

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2021**



Registered Number: 02829355

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their strategic report on the company for the year ended 31 March 2021.

REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS

The principal activities of the company are the marketing and distribution of video game hardware and software. The current business of Sony Interactive Entertainment UK Limited involves the sales, marketing and distribution of video game consoles and related software throughout the UK and Ireland.

The results for the financial year show a profit before taxation of £11,161,000 (2020: £10,370,000), revenue of £507,126,000 (2020: £283,733,000) and total assets less current liabilities of £29,419,000 (2020: £20,380,000).

The primary purpose of the company is the fulfilment of its role as sole distributor of PlayStation products in the UK and Ireland. For the majority of the financial year the company was the sole distributor of PlayStation products in Ireland. However, following the conclusion of the Brexit transition period on 31 December 2020, Ireland became a non-exclusive territory for the company. A previously non-trading Sony Interactive Entertainment entity was also appointed distributor for Ireland, as well as other activities.

The key performance indicators used to monitor the commercial performance of the business is set out below. The Company uses a combination of financial and non-financial measures to assess how successful it has been in achieving its objectives. These measures are:

1. Sales volumes

External sales volumes of consoles, peripherals and software for the company were 5,199,391 (2020: 4,102,865) across all platforms.

2. Revenue

Revenue remained robust against a competitive market and a challenging economic climate. Revenue for the financial year of £507,126,000 (2020: £283,733,000) represents the continued strength of PlayStation 4 and the launch of the PlayStation 5.

S.172 STATEMENT

We have considered the Companies (Miscellaneous Reporting) Regulations 2018 and recognise that Sony Interactive Entertainment UK Limited (the "**Company**") is required to include a statement within its strategic report describing how the board of directors (the "**Board**") have had regard to the matters set out in s.172(1)(a) to (f) when performing their duty under s.172.

This statement is set out below and can also be found on the Company website: <https://www.playstation.com/en-gb/>.

Reference	Requirement	Board Engagement
172(1)	The directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:	
(a)	The likely consequences of any decision in the long term	<p>The Board considers how the consequences of any decision in the long term will impact the Company's key stakeholders, being its customers, shareholders and other Sony Interactive Entertainment group companies (the "SIE Group").</p> <p>SIE Group's business operates at a broad scale and in multiple jurisdictions, therefore strategic direction and decision-making are taken with a view as to how they will impact the SIE Group as a whole.</p>

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

Reference	Requirement	Board Engagement
(b)	The interests of the company's employees	The Company has no employees.
(c)	The need to foster the company's business relationships with suppliers, customers and others	<p>The Company has no employees and it receives support from Sony Interactive Entertainment Europe Limited ("SIEEL") in its engagement with all key stakeholders.</p> <p>The Company builds and develops its relationships with key stakeholders by maintaining communication and good business practice based on the Sony Group Code of Conduct (the "Code") (available here: https://www.sony.net/SonyInfo/csr_report/compliance/code.html) and internal policies.</p> <p>The Company engages with its customers via its contact strategy which has multiple touchpoints from detailed annual planning sessions, regular reviews and updates, and regular communication.</p>
(d)	The impact of the company's operations on the community and the environment	The impact of the Company's operations on the community and the environment are considered by the Board as part of the impact assessment by the SIE Group.
(e)	The desirability of the Company's maintaining a reputation for high standards of business conduct.	<p>Our reputation for high standards of business conduct is governed by the Code which establishes a framework of the Company's cultural norms and purpose and values to help guide business decision-making and conduct with respect to employees, vendors and other stakeholders.</p> <p>The Code provides guidance for the Company's expectations regarding what is (and is not) ethical and legal behaviour. The Code sets forth the basic internal standards to be observed by all directors, officers, employees (permanent or temporary), contractors, consultants and contingent workers of the Sony Group¹ ("Personnel"). The Sony Group commits itself to be bound by the Code and at the same time requires all Personnel to know, understand and comply with the Code. It ensures a clear priority on maintaining our reputation for high standards of business conduct through a focus on fairness, honesty, integrity, respect and responsibility via honest and ethical business conduct, maintaining stakeholder trust, respect for human rights, conscious recognition of diversity and inclusion, fair labour and employment practices, fair business practices, and ethical personal conduct.</p>
(f)	The need to act fairly as between members of the Company.	The Company is a wholly owned subsidiary of Sony Interactive Entertainment Europe Limited. The ultimate parent undertaking is Sony Group Corporation and as such the Company is a member of the Sony Group. There is no split ownership structure of the Company. All interactions with other companies within the SIE Group are governed by applicable intercompany arrangements.

¹ A 'Sony Group' company is any company where 50% or more of the voting rights are directly or indirectly controlled by Sony Group Corporation.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks for the company reflect the commercial pressures of a highly competitive market. These include:

- The coronavirus disease 2019 (COVID-19) pandemic has adversely affected, and is expected to continue to adversely affect retailers across Europe. This could negatively impact our access to consumers through reliance on external business partners;
- Competition for the PlayStation 4 and PlayStation 5 from alternative next generation platforms resulting in a lower installed base;
- The global economic and political environment in which the company operates and the economic and political conditions in company's markets, particularly levels of consumer spending, may negatively impact the business; and
Unauthorised access to the Company's IT environment, or IT failure leads to the misappropriation of confidential information / breach of General Data Protection Regulation (GDPR) and / or prolonged store outage

Management create and implement effective strategies to control these risks carefully monitoring the outcome of the strategies and the mitigation of these risks.

The Strategic Report was approved by the Board of Directors on 23 September 2021 and was signed on its behalf by:



J Ryan
Director

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and audited financial statements for the company for the year ended 31 March 2021.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are given below:

J Ryan
S Rutter (resigned 17 June 2021)
W Light

The company secretary is M Toole.

FUTURE DEVELOPMENTS

The directors do not expect any significant change to the current strategy and objectives of the company. The company will continue to market and distribute PlayStation hardware and software.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of risks that include the effects of commercial pricing pressures, credit risk, liquidity risk and interest rate risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. These policies seek to limit the adverse effects on the financial performance of the company.

Price risk

The company is exposed to significant price pressure due to the competitive nature of its industry. The company monitors and reviews prices on a regular basis. Effective strategies are created to manage the exposure to significant price variances.

Credit risk

Credit risk arises primarily from credit exposures to retail customers, including outstanding receivables and committed transactions.

Exposure to credit risk arising from cash and cash equivalents, deposits with banks and other financial institutions is limited to daily working capital requirements. The company utilises financial facilities provided by another Sony group company for all investment and borrowing requirements.

The company assesses the credit quality of customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. In addition, the company purchases credit insurance to minimise the financial impact of any default by customers.

Liquidity risk

The company's cash flow is regularly monitored. Liquidity risk in the short term is mitigated through access to financing facilities provided by another Sony group company.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

The company has both interest bearing intercompany assets and interest bearing intercompany loans. Interest on intercompany assets is charged at an arm's-length basis and calculated as the London Interbank Bid Rate (LIBID). Interest on intercompany loans is charged at an arm's length basis and calculated on a monthly basis.

DIVIDENDS

The directors do not propose a dividend during the current year (2020: £nil).

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no charitable donations during the financial year (2020: £nil). There were no political donations (2020: £nil).

QUALIFYING THIRD PARTY AND PENSION INDEMNITY SCHEMES

The company maintains liability insurance for its directors and officers. The company also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purpose of section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and at the date of the approval of these financial statements.

GOING CONCERN

The directors believe in the company's ability to continue as a going concern and will be able to meet its financial obligations as they fall due for the foreseeable future, a period of at least twelve months from the date of signing these financial statements.

STAKEHOLDER ENGAGEMENT STATEMENT

We have considered the Companies (Miscellaneous Reporting) Regulations 2018 and recognise that Sony Interactive Entertainment UK Limited (the "**Company**") is required to summarise how the board of directors (the "**Board**") have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, in this directors report

We understand that, when fulfilling this requirement, the Board is not required to disclose information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the Board, be seriously prejudicial to the interests of the Company.

The table below identifies the Company's key stakeholder groups and how the Company has engaged with them throughout the applicable financial year.

Stakeholder Group	Stakeholder Interests i.e. key interests, issues and factors of importance	How the Company and its directors have engaged with this Stakeholder Group and considered its Stakeholder Interests in the applicable financial year
Customers	<ul style="list-style-type: none">• Quality of service and products• Value of service and products	<p>→ Monitors trends and commentary of the video games and console industry; deep industry knowledge and understanding</p> <p>→ Responsive and adaptable with business strategy</p>

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

Stakeholder Group	Stakeholder Interests i.e. key interests, issues and factors of importance	How the Company and its directors have engaged with this Stakeholder Group and considered its Stakeholder Interests in the applicable financial year
	<ul style="list-style-type: none"> • Reliability and availability of service and products • Efficiency of service • Integrity of service and productive business relationships including customer service • Market trends 	<p>→ Timely submission of high quality and accurate documentation and prompt communication when requested and/or required</p> <p>→ Direct, open and transparent engagement and communication with customers</p> <p>→ Engage collaboratively to enhance customer experience</p>
Shareholders	<ul style="list-style-type: none"> • Shareholder value 	<p>→ The Company is a wholly owned subsidiary of Sony Interactive Entertainment Europe Limited. The ultimate parent undertaking is Sony Group Corporation and as such the Company is a member of the Sony Group.²</p> <p>→ The Board of the Company aim to grow the business profitably and works collectively with the entire Sony Group to provide sustained profitable growth for shareholders and other stakeholders.</p>

STREAMLINED ENERGY AND CARBON REPORTING

Sony Interactive Entertainment UK Limited (the "**Company**") has considered the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and the associated Streamlined Energy and Carbon Reporting and recognises that the Company is required to report on its annual UK energy use and associated greenhouse gas emissions in this Directors Report.

Due to the nature of how the Company operates with other Sony Interactive Entertainment UK companies (the "**SIE UK Group**") in practice, it is not practical nor representative to separate the energy and carbon information as between the SIE UK Group entities. Therefore all energy and carbon information relating to the Company is included in the detailed Streamlined Energy and Carbon Report that is contained in the accounts of parent company Sony Interactive Entertainment Europe Limited.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the

² Sony Group company is any company where 50% or more of the voting rights are directly or indirectly controlled by Sony Group Corporation.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (CONTINUED)

state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at a meeting of the Board of Directors.

The Directors' Report was approved by the Board of Directors on 23 September 2021 and was signed on its behalf by:



J Ryan
Director

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONY
INTERACTIVE ENTERTAINMENT UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Sony Interactive Entertainment UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2021; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONY INTERACTIVE ENTERTAINMENT UK LIMITED

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and corporate tax law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of results through manual journals or management bias in judgemental areas. Audit procedures performed by the engagement team included:

- Discussions with management which have included consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Identifying and testing of manual journal entries based on risk criteria such as unusual account combinations
- Review of key judgements and provisions
- Review of the latest internal audit reports available
- Incorporating elements of unpredictability into our audit approach

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**SONY INTERACTIVE ENTERTAINMENT UK LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SONY
INTERACTIVE ENTERTAINMENT UK LIMITED**

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

24 September 2021

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Revenue	4	507,126	283,733
Cost of sales		(466,645)	(250,909)
Gross profit		40,481	32,824
Distribution costs		(25,262)	(20,347)
Administrative expenses		(4,005)	(2,264)
Operating profit	5	11,214	10,213
Finance income	8	28	192
Finance costs	9	(81)	(35)
Profit before taxation		11,161	10,370
Income tax expense	10	(2,122)	(2,014)
Profit for the financial year		9,039	8,356

The results for the year arise solely from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	2021 £'000	2020 £'000
Profit for the financial year	9,039	8,356
Other comprehensive income: Items that will not be reclassified to profit or loss	-	-
Total comprehensive income for the financial year	9,039	8,356

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	2021 £'000	2020 £'000
Current assets			
Inventories	11	3,294	1,152
Trade and other receivables (including £241,000 deferred tax (2020: £263,000) falling due after one year)	12	124,923	81,884
Cash and cash equivalents		283	573
		128,500	83,609
Creditors: amounts falling due within one year	13	(99,081)	(63,229)
Net current assets		29,419	20,380
Total assets less current liabilities		29,419	20,380
Net assets		29,419	20,380
Capital and reserves			
Called-up share capital	15	1	1
Retained earnings		29,418	20,379
Total shareholders' funds		29,419	20,380

The notes on pages 14 to 24 are an integral part of these financial statements.

The financial statements on pages 11 to 24 were approved and authorised for issue by the Board of Directors on 23 September 2021 and were signed on its behalf by:



J Ryan
Director

Company registered number: 02829355

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH
2021

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 April 2019	1	12,023	12,024
Profit for the financial year	-	8,356	8,356
Total comprehensive income for the year	-	8,356	8,356
Balance as at 31 March 2020	1	20,379	20,380
Balance as at 1 April 2020	1	20,379	20,380
Profit for the financial year	-	9,039	9,039
Total comprehensive income for the year	-	9,039	9,039
Balance as at 31 March 2021	1	29,418	29,419

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 GENERAL INFORMATION

The company is a private limited company limited by shares and incorporated in the United Kingdom under the Companies Act 2006, England and Wales. The company is a private company and is incorporated and domiciled in England. The address of its registered office is 10 Great Marlborough Street, London, W1F 7LP.

The company is a wholly owned subsidiary company of a group headed by Sony Group Corporation, and is included in the consolidated financial statements of that company, which are publicly available.

Sony Group Corporation is registered in Japan and copies of their financial statements can be obtained from Sony Global Treasury Services Plc, 15th Floor, Commercial Union Tower, 1 Undershaft, London, EC3A 8EE.

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The financial statements of Sony Interactive Entertainment UK Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS101).

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in FRS 101, which addresses the financial reporting requirements and disclosure exemptions in the financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("IFRS").

The Company is a qualifying entity for the purposes of FRS 101.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The presentation currency used is sterling and amounts have been presented in round thousands ("£000s").

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 38 of IAS, 'Presentation of financial statements' comparative information requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1;

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into with other wholly owned members of the group headed by Sony Group Corporation.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Sony Group Corporation. These financial statements do not include certain disclosures in respect of:

- IFRS 7 Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- IFRS 13 Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- IAS 36 Impairment of assets

Consolidation

The company is a wholly owned subsidiary company of a group headed by Sony Group Corporation, and is included in the consolidated financial statements of that company, which are publicly available. Sony Group Corporation is registered in Japan and copies of their financial statements can be obtained from Sony Global Treasury Services Plc, 15th Floor, Commercial Union Tower, 1 Undershaft, London EC3A 8EE.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021, have had a material impact on the company.

Revenue recognition

In line with IFRS 15 the company recognises revenue when performance obligations have been satisfied and for the company this is when the goods have been transferred to the customer and the customer has control of these. Revenues are stated net of sales tax and when collectability is reasonably assured. The company's activities are described in detail below.

Sales of goods

Revenue comprises sales of goods after the deduction of discounts, sales taxes and estimated returns. The estimated amount of returns is reassessed at each reporting date for their validity. Revenue is recognised when the performance obligations have been satisfied and the control of the products have been transferred to the customers.

Dividend income and distribution

Dividend income is recognised when the right to receive payment is established. Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Current and deferred income tax

The tax expense for the period comprises current and deferred 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 shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the UK tax laws enacted or substantively enacted at the reporting date. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

Foreign currency translation

Functional and presentation currency

The financial statements have been presented in Sterling (£) as the directors are of the opinion that this is the functional currency of the company. The functional currency is the currency of the primary economic environment in which the company operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. The exchange rate at 31 March 2021 was £1= €1.1727 (2020: £1 = €1.1152). Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Differences on exchange arising from trading are dealt with in arriving at the result for the financial year, and are recognised in the income statement.

Financial assets

Classification

The company classifies its financial assets at amortised cost.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss under 'net impairment losses on financial and contract assets'.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

Inventory

Inventory is stated at the lower of cost and net realisable value and is valued using a weighted average method. Net realisable value is the price at which the inventory can be sold in the normal course of business after allowing for the costs of realisation and the cost of conversion to a finished condition. Provision is made where necessary for obsolete, slow moving and defective inventory.

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Called up share capital

Ordinary shares are classified as equity.

Creditors

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

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

Employee benefits

Pension obligations

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The group participates in two defined contribution schemes. Contributions are charged in the income statement as they become payable in accordance with the rules of the scheme. The scheme's assets are held in separately administered funds.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Stock compensation accruals

The company records an accrual for changes in the wholesale price of products held by retailers as at the balance sheet date. Stock compensation accruals rely in estimates of the stock held by retailers.

(b) Promotion accruals

The company records an accrual for committed promotional spend related to previous sales. The accrual relies on an estimate of the cost of the promotional activity.

4 REVENUE

All revenue arose from one class of business in 2021 and 2020.

Financial information by geography for the year ended 31 March 2021

	UK £'000	Ireland £'000	Total £'000
Revenue	495,009	12,117	507,126
Profit before taxation	12,032	(871)	11,161
Net assets / (liabilities)	29,409	10	29,419

Financial information by geography for the year ended 31 March 2020

	UK £'000	Ireland £'000	Total £'000
Revenue	274,636	9,097	283,733
Profit before taxation	9,489	881	10,370
Net assets / (liabilities)	21,023	(638)	20,385

5 OPERATING PROFIT

Fees payable to the company's auditors for the audit of the company's annual financial statements were £88,500 (2020: £81,690). These costs are currently borne by the immediate parent undertaking, Sony Interactive Entertainment Europe Limited. There are no other services payable to the company's auditors.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

6 EMPLOYEES AND DIRECTORS

Employment costs

	2021	2020
	£'000	£'000
Wages and salaries	2,608	2,738
Social security costs	341	345
Other pension costs	290	245
	<u>3,239</u>	<u>3,328</u>

All employment costs for the company are borne by the immediate parent undertaking Sony Interactive Entertainment Europe Limited ("SIEEL") and are recharged to the company.

Other pension costs are the total pension expense for one defined contribution schemes operated by the company and available to all permanent UK employees. At the year end, no contributions were outstanding (2020: £nil). There are no prepaid amounts as at 31 March 2021 (2020: £nil).

Employee activity

The average monthly number of persons employed by the company through SIEEL (including directors) during the year, analysed by category, were as follows:

	2021	2020
	Number	Number
Sales and distribution	27	28
Development		
Administration	7	7
	<u>34</u>	<u>35</u>

7 DIRECTORS' EMOLUMENTS

The directors' remuneration was as follows:

	2021	2020
	£'000	£'000
Aggregate emoluments excluding pension contributions and share options	389	348
Contributions to defined contribution pension schemes	10	10
	<u>399</u>	<u>358</u>

One director (2020: one) is a member of the company's defined contribution pension scheme.

Two directors exercised share options during the financial year (2020: two).

No qualifying service shares were received or receivable under long term incentive schemes.

The emoluments of two directors (2020: two) are paid by Sony Interactive Entertainment Europe Limited, the parent company, which makes no recharge to the company. These directors are the directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. The total emoluments for these directors are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

The disclosure above also shows the remuneration for the highest paid director of the company.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

8 FINANCE INCOME

	2021 £'000	2020 £'000
Interest on loans to group undertaking	28	192
Total finance income	28	192

9 FINANCE COSTS

	2021 £'000	2020 £'000
Other interest payable	81	35
Total finance costs	81	35

10 INCOME TAX EXPENSE

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profit for the year	2,100	1,997
Adjustments in respect of prior periods	-	3
Total current tax	2,100	2,000
Deferred tax		
Origination and reversal of timing differences	22	47
Impact of change in tax rate	-	(33)
Total deferred tax	22	14
Tax on profit	2,122	2,014

The tax assessed for the year is higher (2020: higher) to the standard effective rate of corporation tax in the UK (19%) for the year ended 31 March 2021 (2020: 19%).

	2021 £'000	2020 £'000
Profit before taxation	11,161	10,370
Profit before taxation multiplied by standard rate in the UK 19% (2020: 19%)	2,121	1,970
Effects of:		
Expenses not deductible for tax purposes	1	74
Adjustments to current tax charge in respect of previous periods	-	3
Tax rate changes	-	(33)
Total tax charge	2,122	2,014

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

10 INCOME TAX EXPENSE (CONTINUED)

Factors affecting current and future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £65,465 and increase the deferred tax asset by £65,465.

11 INVENTORY

The inventory value as at 31 March 2021 of £3,294,000 relates solely to finished goods (2020: £1,152,000). During the financial year ending 31 March 2021 £466,645,000 (2020: £250,909,000) of inventories were recognised as cost of sales.

12 TRADE AND OTHER RECEIVABLES

	Note	2021 £'000	2020 £'000
Trade receivables		43,218	15,172
Amounts owed by group undertakings		81,431	66,319
Deferred tax	14	241	263
Prepayments and accrued income		33	130
		<u>124,923</u>	<u>81,884</u>

Trade receivables are stated after provisions for impairment of £476,616 (2020: £792,957).

Amounts owed by group undertakings consist of a deposit of £77,014,000 (2020: £15,906,000). There were other trading balances of £4,417,000 (2020: £50,413,000). The net deposit balance accrues interest at the London Interbank Bid Rate (LIBID) less 6.25 basis points per month, is unsecured and repayable on demand.

All other amounts owed by group undertakings are interest free, unsecured and repayable on demand.

Amounts falling due after more than one year:

The deferred tax asset of £241,000 (2020: £263,000) is expected to take more than one year to fully recover.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Corporation tax payable	2,597	1,497
Amounts owed to group undertakings	41,202	9,498
Other taxation and social security	8,184	1,992
Accruals and deferred income	47,098	50,242
	<u>99,081</u>	<u>63,229</u>

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)

Amounts owed to group undertakings consist of a borrowing of £9,572,000 (2020: £6,437,000). Of the total net borrowing balance, £9,536,599 accrues interest (2020: £6,397,149) at the London Interbank Bid Rate (LIBID) plus Sony Group Treasury Services funding cost spread plus 25 basis points per month, is unsecured and repayable on demand. The remaining balance accrues interest at the London

Interbank Offered Rate (LIBOR) plus 1.25 basis points per month, is unsecured and repayable on demand.

Amounts owed to group undertakings consist of trading balances of £31,630,000 (2020: £3,061,000). All other amounts owed to group undertakings are interest free, unsecured and repayable on demand.

14 DEFERRED TAX

Movement in deferred tax asset

	2021 £'000	2020 £'000
At 1 April	263	277
Deferred tax charge to income statement	(22)	(14)
At 31 March	241	263

Reconciliation of deferred tax asset

	2021 £'000	2020 £'000
Excess book depreciation of fixed assets over capital allowances	207	253
Other timing differences	34	10
Total deferred tax asset	241	263

15 CALLED UP SHARE CAPITAL

	2021 £'000	2020 £'000
Authorised share capital		
1,000 ordinary shares (2020: 1,000) of £1 (2020: £1) each	1	1
Allotted and fully paid		
1,000 ordinary shares (2020: 1,000) of £1 (2020: £1) each	1	1

16 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption not to disclose transactions entered between companies within the group headed by Sony Group Corporation as permitted by the FRS 101 framework. There were no other related party transactions in the current or preceding year.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2021

17 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 March 2021, the immediate parent undertaking is Sony Interactive Entertainment Europe Limited.

At 31 March 2021, the ultimate parent undertaking and controlling party is Sony Group Corporation, a company incorporated in Japan.

Sony Group Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2021.

Sony Group Corporation is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Sony Group Corporation can be obtained from Sony Global Treasury Services Plc, 15th Floor, Commercial Union Tower, 1 Undershaft, London, EC3A 8EE.