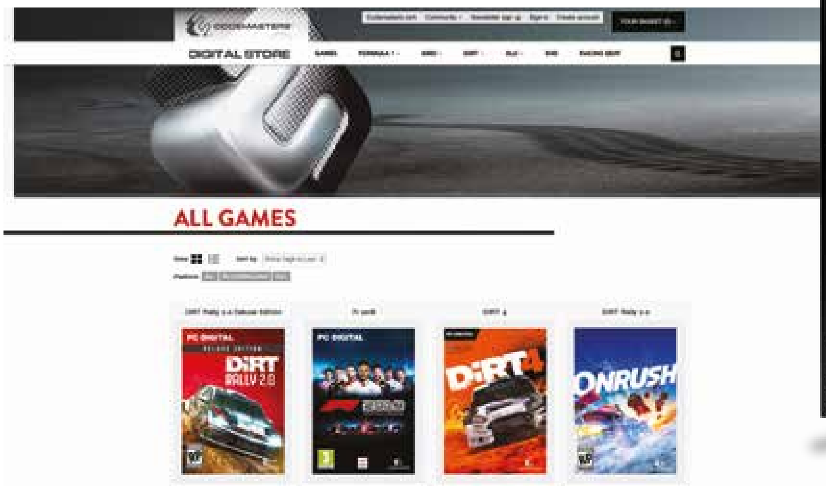
Codemasters is very well positioned to benefit from these growth factors due to its focus, flexibility across platforms and reputation within the very well defined racing category.

Gerhard Florin
Non-Executive Chairman
9 June 2019

OUR OPPORTUNITY

The racing category continues to be a strong gaming segment and Codemasters is well placed to take advantage of the opportunities over the coming years. The sole focus on racing games is unique to Codemasters and the Group can build on this with a portfolio of AAA games, racing expertise, both in terms of people and the technology, and a passionate, loyal racing community. Codemasters is well positioned to be the preferred brand/channel for racing fans.

01



DIGITAL DISTRIBUTION

This year, for the first time in the Company's history, full game digital sales will represent the majority of revenue for Codemasters, a trend that we expect to continue as customers change their buying habits due to convenience, wider product availability and better broadband and network connectivity.

This shift to digital has allowed publishers to sell games to a wider audience across more than 150 territories worldwide. The physical shelf space limitation has now been removed, allowing publishers to run more global and scalable businesses.

The effects of this can be seen by the continued strong performance of the Group's back catalogue. Digital distribution, which now represents approximately 60% of Group revenue, also generates higher margins due to savings on the costs of manufacturing, the cost of physical distribution and the removal of inventory risk.

The launch of new PC digital distribution platforms offering improved revenue shares to publishers means they can invest further in additional content and features to increase players' satisfaction.

While PC digital distribution has been the vast majority of our PC sales for a number of years, console games sales are still dominated by brick and mortar retailers selling games in boxes. We expect digital sales on console to follow a similar trend to PC. Microsoft have just announced a new version of their XBox One console that does not have a disk drive, which would suggest that they also anticipate an increasingly digital future.

02

GAMES AS A SERVICE

The shift to digital delivery also allows new opportunities for Codemasters.

Following the success of the games as a service model in free-to-play mobile and PC gaming, the approach has now become increasingly prevalent and successful in premium console games. The aspects of this model include offering post-launch content and services, downloadable content and in-game transactions.

It is crucial to keep players satisfied over time and the Group will invest an increasing proportion of its development budget to provide regular product updates. While this is a well established model in the industry, this is an area where Codemasters has been lagging and we believe it represents a valuable growth opportunity going forward.

The release of DiRT Rally 2.0 was the first Codemasters game to include the option for our gamers to subscribe to 6 months of additional services and content, and player appetite appears to be strong.

The Group will bring additional services and content to all future games and this in turn could lead to a variety of new business models including subscription and free to play.

The shift to a service-based business model will not only allow the Group to generate additional revenue per player over time but also allow more consistent revenue predictability and a longer product life cycle. As the battle for players' satisfaction and time has become the key to success, providing the best service to our community is our number one priority.

MARKET DEVELOPMENTS AND STREAMING

The latest development in this field and one that is capturing considerable attention is the news that some of the world's most powerful technology companies will launch video game streaming services in the near future.

Cloud gaming represents a massive opportunity for the games industry overall and allows instantaneous access to AAA titles across all kinds of devices. The launch of streaming platforms together with the arrival of 5G and improved infrastructures will enable AAA games to be accessible from any connected screen. Gamers will no longer be limited by the power of their devices, AAA console and PC games, which previously required consoles or high end PCs to play, will become accessible to a much wider audience.

Some of the largest infrastructure and technology companies have already announced their intention to compete in streaming which they see as the new battleground to capture the ever-growing gaming audience.

Successful streaming platforms will need significant amounts of content to provide a compelling offer to convince gamers to sign up and keep them engaged. Content will become a crucial differentiating factor just as it is for TV streaming services.

We believe that racing games will be a key element of any AAA streaming proposition and our reputation for excellence in our chosen field of racing, which remains hugely popular, places us in a strong position to benefit from this emerging segment of the market. The sheer power of the cloud will also allow the Group to create new gaming experiences never seen before.

NEXT GEN CONSOLES

Both Microsoft and Sony have publicly confirmed that they are developing their next generation consoles and while they have not announced launch dates, we would hope to see these become available to consumers within the next couple of years.

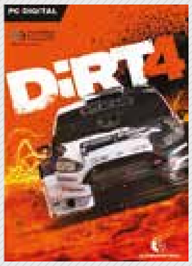
This technological upgrade, combined with a significant marketing spend, is expected to boost the market and provide consumers with the highest quality gaming experience on a big screen for many years.

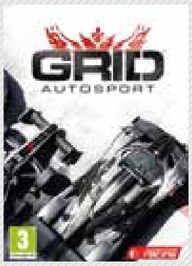
The Group will invest a significant amount of money to continue to deliver innovative and high quality experiences to its community and beyond, leveraging its proprietary EGO engine which has already been optimised to take advantage of many of the expected advances.

Should the new consoles offer backward compatibility with current generation games as rumoured, this will allow for a very smooth transition for game publishers and developers.

CONVERGENCE

The proliferation of gaming platforms and devices as well as the democratisation of gaming via the cloud will require games to be played from any device from anywhere and cross platforms. The Group will continue to be platform agnostic and we will invest further in our own technology.





ENGAGING WITH OUR AUDIENCE

GEOGRAPHIC EXPANSION

FURTHER EXPANSION INTO CHINA

Progress in FY19

- In a deal signed at the end of 2018, NetEase, one of China's leading internet and online game service providers, agreed to publish three of Codemasters' key PC titles in China, leveraging their superior sales, marketing and community management power in that market

Focus for FY20

- ONRUSH to be released in China via SUBOR
- Launch of our key franchises in China through partnership with NetEase

DIGITAL

INCREASING DIGITAL SHARE

Progress in FY19

- As we engage with new audiences and markets these have further driven Digital revenue, which as a percentage of total revenue has increased over recent years and in the current year for the first time represented the majority of total sales at 59%
- Introduction of virtual currency in OnRush and post content launch in Dirt Rally 2.0

Focus for FY20

- The growing trend towards digital delivery will continue to accelerate in 2019 – this will allow the Group to engage in a two way dialogue with its audience and offer new content to existing games which will help to extend and increase the commercial success of each instalment of the franchises
- GaaS and development of streaming platforms will also become an important part of the Group's future growth and help provide additional digital revenues
- All games will have post launch content and digital distribution will continue to grow.

MOBILE

DEVELOPMENT OF MOBILE

Progress in FY19

- Launch of the F1® Mobile Racing free to play game for iOS and Android devices. To date, over 9 million players in 154 countries have downloaded the game – this has given Codemasters another route to market
- In January 2019, Codemasters signed an additional agreement with NetEase to develop a new mobile game. This combines NetEase's proven knowledge of mobile game design with Codemasters' proprietary technology and experience of developing premium racing games. This agreement provides both parties a significant opportunity to reach new audiences
- Improved infrastructure for online and mobile gaming achieved throughout the year

Focus for FY20

- Further updates and additional content released on F1® Mobile Racing
- Continued development of the NetEase mobile game

ESPORTS

NEW AUDIENCES, NEW OPPORTUNITIES

Progress in FY19

- Codemasters helped design and develop a season-long esports program which engaged players online and gave the world's most talented motorsport gamers the chance to launch their pro careers by signing for one of the nine official F1® teams who signed-up for the Series.
- Season Two saw the introduction of the Pro Draft. Following a series of online qualifiers, the top 40 drivers assembled for the first-ever draft with each team selecting a new driver to join its ranks.
- The F1® New Balance Esports Series saw 66,000 players compete for the right to win a place on a pro team. Over 400,000 qualifying attempts were made with 1.1 million qualifying laps recorded.
- The Series delivered: Over 100m social media impressions; 20m video views across F1 esports content on social media; 5.5m viewers across online and TV (3.2m online and 2.3 cumulative TV audience); Average of 82.5k views per video; and Average of 178k impressions per post

Focus for FY20

- The F1® New Balance Esports Series Season 3 kicked-off in April 2019. A longer qualifying window which mirrors the real-world schedule gives even more of the world's top drivers and aspiring gamers the chance to compete for a place in the prestigious Pro Draft and the opportunity to sign for a pro team.
- The prize money has doubled with F1® offering an overall fund of $500,000

Future acquisition opportunities

We intend to focus on growing the Company organically. However, admission will provide us with the opportunity to consider potential future acquisitions in order to accelerate growth and continue to raise barriers to entry by raising equity finance instead of obtaining debt finance for future potential acquisitions, if the Board considered it appropriate.

To the extent the Company pursues potential acquisitions in the future, the primary target would be to acquire additional development teams, similar to the addition of the Evolution Studios team in April 2016. We believe this can be an efficient way to add a pool of new talent or expertise to work on existing or new products.

F1 2018

THE OFFICIAL VIDEOGAME

"It already feels close to reality."

Pierre Gasly
Red Bull Racing

F1® 2018

The official videogame of the 2018 FIA FORMULA ONE WORLD CHAMPIONSHIP™, F1® 2018 challenges you to make headlines as you become immersed in the world of F1® more than ever before.

You have to build your reputation both on and off the track, with time-pressured media interviews that influence your career in the sport. Do you exhibit sportsmanship or showmanship? Will you develop your team to the top or send your agent to target a rival team and driver? F1® 2018 puts you in control of your destiny.

F1® 2018 features all the official teams, the drivers and circuits of the thrilling 2018 season. It also sees the return of the French and German Grand Prix™ to the calendar meaning that you can now race at Circuit Paul Ricard for the first time ever in the series while the Hockenheimring makes a return.

KEY FEATURES:

Make Headlines as a F1® driver – Feel the pressure both on and off the track as time-pressured press interviews put you on the spot. The answers you give will directly affect your career and the way that teams, drivers and others in the sport see you. It will also affect your relationship with departments within your own team and their motivation.

New character and locations – Talk to reporter Claire and visit new areas of the Formula 1® Paddock.

Greater control of your destiny – Select your own rival and negotiate potential moves or more favourable terms with your current team through your agent.

Team specific upgrades – Each of the teams now has its own tech tree of possible upgrades and improvements. Beware to protect yourself against potential changes in the regulations during your career.

20 classic F1® cars – More iconic cars from the history of the sport than ever before with six new classics from the 1970s and 1980s, two modern classics from the 2000s and all 12 of F1® 2017's classics returning.

Circuit Paul Ricard – The French Grand Prix returns to the calendar for the first time in ten years meaning that you can race Circuit Paul Ricard for the first time in the franchise.

Return of the German Grand Prix – The historic Hockenheimring is back for F1® 2018 as the host of the German Grand Prix.

Visual uplift – Vibrant lighting, atmospherics and improved character modelling make this the best looking F1® game ever.

Manage your ERS – You can now manage the harvesting and deployment of your ERS (Engine Recovery System) to suit your driving and the race situation.

Improved handling – Real world F1® data has been used to take the handling to the next level. Simulation and chassis now updates at 1000htz meaning you can feel every bump and have to respect the kerbs, while fully modelled tyre carcass means that tyre management is much improved.

Multiplayer – New F1® inspired Super License system promotes clean, fair, competitive racing online along with improved matchmaking.

F1® Mobile Racing

As with the F1® console titles, F1® Mobile Racing is a leader in its field for authenticity, stunning visuals and superb gameplay. On top of that, the game delivered some never-before-seen features and additions for the series. Want to find out more? Here are the headlines:

Customisation – Design the F1® car of your dreams through our detailed livery editor options. Edit multiple areas of your colour scheme and add stickers and other details to create a machine that looks as good as it drives.

Development and upgrades – Win blueprints, research parts, and improve your car's performance via a deep and detailed Research & Development system. Work on five different areas of your car and develop it into a fierce world-beater.

Real-time multiplayer – Take your car and skills to the global stage and race against opponents all over the world in multiplayer Duel modes. Compete in three different formats and win races to advance to higher leagues, pitting you against the very best drivers.

Official F1® – It all takes place within the exhilarating world of F1®, featuring the teams, drivers and circuits of the 2018 FIA FORMULA ONE WORLD CHAMPIONSHIP®.

Incredible gameplay – Experience the best visual and mechanical F1® experience to ever come to handheld devices. The unmistakable style and energy of F1® combines with great gameplay to bring you an incredible, immersive racer, wherever and whenever you want it.

DiRT Rally 2.0

DiRT Rally 2.0 dares you to carve your way through a selection of iconic rally locations from across the globe, in the most iconic off-road vehicles ever made, knowing that the smallest mistake could end your stage.

You will need to rely on your instincts with the most immersive and truly focused off-road experience yet, including a new authentic handling model, tyre choice and surface degradation. Power your rally car through real-life off-road environments in New Zealand, Argentina, Spain, Poland, Australia and the USA, with only your co-driver and instincts to guide you.

Race on eight official circuits from the FIA World Rallycross championship, complete with licensed Supercars and support series.

Develop your team and cars around race strategies, and progress through a varied selection of Events and Championships in both a single player Career Campaign and a competitive online environment.

KEY FEATURES:

Over 50 of the most iconic off-road cars ever built – Tear through environments with an iconic roster of historic and modern-day rally cars, including the 1995 Subaru Impreza, VW Polo GTI R5, Nissan Datsun 240z, the Audi Quattro S1 E2 and the AudiS1 EKS RX quattro.

6 Real-life rally locations – Take the wheel through the stunning environments of New Zealand, Argentina, Spain, Poland, Australia and the USA.

Feel your race – Improved handling, surfaces, fallibility and environments deliver the most authentic and focused off-road experience ever.

The official game of the FIA World Rallycross championship – Race at Barcelona, Montalegre, Mettet, Lohéac Bretagne, Trois-Rivieres, Hell, Holjes and Silverstone in a multitude of different series.

Develop your own team – Build your own team and craft its identify. Expand your own garage of vehicles, manage a roster of staff and develop your Service Area facilities.

Tuning – Tune your vehicle to suit your driving style and environmental characteristics. Alleviate wear and tear by configuring each car's set-up, and upgrade your parts to ensure your vehicles are ready for whatever challenge lies ahead.

Get competitive – Race the entire DiRT Community in Daily, Weekly and Monthly Challenges, with worldwide leaderboards and events.

ONRUSH

ONRUSH is a new breed of high-impact, adrenaline fuelled off-road arcade racing! It's about speed, takedowns and teamwork with high-tempo thrills that focus on fun, excitement and the spectacular. It's not about racing to the finish line.

In ONRUSH racing with style and flare is what counts as you perform incredible takedowns and put everything on the line in order to power up your all-important RUSH bar. RUSH is the ultimate power-up, producing an exhilarating and devastating force which, when used at the right time can wreak havoc on your competition.

KEY FEATURES:

Takedowns – Takedowns are core to ONRUSH. Speed off cliff edges and traverse huge ramps flying hundreds of feet through the bold, bright sky. Land with immense force crushing any opposing team vehicles unfortunate enough to be below.

Rush – Boosting at breakneck speed only gets you so far. To really gain an unworldly edge, unleash the invulnerable, euphoric blast of speed and power RUSH! Unique to each vehicle in both look and ability, this is like nothing seen in any racing game before.

The stampede – The Stampede System makes sure you are always in the action. Racing is at its most exciting when you're wheel to wheel right in the 'thick of it' and ONRUSH does just that. Never have a race ruined by spinning out or losing the pack. In ONRUSH you respawn right back into the mix ready to make an impact and perform the next most amazing Takedown.

GAME MODES

Overdrive – Overdrive mode is a pure 'Boost to Win' onslaught until the very end. Get boost any way you can as quickly as possible and burn it up even quicker.

Switch – Survive as long as you can whilst hunting down your opponents. You'll get increasingly stronger vehicles, but so will they. Be smart and work together to win.

Countdown – Countdown is a race through gates against a decreasing clock. Hitting the gates will add precious seconds to your team's time, keeping you in the game.

Lockdown – Lockdown is a race to fight for control of a moving zone in a 100mph King of the Hill, free-for-all. Get in the zone and fight for survival.

A YEAR OF CONTINUED GROWTH

"We continue to grow our consumer base through a wider range of games, platforms and initiatives including esports."

Strategic progress

I am pleased to report a year of considerable activity for the Group, including admission to AIM in June 2018. Significant progress was made against each of our key strategic objectives, as well as delivering profitability ahead of the expectations set at the time of the IPO and putting in place many of the building blocks that will underpin our future performance.

Digital revenue continued to improve and represented the majority of total sales at 59.2% (FY 2018: 41.3%). This led to an improved gross margin for the period of 87.6% (FY 2018: 84.6%) and contributed towards a full year Adjusted EBITDA performance of £18.7 million (FY 2018: £11.7 million)ahead of our expectations set at the time of our IPO. Profit before tax of £2.9 million was generated in the year. The shift to digital is a trend that we expect to see continue in the future.

We continue to grow and engage with our consumer base through a wider range of games, platforms and initiatives including mobile and esports. This year we released ONRUSH, a new own IP game in the arcade racing genre and the first title from our new Cheshire studio. The game was well received by media with an average Metacritic score of 76% and has been played by more than 2.5 million players.

We have delivered the highly successful F1® New Balance Esports Series to our F1® players and fans. Created and operated in collaboration with F1® and Gfinity, the series saw over 66,000 players compete across 1.1 million qualifying laps, and generated over 100 million social impressions, 20 million video views and 5.5 million viewers across digital and linear TV channels. In a clear demonstration of how the sport is reaching a new, younger more digitally minded audience, 70% of viewers tuning in to watch the final were under 34 years old. Codemasters has also brought a new audience to the F1® franchise with the launch of its F1® Mobile Racing free to play game for iOS and Android devices. To date over 9 million players have downloaded the game and this has given Codemasters another route to market with a new, more mainstream audience who may also want to play the console game should they look for a deeper and more immersive experience. In February, we launched DiRT Rally 2.0, the sequel to the critically acclaimed DiRT Rally and the thirteenth title in the series that began in 1998 with Colin McRae Rally. The game currently averages 84% on reviews aggregator site Metacritic across three platforms, once again highlighting Codemasters' pedigree as a world-leader in the development of high-end premium racing games. Official PlayStation Magazine rated the game 9/10 and said "this is simply the best rally sim yet."

We have entered into new strategic partnerships that will allow us to further expand our consumer base and content portfolio. In November, we signed an agreement with NetEase Inc, one of China's leading internet and online game services providers, to publish three of our key PC titles in China. As part of the agreement, NetEase will invest in marketing and localising the games to accelerate growth in the territory. In January we signed an additional agreement with NetEase to co-develop a new mobile game for the global market. This partnership is not just a validation of the quality of our products and development talent, but an opportunity to reach an entirely new audience and work with one of the best publishers in the world. In addition to this, in February we announced a global esports partnership with Motorsport Network, the world's largest motorsport media company, to create, promote and manage esports events for DiRT Rally 2.0 and GRID.

We introduced our Games as a Service ('GaaS') strategy with the launch of DiRT Rally 2.0. GaaS (whereby additional content is released and sold separately to consumers post release) will become an important part of the Group's future growth. Engaging with our community over time with fresh downloadable content, new features or events post-launch has become a top priority. It will help drive player engagement, satisfaction and retention, resulting in a longer life cycle for our games and additional digital revenues. All future launches will offer our consumers post-launch downloadable content and services through a range of models including transactions, subscriptions, advertising and sponsorship.

The Company is focused on growing the business organically but will review acquisition opportunities when appropriate in order to accelerate growth.

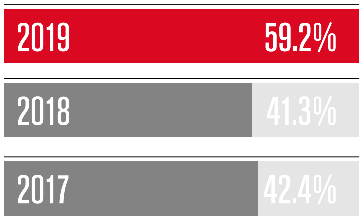
DiRT Rally 2.0 Metacritic ratio (average)

84%

F1® Esports viewers

5.5m

Digital sales %



"The structural drivers in our industry are here to stay and will drive the future growth of our business."

Number of countries F1® Mobile Racing has been released

154

F1® 2018 Metacritic rating 2019 (PS4)

85%

Operational review

A portfolio of proven content delivering consistent returns

Codemasters has a long history of developing high quality, AAA rated games and over recent years has focused solely on the racing category for which it is best known. Its success to date has largely focused around its three key 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. In June 2018, the Company released a new owned IP game, ONRUSH.

The sales performance this year has been delivered largely due to the release of the latest annual instalment of the F1® franchise (F1® 2018), ONRUSH (released in June 2018), DiRT Rally 2.0 (released in February 2019), the Company's back catalogue of titles and a number of business development initiatives.

F1® 2018 was launched on 24 August 2018 and was the highest rated PS4 racing game of 2018 according to reviews aggregator site Metacritic.com (85%). This year's instalment included the addition of two new circuits, Paul Ricard and Hockenheim, even more classic cars and numerous new features. It also delivered the most accurate simulation model to date, a key consideration for our growing and dedicated fan base who strive to experience the same performance as real-life drivers. The game is the centre of F1® New Balance Esports Series, which has been broadcast live on Facebook, Sky TV and broadcast outlets from around the world, and included drivers representing nine of the official F1® racing teams. F1® 2018 reached number one in the sales charts in 11 different countries and has performed well across all platforms.

F1® Mobile Racing was released on iOS on 18 October 2018, and Android at the end of November 2018. This free to play mobile game has helped bring the franchise to a wider audience and, although not material in terms of its financial contribution at this early stage, generates revenue through micro transactions. At launch, Apple featured the game in the top slot of its App Store. F1® Mobile Racing has been released in 154 countries across all major markets, with the exception of China, had over nine million downloads and reached number one in the iOS Racing Game charts in every territory.

On 26 February 2019 DiRT Rally 2.0, was released with Metacritic rating of 84%. A deluxe version was released four days earlier than the standard version at a premium price and offered customers additional content. The game includes a number of iconic rally locations from across the globe, classic and modern vehicles, as well as a series of unique new features. DiRT Rally 2.0 also exclusively features the official 2018 FIA WORLD RALLY CROSS CHAMPIONSHIP season including eight of the official WorldRX circuits at launch. Over the first six months of the game's life we will be delivering new content every 2 weeks alongside a host of new features and daily racing events.

The Company's back catalogue of games performed well and we expect this trend to continue, again largely driven by the increasing adoption of digital delivery and the growth in distribution channels. Codemasters' three key franchises are long established and each one of them has built a passionate and growing fan base.

ONRUSH is an arcade racing game which was released on 5 June 2018. It received good critical reviews (PS4 Metacritic rating of 76%) but made a smaller revenue contribution than the other recent major releases. The Company has continued to support the game with new content, micro transactions, price promotions and access via subscription services to build brand awareness for the future.

Following the release of the game on Xbox Game Pass and PlayStation Plus, over 2.5 million gamers have now played ONRUSH.

In addition, the Group has signed up to an exclusive partnership with Subor for ONRUSH to be included for its newly launched console. The Group received a minimum guaranteed revenue of $5 million from the game.

Expanding our audiences

Through digital channels we can now continually engage in a two way dialogue with our fans and offer new content to existing games which will help to extend and increase the commercial success of each instalment of our franchises. This is further strengthened through our proprietary RACENET platform, which helps to ensure that our game developers are able to make the most informed decisions based on deep data analysis of player interactions with new features, content and products. As a result, our loyal community of gamers contribute towards the shaping and marketing of Codemasters' games.

Our expertise in racing and history of creating AAA games has helped to establish key strategic partnerships with leading brands. In January 2019 we entered into a joint development agreement with NetEase, Inc., one of China's leading internet and online game services providers, to develop a new mobile game. The partnership will see NetEase commit an internal mobile development team, apply its proven knowledge of mobile game design, and take on all operational and publishing activities with regard to the game. Whilst Codemasters will provide assistance with its proprietary technology, resources and existing game assets.

As part of the agreement we will receive a minimum of $8 million USD in revenue over the next three years, of which an initial payment of $7.3 million USD has been recognised in these reported results. The total lifetime revenue from this agreement shall be dependent upon sales performance as profit generated by the game, following recoupment by NetEase of the aforementioned $8 million USD, shall be shared between the parties.

In a separate deal signed in November 2018, NetEase agreed to publish three of our key PC titles in China, leveraging their superior sales, marketing and community management power in the most populated country in the world.

In February 2019 we announced a global esports partnership with Motorsport Network, the world's largest motorsport media company. The partnership began following the launch of DiRT Rally 2.0 and will see both companies work together on a bespoke esports programme that will enable Codemasters to reach a larger racing fan base and create tournaments for players of all abilities. The ongoing partnership will allow Motorsport Network to create, promote and manage esports events across several of Codemasters' future racing games portfolio (excluding Codemasters' official Formula 1 games suite). Motorsport Network is an ideal partner for the Company as it not only shares our love of motor racing but has great expertise and an enormous consumer reach through its integrated digital ecosystem that speaks 17 languages and reaches over 30 million people every month. Esports is a growing phenomenon which racing is well suited for and an area of future growth for the Group.

Outlook

We have a strong pipeline of launches in the financial year ending 31 March 2020 ('FY2020') with the release of the F1®2019 game in June 2019, two months earlier than last year's iteration to move the release date closer to the start of the F1 season. In September 2019, we will be bringing back our GRID franchise for the first time since 2014 and for the first time on this generation of Sony and Microsoft consoles. In addition, we will be launching GRID Autosport on Nintendo Switch in partnership with Feral Interactive. We are honoured to have the highly renowned racing driver Fernando Alonso as GRID's Racing Consultant which we believe will not just improve the quality of the ingame racing experience, but also add to the credibility and awareness of the game and raise awareness of it with a wider audience. GRID will also be a launch title on Stadia, the new Google streaming platform which launches in November 2019.

Our industry is seeing unprecedented levels of investment, including new digital stores and upcoming streaming platforms, driven by ever-improving network infrastructure and increasing access to broadband. These platforms all desire high quality games to attract consumers and we believe these represent a significant opportunity for building our revenue streams further in the coming years as racing is a key category for gamers. Unlike many of our competitors Codemasters is a business that is not constrained by platform either through technological capability or allegiance. We also expect a next generation of consoles to be released in the future, providing yet another major boost to the industry.

Although not a new release as such, we will constantly update DiRT Rally 2.0 with new content and features and expect the game to deliver a material percentage of our back-catalogue revenue for FY2020.

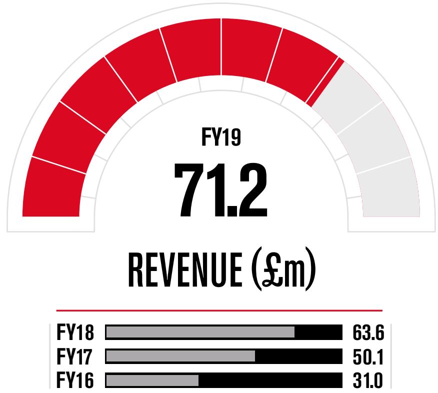
Ensuring our games are of the highest quality for our discerning audiences is key. As such, FY2020 will see an increase in our development costs as we continually improve the quality of our games, service them for many months post launch and invest in anticipation of the next generation consoles and streaming platforms to ensure that we keep providing innovative racing games to our community.

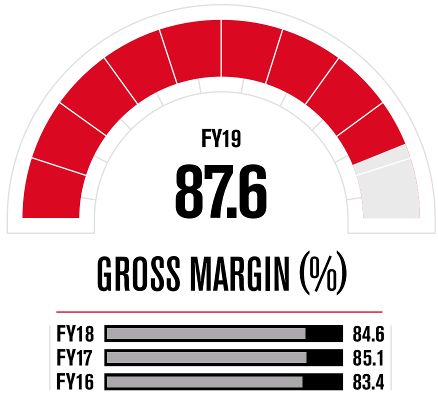
Alongside the Group's own successes, the structural drivers in our industry are here to stay and will propel the future growth of our business. We expect the continuing move into digital distribution, together with the evolution of the Games as a Service model and the development of streaming platforms, to provide further opportunities for Codemasters going forward, and we look forward to continuing to be at the forefront of the evolution of our industry. It has taken the industry forty years to become a $135 billion industry and we believe it is well placed for continuous growth. The most exciting times are clearly ahead of us.

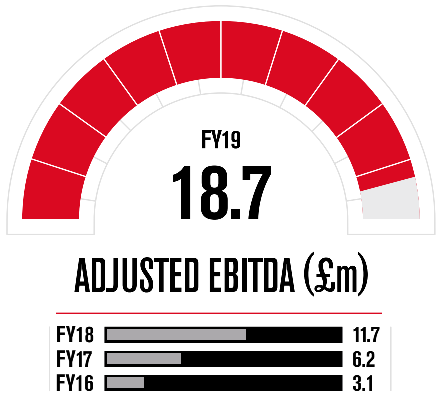
Frank Sagnier
Chief Executive Officer
9 June 2019

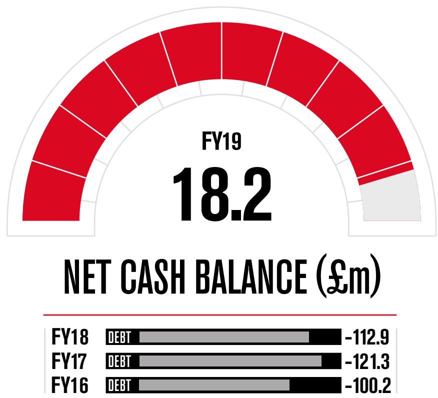
A STRONG FINANCIAL POSITION

FINANCIAL METRICS









Rashid Varachia | Chief Financial Officer

Overview

As detailed in the Chief Executive Officer's review, the significant progress made against the Group's strategic objectives has delivered FY2019 profitability ahead of our expectations set at the time of the IPO and significantly ahead of the prior year. The Group delivered revenue of £71.2 million which represented a 11.9% increase from £63.6 million in 2018.

A higher proportion of digital sales has contributed to a gross margin percentage of 87.6% which has increased by 3% from 84.6% in 2018. Adjusted EBITDA of £18.7 million (2018: £11.7 million) has also increased by 59%.

Adjusted EPS of 13.3 pence has increased by 5.2 pence from 8.1 pence per share in 2018. Following the proceeds of the IPO, the pre-IPO Group restructuring and the settlement of loans, cash balances as at 31 March 2019 were £18.4 million (net cash of £18.2 million after deducting finance lease creditors).

Revenue

£71.2m

Cash balance

£18.4m

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Revenue	**71,219**	63,566
Gross profit	**62,388**	53,776
Gross Margin %	**87.6%**	84.6%
Operating profit	**8,304**	8,058
– amortisation & impairment of development costs and computer software	**27,470**	20,292
– less interest on unwinding of licensing agreements	**(2,001)**	(1,028)
– depreciation	**1,430**	1,084
– capitalisation of development costs	**(23,231)**	(23,435)
– share based payments	**6,725**	6,762
Adjusted EBITDA	**18,697**	11,733
Tax (charge)/credit on profit on ordinary activities	**771**	2,384
Less non-cash tax items (deferred tax charged to income statement)	**(838)**	(2,409)
Cash interest	**34**	(356)
Adjusted net income	**18,664**	11,352

Trading

The Company delivered £71.2 million of revenue in 2019 (2018: £63.6 million), primarily driven by performance of the major releases in the year (F1® 2018, DiRT Rally 2.0 and ONRUSH). 2018 also included three major releases (F1® 2017, DiRT 4 and Micro Machines World Series).

Revenue from current year releases have also been supported by the continued strength of revenue from the Group's back catalogue (games released in prior financial years) and a number of specific agreements to further sell Codemasters product into new markets or channels.

In addition, the Group has also recognised £5.6 million of revenue in FY19 from the strategic arrangement with NetEase.

Where the Group enters into a specific arrangement for sales of product into new markets these are typically through digital channels. Together with the continued shift of the market to consuming a greater proportion of digitally downloaded games, this has led to the proportion of sales from digital channels increasing to 59.2% in 2019 (2018: 41.3%). Digital sales are beneficial to the Group as they deliver an increased gross margin when compared to boxed titles. With all Codemasters product available digitally, this guarantees a greater longevity of the back catalogue in the market.

In 2019 the Group has achieved a gross margin of 87.6% (2018: 84.6%). We expect these market trends to continue and gross margin to remain ahead of 2018 levels going forward.

The Company's Board of Directors use Adjusted EBITDA as a key trading performance indicator. The Board believes this provides a meaningful measure of the underlying operational cash earnings of the Company. The table above reconciles operating profit which is reported in the income statement to Adjusted EBITDA.

Adjusted EBITDA includes cost of sales, development costs and sales, general and administrative costs. In 2019 Adjusted EBITDA of approximately £18.7 million was achieved (2018: £11.7 million). Growth in Adjusted EBITDA has been driven by the growth in revenue and shift to more profitable routes to market than in previous years.

Commentary regarding the key reconciling items noted above is as follows:

- Amortisation includes long-term amortisation of capitalised development costs and long-term contracts. The key component is amortisation of capitalised development costs, whereby the development costs of each title are released over a 12-month period into the income statement, 65% in the first month, with the remainder split equally over the eleven remaining months. Amortisation is a non-cash accounting entry and is dictated by the timing of releases.
- Amortisation costs of £27.5 million (2018: £20.3 million) include a £2.6 million impairment charge in relation to the ONRUSH asset, which was released in 2018 and the charge was booked in the first half of FY2019. The vast majority of the impairment would have been recognised as an amortisation cost in the second half of FY2019. The increase in amortisation when compared to 2018 reflects the underlying development costs of the titles released in those years, with an increased level of investment in the current year titles.
- Interest on unwinding of licensing agreements of £2 million (2018:£1 million) are recorded below operating profit within the income statement but form a recurring cost, which is necessary for the Group to be able to release certain titles. All licensing costs are considered together by the Board of Directors and are included in Adjusted EBITDA calculation.
- Depreciation of £1.4 million (2018: £1.1 million) has been recognised in the year. As part of the Group's capitalisation policy certain overheads, including depreciation are capitalised where they are directly related to developing the Group's games. In FY2019 £1.1 million (2018: £0.9 million) of depreciation was capitalised within capitalised development costs.
- Capitalisation is the measure of development costs incurred that are held as an intangible asset prior to release of the applicable title. Certain long-term licences entered into in the period are also capitalised (and amortised upon release of the title associated with the licence). Both are non-cash measures. Capitalisation of £23.2 million (2018: £23.4 million) is in line year on year. However, investment in the Group's releases have increased in the year, with a greater proportion of costs incurred on post release services, which are not capitalised. Also in 2018 a long-term licence (which triggered a commitment to developing future titles and to payment to the licensor over a period of time greater than one year) was entered into, which led to £7.6m being capitalised as an intangible asset.
- Share-based payments in the year of £6.7 million (2018: £6.8 million) are a non-cash charge. £5.5 million of the £6.7 million charge relates to the accounting fair value of share options awarded to executive management prior to the IPO of the Company. These items are considered to be a one-off associated with the IPO and do not reflect a cash outflow to the business.

Creative sector market

Creative sector relief recognised in the period of £7.3 million (2018: £6.2m) represents the expected relief receivable for 2019 based upon the qualifying costs incurred in the period. The increase in the current year reflects increased investment in the Group's product offering.

Non-recurring items

The £1.5 million non-recurring costs relate to associated costs of the IPO.

Interest payable

Net interest payable of £3.9 million (2018: £9.6 million) includes a charge of £2.2 million (2018: £7.7 million credit) relating to foreign exchange movement on the US Dollar loans held at the start of the period repayable to the Group's former owner Reliance Big Entertainment (Singapore) Pte. Ltd.

It also includes £2 million (2018: £1 million) of interest on the unwinding of licensing agreements. Both items are non-cash in nature. Cash loan interest payable is £15,000 in 2019. In 2018 £16.2 million was incurred in relation to either related party or third party loans. The largest component were the related party loans that were released as part of the pre-IPO restructuring.

Profit after tax

At the start of FY2019 the Group had in excess of £120 million of brought forward trading losses. As such, corporation tax charges have been minimal in the year, reflecting the Group's ability to utilise brought forward losses. In 2019 a deferred tax credit of £0.8 million (2018: £2.4 million) was recognised as an estimate of future tax saved from utilising brought forward losses in future periods.

2019 profit after tax was £3.7 million (2018: £0.9 million).

Basic earnings per share was 3.0 pence (2018: loss per share 70.1 pence).

Adjusted EPS was 13.3 pence (2018: 8.1 pence). This is a non GAAP measure presented as a meaningful comparison of earnings per share across periods. It is defined as Adjusted net income per share(which is also a non GAAP measure used as a proxy for cash earnings), where the number of shares across each period is the current amount of Ordinary shares in issue.

Given the significant variance in the number of shares in issue pre and post IPO and the associated impact on weighted average number of shares in issue between the periods, an adjusted measure has been presented. Adjusted net income is defined as Adjusted EBITDA less cash interest and tax paid.

Statement of financial position and cash flow

Prior to the Company's admission to AIM, it undertook a pre-IPO restructuring, which has impacted the Group's statement of financial position. This included the interest and principal on a number of related party loans being released, the redesignation and cancellation of a number of shares and the reclassification of share premium as distributable reserves.

Further details regarding these transactions are discussed in note 27 to the financial statements.

On IPO 7,500,000 new Ordinary shares of 1p each were issued, which generated £15 million of gross proceeds, allocated between called up share capital (£75,000) and the balance in share premium. IPO costs associated with the issue of the new Ordinary shares of £0.2 million were recognised directly within share premium.

The grant of options to executive management of the Company pre-IPO led to a total charge of £13.2 million in the period (offset by a £7.8 million release of previous share options that were replaced). The vesting of the options has led to the associated liability being recognised within reserves. The value reflects the fair value of the options granted and not a cash outflow. The residual £1.2 million share-based payments charge relates to new share-based payment schemes issued following the IPO.

In 2019 related party loans of USD 5 million were repaid (pre-IPO), other third party loans outstanding as at 31 March 2018 of approximately £2.2 million were also settled in 2019. With the exception of a small number of finance leases, totalling less than £0.3 million, the Company is now debt free.

There were £9.2 million trade and other receivables at 31 March 2019 (2018: £3.3 million). The variance year on year is driven by the timing of the DiRT Rally 2.0 release increasing the amount of accrued income from console providers and other customers.

Within trade and other payables there is £6.3 million that is payable in a period greater than one year (2018 £7.9 million). One of the agreements outstanding at the end FY18 has become due in less than one year in the first half of 2019.

As at 31 March 2019, the Company had £18.2 million in net cash (2018: net debt £112.9 million). The movement from a net debt position to holding significant cash reserves reflects the level of borrowings repaid in the period (mostly pre-IPO) and the £15 million gross proceeds from new shares issued at IPO.

Rashid Varachia
Chief Financial Officer
9 June 2019

> "The Group has continued to invest in its product offering in FY2019, which has contributed to revenue and adjusted EBITDA generation. Following the IPO the Group is now debt free, but still has IPO proceeds available for future investment opportunities."

“It’s great to be a part of that healthy UK games development community.”

Frank Sagnier

MAKING A DIFFERENCE

“If you have a happy team it comes through in the game. You can tell games that are made by a happy well-bonded, passionate team, versus teams that are perhaps not functioning as they should be. I honestly think that shines through.”

Clive Moody –
Senior Vice President – Product Development

It’s our duty to operate responsibly

We believe our responsibilities extend beyond our customers and include, amongst other things, the way we treat our employees and our approach to health and safety and the environment.

Codemasters is a proud partner of Humble Bundle

Humble Bundle is a digital distribution platform that allows consumers to buy 'bundles' of games with a percentage of the sale going directly to charity.

The philosophy is to offer gamers flexible pricing and let them decide how much they wish to pay and how the payment is split between Charity, Humble and Games Partner.

In 2018, Codemasters created the 'Humble Codemasters Racing Bundle'; a collection of early racing games including F1® 2011, F1® 2012, F1® Race Stars and Toybox Turbos as part of the 'pay what you want' model. Newer games including GRID 2 and F1® 2015 were also included for an additional cost.

At the end of 2018, Humble Bundle had raised over $260 million for charity and good causes thanks to the support from the world's biggest games publishers. Some of the charities that have benefitted from the money include War Child, Save the Children and GamesAid.

Codemasters has an ongoing commitment to support Humble Bundle and more 'Bundles' will be released during 2019.

Humble Bundle has raised

$260m

How it works

Pay What You Want
The core of our bundle 'philosophy' is flexible pricing. When you buy a bundle, you can choose the price you want to pay. You can even choose how your money is divided – between the creators, charity, Humble Partners, and Humble Bundle.

Contribute to Charity
Every type of product we sell contributes a portion of proceeds to charity. On many products, you can allocate part (or even all!) of your purchase to a charity of your choice.

Play on Steam & More
When you purchase something on Humble Bundle, you'll get a key to redeem on Steam, Uplay, GOG, or another platform. Many of our books and games are also offered DRM-free.

Visit: www.humblebundle.com

Women in Gaming

Codemasters is helping to lead discussions on gender diversity and looking at ways to increase the percentage of women joining the Company and the games industry.

The Company has partnered with two organisations – Women in Gaming and G into Gaming and is working on initiatives to highlight the opportunities for women to enter this exciting sector.

In February, Codemasters hosted a G into Gaming event at the Southam campus which included panel discussions with high-profile female executives from a range of disciplines including development and media. The current number of female employees in the games industry is 20% and Codemasters is committed to playing its part in increasing this number in the coming years.

Codemasters has already begun implementing changes in order to encourage future female employees, including offering flexible working hours, participating in girls' schools career days and, for current employees, having an approachable, confidential 'open door' HR department to address any issues of discomfort being experienced by staff.

As a business, there is a consensus that both male and female advocacy is needed to generate change and Codemasters is in the process of creating a joint male and female steering committee to coordinate further progress. It is promoting case studies in the media to highlight successful women already working in the Company, highlighting that female applicants will not be a lone voice and that a career in the games industry is a viable and highly rewarding option.

Other initiatives include reviewing job advertisements to ensure inclusive language, participating in outreach programmes at local schools and universities and exhibiting at events designed to showcase games careers to local people in order to make Codemasters more accessible to a broad range of talent irrespective of gender.

SpecialEffect
The gamers' charity

Special Effect is a charity that aims to put fun and inclusion back into the lives of people with physical disabilities by helping them to play video games.

Codemasters CEO, Frank Sagnier, is one of Special Effect's Vice Presidents and he actively encourages the Company to create ways to both promote and raise funds for the charity.

Similar to the Humble Bundle, Codemasters has created packages of older titles with all monies going directly to Special Effect. In recent months staff participated in two Special Effect charity fundraising events: Special Effect Karting Grand Prix 2019 and Rough Runner Manchester. We will also be hosting Special Effect in all three UK studios during the summer and we are committed to finding more ways to raise money for this charity that does so much good for the game's industry by helping to connect families through the playing of video games.

GENDER PAY GAP

GENDER PAY GAP
Closing it together

Codemasters' journey to build a more diverse and gender balanced business culture is continuing; we have made small steps but we know we still have a long way to go across all four pay quartiles.

We have an inclusive culture, which values differences, where each and every employee has the opportunity to grow and is empowered to fulfil their own sense of purpose.

Across the industry, gender diversity is an issue and one that we are focused on tackling. It is widely acknowledged that encouraging women into the industry starts at a young age, as such, we are working in partnership with schools and colleges in the community to help educate, attract and inspire girls and young women into an education in STEM subjects. Concurrently, we have committed to a series of university lectures, games education summits and school career days all with the aim of promoting Codemasters and attracting the next generation of talent, regardless of gender.

Alongside this, we are using our industry voice to highlight the variety of roles and opportunities available within the games industry across all disciplines, from product development to creative design, marketing and community management, and will continue to focus on improving the recruitment process, reviewing job advertising to ensure inclusive language.

Internally, we fully support our staff, regardless of gender. As such, our managers play an important role in the development of both male and female talent. We will continue investing in their development to make them better coaches and advocates.

Codemasters is committed to attracting a diverse workforce, but core to this is ensuring we maintain a supportive and inclusive culture where everyone feels respected, safe and able to reach their full potential.

Visit: www.codemasters.com

Modern Slavery

Whilst there may not be a significant inherent risk of modern slavery in the Group's supply chain, the Group is committed to ensuring that it eliminates any exposure to modern slavery. Codemasters policy on tackling modern slavery reflects its commitment to effective governance and ethical behaviour in all of its business practices.

Our recruitment and employment procedures include appropriate pre-employment screening of all staff to determine right to work in the UK, or Malaysia. We expect all employees to conduct business with honesty and integrity and we have a zero tolerance to bribery and corruption. We are also committed to ensuring that all employees receive fair pay for the role that they perform.

We expect the same high standards from those we work with and are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business.

We have a clear Whistleblowing Policy which is established on our intranet site: if there are any genuine concerns about wrongdoing or breaches of law then these concerns can be raised in confidence without fear of disciplinary action.

Visit: www.codemasters.com

Pride Month

Codemasters is committed to inclusivity and making sure our LGBT community feels safe, respected and loved at all times.

Codemasters is committed to inclusivity and making sure our LGBT community feels safe, respected and loved at all times. To celebrate Pride Month, Codemasters proudly displayed the Rainbow Stripes for the month of June

The Group is subject to a number of business risks that are inherent to a competitive and rapidly expanding market. These risks include strategic, competitive or financial risks. The Board actively monitors these risks and takes action to mitigate the Group's exposure to these risks.

The key business risks facing the Group are outlined below:

RISK	DESCRIPTION	MITIGATION
Intellectual property rights	The Group 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 Group is working on or has previously released. If the Group cannot successfully enforce its intellectual property rights this could have a material adverse effect on the Group's business.	The Group 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 Group. The Group's trademarks are monitored by a trademark attorney and third parties are bound by confidentiality provisions around the use of its intellectual property.
Launch of new titles and next generation of consoles	The Group 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 Group.	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 Group 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.
Single genre & deterioration of F1®	Codemasters products are within a single genre of the video gaming industry, the racing genre. In addition, the Group's F1® franchise is reliant on the popularity of F1®. Any reduction in the popularity of F1® or the wider racing genre would have a material impact on the Group's business.	Racing games are an evergreen genre within video gaming. The genre has a proven track record or delivering some of the most popular titles in each generation of console. In addition, the global popularity of F1® is continuing to grow, which presents further opportunities for the Group.
Dependence upon key personnel	The Group relies upon a small management team and the loss of a key individual could result in the Group not successfully implementing its strategy. As an example the Group's F1® contracts and the wider relationship require support from suitably experienced members of the Group.	The Board believes that the Group has the appropriate remuneration and other incentivisation structures in place to retain and attract the calibre of employees necessary to ensure the continued development of the Group and its future success.
Reliance on strategic relationships	In conducting its business, the Group relies upon the continuation of its strategic relationships within the industry. Specifically the majority of boxed revenue is derived from the distribution agreement with Koch. A material disruption in the distribution of the Group's packaged goods would have a material adverse impact on the Group's financial performance.	The Board believes that the relationships with key strategic partners are strong. In addition, there are alternative providers available for such external services in the event of an unforeseen event impacting one of those partners. Furthermore, as a greater proportion of the Group's revenue is from digital channels this reduces the reliance on strategic partners for boxed products.
Reliance on F1 relationship	The Group's ongoing relationship with F1® is a key asset of the Group. Were Codemasters to fail to release a title pursuant to the licence with F1® or were the owners of F1®, Liberty Media, not to renew the licence for the F1® 2022 game onwards, this would have a significant impact on the Group's portfolio of franchises and on its future revenue generation.	The Board maintains a close relationship with F1®, it continues to promote F1® titles to a wider audience offering a greater range of products, including F1® Mobile Racing to mobile customers and the F1® Esports series. All of these are commercially beneficial to F1® and the Group and further strengthen the relationship between the two parties.
Foreign exchange movements	The Group has certain contracts priced in foreign currencies, has employees based overseas paid in foreign currencies and receives a substantial amount of revenues in foreign currencies (mostly US Dollars and Euros). There is significant exposure to the risk that adverse exchange rate movements could cause revenues to decrease or costs to increase in the reporting currency.	Revenues are concentrated around new title release dates, which are inherently uncertain making hedging against currency risk difficult in practice. However, where relevant the Group uses forward foreign exchange contracts to mitigate the exposure of cash flows to foreign currency exchange fluctuations. These contracts are not entirely effective but can remove a significant amount of currency exposure.

RISK	DESCRIPTION	MITIGATION
Market growth, new developments and changing technology	The video games market is competitive, selective and is subject to concentration and economic fluctuations. There are also rapid technological changes requiring significant research and development. In order to remain competitive, the Group will need to continue to select the games it develops and adapt how it derives its revenues from its games and technology in a changing consumer environment.	The Group is mitigating this risk by moving towards a greater proportion of its revenue from digital distribution of its products. In addition, the Group's own intellectual property and proprietary racing engine and well established brands provide flexibility of delivering a consistently evolving range of products.
Video Games Tax Relief ('VGTR')	The Group benefits from the VGTR scheme that came into force in 2014 and to date all of the internally developed franchises qualify for VGTR. Therefore the Group receives a substantial VGTR cash inflow to partially offset its development costs. If changes to VGTR policy were made preventing future releases for qualifying from the tax relief this could materially impact the Group's future financial performance.	Current UK tax policy states that VGTR will be available until 31 March 2023. The Group has a proven track record of developing titles that qualify for VGTR.
Reliance on stability of IT systems	The Group is highly dependent on the effective operation of its IT systems and infrastructure. This dependence is increased by the Group's workflow structure, which provides for work to be passed between operations within the UK and overseas. Any major systems failure could cause a material delay or interruption of the Group's operations and ability to fulfill its contractual obligations.	The Group has put in place business continuity and disaster recovery procedures in the event of failure of, disruption to or damage to the Group's IT network or IT systems.
Economic conditions/ Brexit	As a provider of global consumer products the Group is exposed to fluctuations in the global economy. In addition, being based in the UK the Group is exposed to the potential future legislative changes, including access to skilled personnel and exposure to any economic downturn both in the UK and overseas. There remains significant uncertainty regarding the UK's exit from the European Union and the impact this may have on businesses within the UK. The Group's business, financial conditions and prospects could be impacted by the global economy and Brexit.	Having a global customer base provides a natural mitigation against a localised economic downturn. The Board is closely monitoring the developments of Brexit and where an associated risk becomes more prevalent the necessary action will be taken to mitigate it accordingly.

The Strategic Report on pages 8-33 has been approved by the Board and signed on its behalf by:

Frank Sagnier
Chief Executive Officer
9 June 2019

BOARD OF DIRECTORS

GERHARD FLORIN

Non-Executive Chairman

Committee Membership – Audit Committee & Remuneration Committee (Chair)

Gerhard has over 20 years' experience in the entertainment and gaming industry. He currently serves on the board of InnoGames GmbH and MTG AB, a Swedish based public company as a Non-Executive Director. Gerhard has previously served on the boards of Funcom NV and King Digital Entertainment plc, and was Chairman of the latter between 2014 and 2016. Between 2006 and 2010, Gerhard served as an Executive Vice President and General Manager of Publishing at Electronic Arts Limited, being responsible for the Company's worldwide publishing business, prior to which he held various positions in Electronic Arts' German and British operations.

Gerhard holds a Master's and PhD degree in Economics from the University of Augsburg, Germany.

FRANK SAGNIER

Chief Executive Officer

Frank has been in the games industry for over 20 years. He started at Acclaim Entertainment as Head of European Marketing. He then moved to Electronic Arts Limited where he successfully managed the European marketing and Third-Party Publishing teams. Frank was also part of the global leadership team that drove the company into the online and mobile era. After many years in the corporate world, Frank spent several years running a number of game development studios backed by venture capital firms and focused solely on digital free-to-play business models.

Frank joined Codemasters in 2014, when he was recruited as Chief Executive Officer to implement the Group's strategy. Frank is also an Ambassador for BAFTA Games and a Vice President of 'SpecialEffect', a UK-based charity which uses video games and technology to enhance the quality of life of people with disabilities.

RASHID VARACHIA

Chief Financial Officer

Rashid is a Chartered Certified Accountant, who trained with KPMG UK and since qualifying has held a number of senior finance roles. He joined Codemasters in 2012 as Vice President of Finance, responsible for all finance, HR, IT and Company secretarial matters. He was then promoted to his current position, Chief Financial Officer, in 2015. Prior to joining Codemasters, Rashid was the Divisional Finance Director at Technicolor Home Entertainment services, part of Technicolor SA which is listed on Euronext Paris.

IAN GOMES

Non-Executive Director

Committee Membership – Audit Committee (Chair) & Remuneration Committee

Ian Gomes spent his professional career of over 30 years with KPMG UK, 23 years of which as a Partner. He has worked in multiple environments with extensive client facing and executive leadership roles in the UK, Middle East and Asia. He has substantial global experience as lead auditor and adviser to major companies. His wide cross sector experience also spans strategy, risk mitigation and control, transformation, fund raisings, forensic investigations, acquisition due diligence and post-acquisition integration. Ian is currently an independent director and chair of the audit committee at Wyelands Bank plc, a UK bank.

Ian holds a Master's degree in Business Administration and is a Fellow of the Institute of Chartered Accountants in England & Wales.

SHIBASISH SARKAR

Non-Executive Director

Shibasish Sarkar is a Media & Entertainment Industry professional with over 25 years of corporate experience in handling multiple verticals across gaming, films, television, animation, digital content and new media platforms. He is part of the leadership team with the Reliance ADA group and has demonstrated organisational capabilities in establishing and scaling business operations, driving sustainable growth by forming key alliances, and managing stakeholders, talent partners and cross functional teams. He is adept at liaising with industry bodies and government authorities and is often called upon to speak at industry related forums.

Shibasish is a Chartered Accountant, Cost Accountant and Company Secretary with an MBA in marketing. His past employment includes senior positions at Percept Picture Company, Viacom 18, UTV Disney and Godrej Sara Lee Ltd. Besides serving in the capacity of director and member of the board within various Reliance ADA group companies, Shibasish leads Reliance ADA's Media & Entertainment businesses as its group Chief Operating Officer.

CORPORATE GOVERNANCE STATEMENT

Introduction

Under the AIM Rules for Companies (AIM Rule 26), since 28 September 2018 AIM-quoted companies have been required to apply a recognised corporate governance code.

The Company has adopted The Quoted Companies Alliance Corporate Governance Code ('QCA Code') (which is available at www.theqca.com). The QCA Code takes key elements of good governance and applies them in a manner which is applicable to the different requirements of growing companies; it is constructed around ten broad principles and a set of disclosures.

It is the Board's responsibility to ensure that good standards of corporate governance are embraced throughout the Group. It is the primary responsibility of the Company's chairman to ensure that the Company correctly implements and applies the ten principles of the QCA Code to support the Company in achieving its goal of being the world leading independent racing game distributor and publisher.

The Board reviews its compliance with the QCA code on an annual basis, which is expected to be reviewed at the same time as the Company's Annual Report and Accounts are prepared.

Opposite is a table setting out the ten principles of the QCA code and summarises where in this Annual Report narrative regarding the Company's compliance can be found. Further information regarding Corporate Governance is available on the Company's website at www.codemasters.com including the date when the Board last reviewed it's compliance with the QCA code.

QCA Code	Principle	Relevant section(s) of the Annual Report
1	Establish a strategy and business plan which promote long-term value for shareholders	Strategic Review pages 14 to 15 Chief Executive Officer's Review pages 20 to 23
2	Seek to understand and meet shareholder needs and expectations	Corporate Governance Statement – Investor Relations and Communications page 39
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Strategic Review – Corporate Social Responsibility pages 28 to 31 Corporate Governance Statement – Stakeholder and social responsibilities page 39
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Strategic Review – Principal Risks and Mitigations pages 32 to 33 Corporate Governance Statement – Review of business risk and internal control page 38
5	Maintain the Board as a well-functioning, balanced team led by the Chair	Board of Directors page 34 to 35 Corporate Governance Statement – Board Committees pages 37 to 38
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Board of Directors page 34 to 35 Corporate Governance Statement – Board Committees pages 37 to 38
7	Evaluate Board performance on clear and relevant objectives, seeking continuous improvement	Corporate Governance Statement – Board Committees pages 37 to 38 Remuneration Committee report pages 42 to 43
8	Promote a corporate culture that is based upon ethical values and behaviours	Corporate Social Responsibility section pages 28 to 31 Corporate Governance Statement – Stakeholder and social responsibilities page 39
9	Maintain governance structures and processes that are fit for purpose and promote good decision-making by the Board	Corporate Governance Statement – Introduction page 36 Corporate Governance Statement – Board Overview page 37 Corporate Governance Statement – Board Committees pages 37 to 38 Strategic Review, Principal risks and mitigations pages 32 to 33
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Corporate Governance Statement – Introduction page 36 Corporate Governance Statement – Board Committees pages 37 to 38 Corporate Governance Statement – Investor Relations and Communications page 39

Board overview

The Board has collective responsibility and legal obligation to promote the interests of the Company and is collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Board. The Group holds Board meetings at least four times each complete financial year and at other times as and when required.

The Board comprises five Directors, an independent Non-Executive Chairman, two full time Executive Directors and two Non-Executive Directors, Directors' biographies are summarised on pages 34 to 35. The Director's biographies contain details of relevant experience, skills and personal qualities and capabilities which each Director brings to the Board. The Board considers that collectively it has an appropriate balance of sector, financial and public markets knowledge and expertise as well as having an appropriate balance of personal qualities and capabilities. Each Director is encouraged to maintain and enhance their skill sets utilising methods appropriate to their own circumstances.

The Chairman and one Non-Executive Director are considered independent. The other Non-Executive Director, Shibasish Sarkar, is a representative of the Company's major shareholder. Each Non-Executive member of the Board has confirmed that they are able to devote the time required to the business of the Company. The Company operates in a dynamic environment and each Non-Executive Director recognises that the time commitment required by the Company may vary as it matures.

The Company has adopted, and will maintain, governance structures and processes that are fit for purpose and support good decision-making by the Board.

The Company has an Audit Committee and a Remuneration Committee. The Board believes these committees provide governance structures and processes in line with its corporate culture and appropriate to its size and complexity; and capacity, appetite and tolerance for risk. The Company also has a schedule of matters reserved for the Board, which details key actions that are not delegated beyond the Board. These include but are not limited to approval of changes to the Board, approval of the business strategy, acquisitions or disposals from the Group.

The performance of the Board is reviewed at least annually, as part of the review the Board considers the membership of the Board and whether it needs refreshing.

Currently the Board has five male Directors. The Directors consider the current Board Structure, size and composition appropriate, taking into account the challenges and opportunities facing the Company. In considering future candidates, the appointments will be made with regard to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skills, expertise and experience. The Board will consider gender diversity, along with all other relevant factors when considering future appointments.

Board Committees

Audit Committee

The Audit Committee meets at least four times a year and is chaired by Ian Gomes, Gerhard Florin is the other member of the Audit Committee. All members of the Audit Committee must be Non-Executive Directors and both members must be present to form a quorum at a meeting. It is responsible for ensuring that the financial performance of the Company is properly reported on and reviewed.

The Audit Committee also has responsibility for ensuring that the Company has in place the procedures, resources and controls to enable compliance with inter alia the AIM rules and the QCA code.

The Audit Committee has written terms of reference, its role includes:

i. monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements);
ii. undertaking narrative reporting and advising the Board on whether the content of the Annual Report and Accounts provides the necessary information for shareholders to assess the Group performance, business model and strategy;
iii. reviewing internal control and risk management systems;
iv. reviewing compliance, whistleblowing and fraud systems;
v. reviewing any changes to accounting policies;
vi. reviewing and monitoring the extent of the non-audit services undertaken by external auditors; and
vii. advising on the appointment of external auditors. The Audit Committee will have unrestricted access to the Company's external auditors.

The Audit Committee also annually reviews the requirement for an internal audit function. Given the close monitoring of the business by the Executive Directors and Senior Management, the Audit Committee does not consider that a formal internal audit function within the business is currently required.

The Audit Committee Report can be found on page 40.

Board Committees continued

Remuneration Committee

The Remuneration Committee meets at least twice a year and is chaired by Gerhard Florin, Ian Gomes is the other member of the Remuneration Committee. All members of the Remuneration Committee must be Non-Executive Directors and both members must be present to form a quorum at a meeting. It is responsible for assisting the Board in setting Director and senior officer remuneration and to develop and submit to the Board recommendations with respect to other employee benefits considered advisable. The Remuneration Committee has written terms of reference, its role includes:

The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's Chief Executive, the Chairman, the Executive Directors, the Company Secretary and other senior executives as designated by the Board. The Remuneration Committee also has responsibility for:

i. recommending to the Board a remuneration policy for Directors and executives and monitoring its implementation;
ii. approving and recommending to the Board and the Company's shareholders the total individual remuneration package of the Chairman, each Executive and the Chief Executive Officer (including bonuses, incentive payments and Share Incentive Awards or other share awards);
iii. approving and recommending to the Board the total individual remuneration package of the Company Secretary and all other Senior Executives (including bonuses, incentive payments and Share Incentive Awards or other share awards);
iv. approving the design of, and determining targets for, any performance-related pay schemes operated by the Company; and
v. reviewing the design of all equity-based incentive plans for approval by the Board and shareholders, in each case within the terms of the Company's remuneration policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or member of management may be involved in any discussions as to their own remuneration.

Further information is set out in the Remuneration Committee report on pages 42 to 43.

Nomination Committee

The Company considers that, at this stage of development, and given the current size of the Board, it is not necessary to establish a formal nominations committee. This position will be reviewed on a regular basis by the Board.

Board performance

The Board has adopted a policy to evaluate Board performance on an annual basis based upon the following clear and relevant objectives:

- suitability of experience and input to the Board;
- attendance at Board and Committee meetings; and
- interaction with management in relevant areas of expertise to ensure insightful input into the Company's business.

The Board has not yet undertaken a formal performance review but intends to do so on an annual basis commencing in 2019.

The performance review will initially be carried out internally and will include a review of its effectiveness as a unit as well as the performance of its committees. As part of the review consideration will be given to succession planning and development or mentoring of individual Directors and the wider Senior Management team where such need is recognised.

Attendance at Board meetings

Since being admitted to AIM on 1 June 2018 the Board has held seven meetings. The Audit Committee and Remuneration Committee have both met twice.

	Board	Audit Committee	Remuneration Committee
Gerhard Florin (Independent Non-Executive Chairman, Chair of Remuneration Committee & Audit Committee member)	7/7	2/2	2/2
Ian Gomes (Independent Non-Executive Chair of Audit Committee & Remuneration Committee member)	6/7	2/2	2/2
Shibasish Sarkar (Non-Executive Director)	7/7	N/A	N/A
Frank Sagnier (Executive Director & Chief Executive Officer)	7/7	N/A	N/A
Rashid Varachia (Executive Director & Chief Financial Officer)	7/7	N/A	N/A

Auditor independence

The Company's external auditor is Grant Thornton UK LLP, who has served the Company since 25 May 2018. The external audit function provides independent review and audit. It is the responsibility of the Audit Committee to review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements as well as developing and implementing policy on the engagement of the external auditor to supply non-audit services.

Review of business risk and internal control

The Board regularly reviews and considers the risks to which the business is exposed and discusses the measures which are in place to mitigate risks with the Executive Directors and the management team. The Board is satisfied that the management team has implemented effective risk management throughout the business. This is an ongoing process, some of the key activities that the Board undertake as part of this process are as follows:

- review of monthly consolidated management accounts prepared in accordance with IFRS;
- detailed preparation of annual budgets and monitoring of performance against those budgets. In addition to this detailed preparation of re-forecasts as required within the financial year and regular monitoring of performance against the re-forecast in addition to budget;
- weekly meetings of senior management to include strategic, financial and operational performance; and
- strategic and financial reviews undertaken at all Board meetings, with actions arising monitored and reviewed at subsequent meetings.

The Board continually monitors the process to maintain effective internal controls. The Audit Committee also annually reviews the requirement for an internal audit function. Given the close monitoring of the business by the Executive Directors and senior management, they do not consider that a formal internal audit function within the business is currently required.

Included within the written matters reserved for the Board of Directors is the annual assessment of the significant risks and effectiveness of the Group's internal controls. As part of pre-IPO due diligence, the Group's internal controls and risk management procedures were reviewed by professional advisers, this included the following:

- a review of the Financial Position and Prospects Procedures Report ('FPPP'), which included details of the Group's internal controls;
- a report on the Historical Financial Information by the Group's Reporting Accountants;
- legal due diligence reports undertaken by the Group's legal advisors; and
- a strict verification process of details in the Admission Document.

There were a small number of recommendations highlighted by the review of the FPPP; many of these were implemented prior to admission. All other recommendations have either been subsequently implemented or, in the case of one recommendation, are in the process of being updated.

Stakeholder and social responsibilities

The Company has identified both internal and external stakeholders. The Company communicates with its internal stakeholders using a number of different methods of both formal and informal. It has instituted employee forums in which employees are encouraged to discuss topics relevant to morale, business developments, products and other relevant matters.

The Board believes that the Company's corporate values guide its objectives, strategy and business plan. The Board promotes a corporate culture that is based on ethical values and behaviours and has adopted a number of policies in support of this which include but are not limited to:

- Code of conduct;
- Anti-Bribery and Corruption Policy;
- Share Dealing Code;
- Communications Policy; and
- Whistleblowing Policy

The Company promotes the health and well-being of all employees. All employees have access to free fruit, the use of a gym and outdoor recreational facilities and equipment, including a football pitch and 30 acres of grounds at our head office in Southam, Warwickshire.

Externally as explained further in our corporate social responsibility section we are committed to attracting a diverse workforce and nurturing an inclusive culture. We are focused on tackling the issue of gender diversity in the industry, through promotion of Codemasters to schools, universities and at other summits.

We are also committed to eliminating modern slavery in our supply chain, we ensure that all employment procedures include the appropriate right to work screening and expect that our partners also are committed to eliminating modern slavery. Going forward we will reinforce this by reviewing our procurement process and providing all of our employees with training on awareness of modern slavery.

Investor relations & communication

The Company has adopted a communication and reporting structure which sets out the manner of open communication between the Board and all constituent parts of its shareholder base. The Chairman and the Executive Directors have met with shareholders throughout the period following the Company's IPO. From time-to-time the Company will participate in investor focused conferences and forums, and the Company will endeavour to make prior announcement of such engagements such that shareholders of the Company may wish to attend themselves and meet with those members of the Board and/or senior management who may be present.

Information on the Company is available to shareholders, investors and the public on its website www.codemasters.com, which is informative and current. The Company is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. The Company also communicates with shareholders through its Annual Report and Accounts, full-year and half-year announcements, trading updates and the Annual General Meeting and encourages shareholders' participation in face-to-face meetings.

Shareholders are encouraged to contact the Company – this can readily be done by e-mail submission to investor.relations@codemasters.com or the Chairman may be contacted by emailing the Company Secretary at elysium@elysiumfundman.com.

Annual General Meeting

The matters to be conducted at the Annual General Meeting of the Company are detailed in a separate Notice of the Annual General Meeting, which is issued to shareholders alongside this Annual Report.

AUDIT COMMITTEE REPORT

MEMBERSHIP

Committee membership	Meetings held/ attended
→ Ian Gomes (Chair)	2/2
→ Gerhard Florin	2/2

HIGHLIGHTS

- → Reviewed and challenged the methodology for revenue recognition on key contracts.
- → Considered criteria for capitalisation of development costs.
- → Reviewed the effectiveness of the internal control environment and suggested potential improvements.

The Audit Committee Report sets out the details of the composition of the Audit Committee including its responsibilities and seeks to provide an insight into the work undertaken by the Audit Committee during the year ended 31 March 2019.

The Audit Committee was formed, on admission, as per the terms of reference adopted by resolution of the Board on 25 May 2018.

Committee composition and experience

The members of the Audit Committee are Ian Gomes (Chairman) and Gerhard Florin. Please see pages 34 to 35 for biographical details of Committee members and their relevant experience. Other non-members, including members of Senior Management and the external auditors, attend meetings by invitation to ensure the Committee is fully informed on relevant and material matters.

The effectiveness of the Audit Committee is reviewed by the Board on an annual basis to ensure the relevant skills, qualifications and experience are held in accordance with the Committee's terms of reference.

Committee responsibilities

The Audit Committee is established by and responsible to the Board. The Audit Committee has terms of reference in place which have been formally approved by the Board. In all cases having due regard to the interests of shareholders, its role includes:

i. monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements);
ii. undertaking narrative reporting and advising the Board on whether the content of the Annual Report and Accounts provides the necessary information for shareholders to assess the Company's performance, business model and strategy;
iii. reviewing the effectiveness of the internal control and risk management systems;
iv. reviewing compliance, whistleblowing and fraud systems;
v. reviewing any changes to accounting policies;
vi. reviewing and monitoring the extent of the non-audit services undertaken by external auditors; and
vii. advising on the appointment of external auditors.

Work performed

The Audit Committee met on two occasions during the financial year with the external auditor in attendance during the financial year to fulfil the responsibilities identified above. Outside of formal meetings, the Committee maintains a dialogue with key individuals involved in the Company's governance, including the Chairman, Chief Executive Officer, Finance Director and external audit lead partner.

The Audit Committee with appropriate input from the external auditors, display the necessary scepticism their role requires in challenging those areas within the annual accounts where significant judgements have been applied. The primary areas of judgement considered by the Audit Committee in FY19 were:

- Revenue recognition: ensuring the timing of recognition of revenue complies with IFRS 15;
- Intangible Assets: reviewing development expenditure to ensure it meets the requirements of IAS 38; and
- Share-based payments: ensuring that the share options have been appropriately valued and accounted for.

Other matters also reviewed or considered by the Audit Committee include:

- The Group's Risk Register;
- Interim results;
- The audit plan provided by the external auditors; and
- Going concern.

External auditor

Grant Thornton UK LLP was appointed as Group auditor on 25 May 2018. A recommendation was made by the Committee to the Board to propose the reappointment of Grant Thornton at the forthcoming AGM.

The Audit Committee and Management were satisfied with the external audit team's knowledge of the business and the scope of their audit was appropriate. All accounting judgements were appropriately challenged.

The Audit Committee monitors procedures to ensure the rotation of external audit partners every five years and audit managers every seven years. The Audit Committee also monitors that at least once every ten years the audit services contract is put out to tender.

Approval

The Audit Committee Report was approved by the Board on 9 June 2019 and signed on its behalf by:

Ian Gomes
Chair of the Audit Committee
9 June 2019

REMUNERATION COMMITTEE REPORT

The Remuneration Committee Report sets out the details of the Remuneration Committee including its terms of reference, the Company's remuneration policy, and remuneration for the year ended 31 March 2019.

The Remuneration Committee was formed, on admission, as per the terms of reference adopted by resolution of the Board on 25 May 2018.

As an AIM listed company, Codemasters Group Holdings PLC is not required to prepare this Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002 or the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (together 'the Regulations'). However, the Remuneration Committee recognise the importance, and support the principles, of the Regulations and seek to follow them to the extent considered relevant for an AIM listed company and the principles of the QCA Code. The Remuneration Committee will continue to monitor market practice to ensure that this report works towards including disclosures at least as good as market practice for AIM companies. The auditor is not required to report to the shareholders on the Directors' Remuneration Report.

Committee composition and experience

The members of the Remuneration Committee are Gerhard Florin (Chairman) and Ian Gomes. Other non-members attend meetings by invitation to ensure the Committee is fully informed on relevant and material matters. All members of the Remuneration Committee must be Non-Executive Directors and both must be present to form a quorum at a meeting.

Appointments to the Committee shall be for a period of up to three years, which may be extended for two further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.

The Remuneration Committee reports to the Board and the effectiveness of the Remuneration Committee is reviewed by the Board on an annual basis to ensure the relevant skills, qualifications and experience are held in accordance with the Committee's terms of reference.

The Remuneration Committee met twice during the year.

Committee responsibilities

The Remuneration Committee's terms of reference are approved by the Board and include:

i. recommending to the Board a remuneration policy for Directors and executives and monitoring its implementation;
ii. approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the Chairman, each Executive and the Chief Executive Officer (including bonuses, incentive payments and Share Incentive Awards or other share awards);
iii. approving and recommending to the Board the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and Share Incentive Awards or other share awards);
iv. approving the design of, and determine targets for, any performance-related pay schemes operated by the Company; and
v. reviewing the design of all equity-based incentive plans for approval by the Board and shareholders, in each case within the terms of the Company's remuneration policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or member of management may be involved in any discussions as to their own remuneration.

No Director or member of management is involved in any discussions as to their own remuneration. Non-Executive Directors do not have any personal interest in the matters to be decided by the Committee other than as shareholders, nor any potential conflicts of interest arising from cross-directorships and no day-to-day involvement in the running of the Company. They do not participate in any bonus, share option or pension arrangements.

Termination policy

The Company does not pay any remuneration to the Directors for loss of office. On termination of appointment, Directors shall only be entitled to such fees as may have accrued at the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date.

Remuneration policy

The Company's remuneration policy is that the remuneration of the Executive Directors should be sufficiently competitive to attract, retain and motivate Directors to achieve the Company's objectives with due regard to the interests of the shareholders and the financial and commercial health of the Company.

The Executive Directors' service contracts are subject to between six and twelve of months' notice of termination. The Non-Executive Directors have each been appointed under contracts which are subject to three months' notice of termination and terminate with immediate effect if not re-elected.

The elements to the remuneration packages of the Executive Directors and other senior executives as follows:

Element of remuneration package	**Description**
Basic salary and benefits	Basic salaries are reviewed annually and adjusted where appropriate. Other benefits include health insurance, including relevant family members, death in service cover, Directors & Officers Insurance, car allowance and the option to participate in the Company's fleet insurance scheme.
Annual bonus awards	Company policy provides for a bonus incentive scheme. All awards are subject to approval by the Remuneration Committee and all payments are made only when approved by the Remuneration Committee. The awards are performance driven, dependant upon the key thresholds being achieved, the key thresholds relate to revenue and adjusted EBITDA performance adjusted.
Pension arrangements	The Company contributes to a defined contribution pension scheme on behalf of the Executive Directors.

Non-Executive Directors receive a fixed fee and do not receive any pension payments or other benefits. A fee of £5,000 is payable to the Chair of each of the Audit Committee and the Remuneration Committee for fulfilling that role.

The Non-Executive Directors do not participate in a bonus scheme.

Implementation of remuneration policy

The Company implemented the Directors' remuneration policy upon admission to AIM but it has not yet been approved by its shareholders. Shareholder approval is being sought at the Company's first AGM. The remuneration policy has included a review of fees and has taken into consideration the time commitment and skills of the Directors. However, the Remuneration Committee did not recommend any change to those noted in the remuneration policy.

Annual Report on Remuneration

Directors emoluments

Name of Director	Fees/basic salary £	Pension contributions £	Taxable benefits £	Annual bonuses £	2019 total £	2018 total £
Executive directors						
Frank Sagnier	335,165	33,017	16,557	570,525	**955,264**	581,160
Rashid Varachia	248,038	23,112	2,479	341,589	**615,218**	286,387
Non-Executive directors						
Gerhard Florin	42,361	–	–	–	**42,361**	–
Ian Gomes	38,362	–	–	–	**38,362**	–
Total	**663,926**	**56,129**	**19,036**	**912,114**	**1,651,205**	**867,547**

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of the options for Directors who served during the year are as follows. All options were granted on 1 June 2018 apart from the pre-IPO Scheme that were granted on 18 May 2018:

Name of Director	Scheme	Number of options	Exercise price (pence)	Latest exercise date
Executive directors				
Frank Sagnier	Pre-IPO	6,161,250	13.39	18 May 2018
Rashid Varachia	Pre-IPO	2,782,500	13.39	18 May 2018
Frank Sagnier	LTIP	560,000	1	31 May 2028
Frank Sagnier	ESOP	15,000	200	31 May 2028
Rashid Varachia	LTIP	420,000	1	31 May 2028
Rashid Varachia	ESOP	15,000	200	31 May 2028
Non-Executive directors				
Gerhard Florin	NED	350,000	200	31 May 2028
Ian Gomes	NED	210,000	200	31 May 2028

All of the pre-IPO share options in the table above were exercised on 18 May 2018.

Approval

The Directors' Remuneration Report was approved by the Board on 9 June 2019 and signed on its behalf by:

Gerhard Florin
Chair of the Remuneration Committee
9 June 2019

DIRECTORS' REPORT

for the year ended 31 March 2019

The Directors present their report together with the audited financial statements of the Parent Company Codemasters Group Holdings plc and the Group for the year ended 31 March 2019.

Business review, future developments and financial risk management

Please refer to the Strategic Report for a review of performance, the likely future developments of the Group and a discussion of the Group's principal risks and uncertainties and how they are mitigated.

Results and dividends

Group revenue for the year is £71.2 million (2018: £63.6 million) and profit after tax is £3.7 million (2018: £0.9m).

The Directors do not recommend payment of any dividends (2018: £nil).

Directors

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

- Frank Sagnier
- Rashid Varachia
- Shibasish Sarkar
- Gerhard Florin (appointed 25 May 2018)
- Ian Gomes (appointed 25 May 2018)
- Ambar Basu (resigned 25 May 2018)

The Directors who held office during the year as at 31 March 2019 had the following interests in the ordinary shares of the Company:

	Ordinary shares	LTIP options (1)	ESOP options (2)	NED options (3)
Frank Sagnier	3,696,750	560,000	15,000	–
Rashid Varachia	1,669,500	420,000	15,000	–
Gerard Florin	–	–	–	350,000
Ian Gomes	–	–	–	210,000

1 Nil cost options granted under the LTIP.
2 Share options qualifying and granted under the ESOP.
3 Options granted under the NED Plan for Non-Executive Directors.

The market price of the Company's shares at 31 March 2019 was 237.93p (on IPO date 1 June 2018 200p) and the range of market prices during the year was between 133.5p and 275p.

Employees

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

Where existing employees become disabled, it is the Group'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 year the Group 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 and the ESOP scheme.

Share capital and voting

The entire issued share capital of the Company is comprised of ordinary shares of 1 pence nominal value. The shares have equal voting rights, there are no special rights or restrictions attaching to them or their transfer to other persons. The rights and obligations attaching to these shares are governed by the Companies Act 2006 and the Company's Articles of Association.

Appointment and replacement of Directors and changes to constitution
Rules governing the appointment and replacement of Directors, and those relating to the amendment of the Company's Articles of Association, are contained within the Articles of Association. A copy of the Company's Articles of Association is available on the Company's website www.codemasters.com

Political contributions

The Group's made no political contributions in the year ended 31 March 2019 (2018: £21,000).

Corporate Governance

The Group's statement on Corporate Governance can be found in the Corporate Governance section of this Annual Report, which is incorporated by reference and forms part of this Directors' Report. Corporate Governance information is also available on the Company's website www.codemasters.com

Independent auditor

The auditor, Grant Thornton UK LLP who were appointed auditors during the year, has indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the AGM.

On behalf of the Board

Frank Sagnier
Chief Executive Officer
9 June 2019

STATEMENT OF DIRECTORS RESPONSIBILITIES

for the year ended 31 March 2019

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 and Group 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 IFRSs as adopted by the European Union 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Frank Sagnier
Chief Executive Officer
9 June 2019

INDEPENDENT AUDITOR'S REPORT

to the members of Codemasters Group Holdings plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Codemasters Group Holdings plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Consolidated Income Statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated statement of financial position, Consolidated cash flow statement, Company statement of financial position, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements, is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 group and the parent 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £622,000, which represents 1.5% of the group's earnings before interest, taxes, depreciation, amortisation, impairment and pre-IPO share-based payment charges;
- Key audit matters were identified as improper revenue recognition, accounting treatment of share-based payments and capitalisation of development expenditure;
- A full scope audit was performed of the financial statements of the Company, and all components determined to be significant. Full scope procedures were performed for entities comprising 100% of external revenues, share-based payment charges and capitalised development expenditure.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Improper revenue recognition Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The audit team has assessed this risk to be significant in regard to the Group's bespoke revenue contracts entered into during the year and the assessment of the variable consideration associated with returns and price protection claims. In applying the Group's revenue recognition accounting policy in accordance with IFRS 15 'Revenue from Contracts with Customers' there is significant judgement required in applying the standard's five step model to the Group's contracts, including: → Identifying the performance obligations in the contracts requires judgement as to whether the Group is obligated to provide a service (such as development, training), goods (such as Intellectual Property rights), or a combination of these and whether each of the obligations are distinct. → Determining the transaction price requires judgment in assessing the best estimate of variable consideration that is due and to what extent this estimate should be constrained so as to quantify an amount highly improbable to reverse. This judgement relates to the level of variable consideration associated with returns and price protection claims and also the level of revenues on future royalty payments. → Allocating the transaction price to the performance obligations in the contract requires judgement in allocating the amount of revenue in respect of each performance obligation as the bespoke contracts entered into during the year do not have observable stand-alone selling prices for their associated performance obligations. Recognising revenue when (or as) the entity satisfied a performance obligation requires judgement as to whether revenue should be recognised at a point in time or over time. Where revenue is recognised over time, significant management judgement is required in assessing the stage of completion at each reporting date. As the group's revenue is material to the financial statements and involves a significant level of judgment, we identified improper revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Our audit work included, but was not restricted to:** → considering the stated accounting policy in respect of revenue recognition, testing whether revenue had been accounted for in accordance with the accounting policy and evaluating whether these are consistent with IFRS 15 'Revenue from Contracts with Customers'; → performing an assessment of design effectiveness of controls through walkthroughs of systems and controls in place around the recording of revenue; → comparing significant contract revenue to the Group's accounting policy to determine whether it has been recognised in line with the policy by: – confirming a valid contract existed with the customer by reference to evidence such as written agreements; – challenging whether the identification of performance obligations within the contract by management is appropriate – challenging the appropriateness of the transaction price ascertained by management by reference to relevant contract(s) and to assumptions made, including those related to variable revenues – determining whether the allocation of transaction price to performance obligations is appropriate by challenging management on the methods used to determine the standalone selling price of performance obligations and the assumptions used within those methods – challenging whether management's assessment as to whether performance obligations have been met, including the percentage of completion assessment made by management where performed over time is appropriate in light of relevant evidence, including actual costs incurred and forecasts of costs yet to be incurred until the performance obligations are satisfied – checking the mathematical accuracy of calculations → Setting an expectation of the returns and price protections claims provision factored into the variable consideration determination based on historical sales trends and comparing this to the actual provision recognised by management. The group's accounting policies on revenue recognition and provision for returns and price protection is shown in note 2 to the financial statements and related disclosures are included in note 5 and note 26. Key judgements and estimates made in relation to this matter are described in note 3. **Key observations** Our audit testing did not identify any material deviations in the group's revenue recognition accounting policy from IFRS 15. In addition, our audit work did not identify any material errors in the occurrence, completeness or accuracy of revenue recognised during the year or any material instances of revenue not being recognised in accordance with stated accounting policies.

INDEPENDENT AUDITORS REPORT continued

to the members of Codemasters Group Holdings plc

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Accounting treatment of share-based payments There were various share-based payment schemes in place during the financial year, which included incentives for senior management. The valuation and accounting treatment of these schemes has had a material impact on the financial statements and significant judgement was involved in determining the valuation of the instruments, in particular those which were granted prior to the Company's initial public offering. We therefore identified the accounting treatment of share-based payments as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Our audit work included, but was not restricted to:** ➔ assessing whether the accounting policy was in accordance with the financial reporting framework and testing whether the share-based payment accounting for each of schemes in place during the year had been accounted for in accordance with that policy; ➔ determining the terms and conditions of each of the schemes in place by agreeing to scheme documents to ensure the accounting treatment applied by management is appropriate; ➔ challenging the judgements and assumptions made by management in arriving at the valuation of the charge, including the valuation model applied, volatility assumption, enterprise values and management's assessment of market and non-market performance conditions. An auditors' internal valuation expert was used to assist with the challenge of management's judgements and assumptions; and ➔ testing the inputs and mathematical accuracy of the valuation calculations supporting the amounts recognised. The group's accounting policy on employee share schemes is shown in note 2 to the financial statements and related disclosures are included in note 9. Key judgements and estimates made in relation to this matter are described in note 3. **Key observations** Based on our audit work we did not identify any material misstatements in the accounting treatment of share-based payments during the year. We found no material errors in the valuation calculations or disclosures.
Capitalisation of development expenditure During the year the group has capitalised £23,231,000 (2018: £23,435,000) of costs in relation to the internal development of various projects. The directors and management assess each project according to IAS 38 'Intangible Assets' criteria throughout the project life. Judgement is required to determine whether criteria are met, in particular the future economic benefits that will be generated and the intention of the group to complete development and use or sell the asset. These judgements are dependent on expectations of future events. There is a risk that the costs capitalised do not meet the criteria for capitalisation in accordance with IAS 38. We therefore identified capitalisation of development expenditure as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Our audit work included, but was not restricted to:** ➔ assessing whether the accounting policy was in accordance with the financial reporting framework and testing whether the capitalisation of development expenditure had been accounted for in accordance with that policy; ➔ assessing game development activities against the qualifying nature of the activities to ensure that capitalisation is in accordance with the appropriate criteria under IAS 38; ➔ performing as assessment of design effectiveness of controls through walkthroughs of the systems and controls in place around the capitalisation of development expenditure; ➔ checking the mathematical accuracy of calculations; ➔ performing detailed substantive testing of additions in the year; through: – agreeing a sample of capitalised payroll costs to supporting payroll records approved by project managers and ensure all time capitalised related to development employees – tracing a sample of direct costs (non-payroll costs) to invoices or other supporting source documentation to ensure the validity of the costs, appropriate capitalisation and allocation is to the correct development project; – assessing the general overhead costs allocated to development projects to ensure they meet the definition of directly attributable and are therefore appropriate to be capitalised. The group's accounting policy on capitalised development costs is shown in note 2 to the financial statements and related disclosures are included in note 15. **Key observations** Based on our audit work we did not identify any material misstatements in the accounting treatment of capitalised development expenditure during the year. We found no material errors in the calculations.

We did not identify any separate key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

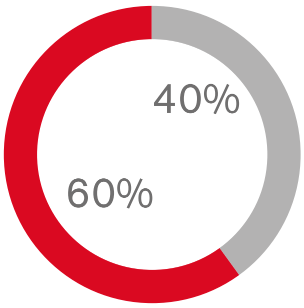
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

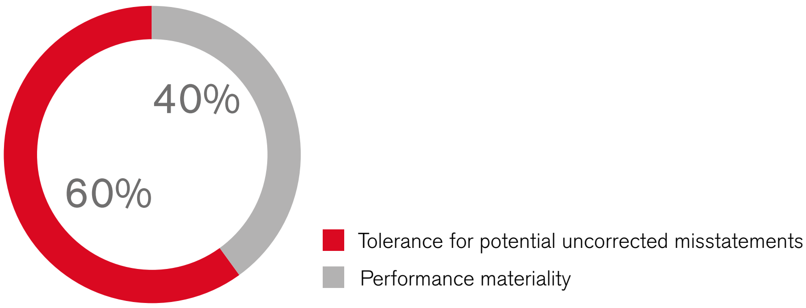
Materiality measure	Group	Parent
Financial statements as a whole	£622,000 which is 1.5% of the group's earnings before interest, taxes, depreciation amortisation, impairment and pre-IPO share-based payment charges (EBITDA). This benchmark is considered the most appropriate because group EBITDA is a key performance indicator (KPI) for the group.	£621,000 which is 2% of total assets of the parent company capped below Group materiality. This benchmark is considered the most appropriate as the Company acts as a holding company and does not trade.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	60% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£31,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£31,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- assessment of the Group's internal controls environment, including its IT systems and controls;
- evaluation by the audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's current assets and liabilities, total assets and liabilities, revenues and profit before taxation;
- full scope audit procedures were performed by the audit team over the financial statements of the parent company, Codemasters Group Holdings plc, and of its trading subsidiary, Codemasters Software Company Limited;
- targeted audit procedures were performed by the audit team over the financial information of the subsidiary undertakings; Codemasters Development Company Limited and Codemasters Studios Sdn Bhd;
- this approach resulted in audit procedures being performed over 100% of the group's total revenues, share-based payment charges and capitalised development expenditure.

INDEPENDENT AUDITORS REPORT continued

to the members of Codemasters Group Holdings plc

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

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

In the light of the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 45 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 group's and the parent 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 group or the parent 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.

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.

Philip Sayers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
9 June 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019

	Note	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Revenue	5	**71,219**	63,566
Cost of sales		**(8,831)**	(9,790)
Gross profit		**62,388**	53,776
Distribution costs		**(10,397)**	(10,026)
Administrative expenses:			
– research expenses, amortisation and impairment of intangible assets		**(38,172)**	(28,922)
– creative sector relief		**7,278**	6,162
– other administrative expenses		**(6,068)**	(6,170)
– share based payments		**(6,725)**	(6,762)
Total administrative expenses		**(43,687)**	(35,692)
Operating profit	7	**8,304**	8,058
Analysed as:			
– Operating profit		**8,304**	8,058
– amortisation and impairment of capitalised development costs and computer software		**27,470**	20,292
– interest on unwinding of licensing agreements		**(2,001)**	(1,028)
– depreciation of tangible fixed assets		**1,430**	1,084
– capitalisation of development costs		**(23,231)**	(23,435)
– share based payments		**6,725**	6,762
Adjusted EBITDA		**18,697**	11,733
Non-recurring items	6	**(1,500)**	–
Interest receivable and similar income	11	**328**	24
Interest payable and similar charges	12	**(4,230)**	(9,564)
Net interest payable		**(3,902)**	(9,540)
Profit/(loss) on ordinary activities before taxation		**2,902**	(1,482)
Tax credit on profit on ordinary activities	14	**771**	2,384
Profit on ordinary activities after taxation		**3,673**	902
Profit/(loss) attributable to:			
Owners of the parent		**3,722**	(2,460)
Non controlling interest		**(49)**	3,362
Profit for the financial period		**3,673**	902

	Note	Pence	Pence
Earnings per share	34		
Basic earnings/(loss) per share		**3.0**	(70.1)
Diluted earnings/(loss) per share		**3.0**	(70.1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Profit for the financial period	**3,673**	902
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to profit or loss:		
Currency translation of foreign subsidiaries	**(28)**	1
Total comprehensive income for the period	**3,645**	903
Total comprehensive income attributable to:		
Owners of the parent	**3,694**	(2,459)
Non-controlling interests	**(49)**	3,362
Total comprehensive income	**3,645**	903

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Called up share capital £000	Share premium account £000	Merger reserve £000	Other reserve £000	Profit and loss account £000	Currency translation reserve £000	Total attributable to owners of the parent £000	Non-controlling interest £000	Total equity £000
At 1 April 2017	43,687	82,524	8,816	–	(221,619)	(1,087)	(87,679)	(13,496)	(101,175)
Profit/(loss) for the year	–	–	–	–	(2,460)	–	(2,460)	3,362	902
Other comprehensive income:									
Net exchange differences on translation of foreign subsidiaries	–	–	–	–	–	1	1	–	1
Total comprehensive income for the year	–	–	–	–	(2,460)	1	(2,459)	3,362	903
Transactions with owners:							–		–
Issue of 1 Preferred share	–	–	–		–	–	–	–	–
Total from transactions with owners	–	–	–	–	–	–	–	–	–
At 1 April 2018	**43,687**	**82,524**	**8,816**	**–**	**(224,079)**	**(1,086)**	**(90,138)**	**(10,134)**	**(100,272)**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**3,722**	**–**	**3,722**	**(49)**	**3,673**
Other comprehensive income:									
Net exchange differences on translation of foreign subsidiaries	**–**	**–**	**–**	**–**	**–**	**(28)**	**(28)**	**–**	**(28)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**3,722**	**(28)**	**3,694**	**(49)**	**3,645**
Transactions with owners:									
<u>Pre-IPO transactions</u>									
Cancellation of deferred shares	**(8,198)**	**–**	**–**	**–**	**8,198**	**–**	**–**		**–**
Share-based payments charge	**–**	**–**	**–**	**–**	**13,231**	**–**	**13,231**	**–**	**13,231**
Issue of 150,010,000 Class 1 shares of £0.0001 to acquire non-controlling interests	**15,000**	**–**	**–**	**–**	**(24,680)**	**–**	**(9,680)**	**9,680**	**–**
Capitalisation of £68,522,884.09 of loans into 685,228,840,900 Class 1 ordinary shares of £0.0001	**68,523**	**–**	**–**	**–**	**–**	**–**	**68,523**	**–**	**68,523**
Capitalisation of interest on related party loans released	**–**	**–**	**–**	**–**	**48,538**	**–**	**48,538**	**–**	**48,538**
Pre-IPO capital reduction	**(117,687)**	**(82,524)**	**–**	**–**	**200,211**	**–**	**–**	**–**	**–**
Bonus issue of 21,000 Class 1 ordinary shares of £0.00001 each	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue 7,500,000 ordinary shares of 1p each	**75**	**14,925**	**–**	**–**	**–**	**–**	**15,000**	**–**	**15,000**
Capitalisation of IPO transaction costs	**–**	**(174)**	**–**	**–**	**–**	**–**	**(174)**	**–**	**(174)**
<u>Post IPO transactions</u>									
Charge for equity settled share based payments	**–**	**–**	**–**	**1,243**	**–**	**–**	**1,243**	**–**	**1,243**
Total from transactions with owners	**(42,287)**	**(67,773)**	**–**	**1,243**	**245,498**	**–**	**136,681**	**9,680**	**146,361**
At 31 March 2019	**1,400**	**14,751**	**8,816**	**1,243**	**25,141**	**(1,114)**	**50,237**	**(503)**	**49,734**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	31 Mar 2019 £000	31 Mar 2018 £000
Non-current assets			
Intangible assets	15	**29,619**	36,457
Tangible assets	16	**9,078**	8,520
Deferred tax asset		**3,247**	2,409
		41,944	47,386
Current assets			
Inventories	18	**351**	182
Trade and other receivables	19	**9,206**	3,302
Creative sector tax credit receivable		**7,082**	2,947
Cash at bank and in hand	20	**18,436**	9,136
		35,075	15,567
Total assets		**77,019**	62,953
Non-current liabilities			
Loans and borrowings	23	**(100)**	(202)
Trade and other payables	22	**(6,228)**	(7,912)
		(6,328)	(8,114)
Current liabilities			
Loans and borrowings	23	**(173)**	(121,819)
Trade and other payables	21	**(19,339)**	(21,081)
Share-based payments accrual		**–**	(8,820)
Provisions for liabilities	26	**(1,445)**	(3,391)
		(20,957)	(155,111)
Total liabilities		**(27,285)**	(163,225)
Net assets/(liabilities)		**49,734**	(100,272)
Capital and reserves			
Called up share capital	27	**1,400**	43,687
Share premium account		**14,751**	82,524
Merger reserve		**8,816**	8,816
Other reserve		**1,243**	–
Profit and loss account		**25,141**	(224,079)
Currency translation reserve		**(1,114)**	(1,086)
Total shareholders' surplus/(deficit)		**50,237**	(90,138)
Non-controlling interest	17	**(503)**	(10,134)
Capital employed		**49,734**	(100,272)

The Group's financial statements on pages 51 to 85 were approved by the Board of Directors on 9 June 2019 and were signed of its behalf by:

Frank Sagnier
Chief Executive Officer
9 June 2019

Rashid Varachia
Chief Financial Officer
9 June 2019

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2019

	Note	**Year ended 31 Mar 2019 £000**	Year ended 31 Mar 2018 £000
Cash flows from operating activities			
Profit/(loss) for the financial year before taxation		**2,902**	(1,482)
Adjustments for:			
Amortisation of intangible fixed assets		**27,645**	23,048
Impairment of intangible fixed assets		**2,600**	0
Depreciation of tangible fixed assets		**384**	139
Profit on sale of tangible fixed assets		**(8)**	–
Creative sector relief recognised		**(7,278)**	(6,162)
Share-based payments		**6,725**	6,762
Interest received	11	**(328)**	(24)
Interest charged	12	**2,046**	17,253
Exchange movement on borrowings	12	**2,184**	(7,689)
Exchange losses		**70**	936
Amounts representing net changes in working capital:			
(Increase)/decrease in trade and other receivables		**(5,966)**	(545)
(Increase)/decrease in inventories		**(169)**	(31)
Increase/(decrease) in trade and other payables		**(7,643)**	(354)
Increase/(decrease) in provisions		**(1,945)**	984
Cash from operations		**21,219**	32,835
Creative sector relief received		**3,206**	8,845
Income taxes paid		**(67)**	–
Net cash generated from operating activities		**24,358**	41,680
Cash flow from Investing activities			
Proceeds from sale of tangible fixed assets		**8**	–
Interest received		**49**	24
Payments to acquire tangible fixed assets		**(2,010)**	(2,004)
Payments to acquire or develop intangible fixed assets		**(22,338)**	(22,829)
Net cash used in investing activities		**(24,291)**	(24,809)
Cash flow from financing activities			
Proceeds from borrowings		**92**	1,723
Loan repayments		**(5,816)**	(10,237)
Interest paid		**(15)**	(380)
Proceeds from issue of share capital		**15,000**	–
Net cash generated from/(used in) financing activities		**9,261**	(8,894)
Net increase in cash and cash equivalents		**9,328**	7,977
Cash and cash equivalents at the beginning of the period		**9,136**	1,162
Exchange loss on cash and cash equivalents		**(28)**	(3)
Cash and cash equivalents at the end of the period		**18,436**	9,136
Cash and cash equivalents consist of:			
Cash at bank and in hand	20	**8,386**	9,136
Short-term deposits	20	**10,050**	–
Cash and cash equivalents at the end of the period		**18,436**	9,136

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 General information

Codemasters Group Holdings plc ('the Company') is a public company limited by shares incorporated and domiciled in England and Wales. The Company was initially incorporated as a private limited company in 2007 and re-registered as a public limited company on 22 May 2018. The Company's shares were admitted to AIM on 1 June 2018. The Registered Number is 06123106 and the Registered Office is Codemasters Campus, Stoneythorpe, Southam, Warwickshire, CV47 2DL. A list of the Company's subsidiaries is presented in note 17.

The Company, together with its subsidiaries (the 'Group') is engaged in the development and sale of video games.

2 Accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (together 'IFRS'). They have been prepared on the assumption that the Group operates on a going concern basis, under the historical cost convention.

The consolidated financial statements for the year ended 31 March 2019 (including comparatives) were approved and authorised for issue by the Board of Directors on 9 June 2019 (note 36). Under the Securities regulations in the UK, amendments to the financial statements are not permitted after approval.

The consolidated financial statements of the Group are prepared in Sterling, which is the functional currency of the parent and rounded to the nearest £000, except for earnings per share and certain share-based payments disclosures.

The principal accounting policies of the Group are set out below. These policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial information unless otherwise stated.

These are the first statutory financial statements of the Group prepared under IFRS. However, comparative financial information for the year ended 31 March 2018 (and prior years ending 31 March 2017 and 31 March 2016) have been prepared under IFRS and disclosed in the Historical Financial Information' section of the Company's Admission document ('HFI'), prepared in advance of being admitted to AIM. A copy of that document is available on the Company's website.

Details regarding any differences between the Group's accounting treatment under IFRS and 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102'), which the previous Group accounts were reported under, were disclosed in the HFI.

Standards and amendments to IFRS not yet effective and not adopted by the Group

At the date of authorisation of these financial statements, the following standard is not yet effective:

IFRS16 Leases will replace IAS 17 'Leases' and is effective for periods beginning on or after 1 January 2019.

IFRS 16 will record all leases in the statement of financial position in the form of a right-of-use asset and a lease liability. This will apply similar treatment of operating leases when compared to finance leases.

The Directors have not early adopted this standard. Management is performing a preliminary assessment of the potential impact of IFRS16, so far Management considers:

- IFRS 16 will be implemented by the Group in the financial year ended 31 March 2020.
- Management believe that the most significant impact will be that the Group will need to recognise a right-of-use asset and a lease liability for leasehold properties in the UK and Malaysia and some other leases of equipment (albeit these other leased items are not considered material individually or together). At 31 March 2019 the future minimum lease payments amounted to approximately £0.9 million. The nature of the expense of that cost will change from being an operating lease expense to being a depreciation and interest expense.

The Group is planning to adopt IFRS 16 on 1 April 2019 using the standard modified retrospective approach. Under this approach the cumulative effect of applying IFRS 16 is recognised as an adjustment to equity at the date of application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions that the Group need to make as there are other transitional reliefs that may be applicable. These are expected to relate to those leases previously held as operating leases and can be applied on a lease by lease basis. The Group are currently assessing the impact of applying these transitional reliefs.

Basis of consolidation

The consolidated financial statements incorporate financial information of the Company and all its subsidiary undertakings made up to 31 March 2019 and for the comparative year ended 31 March 2018. Subsidiaries are entities which the Company has control over. The Company has the power to govern the financial and operating policies of its subsidiaries to gain benefits from their operations. Control over a subsidiary is gained where the Company acquires or owns more than 50% of the voting rights in that entity.

All transactions between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Where necessary, adjustments are made to the financial information of subsidiaries to bring accounting policies used in line with those used by the Group. Any profit or loss arising from intercompany transactions is eliminated on consolidation.

The Group attributes total comprehensive income or loss of subsidiaries between owners of the parent and the non-controlling interests based on their respective ownership interests.

Going concern

The Directors have reviewed the budgets and cash flow projections prepared by management and approved by the Directors for the two-year period ending 31 March 2021 and consider the forecasts to be prudent and that they reflect the underlying strength of the business and its strategy.

Accordingly, the Directors are satisfied that the Group will be able to pay their debts as and when they fall due and so have prepared these financial statements on a going concern basis.

Revenue recognition

The Group'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 Group's distribution of both boxed and digital product.

Revenue comprises:

- Boxed product to retailers and external distributors/wholesalers. Revenue is recognised upon performance of the obligation to the customer, which is upon delivery of the boxed product to the customer (who is considered to be the retailer with the exception of certain jurisdictions). Revenue is recorded after the impact of variable consideration 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, with amounts remitted by the customer to the Group's distribution partner. Such amounts are then remitted to the Group after settlement of the distribution partner's direct costs, commissions and advances made to the Group.
- Digital content is created by the online stores in the form of download keys using the Group's IP. Such revenue is recognised via a royalty at an agreed rate with the customer generated at the point a product is downloaded by an end user from the Group's customer (the online store). Codemasters have already provided their customer, the online platforms with a licence to sell the games, at the point the end user has downloaded the product, revenue is recognised. 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 Group. 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.
- The Group also receives digital revenue from providers of subscription services. The Group's customer are the providers of online subscription services who will typically pay the Group a fee to include a product within their wider subscription package. For such arrangements the Group 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 Group's customer. Digital revenue associated with subscription services is recognised when the Group has met its performance obligations associated with that service. This is when the customer is provided with the game to be made available on a subscription service.

To assist in the development of products, the Group receives advances from its main distribution partner. These are recognised as a liability within the statement of financial position. At this point no revenue is recognised as no sales of product have occurred. All funding is less than 12 months. The balance held is repaid as sales of the product are remitted directly from customers to the distribution partner.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

2 Accounting policies continued

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 Group. Where possible the Group 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 Group.

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 life of the licence 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 to a Codemasters product for a particular market or device. The invoice profile for these contracts are bespoke for each contract but generally are invoiced in line with milestone deliverables as per each contract. Each contract is assessed separately using the five step method above, with the fair value of revenue 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 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 Group has provided its own IP source code and training to a third party in order for them to develop a new title. The fair value 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 fair value of the delivery of the Group'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.

Cost of sales

Costs of sales comprise costs incurred by the Group 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 Group's products, these royalties are recognised as a cost of sale; 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.

Non-recurring items

Items that are non-recurring in nature and of a significant size are considered to be appropriate to be classed as 'non-recurring items'. Any such items are presented separately on the face of the income statement to highlight them to the user of the consolidated financial statements.

Capitalised development costs

Costs directly relating to the development of new products are capitalised and disclosed as an intangible asset once the Group 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 Group has the intention, ability and resources to complete development of the product.

Development costs will include advances 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 Information Technology are allocated on the proportion of development staff working on a product as a total of all staff in that studio.

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

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

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

On product release, capitalised development costs are amortised over a year in the following proportions:

- 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 catalogue if earlier.

Licences, 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 period 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 Group 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 proportions:

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

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

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

Computer software

Computer software is classified within intangible fixed assets. Computer software assets are initially recorded at cost. Cost comprises the purchase price and costs directly incurred in bringing the asset into use. Amortisation is provided on a straight-line basis over its expected useful life of three years. These are amortised within 'research expenses, impairment and amortisation of intangible assets' in the consolidated 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 Group has adopted a 'deemed cost' value for land and buildings. This reflects the value of the tangible assets at the date of transition to IFRS (1 April 2015).

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 ready for 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 the net realisable value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

2 Accounting policies continued

Inventories

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

Royalty advances and minimum guarantees

Non-refundable royalty advances and minimum guarantees are recognised in accordance with the substance of the agreement, based on the Group's expected performance against the contractual obligations of the agreement. Royalty costs are recognised in the period to which they relate. Where the contractual obligations of the agreement are not expected to be met, a liability is recognised of the expected onerous portion of the agreement. 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 Group 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 Group's rights to cash inflows from the asset expire. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

The Group'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 Group 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 Group will not be able to collect all amounts due according to the original terms of the receivables. The Group 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 Group 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 Group 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.
- 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs. Finance charges on bank loans are charged to the income statement so as to recognise the finance costs (being the difference between net proceeds received and total amounts payable to discharge the loan) on a constant rate on the carrying amount of the loan and recognised in interest payable and similar charges.
- 'other loans' – these are recorded initially at the fair value based on proceeds received net of direct issue costs, and are subsequently stated at amortised cost. Direct issue costs are apportioned to each tranche of debt raised and charged to the income statement over the term of the debt or instrument, so that the amount charged is at the effective interest rate on the carrying amount. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are recognised in a similar manner to bank loans stated above where the finance charges are calculable.
- '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 in 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 years 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 period end date.

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

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 Group'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 year, and a receivable recognised, based on qualifying expenditure during the year. 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, Adjusted EBITDA and the cash generation of the business.

Operating leases

Operating leases are those where substantially all of the risks and rewards incidental to ownership are retained by the lessor. Rentals payable under operating leases are expensed to the income statement on a straight-line basis over the period of the lease agreements. Lease incentives received are deferred on the statement of financial position and amortised to the income statement over the period of the lease.

Finance leases

Finance leases are those where substantially all of the risks and rewards incidental to ownership of the asset have passed to the Group. Assets acquired through such leases are treated as if purchased outright, capitalised in the statement of financial position and depreciated over the shorter of the lease term and their useful life. The capital elements of future obligations under leases are included as liabilities in the statement of financial position. The interest elements of the lease obligations are charged in the income statement over the periods of the leases.

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 year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Employee share schemes

The Group issues equity-settled share options and equity awards to certain employees, which are measured at fair value and recognised as an expense in the income statement with a corresponding increase in reserves, where material to the consolidated 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 fair value is recognised over the period during which employees become conditionally entitled to the awards, subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group 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 Group also issues cash-settled share-based payments to certain executive management of the Group. Where such schemes have been entered into, approved by the Group's shareholders and where there is probability that a liability could be triggered, the fair value of the expected payment is included within the relevant financial period. The Group uses experts to estimate the fair value of any such agreements at the reporting date. The valuation is calculated using the Black Scholes Model. The fair value is recognised as a separate expense on the face of the income statement and within current liabilities in the statement of financial position. Further details regarding the Group's exposure to cash-settled share-based payments are discussed in note 9.

Provision for returns 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 Group estimates the amount of the provision for returns and price protections using the 'most likely amount' approach. The Group'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 Group 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 Group.

At each accounting date an estimate is also undertaken of the likely exposure the Group 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 year is identified, a provision for returns is recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

2 Accounting policies continued

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 Group 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 Group 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 period end 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 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.

On consolidation, the results of the overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the period end date. Exchange differences arising from the use of the closing rate to retranslate opening net assets denominated in foreign currencies are recognised in other comprehensive income. The cumulative gain or loss arising from the retranslation of overseas operations assets since transition to IFRS (1 April 2015) are recognised within the Currency translation reserve in equity. Any such gains or losses prior to that date in accordance with IFRS1 are recognised within the profit and loss reserve within the statement of financial position.

On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to a profit or loss and are recognised as part of the gain or loss on disposal.

Preferred Shares

Preferred shares issued, which are issued to equity holders are included within Called up Share Capital. The Company determined that for the non-redeemable Preferred shares the Company has the unconditional right to avoid settling in cash or by delivery of another financial asset and settlement is dependent on the occurrence or non-occurrence of uncertain future events beyond the control of the Company and the holder. Therefore, the Company determined that the fair value of the Preferred shares was appropriately classified as equity at the time of issuance.

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 Parent Company. This includes Class 1 Ordinary, Class 2B and Class 2C ordinary shares and Preferred shares in the period prior to admission to AIM and ordinary shares following admission to AIM. See note 27 for further details regarding the Company's issued share capital.
- Share premium account – the amount of proceeds received in consideration for called up share capital that is in excess of the nominal value of the shares purchased.
- Merger reserve – an equity account derived following a historic capital restructuring in 2007.
- Other reserve – an equity account comprising the historic fair value of equity settled share based payments recognised in the Group's accounts.
- Profit and loss account – historic cumulative balance of Group comprehensive income/expense.
- Currency translation reserve – historic cumulative gain or loss of translation of net assets of foreign subsidiaries since transition to IFRS on 1 April 2015.
- Non-controlling interest – historic cumulative balance of comprehensive income/expense that is due to minority shareholdings in the Codemasters Studios Sdn Bhd and in the Codemasters Software Company Limited (and its subsidiaries) in the prior financial year.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure used by the Company, which is defined as profit before finance costs on borrowings, tax, capitalisation of development costs, depreciation, amortisation, non-recurring items and share-based payments.

Adjusted EBITDA is a key trading performance indicator used by the Board of Directors to monitor the underlying operational cash earnings of the Group. The adjustments when compared to operating profit as presented in the income statement relate to mainly non-cash items.

The items excluded from adjusted EBITDA are as follows:

- Amortisation and impairment of capitalised development costs and computer software – these are non-cash entries impacted by the timing of releases and the period over which they are amortised, their exclusion enables visibility of the development costs incurred by the Group in the period.
- Interest on unwinding of licensing agreements – interest is recorded below operating profit within the income statement. The interest cost in relation to licensing agreements is included within the adjusted EBITDA calculation as it forms a recurring cost, which is necessary for the Group to be able to release certain titles. All licensing costs are considered together by the Board of Directors and hence are included in the adjusted EBITDA calculation.
- Depreciation – As noted within the capitalised development cost accounting policy, overheads (which include depreciation) are allocated to games in proportion of the total studio cost incurred and capitalised. As such, some of the depreciation figure is subsequently capitalised within capitalised development costs.
- Capitalisation of development costs – the qualifying costs of development that are incurred prior to the release of a product are capitalised and held as an intangible asset prior to the release of that product, their exclusion (as with the exclusion of amortisation) enables visibility of the development costs incurred by the Group in the period.
- Share-based payments – In the current and prior financial year there have been material costs included in the income statement that relate to the share-based payment charges arising from the grant of share options to Executive Management as part of the schemes granted prior to the IPO. These were non-cash charges that arose as part of the pending transaction. Following the Company's admission to AIM, there have been further share options granted. These are also non-cash charges. Share-based payments in the form of both cash-settled and equity-settled schemes have been removed from the adjusted EBITDA calculation as they are non-cash charges that do not directly reflect the underlying performance of the Group.

3 Critical accounting estimates and judgements

When preparing the consolidated 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

Prior to each reporting period, the Directors assess for indicators of impairment within the carrying value of capitalised development costs held. 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 Group'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.

After assessing the carrying value of the intangible asset associated to the capitalised development costs of each CGU at the statement of financial position 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 Group's forecasts which cover the trading expectations for a minimum of two years after balance sheet date. The forecast revenue and cash generation from each CGU are separately identifiable within the Group 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 year 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 carry-forwards can be utilised. The Group 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 Group has an expectation that a tax charge will occur and therefore recognised an asset for deferred tax. To recognise the cash benefit to the Group of these losses Management assessed the expected taxable profit for the subsequent two financial years 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 years of deferred tax asset. The Directors use trading forecasts and the current UK tax law to determine the value of the deferred tax asset recorded.

Principal vs agent assessment

Management have reviewed the contractual agreements with its distributors and customers to assess whether the agreement is under a principal or agent arrangement. This is a material judgement as the disclosure of revenue is significantly different between a principal and agent scenario. The Group 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 Group is the principal within the arrangements and revenue is recognised on a gross basis. For digital revenue and boxed revenue in certain jurisdictions where the platform providers are determined to be the customer and to be operating on principal in their own right, revenue is recognised by the Group as the price remitted by the digital platform provider. The Group considers that the online retailers are its customer as Codemasters have no direct contact with end users and once a product is provided to an online retailer (upon release) have satisfied all performance obligations associated with the agreements with these parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

3 Critical accounting estimates and judgements continued

Significant estimates:

Bespoke contracts with customers – assessment of fair value

The Group agrees bespoke contracts with customers on an ad hoc basis to deliver product or provide licences to distribute the Group's products. These agreements are often bespoke in nature with no standard selling price available to be able to compare the fair value of the contracts against. Management review these contracts and allocate the fair value of the revenue 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 Group enters into such agreements, Management assesses each contract separately and other available information to determine the fair value of the performance obligations in accordance with IFRS 15.

Also where assessing the fair value of revenue 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. In the current financial period this has involved assessing the fair value of source code and training/consultancy to be provided on a specific contract over a certain period. The judgements used have allocated fair 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 Group. This has involved significant judgement in relation to the fair value of training provided.

As an example, regarding the judgements provided, which using an adjusted market approach was susceptible to variants, the fair value of the training element of the contract required an assessment of a period of time in months for that training to be delivered by an alternative provider. Using the model prepared, were two additional months deemed appropriate to deliver the training an additional £80,000 of revenue would have been recognised in FY19, likewise a reduction of two months would have decreased revenue by the same amount.

There were other scenarios considered when modelling the fair value estimate that if deemed more appropriate could have increased revenue in the current financial year by £0.4 million or decreased it by approximately £0.1 million.

Returns and price protection provision

The estimate for the level of price protection provision as an estimate of the future level of returns and retrospective discounts provided against the current revenue recognised requires considerable judgement and estimates based upon historical performance of similar titles, market conditions and forecast for future performance.

A percentage provision is applied to all sales of boxed product dependent upon the expectation at the time, this is applied where the terms and conditions of sale allow for the customer to make a claim for returns or price protection allowances.

Following the release of a product, where the actual level of discounts and returns is significantly higher or lower than the estimated amount there could be a material movement in the level of revenue recognised in any affected period.

Included within the price protection provision is a provision for returns of boxed products. Historically the level of exposure to boxed returns has been low around period ends. However, an assessment is undertaken at the end of each financial period based upon the level of stock in channel held.

A provision is made where the estimate of potential exposure from product returns is considered material. Where the provision is not considered material, this is included within the wider price protection provision.

The provision is currently made based upon a fixed percentage using an estimate based upon historic returns and price protection provided on previous releases. Were the base provision to be increased or decreased by one percent based upon FY19 boxed sales, this would equate to an initial provision increase or decrease (and decrease/increase in revenue recognised) of approximately £400,000 in the current financial year.

As an example with regard to the potential sensitivity and potential fluctuations in estimation assumptions, if the estimated provision per unit in channel with customers was increased or decreased by 10% as at the end of March 2019, the level provision would increase/decrease by approximately £140,000.

Amortisation of capitalised development costs

The Directors have considered that the appropriate period to amortise boxed products (those titles available through physical retail channels) 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 Group'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. 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 year 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 period were to be significantly increased or decreased, this would have a material impact on the level of amortisation recognised in a given period when compared to any period prior to that change.

As an example, if the amortisation profile were amended to 60% in the month following release and the balance over two years post release, amortisation would reduce by £1.5 million in 2019.

Creative sector relief

The process of recording the creative sector relief (in the form of VGTR tax credits) involves creating an estimate of the tax credit to be accrued at the period end.

VGTR is a tax credit available on costs incurred in relation to video games that have passed the British Film Institute Cultural Test. Management estimates the potential VGTR claim using the directly attributable costs incurred on those products in development that have passed the Cultural Test. Management also makes an assessment of the likely costs incurred on those games that will not qualify for VGTR. Examples of such costs include subcontractor costs in excess of a £1 million limit per product or post release maintenance or patchwork costs.

The Group undertakes detailed estimates using up to date requirements for measuring the VGTR credit and seeks detailed advice from external professional experts in order to support the level of accrued claim. However, the accrued claim is subject to review and approval by HMRC prior to being settled.

Share-based payments

The estimation of the Group's potential exposure to liabilities from cash-settled share-based payments are subject to a number of variables and assumptions, many of which can have a material impact on the level of expense/liability recognised. In order to ensure that the correct valuation methodology is undertaken in line with IFRS 2 'Share-Based Payments', the Directors engaged a firm of Valuation Experts to provide the calculation. The calculations are created following detailed discussions with Directors regarding the factors that will influence the inputs into the valuation, such as the review of the agreements in place and the probability of an exit event or a synthetic exit event. The experts also use a standard valuation model to deliver a reasonable estimate in line with IFRS requirements.

The estimation of the Group's potential exposure to liabilities from equity-settled share-based payments are subject to a number of variables and assumptions many of which can have a material impact on the level of expense/liability recognised. In order to ensure that the correct valuation methodology is undertaken in line with IFRS 2 'Share-Based Payments', the Directors use a standard valuation model, which has been based upon those used by an independent expert firm of Valuation Experts to who have undertaken previous valuations of the cash-settled schemes. As with the cash-settled schemes, calculations are created following a detailed review of the factors that will influence the inputs into the valuation.

The fair values of all of the LTIP share options are impacted by market performance conditions, which are linked to the Company's share price. The fair value is also impacted by other variable inputs such as the risk-free interest rate, which has been estimated using a UK Gilt yield at the time of the option grant and market volatility, Management has used the same volatility estimate as used by the Valuation Experts as for the cash-settled share-based payments schemes.

In addition, the LTIP scheme has non-market performance conditions, which are dependent upon the Group delivering profit growth (measured by growth in adjusted EBITDA). The fair value of the LTIP equity-settled share options is dependent upon the Directors assessment of potential profit growth over a three-year period, which is inherently uncertain.

4 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.

5 Group revenue

Revenue is attributable to the principal continuing activity of the Group, being the sale of internally developed video games. An analysis of revenue by geographical market of destination is shown below:

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
United Kingdom	**8,993**	12,146
Rest of Europe	**36,403**	36,021
United States	**10,290**	9,850
Australia	**1,843**	2,091
Rest of the World	**13,690**	3,458
	71,219	63,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

5 Group revenue continued

An analysis of Revenue by income stream is shown below:

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Boxed revenue	**29,069**	37,324
Digital downloads	**23,627**	25,540
Digital revenue associated with subscription services	**7,098**	307
Total digital revenue	**30,725**	25,847
Other revenue streams		
Sale of product via other contracts with customers	**5,616**	322
Provision of product and training to third parties	**5,642**	–
Other revenue	**167**	73
Total other revenue streams	**11,425**	395
	71,219	63,566

Included in the above figures are 29.2% (2018: 26.5%) of sales concentrated across two customers in the year ended 31 March 2019 where revenue per individual customer was greater than 10% of total sales.

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:

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Recognition of revenue:		
Upon delivery of product/service	**69,438**	63,566
Over a period of time	**1,781**	–
	71,219	63,566

The revenue recognised over a period of time in 2019 relates to the two separate contracts (2018: nil), 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 Group has entered into contracts with customers and has 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 31 March 2019 is as follows:

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Opening deferred income liability – 1 April	**(3,569)**	–
Revenue recognised in the period	**3,569**	–
Additional contract liabilities incurred	**(2,256)**	(3,569)
Deferred income liability 31 March – revenue recognised in future periods	**(2,256)**	(3,569)

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

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Recognised within:		
Less than 1 year	**5,062**	3,569
Greater than 1 year but less than 2 years	**621**	–
Future revenue to be recognised from contracts with customers	**5,683**	3,569

6 Non-recurring costs

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Professional and other IPO fees	**1,500**	–

Non-recurring items in the period relate to the costs of the admission to AIM.

7 Operating profit

The following items are included within operating profit in the consolidated income statement:

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Operating lease rentals	**458**	577
Inventories recognised as an expense	**7,253**	8,724
Depreciation of owned fixed assets	**384**	139
Amortisation and impairment of intangible fixed assets	**30,246**	23,048
Research and development expenses not capitalised	**7,926**	5,874
Net foreign exchange (gain)/loss	**70**	936

Included within the Net foreign exchange loss in 2019 includes a £252,000 credit in relation to the fair value estimate of the Group's open forward foreign currency contracts. The Group has 22 open contracts, 11 contracts to sell Euros and 11 contracts to sell US Dollars at fixed dates in the financial year ended 31 March 2020.

Each of these contracts are to sell between €1 million and €1.5 million or between $1.5 million and $2 million and buy Sterling at fixed exchange rates. The £251,000 credit represents the net fair value mark to market loss on all of the contracts as at 31 March 2019.

8 Directors' emoluments

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Aggregate emoluments	**1,595**	811
Pension contributions	**56**	46
	1,651	857

During the year the Group contributed to two Directors' personal pension plans (2018: two).

The emoluments, excluding pension costs, of the highest paid Director were £955,000 (2018: £539,000). The pension contributions paid by the Group for the highest paid Director amounted to £33,000 (2018: £30,000).

In May 2018, two Directors were granted, and exercised equity-settled share options, prior to the IPO of the Company. These equity-settled share options replaced cash-settled share options that were granted to them in March 2017. Following the Company's IPO four Directors (including two Non-Executive Directors) were granted further equity-settled share-based payments as part of the LTIP, ESOP and NED schemes. Further details regarding these schemes are detailed in note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

8 Directors' emoluments continued

In addition to the above costs a total of £5,755,821 (2018: £4,598,160) has been recognised in the income statement in respect of equity-settled share-based payments relating to four Directors (which include two Non-Executive Directors).

Details regarding the emoluments of each Director of the Group are shown within the Remuneration Committee Report on page 43.

9 Share-based payments

Cash-settled share-based payments – pre-IPO scheme

In March 2017 certain senior executives were awarded cash-settled share-based incentive schemes linked to various financial measures of the Group's performance. The scheme was accounted for as cash-based share-based payments in the financial statements for the year ended 31 March 2018. The total amount accrued at 31 March 2018 was £7,750,000 plus employers NIC of £1,069,500.

A new scheme was introduced on 18 May 2018 with the old scheme replaced.

The new scheme provided four senior executives with a call option to purchase a fixed number of preferred shares for £0.1339 per share at the time from the major shareholder Reliance Big Entertainment (Singapore) Pte. Ltd. ('Reliance'). A total of 12,587,500 options were granted (representing 9.5% of issued share capital at the time). The options vested immediately so could be exercised at any time up to the end of the option period, which was 31 December 2022.

As the options vested immediately and were exercised immediately, the options had no effective life; the options were also over shares not publically traded at the time. As such, it was not appropriate to use the Black Scholes method of valuation.

Valuation of the share options has been carried out using the best available market value for the shares at that time. Three days before the new scheme was granted a small number shares were sold by a minority shareholder to Reliance. Using the price paid for these shares, a third party valuation of the Group commissioned by the Directors indicated that the value of the Group was £156.5 million.

A share transaction on 15 May 2018 was completed at a premium when compared to underlying market value at that time. An 11% discount has been applied to £156.5 million giving a valuation of £139.3 million. As the share options represented 9.5% of the Group at the time, a fair value of £13.2 million has been attributed to the options.

This amount has been charged to the income statement in the year ended 31 March 2019 (offset by the £7.75 million accrual release associated with the cancelled cash-settled share options).

Equity-settled share-based payments – post-IPO schemes

As part of Codemasters Group Holdings plc admission to AIM on 1 June 2018, three equity-settled share option plans were created:

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

The ESOP scheme is available to all employees (subject to certain criteria). On 1 June 2018 there were 421 employees who received a grant of options within this scheme. 1,431,308 options were granted with an exercise price of £2.00 per share. 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.

The executive management team each received options under the LTIP scheme to the total of 1% of issued share capital (1,400,000 options granted). 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 the Company'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.

Further share options were granted on 27 November 2018, these were grants made from the ESOP scheme to a further 55 employees who received 94,821 share options in total. These share options were granted to employees who had not been employed long enough to qualify at 1 June 2018 due to length of service conditions.

Share options and exercise prices as follows for the current financial year:

	Equity-settled pre- IPO		LTIP		NED		ESOP	
	Number of shares	Exercise price per share £	Number of shares	Exercise price per share £	Number of shares	Exercise price per share £	Number of shares	Exercise price per share £
Options granted 18 May 2018	1,258,750	0.1339	–	–	–	–	–	–
Options granted 1 June 2018	–	–	1,400,000	0.01	560,000	2.00	1,431,308	2.00
Further options granted 27 November 2018	–	–	–	–	–	1.795	94,821	1.80
Options forfeited	–	–	(210,000)	0.01	–	–	(272,494)	2.00
Options exercised (18 May 2018)	(1,258,750)	0.1339	–	–	–	–	–	–
Options outstanding at 31 March 2019	**–**	**–**	**1,190,000**	**–**	**560,000**	**–**	**1,253,635**	**–**
Options exercisable at 31 March 2019	**–**	**–**	**–**	**–**	**–**	**–**	**4,868**	**–**

The fair value of all of options granted was determined using a Black Scholes calculation method. The following inputs have been used in carrying out the valuation of the outstanding options:

	Cash-settled pre-IPO	**Cash-settled pre-IPO**	**LTIP**	**NED**	**ESOP**	
	30 March 2017	**18 May 2018**	**1 June 2018**	**1 June 2018**	**1 June 2018**	**27 November 2018**
Share price at issue date £	N/A	**N/A**	**2.65**	**2.34**	**2.34**	**1.81**
Exercise price of option £	0.01	**0.1339**	**0.01**	**2.00**	**2.00**	**1.80**
Effective option term	4 years	**1 day**	**10 years**	**6 years**	**6 years**	**6 years**
Risk-free interest rate	1.00%	**1.03%**	**1.28%**	**1.03%**	**1.03%**	**0.93%**
Volatility	40.00%	**40.00%**	**40.00%**	**40.00%**	**40.00%**	**40.00%**
Probability of market condition being met	N/A	**N/A**	**50.00%**	**N/A**	**N/A**	**N/A**
Weighted average remaining contractual life	N/A	**N/A**	**9.2 years**	**5.2 years**	**5.2 years**	**5.7 years**
Fair value per option £	1.32	**1.04**	**2.64**	**1.04**	**1.04**	**0.71**

The Group have considered the volatility of comparable quoted companies as a guide for the volatility assumptions in the valuation of the incentive schemes.

10 Staff costs

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Wages and salaries	**23,278**	19,654
Share-based payments	**6,725**	5,942
Social security costs	**2,187**	2,813
Pension costs	**858**	801
Death in service and incapacity	**90**	111
	33,138	29,321

Staff costs include £15.8 million (2018: £15.2 million) of costs in respect of employees whose value of time is capitalised within the development costs of games (note 15).

Share-based payments expenses are shown less £nil (2018: £820,000) of estimated social security costs, which are included within those expenses accordingly.

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

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Management and administration	**88**	88
Development	**416**	377
	504	465

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

11 Interest receivable and similar income

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Bank interest	**50**	24
Unrealised gain on foreign exchange forward contracts	**278**	–
	328	24

A commercial agreement with Malta Enterprise was reached in August 2018 for full and final settlement in relation to an outstanding facility payable by Codemasters (Malta) Limited. This left a residual balance of €322,000(£278,000)in respect of the book value of principal and interest, which was released to the income statement.

12 Interest payable and similar charges

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Bank interest and similar charges	**17**	(5)
Interest payable and similar charges on other loans	**28**	16,155
Interest on unwinding of minimum licensing agreements	**2,001**	1,028
Other finance related expenses	**–**	75
Foreign exchange (gains)/loss on borrowings	**2,184**	(7,689)
	4,230	9,564

13 Auditor's remuneration

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Fees payable to the Company's auditor for the audit of Group financial statements	**95**	65
Fees payable to the Company's auditor for other services:		
Audit related assurance services	**10**	–
Services related to corporate finance transactions	**662**	–
Other non-audit services not covered above	**119**	78
	886	143

14 Tax on profit on ordinary activities

a) Tax on profit on ordinary activities

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Current tax		
UK corporation tax	**(67)**	(25)
Total current tax charge	**(67)**	(25)
Deferred tax		
UK corporation tax	**838**	2,409
Total deferred tax	**838**	2,409
Tax (charge)/credit on loss on ordinary activities	**771**	2,384

b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Loss on ordinary activities before taxation	**2,902**	(1,482)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 19%	**551**	(282)
Effect of:		
Disallowed expenses	**2,401**	3,587
Deferred tax recognised	**(838)**	(2,409)
Non-taxable income	**(1,950)**	(1,305)
Capital allowances more than depreciation	**(199)**	(198)
Tax losses carried forward	**–**	168
Creative sector tax relief	**(9)**	(70)
Brought forward losses used	**(794)**	(1,875)
Prior year corporation tax paid	**67**	–
Total tax charge/(credit)	**(771)**	(2,384)

The Government has indicated that it intends to reduce the main rate of UK corporation tax in stages from the current 19% applicable on profits for financial year beginning 1 April 2018 to 17% on profits for financial years beginning 1 April 2020. The future annual corporation tax rate reduction is expected to affect the Group's financial statements. The actual impact will depend on the Group's tax position at that time.

As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, the amount of the potential recognised deferred tax asset at 31 March 2019 is computed at the rate of 19% for the period ending 31 March 2020 and 17% for the period ending 31 March 2021, reflecting the fact that losses are expected to be utilised prior to 31 March 2021 and using the applicable corporation tax rate for those periods. The unrecognised deferred tax asset is computed at a rate of 17% reflecting the fact that the balances are proposed to be utilised post 1 April 2020.

c) Deferred tax

The Group has recognised deferred tax assets in relation to tax losses that are expected to be utilised in the subsequent two financial years. 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 31 March 2019 the Group has recognised a deferred tax asset of £3.2 million (2018: £2.4 million) in respect of expected tax losses that the Group expect to utilise in the subsequent two financial years.

The Group 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 years.

As at 31 March 2019 and the prior period any deferred tax asset not shown on the face of the statement of financial position is unrecognised.

The Group has £20.7 million of deferred tax assets unrecognised at the year-end (2018: £20.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

15 Intangible fixed assets

	Development costs £000	Licences patents & trade marks £000	Computer software £000	Total £000
Cost				
At 1 April 2017	58,610	11,344	305	70,259
Additions	23,435	7,651	338	31,424
Disposals	(16,600)	–	(9)	(16,609)
At 31 March 2018	65,445	18,995	634	85,074
Additions	23,231	–	177	23,408
Disposals	(5,533)	–	–	(5,533)
At 31 March 2019	**83,143**	**18,995**	**811**	**102,949**
Accumulated amortisation				
At 1 April 2017	36,609	5,461	108	42,178
Amortisation	20,016	2,756	276	23,048
Disposals	(16,600)	–	(9)	(16,609)
At 31 March 2018	40,025	8,217	375	48,617
Amortisation	24,696	2,776	174	27,646
Impairment	2,600	–	–	2,600
Disposals	(5,533)	–	–	(5,533)
At 31 March 2019	**61,788**	**10,993**	**549**	**73,330**
Net book amount				
At 31 March 2019	**21,355**	**8,002**	**262**	**29,619**
At 31 March 2018	25,420	10,778	259	36,457

As at 31 March 2019, included within development costs are £17.3 million of costs incurred on products yet to be released (2018, £23.7 million).

The carrying values of all intangible assets are reviewed at the end of each reporting period against the expected future cashflows from that title. Following the release of ONRUSH in June 2018, its trading performance and associated future trading expectations of the title led to an impairment review for that asset. In September 2018, the residual carrying amount of the capitalised development costs associated with ONRUSH were compared to the future cash generation of that title. Following that review a £2.6m impairment of the ONRUSH asset was recognised. As the title was released in June 2018, the vast majority of the asset would have been amortised throughout FY19, with the impairment charge recognised in the first half of FY19.

16 Tangible fixed assets

	Freehold land & buildings £000	Leasehold improvements £000	Motor vehicles £000	Fixtures, fittings & computer equipment £000	Total £000
Cost or valuation					
At 1 April 2017	9,144	363	12	14,500	24,019
Exchange translation adjustment	–	–	–	21	21
Additions	–	–	–	2,004	2,004
Disposals	(1,457)	–	(12)	(7,003)	(8,472)
At 31 March 2018	**7,687**	**363**	**–**	**9,522**	**17,572**
Exchange translation adjustment	**–**	**–**	**–**	**25**	**25**
Additions	**–**	**–**	**–**	**1,997**	**1,997**
Disposals	**–**	**–**	**–**	**(697)**	**(697)**
At 31 March 2019	**7,687**	**363**	**–**	**10,847**	**18,897**
Accumulated depreciation					
At 1 April 2017	3,308	105	12	12,998	16,423
Exchange translation adjustment	–	–	–	17	17
Charge for year	148	7	–	929	1,084
Disposals	(1,457)	–	(12)	(7,003)	(8,472)
At 31 March 2018	**1,999**	**112**	**–**	**6,941**	**9,052**
Exchange translation adjustment	**–**	**–**	**–**	**34**	**34**
Charge for year	**148**	**8**	**–**	**1,274**	**1,430**
Disposals	**–**	**–**	**–**	**(697)**	**(697)**
At 31 March 2018	**2,147**	**120**	**–**	**7,552**	**9,819**
Net book amount					
At 31 March 2019	**5,540**	**243**	**–**	**3,295**	**9,078**
At 31 March 2018	5,688	251	–	2,581	8,520

Included in freehold land and buildings is land with a carrying amount of £150,000 (2018: £150,000) that is not depreciated.

Included within fixtures, fittings & computers equipment are assets with a net book value of £320,000 (2018: £394,000), which have been funded via finance leases.

£1,068,000 of the depreciation charge for the year has been capitalised within the capitalised development cost intangible asset (2018: 945,000).

17 Investments

Details of the Group's investments in which the Company held 20 percent or more of the nominal value of shares as at 31 March 2019, were as follows:

Name of Company	Class of share held	Held by the Company	Held by the Group	Nature of Business
Codemasters Holdings Limited	Ordinary	100%	100%	Intermediate holding company
Codemasters Group Limited	Ordinary	–	100%	Intermediate holding company
The Codemasters Software Company Limited	Ordinary	100%	100%	Development, marketing & Distribution of video games
Codemasters Development Company Limited	Ordinary	–	100%	Development of video games
Codemasters (Malta) Limited	Ordinary	–	100%	Dormant
Codemasters Studios Sdn Bhd	Ordinary	70%	70%	Development of video games
Codemasters Limited	Ordinary	–	100%	Dormant
Digital Computers Limited	Ordinary	–	100%	Dormant – in Members' Voluntary Liquidation
Sensible Limited	Ordinary	–	100%	Dormant – in Members' Voluntary Liquidation
CSC1 Limited	Ordinary	–	100%	Dormant – in Members' Voluntary Liquidation
CSC3 Limited	Ordinary	–	100%	Dormant – in Members' Voluntary Liquidation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

17 Investments continued

Please note that the above is reflective of the following that took place in the year ended 31 March 2019:

- Codemasters Group Holdings acquired 16.65% of the shares in the Codemasters Software Company Limited ('CSCL') from Reliance Big Entertainment (Singapore) Limited on 16 May 2018. It also acquired 83.35% of the shares in CSCL from Digital Computers Limited (a wholly owned subsidiary of Codemasters Group Limited on 16 May 2018). Prior to that the Company held 83.35% of CSCL shares indirectly and also 83.35% of the shares in Codemasters Development Company ('CDCL').
- Codemasters Group Holdings acquired 16.67% of the shares in the Codemasters Studios Sdn Bhd ('CSSB') from Reliance Big Entertainment (Singapore) Limited on 16 May 2018. It also acquired 53.33% of the shares of CSSB from Codemasters Group Limited. Prior to that the Company held 53.33% of CSSB shares indirectly.
- Four dormant subsidiaries of the Group, Digital Computers Limited (a wholly owned subsidiary of Codemasters Group Limited) and Sensible Limited, CSC1 Limited and CSC3 Limited (all wholly owned subsidiaries of CSCL) were placed into Members Voluntary Liquidation on 16 January 2019.

Codemasters Holdings Limited is directly owned by the Parent Company and has been directly owned throughout the current and prior reporting periods. With the exception of the points noted above, all other interests were held indirectly as at 31 March 2019 and 31 March 2018. All of above entities are consolidated into the consolidated financial statements.

Codemasters (Malta) Limited is incorporated in Malta, its principal business address is 7A Sir Luigi Camilleri Street, Sliema, SLM 1843, Malta.

Codemasters Sudios Sdn Bhd is incorporated in Malaysia, its principal business address is No.91-3 Jalan Metro Perdana Barat 1, Taman Usahawan Kepong, Off Jalan Kepong, Kepong, 52100 Kuala Lumpur, Malaysia.

All of the other entities above are incorporated in England and Wales and have a principal business address of Codemasters Campus, Stoneythorpe, Southam, Warwickshire, CV47 2DL.

Subsidiaries with non-controlling interests

As at 31 March 2019 and 31 March 2018 for all or part of the year the Group included three subsidiaries (excluding dormant entities) with non-controlling interests. As noted on the previous page, following the acquisition of shares in CSCL and CSSB on 16 May 2018, CSCL and CDCL became wholly owned subsidiaries and the ownership of CSSB increased to 70%. The impact on the non-controlling interest percentage are summarised below:

	31 Mar 2019 %	31 Mar 2018 %
Subsidiary		
Codemasters Software Company Limited	**–**	16.65
Codemasters Development Company Limited	**–**	16.65
Codemasters Studios Sdn Bhd	**30.00**	46.67

Summarised financial information for the entities is set out below:

Codemasters Software Company Limited	**31 Mar 2019 £000**	31 Mar 2018 £000
Total comprehensive income to NCI	**–**	2,453
Total assets	**70,425**	60,339
Total liabilities	**(47,323)**	(123,795)
Equity attributable to owners of the parent	**23,102**	(52,891)
Non-controlling interests	**–**	(10,565)

Codemasters Development Company Limited	**31 Mar 2019 £000**	31 Mar 2018 £000
Total comprehensive income to NCI	**–**	981
Total assets	**16,836**	14,609
Total liabilities	**(6,079)**	(6,391)
Equity attributable to owners of the parent	**10,757**	6,850
Non-controlling interests	**–**	1,368

Codemasters Studios Sdn Bhd	31 Mar 2019 £000	31 Mar 2018 £000
Total comprehensive income @ 30% (FY18: 46.67%)	**(50)**	(71)
Total assets	**1,847**	1,888
Total liabilities	**(45,368)**	(2,854)
Equity attributable to owners of the parent	**(146)**	(29)
Non-controlling interests	**(503)**	(937)

18 Inventories

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Finished goods	**351**	182

19 Trade and other receivables

	31 Mar 2019 £000	31 Mar 2018 £000
Trade Receivables due within one year:		
Neither past due nor impaired	**1,912**	77
Past due: 0 – 30 days	**99**	1,118
Past due: 31 – 60 days	**217**	1
Past due: 61 – 90 days	**–**	370
Past due: More than 91 days	**–**	–
Trade receivables past due and impaired	**102**	95
Less provision for expected credit loss	**(102)**	(95)
Trade receivables net	**2,228**	1,566
Amounts due from related undertaking	**1**	1
Other receivables	**82**	256
Fair value of forward foreign exchange contracts	**252**	–
Other taxation	**13**	189
Prepayments	**719**	436
Accrued income	**5,911**	854
	9,206	3,302

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 88% was concentrated across three customers (each with 5% or more), (2018: 91% across one customer).

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 to be recognised. There have been no historic credit losses associated with these balances, no provision for expected credit losses are required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

19 Trade and other receivables continued

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 has assessed the level of potential credit loss that the Group is exposed to. The majority of the Group'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 Group 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 in the credit loss allowance in the current and prior year. The loss allowance and the movement from prior reporting periods are shown below narrative to add regarding how it has been analysed and why there is no further exposure:

	2019 £000	2018 £000
At 1 April	**95**	23
Increase in exposure	**7**	95
Receivables written off as not-collectable	**–**	(23)
At 31 March	**102**	95

20 Cash and cash equivalents

	31 Mar 2019 £000	31 Mar 2018 £000
Cash and cash equivalents		
Cash at bank and in hand	**8,386**	9,136
Short-term deposits	**10,050**	–
	18,436	9,136

The following amounts were held in foreign currencies:

	31 Mar 2019 £000	31 Mar 2018 £000
Euros	**339**	286
United States Dollars	**1,790**	2,475
	2,129	2,761
Other currencies:		
Malaysian Ringitts	**13**	15
	2,142	2,776

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

	31 Mar 2019 £000	31 Mar 2018 £000
Trade payables	**4,117**	2,628
Other taxation and social security	**431**	555
Other payables	**5,089**	7,077
Accruals	**7,163**	7,215
Deferred income	**2,539**	3,580
Corporation tax creditor	**–**	26
	19,339	21,081

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

Included within other payables are advances from the Group's distribution partner Koch of £0.9 million (31 March 2018, £3.5 million). The advances are received from Koch to provide working capital for games in development, they are received in agreed amounts dependent upon milestone deliverables of titles in development by the Group. 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 Group 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 Group.

The deferred income balance of £2.5 million (31 March 2018: £3.6 million) relates 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:

	31 Mar 2019 £000	31 Mar 2018 £000
Other loans	**–**	121,669
Finance Leases	**173**	150
Total (note 23)	**173**	121,819

22 Trade and other payables: amounts falling due after more than one year

	31 Mar 2019 £000	31 Mar 2018 £000
Trade and other payables	**6,228**	7,912
Finance leases	**100**	202
	6,328	8,114

23 Loans and borrowings

The loans and borrowings payable by the Group are summarised as follows:

	31 Mar 2019 £000	31 Mar 2018 £000
Amounts due to related party	**–**	119,397
Export Import Bank of India	**–**	1,115
Malta Enterprise Loan	**–**	1,157
Finance leases	**273**	352
	273	122,021

The maturity profile of loans as at 31 March was as follows:

	31 Mar 2019 £000	31 Mar 2018 £000
Amounts falling due within one year	**173**	121,819
Amounts falling due within one to two years	**87**	202
Amounts falling due within two to three years	**13**	–
	273	122,021

The main facilities outstanding in the above periods are summarised as follows:

Amounts due to related party – being the principal and interest owed to Reliance. These relate to various loans provided in Sterling and United States Dollars to the Group at a fixed rate of interest of between 10% and 17%. The repayment period for the loans is within one year of being issued. In May 2018 $5 million of the loans were repaid. As part of the pre-IPO restructuring in May 2018 any rolled up interest remaining on the loan was released to profit and loss reserves. The remaining outstanding principal balance of £68.5 million was converted into equity, through issue of Class 1 ordinary shares of £0.0001.

Export-Import Bank of India ('EXIM') – on 13 July 2012 a loan facility of $25 million was provided by EXIM. This loan is secured against a fixed and floating charge over all UK Group company assets. Interest accrued at 6% above LIBOR, plus mandatory costs. Repayments commenced 18 July 2014, with the final repayment made in April 2018. Reliance acted as Corporate Guarantor on behalf of the Group for this facility.

Malta Enterprise Loan – a facility of €3.5 million was provided in March 2014, with total drawdowns of approximately €2 million. Interest has been charged on the outstanding balance since 1 January 2016. Repayments of between €25,000 to €75,000 per month were made since October 2016. A commercial agreement with Malta Enterprise was reached in August 2018, whereby a final settlement of €755,000 was paid. The final settlement left a residual balance of €322,000 of loan principal and interest, which was released to the income statement and included within interest receivable and similar charges. The facility was secured against the shares of Codemasters (Malta) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

24 Financial instruments

	31 Mar 2019 £000	31 Mar 2018 £000
Financial assets held at amortised cost:		
Trade receivables	**2,228**	1,566
Cash and cash equivalents	**18,436**	9,136
	20,664	10,702

	31 Mar 2019 £000	31 Mar 2018 £000
Financial assets held at fair value:		
Forward foreign exchange contracts	**252**	–
	252	–

	31 Mar 2019 £000	31 Mar 2018 £000
Financial liabilities held at amortised cost:		
Loans and borrowings	**(273)**	(122,021)
Trade payables	**(4,117)**	(2,628)
Other payables	**(11,144)**	(18,393)
	(15,534)	(143,042)

The fair value of forward foreign exchange contracts relates to the net asset across 22 forward contracts. See note 7 for further details, these contracts represent separate agreements to sell Euros or US Dollars in exchange for Sterling. These contracts have been taken out to mitigate the risk to the Group of its exposure to movements in currency impacting the value of its revenues, of which large proportions will be received in either Euros or US Dollars.

Of the 22 contracts outstanding at the end of March 2019, the fair values of 16 of the contracts were in an asset position of £277,000 in aggregate and the remaining six are in a liability position of £26,000. Given the size of fair values of contracts in a liability position, it has been determined appropriate to aggregate the fair values of all of the contracts.

The fair value has been established using a Level 2 fair value hierarchy, which has been estimated using rates based upon a directly observable market. The fair value has been determined by the financial institution who has provided the forward contracts who have compared the value of each contract against the value of Sterling available in exchange for the Euros/US Dollars available from comparative contracts available as at 31 March 2019.

25 Finance leases

Future minimum finance lease payments 31 March were as follows:

	31 Mar 2019 £000	31 Mar 2018 £000
Minimum lease payments due:		
Within one year	**187**	163
In one to two years	**110**	217
In greater than five years	**–**	–
	297	380
Less finance charges allocated to future periods	**(24)**	(28)
Present value of minimum lease payments	**273**	352

26 Provisions for liabilities

	Provision for future credits & price protection £000
As at 31 March 2017	**2,407**
Charge in the year	11,372
Released in the year	(250)
Utilised in the year	(10,138)
As at 31 March 2018	**3,391**
Charge in the year	5,016
Released in the year	(2,278)
Utilised in the year	(4,684)
As at 31 March 2019	**1,445**

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

27 Called up share capital

At period end date the composition of Codemasters Group Holdings plc share capital was:

	31 Mar 2019		31 Mar 2018	
	£000	**Voting Rights %**	£000	Voting Rights %
Allotted and fully paid				
140,000,000 Ordinary shares of £0.01	**1,400**	**100**	–	–
21,045,108,982 Class 1 ordinary shares of £0.0001 each	**–**	**–**	2,104	100
171,321,727 Class 2B ordinary shares of £0.0001 each	**–**	**–**	17	–
1,466,513,690 Class 2C ordinary shares of £0.00000001 each	**–**	**–**	–	–
33,366,891 Preferred shares of £1 each	**–**	**–**	33,367	–
819,839,142,440,000 deferred shares of £0.00000001 each	**–**	**–**	8,199	–
	1,400	**100**	43,687	100

The Companies Act 2006 does not require a company to have an authorised share capital, furthermore the Company's articles of association do not contain a provision expressly limiting the number of shares that can be issued by the Company.

The rights and obligations attached to the share capital of the Company set out in the articles of association are summarised below.

Ordinary shares – following the pre-IPO group restructuring in May 2018 is only one class of share capital. All of the issued share capital of the Company are ordinary shares of 1 pence each. All shares have equal rights in terms of voting, transferability and distribution of capital

Prior to the pre-IPO group restructuring the following classes of share capital were held by the Company:

i) Class 1 ordinary shares
- Class 1 ordinary shareholders are entitled to receive notice of, attend, speak and vote at General Meetings of the Company.
- The shares are not redeemable.
- All ordinary shares (i.e. Class 1, Class 2B and Class 2C) rank after all preferred shares but pari passu with other classes of ordinary shares in relation to dividends and distribution of capital (including on a winding up) as if the same together constituted one class.

ii) Class 2B ordinary shares
- Class 2B ordinary shareholders are not entitled to receive notice of, attend, speak or vote at General Meetings of the Company.
- The shares are not redeemable.
- All ordinary shares (i.e. Class 1, Class 2B and Class 2C) rank after all preferred shares but pari passu with other classes of ordinary shares in relation to dividends and distribution of capital (including on a winding up) as if the same together constituted one class.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

27 Called up share capital continued

iii) Class 2C ordinary shares

- Class 2C ordinary shareholders are not entitled to receive notice of, attend, speak or vote at General Meetings of the Company.
- The shares may be reclassified as deferred shares at any time at the discretion of the Company.
- The shares are not redeemable.
- All ordinary shares (i.e. Class 1, Class 2B and Class 2C) rank after all preferred shares but pari passu with other classes of ordinary shares in relation to dividends and distribution of capital (including on a winding up) as if the same together constituted one class.

iv) Preferred shares

- Preferred Shares rank in priority of all other shares of the Company in respect of distributions of dividend and capital (including on a winding up) and are not redeemable, the 10% annual cumulative preferred yield will only become payable on a liquidation, reduction of capital, sale or asset sale.

v) Deferred shares

- The deferred shareholders have no entitlement to receive notice of, attend, speak or vote at General Meetings of the Company.
- The deferred shares are not entitled to any participation in the profits or the assets of the Company.
- All deferred shares from time to time in issue may be redeemed by the Company at any time at the discretion of the Board for £1.00 in aggregate without obtaining the sanction of the holder or holders.

Pre-admission group restructuring

As referred to above, the Group undertook a reorganisation and debt restructuring prior to converting to a public limited company and being admitted to AIM.

This series of transactions were all planned together as one single transaction and as such the Directors have accounted for them as if it were a single transaction. The purpose of these transactions was to bring all of the share holdings of Reliance in the Group into the Company, recapitalise the Company and simplify the capital structure. This was achieved through the following steps:

The restructuring took place between 8 May 2018 and 21 May 2018, in a series of steps whereby, inter alia:

- the 819,839,142,440,000 deferred shares of £0.00000001 each in the Company were cancelled and extinguished, which was reflected by a reduction in share capital of £8.2 million and a corresponding increase in profit and loss reserves;
- reliance transferred 23,333 ordinary shares in Codemasters Studios Sdn Bhd to the Company in consideration for the allotment and issue of 10,000 Class 1 ordinary shares of £0.0001 each in the Company to Reliance;
- reliance transferred 333 ordinary shares in The Codemasters Software Company Limited to the Company in consideration for the allotment and issue of 150,000,000,000 Class 1 ordinary shares of £0.0001 each in the Company to Reliance. The impact of this and the above transaction was to increase share capital of the Company by £15 million and reduce non-controlling interest by £9.5 million, with the balance recognised as a reduction to profit and loss reserves;
- aggregate initial principal loans due from the Group to Reliance of £68,522,884.09 were converted to equity through the issue of 685,228,840,900 Class 1 ordinary shares of £0.0001 each in the Company to Reliance and all of the accrued interest on the loans was waived by Reliance, as a result of which the aggregate amount of the loans plus accrued interest subsequently payable by the Group to Reliance was reduced to US$5,000,000. The release of the accrued interest reduced the loan payable with a corresponding increase in profit and loss reserves;
- the share capital was reduced through the cancellation of 794,499,302,609 Class 1 ordinary shares of £0.0001 each, 1,466,513,690 Class 2C ordinary shares of £0.00000001 each and 26,311,491 Preferred shares of £1.00 each, and through the reduction of the nominal value of each class of shares to one tenth of their prior value and the cancellation of all except £0.21 of the share premium. The reduction in share capital led to a corresponding increase of £117.8 million in profit and loss reserves;
- the Preferred shares were subdivided and re-designated into Class 1 ordinary shares of £0.00001 each and all Class 2B shares of £0.00001 each were re-designated as Class 1 ordinary shares of £0.00001 each;
- there was a bonus issue of 21,000 Class 1 ordinary shares of £0.0001 each in the Company; and
- all of the Class 1 ordinary shares of £0.0001 each in the Company in issue as a result of the above steps were consolidated and subsequently re-designated as ordinary shares of 1 pence each in the Company.

As a result of the above steps, at 21 May 2018, the issued share capital of the Company was £1,325,000, comprising of 132,500,000 Ordinary Shares of £0.01 each.

Conversion to plc

On 22 May 2018, the Company converted to a public limited company and changed its name from Codemasters Group Holdings Limited to Codemasters Group Holdings plc.

Executive Share Option Plan (ExSOP): issue of shares under The Codemasters Employees' Share Trust

On 17 April 2007 an offshore Employees Share Trust was created called The Codemasters Employees' Trust, the parties to the Trust being Codemasters Group Limited and EES Trustees International Limited.

The Trust provided a discretionary settlement for the benefit of employees and former employees of the Company, and of any other company which is from time to time a subsidiary of the Company.

The Trust has been funded by a Loan Facility Agreement between Codemasters Group Limited and the Trustee. Loans totalling £2,218,569 were provided to the Trust in 2007. This has enabled the Trustee to participate in the Executive Share Option Plan (ExSOP) and acquire under a Joint Ownership Agreement with selected employees of Codemasters Group shares in the Group.

The loan was fully impaired in the accounts of Codemasters Group Limited in 2011, when it was understood that the market value of the shares held was insufficient for the Trust to repay the loan.

Following the capital restructuring of the Group that was disclosed in the financial statements of the Company for the year ended 30 June 2009, the shares held by the Trust were predominately deferred shares and other non-voting Class 2B ordinary shares.

The deferred shares were cancelled as part of the wider pre-admission group restructuring in May 2018. In addition, an agreement was reached between the Trust and the joint shareholder (an individual) to sell their jointly owned shares to Reliance.

Following the settlement of that transaction the Trust was left with no remaining assets, in order to settle the outstanding the Trust repaid £228,000 following receipt of a gift (for the purpose of repaying the loan). The residual £1.9 million loan was written off.

Subsequent to the settlement of all of the outstanding liabilities of the Trust, a Deed of Termination was entered into in August 2018 and the Trust was terminated with effect from 31 August 2018.

28 Operating leases

At 31 March 2019 the Group had total commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other leases	
	31 Mar 2019 £000	31 Mar 2018 £000	**31 Mar 2019 £000**	31 Mar 2018 £000
Minimun lease payments due:				
Within one year	**440**	327	**4**	20
In two to five years	**1,280**	592	**5**	15
In greater than five years	**–**	–	**–**	–
	1,720	919	**9**	35

29 Pension commitments

There is an amount of £115,000 of accrued pension contributions relating to defined contribution pension plans unpaid at 31 March 2019 (2018: £106,000). The Group has no obligations to defined benefit pension schemes.

30 Financial risk management

The Group uses a number of financial instruments. These include cash (including in foreign currency denominations), loans, 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 Group's operations. There is an inherent risk to the Group of using these financial instruments.

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

- *Financial risk management:* The Group's operations expose it to a variety of financial risks that include liquidity and interest rate risk, credit risk and currency risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. Given the size of the Group, 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 Group's finance department. There are processes in place to manage the financial risks listed.
- *Liquidity and interest rate risk:* The Group actively manages a mixture of financing that is designed to ensure the Group has sufficient available funds for operations and planned expansions. Financing used by the Group throughout the period has included loans for the development of specific games and other working capital loans. The Group has both interest-bearing assets and interest-bearing liabilities. The Group has a policy of maintaining debt at fixed rate where possible to give certainty of future interest cash flows. The Group has settled the large historic shareholder loans and other loans in the year ended 31 March 2019. The only external borrowings at 31 March 2019 relate to a small amount of finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

30 Financial risk management continued

The table below analyses the Group's financial liabilities into relevant maturity groupings based upon the remaining period at the period end 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
31 March 2019			
Borrowings	**173**	**87**	**13**
Trade and other payables	**19,339**	**3,358**	**2,870**
	19,512	**3,445**	**2,883**

	Less than one year £000	Due between one and two years £000	Due between two and five years £000
31 March 2018			
Borrowings	121,819	202	–
Trade and other payables	21,081	2,957	4,955
	142,900	3,159	4,955

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

Sensitivity to interest rate fluctuations:

If the average rate payable on the floating rate borrowings in the year to the 31 March 2019 was 1% higher throughout the period the profit before tax would have been approximately £150 lower (2018: £40,000 lower). If the interest rate on these liabilities was 1% lower the profit before tax for the period would be approximately £150 higher (2018: £40,000 higher). In FY19 the only floating rate borrowings the Group was exposed to as at 1 April 2019 were settled in early April 2019.

Credit risk: The Group'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 Group 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 Group 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 Group entering into distribution agreements with partners.

The Group 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 Group's method of assessing the expected credit loss is discussed in detail in note 19.

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. 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.

During the year all of the Group's borrowings in foreign currency have been settled. Due to the timing of the settlements and how the loans were settled, exchange rate movements in the US Dollar rate would not have made any impact to the Group's reported profit in FY19.

The Group estimate that a change in Euro rate of 1% would cause the amounts repaid on the Malta Enterprise loan to impact profit by £9,000. In 2018, a 1% fluctuation in exchange rates would have led to loans increasing/decreasing by £0.5 million.

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

	31 Mar 2019 £000	31 Mar 2018 £000
Trade receivables:		
US Dollars	**1,871**	1,429
Euros	**274**	39
Sterling	**83**	98
	2,228	1,566

	31 Mar 2019 £000	31 Mar 2018 £000
Loans and borrowings		
US Dollars	**–**	69,420
Euros	**–**	1,156
Sterling	**273**	51,445
	273	122,021

	31 Mar 2019 £000	31 Mar 2018 £000
Other financial liabilities		
US Dollars	**11,843**	16,970
Euros	**523**	2,487
Sterling	**2,894**	1,564
Other currency	**1**	–
	15,261	21,021

31 Reconciliation of liabilities arising from financing activities

	Borrowings < 1 year £000	Lease liabilities < 1 year £000	Borrowings > 1 year £000	Lease liabilities > 1 year £000	Total £000
31 March 2017	121,226	–	1,247	–	122,473
Cash flows:					
– Repayments	(10,104)	(133)	–	–	(10,237)
– Proceeds	1,247	476	–	–	1,723
Non-cash:					
– Interest rolled up	15,836	9	–	–	15,845
– Exchange movements	(7,783)	–	–	–	(7,783)
– Reclassifications	1,247	(202)	(1,247)	202	–
31 March 2018	**121,669**	**150**	**–**	**202**	**122,021**
Cash flows:					
– Repayments	**(5,645)**	**(178)**	**–**	**–**	**(5,823)**
– Proceeds	**–**	**31**	**–**	**61**	**92**
Non-cash:					
– Interest rolled up	**1,352**	**15**	**–**	**–**	**1,367**
– Loans converted into equity	**(68,523)**				**(68,523)**
– Interest released	**(50,167)**				**(50,167)**
– Exchange movements	**1,314**	**–**	**–**	**–**	**1,314**
Reclassifications	**–**	**155**	**–**	**(163)**	**(8)**
31 March 2019	**–**	**173**	**–**	**100**	**273**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

32 Contingent liabilities and assets

The Codemasters Software Company Limited ('CSCL'), a subsidiary of this company has 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.

33 Related party transactions

At 31 March 2018 the Codemasters Employees' Share Trust had a holding of shares in Codemasters Group Holdings plc acquired at a cost of £2,219,000. This loan has been fully impaired since June 2011. £228,000 of this was repaid in June 2018 (following provision of a gift to the Trust), with the balance written off. The Trust was terminated in August 2018.

As stated in note 17, Codemasters Group Holdings acquired 100% of the share capital of The CSCL in two separate transactions from Reliance and Digital Computers Limited. In addition, it also acquired 70% of the share capital in CSSB in two separate transactions from Reliance and Codemasters Group Limited. Reliance were the majority shareholder in the Company at the time and, all of the other entities were indirectly owned subsidiaries prior to those transactions.

As stated in note 27, the outstanding loans payable to Reliance as at 31 March 2018 have been settled in May 2018 via a repayment of $5 million, release of accrued interest and conversion of loan principal into equity. There are no further loan balances payable to Reliance outstanding as at 31 March 2019.

Also as referred to in note 9, four of the Group's senior executives were granted a total of 12,587,500 share options on 18 May 2018. These share options were settled on behalf of the Company by Reliance who granted their shares directly to the four individuals.

Within trade and other receivables is a balance of £765 that has been paid by the Group on behalf of Reliance (2018: £765)

During the year the Group have engaged BIG Animation I Pvt Ltd ('Reliance Animation') (a connected party of Reliance) to provide quality assurance services. These services supplement the internal labour resource that provides the bulk of these services. The total amount of services provided by Reliance Animation was £366,000 (2018: £342,000)

As at 31 March 2019 there was a balance of £45,000 payable to Reliance Animation (2018: £35,000), during the year the Group have made no revenue (2018: $500) from Zapak Mobile Games Private Limited ('Zapak'). Zapak are a connected party to Reliance.

Within trade receivables there is a balance of £nil (2018: £nil) due from Zapak. The total outstanding balance has been impaired at the reporting date (fully impaired also in 2018).

During the year the Group have made revenue of £10,000 (2018: £61,000) in respect of sales of boxed and digital products to Reliance Big Entertainment Private Limited, who are Reliance's immediate parent company.

Transactions with key management personnel:

Key management of the Group are the Directors and the Senior Executive team. Key management personnel remuneration includes the following expenses:

	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Short-term employee benefits:		
– Salaries including bonuses	**2,188**	1,327
– Share-based payments	**5,771**	5,942
– Social security costs	**479**	998
	8,438	8,267
Post employment benefits:		
– Defined contribution pension plans	**91**	79
	8,529	8,346

Included within social security costs above is £nil (2018: £820,000) of estimated National Insurance costs in relation to Share-Based Payments.

There were no loans made to Directors or any employees of the Group in the reporting period.

34 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of Codemasters Group Holdings plc as the numerator.

The weighted average number of shares outstanding has been calculated in accordance with IAS 33 paragraphs 26 & 27.

See note 27 for further details regarding the classes of shares in issue prior to the pre-IPO restructuring and the transactions that took place as part of that restructuring.

The reconciliation of the weighted average number of shares for the purpose of diluted earnings per share in the calculation of basic earnings per share is as follows:

Weighted number of shares in issue	31 Mar 2019	31 Mar 2018
Total of shares in issue	**122,200,151**	3,508,279
Kreos Warrants	**–**	61,027
Replacement Plan Options (granted)	**–**	1,106
LTIP	**529,999**	–
NED	**323,001**	–
ESOP	**805,713**	–
Total warrants and options not exercised	**1,658,713**	–
Total diluted shares	**123,858,864**	3,508,279

Adjusted earnings per share	£000	£000
Adjusted EBITDA	**18,697**	11,733
Tax (charge)/ credit on profit on ordinary activities	**771**	2,384
Less non-cash tax items (deferred tax charged to income statement)	**(838)**	(2,409)
Cash interest	**34**	(356)
Adjusted net income	**18,664**	11,352
Basic earnings/(loss) per share (pence)	**3.0**	(70.1)
Diluted earnings/ (loss) per share (pence)	**3.0**	(70.1)
Adjusted earnings per share (pence)	**13.3**	8.1

For diluted earnings per share, the weighted average number of shares in issue has been adjusted to assume conversion of all potentially dilutive options and warrants for the applicable period.

Given the variances in shares in issue across the presented periods (as a result of the pre-IPO capital restructuring), adjusted earnings per share is presented. Adjusted earnings per share is adjusted net income (which is a non-GAAP measure used as a proxy for cash earnings) across the presented periods divided by the number of shares in issue at 31 March 2019.

Adjusted net income is a non-GAAP measure, which is defined as adjusted EBITDA (see accounting policies), less cash interest and tax paid. Deferred shares that were in issue in the prior year have not been included in the calculation for weighted average number of shares.

The basic adjusted earnings per share calculation in accordance with IAS 33 is 15.3 pence per share (2018: 323.6 pence per share)

The adjusted diluted earnings per share calculation in accordance with IAS 33 is 15.1 pence per share (2018: 317.9 pence per share)

However, the Board presented adjusted earnings per share using a fixed number of shares across the two periods in order to present comparable earnings by removing the impact of the movements in the Company's share capital as a result of the pre – IPO group restructuring.

In the above years there were no dividends issued.

35 Post reporting date events

No adjusting or significant non-adjusting events have occurred between the 31 March 2019 reporting date and the date of signing of the Group financial statements.

36 Authorisation of financial statements

The consolidated financial statements for the year ended 31 March 2019 (including comparatives) were approved by the Board of Directors on 9 June 2019.

Frank Sagnier
Chief Executive Officer
9 June 2019

Rashid Varachia
Chief Financial Officer
9 June 2019

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	31 Mar 2019 £000	31 Mar 2018 £000
Fixed assets			
Investments	5	**37,894**	21,592
Current assets			
Trade and other receivables	6	**9,980**	79,911
Trade and other payables	7	**(59)**	(127,833)
Net current liabilities		**9,921**	(47,922)
Net assets		**47,815**	(26,330)
Capital and reserves			
Called up share capital		**1,400**	43,687
Share premium account		**14,751**	82,524
Other Reserve		**1,243**	–
Profit and loss account		**30,421**	(152,541)
Total shareholders' funds		**47,815**	(26,330)

The Company loss for the period was £86,825,000 (2018: £19,530,000).

The Company financial statements on pages 86 to 91 were approved by the Board of Directors on 9 June 2019 and were signed on its behalf by:

Frank Sagnier
Chief Executive Officer
9 June 2019

Rashid Varachia
Chief Financial Officer
9 June 2019

The notes on pages 90 to 93 form part of these Company financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Called up share capital £'000	Share premium account £'000	Other reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2017	43,687	82,524	–	(133,011)	(6,800)
Loss for the year and total comprehensive income	–	–	–	(19,530)	(19,530)
At 1 April 2018	**43,687**	**82,524**	**–**	**(152,541)**	**(26,330)**
Loss for the year and total comprehensive income	**–**	**–**	**–**	**(86,825)**	**(86,825)**
Transactions with owners:					
Cancellation of deferred shares	**(8,198)**	**–**	**–**	**8,198**	**–**
Share based payments charge	**–**	**–**	**–**	**13,231**	**13,231**
Release Codemasters Software Company loan interest – pre-IPO restructure	**–**	**–**	**–**	**(391)**	**(391)**
Issue of 150,010,000 Class 1 shares of £0.0001 to acquire non-controlling interests	**15,000**	**–**	**–**	**–**	**120,966**
Capitalisation of £68,522,884.09 of loans into 685,228,840,900 Class 1 ordinary shares of £0.0001	**68,523**	**–**	**–**	**–**	**68,523**
Capitalisation of interest on related party loans released	**–**	**–**	**–**	**48,538**	**48,538**
Pre-IPO capital reduction	**(117,687)**	**(82,524)**	**–**	**200,211**	**–**
Bonus issue of 21,000 Class 1 Ordinary Shares of £0.00001 each	**–**	**–**	**–**	**–**	**–**
Issue 7,500,000 ordinary shares of 1p each	**75**	**14,925**	**–**	**–**	**15,000**
Capitalisation of IPO transaction costs	**–**	**(174)**	**–**	**–**	**(174)**
Charge for equity settled share based payments	**–**	**–**	**1,243**	**–**	**1,243**
Total from transactions with owners	**(42,287)**	**(67,773)**	**1,243**	**269,787**	**160,970**
At 31 March 2019	**1,400**	**14,751**	**1,243**	**30,421**	**47,815**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 General information

Codemasters Group Holdings plc ('the Company') is a public company limited by shares incorporated and domiciled in England and Wales. The Company was initially incorporated as a private limited company in 2007 and re-registered as a public limited company on 22 May 2018. The Company's shares were admitted to AIM on 1 June 2018.

The Registered Number is 06123106 and the Registered Office is Codemasters Campus, Stoneythorpe, Southam, Warwickshire, CV47 2DL. A list of the Company's subsidiaries is presented in note 17 to the Group financial statements.

The Company, together with its subsidiaries (the 'Group') is engaged in the development and sale of video games. The principal activity of the Company is that of a holding company.

2 Accounting policies

Basis of preparation

The financial statements of the Company 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 years presented are set out below.

The financial statements of the Company are prepared in Sterling, which have been rounded to the nearest £000.

The Directors have reviewed the budgets and cash flow projections prepared by management and approved by the Directors for the two-year period ending 31 March 2021 and consider the forecasts to be prudent and that they reflect the underlying strength of the business and its strategy. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

This is the first year in which the Company's financial statements have been prepared in accordance with FRS101. The date of transition to FRS101 is 1 April 2017. An explanation of the transition is included in note 9 to the financial statements. In applying FRS101 for the first time the Company has applied early the amendment to FRS101, which permits a first-time adopter not to present an opening statement of financial position at the beginning of the earliest comparative period presented.

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;
- the requirements under IAS 1 to present a reconciliation for the number of shares outstanding at the beginning and end of the period; and
- the requirements under IFRS 2 in respect of Group-settled equity share-based payments and Group-settled cash share-based payments.

Company income statement

The Company has not presented its own income statement as permitted by Section 408 of the Companies Act 2006. The Company's loss after taxation for the year was £86.8 million (2018: £19.5 million).

Dividends

There have been no dividends paid in the period and there have been no dividends proposed and approved by the Company's shareholders at this time. However, in the event that a dividend is approved by the Company's shareholders, it will be recognised as a liability in the Company's financial statements in the period in which it has been approved.

Investments

Investments in Group undertakings are stated at cost. Prior to the end of each reporting period the carrying amount of investments are reviewed for impairment. Where the forecast cash generation or underlying net asset values of the investments in Group undertakings are less than the cost of the investment and impairment is recognised immediately.

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:

- 'Amounts due from related undertakings' – these relate to balances due from other directly/indirectly held subsidiaries. These are short-term financial assets driven by transactions within the Group. Subsequent to initial recognition, these balances are included in the statement of financial position at cost less any amounts written off to reflect an expected credit loss, with changes in carrying amount recognised in the income statement within administrative expenses.
- 'Cash and cash equivalents' – these comprise deposits with an original maturity of three months or less with banks and financial institutions, bank balances, bank overdrafts and cash in hand.
- 'Amounts due to related undertakings' – these relate to balances due to other directly/indirectly held subsidiaries or the majority shareholder in the Company. These are short-term financial liabilities driven by transactions within the Group. If the arrangements of an instrument include an amount financed at a rate of interest then the interest element is charged to the income statement in line with the specified criteria in the applicable contract.
- 'Bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs. Finance charges on bank loans are charged to the income statement so as to recognise the finance costs (being the difference between net proceeds received and total amounts payable to discharge the loan) on a constant rate on the carrying amount of the loan and recognised in interest payable and similar charges.
- 'Other loans' – these are recorded initially at the fair value based on proceeds received net of direct issue costs, and are subsequently stated at amortised cost. Direct issue costs are apportioned to each tranche of debt raised and charged to the income statement over the term of the debt or instrument, so that the amount charged is at the effective interest rate on the carrying amount. Finance charges, including premiums payable on settlement, or redemption and direct issue costs, are recognised in a similar manner to bank loans stated above where the finance charges are calculable.

Current taxation

The policy for current tax is consistent with the Group. Due to the presence of brought forward losses there are not expected to be any current tax liabilities on any profits generated.

Deferred taxation

The policy for deferred taxation is consistent with the Group. Where there is no expectation of any brought forward tax losses being utilised by the Company in the next two financial periods, no deferred taxation asset is recognised.

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 goodwill, or to its investments in subsidiaries.

Employee share schemes

The Company's accounting policy for cash-settled share options is consistent with the Group's accounting policies. Where equity-settled share awards are made to employees of the Company's subsidiaries, the fair value of these awards are recognised as an investment in the company employing the individuals receiving the awards and a corresponding amount recognised in other reserves. These awards are accounted for in the income statements of the company employing the individuals. The fair values of the awards are calculated in a consistent manner with those described in the Groups accounting policies.

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 period end 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 administrative expenses.

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 Parent Company. This includes Class 1 Ordinary, Class 2B and Class 2C ordinary Shares and Preferred shares in the period prior to admission to AIM and ordinary shares following admission to AIM. See note 27 of the Group financial statements for further details regarding the Company's issued share capital.
- Share premium account – the amount of proceeds received in consideration for called up share capital that is in excess of the nominal value of the shares purchased.
- Other reserve – an equity account comprising the historic fair value of equity settled share based payments recognised in the company's accounts.
- Profit and loss account – historic cumulative balance of Group comprehensive income/expense.

Critical accounting estimates and judgements

The critical accounting estimates set out in the Group accounts also apply to the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

For the year ended 31 March 2019

3 Remuneration of Directors and auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 43 of the annual report. Details of auditor remuneration are shown in note 13 of the Group financial statements.

4 Share-based payments

The Company has provided both cash-settled share-based payment arrangements and equity-settled share-based payment arrangements in the current year. Details regarding these are provided in note 9 of the Group financial statements.

Details regarding the elements relating to senior executives can also be found in the Director's Remuneration Report.

The Company recognised total expenses of £5.8 million (2018: £6.8 million) in respect of share-based payment charges in the year ended 31 March 2019.

5 Staff costs

All of the employees within the Group are employed either by the Codemasters Software Company Limited or Codemasters Studios Sdn Bhd. There are no employees or staff costs directly incurred by the Company.

6 Investments in subsidiary undertakings

	Investments In subsidiaries £'000	Share based payments £'000	Total £'000
Cost			
At 1 April 2018	**51,812**	**–**	**51,812**
Additions	**15,059**	**1,243**	**16,302**
At 31 March 2019	**66,871**	**1,243**	**68,114**
Impairment			
At 1 April 2018	**30,220**	**–**	**30,220**
Impairment in the period	**–**	**–**	**–**
At 31 March 2019	**30,220**	**–**	**30,220**
Net book amount			
At 31 March 2019	**36,651**	**1,243**	**37,894**
At 31 March 2018	21,592	–	21,592

The carrying value of the investments in subsidiaries undertaking has been reviewed at the balance sheet date. An impairment charge of £nil (2018: £nil), which recognises that there has been no change in the investment in subsidiaries undertaking measured against the higher of the recoverable amount or the value in use.

The Company is the owner of all of the equity share capital, either itself or through subsidiary undertakings, listed in note 17 of the Group financial statements, with the exception of Codemasters Studios Sdn Bhd, which the Company owns 70%. In 2018, 53.33% was owned directly by Codemasters Group Limited, with the balance held externally. On 16 May 2018 the Company acquired 70% of the Codemasters Studios Sdn Bhd shares, further details are provided in note 17 of the Group financial statements.

In addition to the shareholding in Codemasters Studios Sdn Bhd, the Company directly holds 100% (2018: 100%) of the share capital of Codemasters Holdings Limited and the Codemasters Software Company Limited (2018: 83.35%).

Share-based payments relate to the fair value of the equity-settled share options in the Company's shares that are settled by the Codemasters Software Company Limited ('CSCL'). All of the employees that have been awarded these options are employed by CSCL, with the fair value of these options recognised over the vesting period. See note 9 of the consolidated financial statements for further details.

Further details regarding the registered offices and reporting dates of the Company's subsidiaries are provided in note 17 to the Group financial statements.

7 Trade and other receivables

	31 Mar 2019 £000	31 Mar 2018 £000
Trade receivables due within one year:		
Neither past due nor impaired	**2**	2
Trade receivables net	**2**	2
Amounts due from related undertaking	**9,978**	79,909
	9,980	79,911

Amounts due from related undertakings relate to loans or trading balances with the Codemasters Software Company Limited and Codemasters Studios Sdn Bhd, these are Sterling balances, non-interest bearing and where formalised by loan documentation are repayable on demand.

All of the amounts due from related undertakings are considered recoverable.

8 Trade & other payables

	31 Mar 2019 £000	31 Mar 2018 £000
Other loans	**–**	119,013
Share based payments accrual	**–**	8,820
Amounts due to related undertaking	**59**	–
	59	127,833

Amounts due to related undertaking relates to a balance payable to Digital Computers Limited. The balance has been formalised via a promissory note, payable to the order of Digital Computers in Sterling and is non-interest bearing.

9 Related party transactions

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

As stated in note 17 of the Group's financial statements, Codemasters Group Holdings acquired 100% of the share capital of The CSCL in two separate transactions from Reliance and Digital Computers Limited. In addition, it also acquired 70% of the share capital in CSSB in two separate transactions from Reliance and Codemasters Group Limited. Reliance were the majority shareholder in the Company at the time and all of the other entities were indirectly owned subsidiaries prior to those transactions.

As stated in note 27 of the Group's financial statements, the outstanding loans payable to Reliance as at 31 March 2018 have been settled in May 2018 via a repayment of $5 million, release of accrued interest and conversion of loan principal into equity. There are no further loan balances payable to Reliance outstanding as at 31 March 2019.

Also as referred to in note 9, four of the Company's senior executives were granted a total of 12,587,500 share options on 18 May 2018. These share options were settled on behalf of the Company by Reliance who granted their shares directly to the four individuals.

In the financial year the Company has received interest of £55,000 (2018: nil) in relation to preference shares held in Codemasters Studios Sdn Bhd.

Details of Directors interest in the Company's issued share capital are provided in the Directors' Report.

10 Transition to FRS 101

The Company has adopted FRS101 for the first time having previously applied 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102'). The Board of Directors have elected to present the Company financial statements in FRS 101 for the underlying accounting treatment to be consistent with IFRS, which the Group financial statements are reported under. As noted in the Group financial statements, the previous Group financial statements were also presented under FRS102. Following the Company's admission to AIM it now presents in accordance with IFRS.

The date of transition to FRS101 was 1 April 2017. On applying FRS101 for the first time the following transitional relief was adopted:

→ The Company has elected to retain its interests in subsidiaries at the previous FRS102 carrying amount at the date of transition to FRS 101.

Upon reviewing the opening statement of financial position as at 31 March 2017 and the financial statements for the comparative period, the year ended 31 March 2018, there have been no differences noted between the accounting treatment under FRS102 and FRS101. As such, there have been no prior period restatements in these financial statements.

COMPANY INFORMATION

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