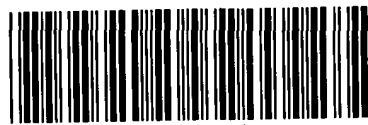


SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED

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

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COMPANIES HOUSE

Registered Number: 3277793

SONY INTERACTIVE ENTERTAINMENT EUROPE 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

Sony Interactive Entertainment Europe Limited ("SIEEL") is responsible for the sales, marketing and distribution of video game hardware and software as well as the development and publishing of video game software. The company coordinates its operations directly and through subsidiary companies. The group operates across the Phase Alternating Line ("PAL") television encoding system territories which include Europe, Australia, New Zealand and the Middle East as well as the emerging markets in Eastern Europe.

The results for the financial year show a profit before taxation of €732,817,000 (2020: €468,152,000), revenue of €7,281,660,000 (2020: €5,675,389,000) and net assets of €655,793,000 (2020: €756,583,000).

In the year to 31 March 2021 SIEEL has seen the continued performance of the PlayStation 4, the PlayStation Network and the launch of the PlayStation 5. This is reflected in the positive profit before taxation of €732,817,000 (2020: €468,152,000). This has also resulted in an increase in amounts receivable from other group companies from sales of PlayStation product and content. The increase in net assets is after dividends paid up to Sony Interactive Entertainment Incorporated of €750,000,000 (2020: €250,000,000).

The primary purpose of the company is the fulfilment of its role as exclusive distributor of PlayStation products across the PAL region and the development and publishing of related video games. The key performance indicators used to monitor the commercial performance of our business are set out below. We use a combination of financial and non-financial measures to assess how successful we have been in achieving our objectives. These measures are:

1. PlayStation console installed base

The installed base is the total number of PlayStation consoles sold to consumers. The installed base is a measure used to assess market share and penetration and is a key driver of future sales and profitability of the company. The installed base as at 31 March 2021 was 124 million (2020: 118 million). The growth in the installed base reflects the continued popularity of the PlayStation 4, which launched in November 2013 and the launch of the PlayStation 5 in November 2020.

2. Revenue

Revenue for the financial year of €7,281,660,000 (2020: €5,675,389,000) represents the continued success of the PlayStation platforms. The revenue reflects the strong performance of PlayStation 4 as the market leading games console, the release of significant high profile first and third party content, the continued growth of the PlayStation Network and the launch of the PlayStation 5.

3. First party software launches

The company launched 3 first party titles during the year (2020: 7) maintaining the level of new high profile, quality games available for the PlayStation platforms.

4. Investment in software development

Research and development is an integral part of the group's operations and ongoing success in the video games market. Research and development expense during the financial year was €202,421,000 (2020: €158,797,000).

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

SECTION 172(1) STATEMENT

We have considered the Companies (Miscellaneous Reporting) Regulations 2018 and recognise that Sony Interactive Entertainment Europe 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 considers, 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 employees, other Sony Interactive Entertainment group companies (the "SIE Group"), shareholders, the community and environment and vendors.</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>
(b)	The interests of the company's employees	<p>Employees are regularly engaged throughout the year on principal decisions affecting their employment and workplace and have appropriate opportunities to provide feedback on the impact of these decisions via the annual employee survey. This engagement occurs regularly via e-mail, surveys, and various employee sessions.</p> <p>Further engagement with employees is demonstrated by regular 'Town Halls', which include a Q&A session, regular communications & briefings regarding changes in our offices & workplaces, a localised and informative employee intranet, and a commitment to diversity & inclusion via regular employee network groups, inclusion workshops, participation in London's Pride Parade and signature of the #RaiseTheGame diversity pledge, a UK Interactive Entertainment initiative which is a global effort to champion and foster diversity and inclusion in the gaming industry.</p>
(c)	The need to foster the company's business relationships with suppliers, customers and others	<p>The Company provides support services to other companies in the SIE Group, including Sony Interactive Entertainment Network Europe Limited and Sony Interactive Entertainment UK Limited, that are governed by applicable intercompany arrangements.</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>Company continues to work closely with its key distributors, many of whom it has worked with for many years keeping them informed through a variety of periodic check ins and planning sessions, the frequency depending on the Company's business plans, specific</p>

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

Reference	Requirement	Board Engagement
		<p>relationship with the customer, type of customer and customer's market.</p> <p>The Company also works, and regularly attends meetings, with the interactive entertainment's industry bodies (e.g. UKIE and ISFE) regarding existing and upcoming matters that may affect the interactive entertainment industry.</p>
(d)	The impact of the company's operations on the community and the environment	<p>Community</p> <p>The Company acknowledges that employees may wish to apply their talents in the wider community and recognises that participation and involvement in community-based projects has benefits for both the individual employee and for those on the receiving end of the improved services or provision of goods.</p> <p>To facilitate involvement in community projects and promote the Company's corporate social responsibility, employees are given the opportunity to use two days' paid time off per calendar year to take part in various activities aimed to benefit local and regional communities.</p> <p>Environment</p> <p>The Company is committed to increasing internal and external awareness about climate change and ensuring that the environmental impact of its operations is being continually considered.</p> <p>At a global level, the Company, as part of the Sony Group Corporation, is collaborating with the United Nations environment committee to work toward global sustainability goals through a new partnership, the Playing for the Planet alliance.</p> <p>At a company level, the Company is continuing to focus on a number of environmental goals that focus on reducing waste and increasing recycling, specifically, reducing energy consumption, increasing water efficiency, increasing recycling and reducing plastic usage. Initially these goals were set to be achieved by FY2022. This date may be re-assessed due to the effects of COVID-19, which has unfortunately hindered progress of many of the office-based initiatives during the reporting period.</p> <p>During the reporting period 100% of the Company's total electricity originated from renewable sources. The Company purchased 100% renewable electricity across the London, Guildford and Liverpool offices and the Company's third-party data centre is powered by 100% REGO-backed certified renewable energy.</p> <p>The Company also continues to monitor the energy saving measures undertaken during the 2021 refurbishment at the 13 Great Marlborough Street office, including an upgraded air handling unit and LED lighting and PIR system throughout the building.</p>
(e)	The desirability of the Company's maintaining a	<p>The Company's 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</p>

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

Reference	Requirement	Board Engagement
	reputation for high standards of business conduct.	business decision-making and conduct with respect to employees, vendors and other stakeholders. 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 Sony Group ¹ ("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 the Company's 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.
(f)	The need to act fairly as between members of the Company.	The Company is a wholly owned subsidiary within the Sony Group, with Sony Group Corporation being the ultimate parent undertaking. There is no split ownership structure of the Company. All interactions with other companies within the SIE Group are governed by applicable intercompany arrangements.

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
- Failure to sustain success of high quality content, required to support revenue generation, promote the platform brand and mitigate potential migration to competitor platform
- The cost of internal development of a high quality meta-critic game significantly exceeds its sales revenue
- The Company's strategic initiatives, including acquisitions may not be successful in achieving their strategic objectives
- 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
- Foreign exchange rate fluctuations can affect Sony's operating results and financial condition
- Failure to attract, retain and maintain productive relations with the company's skilled employees and key management professionals may adversely impact the operating results and financial condition
- Failure of PlayStation Network to secure new users and revenue streams leads to cannibalisation of existing sales channels

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.

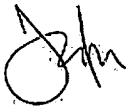
SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- 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
- The company's business may suffer as a result of adverse outcomes of litigation and regulatory actions
- The company's business may suffer if there is an inability to maintain product quality and customer satisfaction with its products and service

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:

A handwritten signature in black ink, appearing to be 'J Ryan', written over a circular stamp or seal.

J Ryan
Director

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

The directors present their report and audited financial statements of 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
T Kodera (resigned 31 March 2021)
S Rutter (resigned 17 June 2021)
R McCormack (appointed 17 June 2021)
M Toole (appointed 17 June 2021)

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 distribute PlayStation hardware and software, develop high quality video games and offer a growing range of content available through the PSN network.

RESEARCH AND DEVELOPMENT

Research and development is an integral part of the group's operations and ongoing success in the video games market. Research and development expense during the financial year was €202,421,000 (2020: €158,797,000).

The company has staff based in the Development Studios in London, Liverpool and Guilford, and at the Quality Assurance Department in Liverpool.

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, and the Parent Sony Group Corporation 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 wholesale and 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.

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

FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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.

Interest rate risk

The company has both interest bearing intercompany assets and interest bearing intercompany loans. Interest on intercompany deposits is charged at an arms-length basis and calculated as the London Interbank Bid Rate (LIBID) minus 6.25 basis points (2020: LIBID minus 6.25 basis points). Interest on intercompany borrowings is charged at an arms-length basis and calculated as the London Interbank Bid Rate (LIBID) plus Sony Group Treasury Services funding cost spread plus 25 basis points per month.

Market risk

Foreign exchange risks are carefully managed by the central group treasury team who regularly review and undertake foreign currency hedges where necessary, to manage the foreign exchange risk. Liquidity risk is minimal as the company has no significant borrowings and any future required funds are available from group undertakings as necessary.

Financial risk management is the ultimate responsibility of the Board but is monitored closely by the head office finance team.

As at 31 March 2021, the company has seven (2020: seven) open forward currency contracts. These forward contracts are held with Sony Global Treasury Services Plc and are to hedge the foreign exchange rate exposure in SIEEL.

The total amount of forward contracts as at 31 March 2021 was €264,772,000 (2020: €84,794,000). This represents two US Dollar, two Australian Dollar and one Pound Sterling forward selling contracts and one US Dollar and one Japanese Yen forward purchase contracts.

All of these contracts had a fixed maturity date with settlement within 12 months from the balance sheet date. At the 2021 year end, these have been revalued with reference to forward exchange rates based on maturity. The change in fair value of €1,774,000 (2020: €1,496,000) has been recognised as a loss in the profit and loss account and the associated liability recorded on the balance sheet.

DIVIDENDS

During the year the directors approved the payment of a dividend of €750,000,000 (2020: €250,000,000). The Directors propose a dividend in the current financial year of €380,000,000.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made charitable donations during the financial year of €114,427 (2020: €87,633). These were in the form of various small donations to several charities. There were no political donations (2020: €nil).

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

EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the business as a whole.

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement is encouraged, to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company and group. The group encourages the involvement of employees through incentive schemes based on the financial and non-financial performance of the company and its wider group.

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 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.

CORPORATE GOVERNANCE STATEMENT

We have considered the Companies (Miscellaneous Reporting) Regulations 2018 and recognise that Sony Interactive Entertainment Europe Limited (the "**Company**") is required to report on its corporate governance arrangements in this directors report. For the year ended 31 March 2021 (the "Reporting Period"), the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018).

The application of the Wates Principles is set out below and can also be found on the Company website: <https://www.playstation.com/en-gb/>.

Principle 1 – Purpose and leadership

Our corporate governance principles (the "**Governance Principles**") set out the principles by which the Company operates as a business whilst adhering to our primary purpose and core values that are embedded into our day-to-day behaviours and ethical decision-making ("**Values**").

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The primary purpose of the Company is the fulfilment of its role as exclusive distributor of PlayStation products across the PAL region and the development and publishing of related video games.

Our Values are:

1. We place the consumer experience at the core of all we do - our consumers are the reason for our existence. We demonstrate our appreciation by providing them with a market leading games console and associated services and devices, and the release of significant high-profile, quality content.
2. We are committed to our people - we provide opportunity, nurture talent, develop leaders and reward achievement. We believe that a team of well-trained individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to our continued success. The Company expects all employees, regardless of level or position, to demonstrate leadership behaviours that elevate the internal community and foster a healthy work environment across divisional and regional lines. This is aligned to the Company's internal framework of communication, collaboration, innovation, and inclusion.
3. We hold ourselves, and conduct our business, to high standards of fairness, honesty, and integrity. Every member of the Company is individually accountable and collectively responsible.
4. We take seriously the responsibilities that come with being a large organization and, when appropriate, help our consumers build better communities and leverage our size, scope and resources to help make the world and local communities a better place.
5. We aim to grow our business profitably - the entire Sony Group² works collectively to provide sustained profitable growth for shareholders and other stakeholders.
6. We continually strive to improve – the Company is a learning organisation that aims to anticipate and respond to changing consumer, employee and stakeholder needs through constant evolution and innovation.

The Governance Principles will evolve as the business responds to the ever-changing economic and environmental landscape, and the complex challenges that demand innovative solutions and collective action whilst maintaining a focus on our growth and core values.

Principle 2 – Board Composition

During the Reporting Period, the board of directors (the “**Board**”) comprises of the President and CEO of Sony Interactive Entertainment (“**SIE**”), a Deputy President of SIE (who resigned from this position with effect from 31 March 2021) and the Executive Vice President and Head of European Business Operations. Through these individuals the Board was and is equipped with the appropriate balance of skills, experience, and knowledge of the company to enable it to discharge its duties and responsibilities effectively. The size and composition are appropriate for a subsidiary company whose ultimate parent is a quoted corporation and we remain committed to nurturing a workforce that reflects our consumers and the places we do business.

The Board is supported by various leadership teams and further committees throughout the organisation and all appointments ensure that the appropriate levels of skills and experience are employed in order to address the current and future operations and challenges facing the business.

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 EUROPE LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 3 – Directors' Responsibilities

The Board

Responsibility for good governance ultimately lies with the Board. The Board is collectively responsible for the long term success of the UK business and achieves this through its oversight of its role as the exclusive distributor of PlayStation products across the PAL region and the development and publishing of related video games (the "SIEEL Activities").

In exercising its duty to promote the success of the Company, the Board is responsible for overseeing the management of the SIEEL Activities in the UK and, in so doing, may exercise its powers, subject to any relevant laws, regulations and the Company's Articles of Association. The Board bears legal responsibility for the acts carried out on its behalf and enforces standards of accountability – all with a view to enable senior management to execute their responsibilities fully and in the interests of the Company's stakeholders.

Day-to-day management

The Board delegates responsibility for day-to-day management of the Company's business to various leadership teams and further committees throughout the organisation. The financial risk policies set by the Board and the ultimate parent company Sony Group Corporation are implemented by the Company's finance department.

The following matters require the approval of the Board:

1. the establishment of effective procedures for monitoring and control of operations;
2. reviewing the Company's accounting and financial reporting practices and reviewing the Company's financial and other controls;
3. significant transactions or other material business decisions including any acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
4. corporate governance and risk;
5. matters that the Board is required by statute to do; and
6. such other matters as the Board may from time to time determine.

In performing its oversight function, the Board is entitled to rely on the advice, reports and opinions of management, counsel, auditors, and outside experts.

Operation of the Board

The Board aims to ensure that its directors focus sufficient time on key areas and that the Board's time together is used effectively.

The success of the Company for the benefit of all stakeholders is the driving factor behind all decisions made by the Board.

The Board carefully considers the impact of the business on communities and the environments in which the Company operates. In all of its activities the Board requires that the Company's employees and suppliers conduct business with the highest ethical and professional standards by adhering to the "Sony Group Code of Conduct" set by the Sony Group Corporation (the "Code").

In the financial year 2020 – 2021 the Board approved, inter alia:

1. payment of an interim dividends;
2. resignation of T Kodera as a Director of the Company; and
3. all financial reporting and accounts.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 4 – Opportunity and Risk

Risk Management Structure

The Company seeks to maintain the high standards set by the Sony Group Corporation whilst balancing the risks of the business. By carefully aligning the Company's risk appetite to the global strategy, the Board aims to deliver sustainable long-term shareholder returns for the Company, as well as profitability. An example of this is how the Company has proactively invested in research and development and software and content development, all in which the associated risks are assessed in proportion to the investment, to improve both the experience of the Company's consumers as well as the environment for employees.

All the Company's activities involve the measurement, evaluation, acceptance and management of risk or combinations of risks.

All employees are responsible for the management of risk, proportionate to the relevant employee's role and level of experience, with the ultimate accountability residing with the Board. The Company has a strong risk culture, which is embedded through clear and consistent communication and appropriate training, alongside corresponding risk and compliance management tools.

The Company also has a Risk Management Committee that aims to meet at least twice yearly to:

- Establish and maintain a fit for purpose risk management framework appropriate for the Company and the expectations of its stakeholders.
- Oversee the effective application of the risk management framework across the Company, covering financial and non-financial risks, including reputational risk.
- Be the focal point for the deliberation of principal risks faced by the Company in pursuit of its business objectives and priorities, including those associated with material environmental, social and governance matters, such as climate change, workforce relationships, supply chains, and ethical considerations
- Oversee the implementation of appropriate internal controls / governance activities in accordance with the Company's appetite for risk, agreeing how the principal risks should be managed or mitigated and over what timeframe to reduce the likelihood of their incidence or the magnitude of their impact
- Sponsor improved risk awareness and the consideration of risk in key decision making at all levels, establishing clear internal and external communication channels on the identification of risk factors, both internally and externally.

This risk framework underpins our strategic priorities, reinforced by its Values, and helps the Company to identify current and future risks so that it can take decisions to prevent and limit risk while managing any material impact on finances, reputation or business model.

The Company also has an Internal Audit Management Committee that reports to the Board and authorises investigations (as necessary) to ensure the company fulfils its corporate governance responsibilities relating to the effectiveness of the Company's group operations & control environment. Audit investigations are completed by the Sony Interactive Entertainment Europe Limited Risk & Control team and reported to the Internal Audit Management Committee and the Sony Group Corporation Risk & Control Department. The Internal Audit Management Committee reports to the Board and all minutes of the Internal Audit Management Committee meetings are sent to Board members.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Opportunity

The Company takes advantage of several multifunctional leadership teams within the Company to help formulate the Company's future business plans.

These are cross-functional teams made up of subject matter experts from a range of departments within the Company. Each team holds a series of meetings throughout the year to continue the prioritisation of ideas and plan development, where insight is shared, and ideas debated.

Where relevant, additional research is conducted, and business cases developed, to support decisions taken. The teams regularly report progress to Board members.

Principle 5 – Remuneration

All employees' base and bonus remuneration, including all the directors, is benchmarked regularly against the market to ensure this is consistent with the industry and no directors are involved in deciding their own remuneration. Directors are not compensated for their services as directors.

Principle 6 – Stakeholders

Employees

The Company works hard to create opportunities for all its workforce, regardless of gender, age, ethnicity or life stage. We strive to create an environment where our values are not just words but are put into practice, promoting positive and productive behaviour every day. We invest time and resources communicating with our people, designing programmes to educate and encourage the highest standards of conduct.

Understanding how our workforce feel about the Company is vital. It helps us ensure that we are giving them the right support to achieve their potential and to serve our consumers well. We have several specific forums where employees can voice their opinions, with results filtered back to the Board. For example:

<i>Employee Surveys</i>	We undertake an annual employee survey to allow everyone in the business to comment on how they feel about their role and the environment at the Company and we have various ad-hoc surveys throughout the year which may relate to a particular business area in review or development. These surveys allow the Board to make informed decisions which consider the interests of the workforce. As a direct result of previous employee survey feedback, a global rating scale for employee performance shall be implemented in the next financial year.
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<i>Town Halls</i>	Our 'Town Halls' are a regular business update, presented by the CEO and President of SIE, who is also a Board member of the Company. They are held at either our London premises, an external venue, or virtually if required. Each 'Town Hall' gives employees the opportunity to hear about the Company's upcoming plans and initiatives as well as voice questions and provide feedback.
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The Board highlight the values of the Company and encourage all employees to match behaviours with the following values: communication, collaboration, innovation, and inclusion. All employees are also expected to meet the standards of ethical and responsible behaviour set by the Code. This includes the core principle of respect for human rights and prohibits slavery and human trafficking, including forced and child labour. Each Sony Group company must take appropriate steps to assure compliance with the Code, including establishing appropriate disciplinary procedures, which may include termination of employment, for violations of the Code.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Employees and their managers are encouraged to have ongoing check-ins to drive progress and accountability in-line with these values throughout the year. The Board recognise that the workforce is diverse and fosters numerous interests and values. The Board encourages continual growth and support of various 'Employee Network Groups'.

These procedures ensure that the Board engage regularly with the Company's workforce on a host of areas and are updated regularly on how everyone feels about working at the Company.

Suppliers

All Sony Group³ suppliers and contractors are expected to adhere to Sony's ethical values and comply with Sony policies concerning compliance with laws, respect for human rights and fair labour and employment practices, including but not limited to the Code. The Code prohibits any form of forced, involuntary or child labour in our operations. All Sony Group companies (sometimes collectively referred to as "**Sony**") have adopted the Sony Supply Chain Code of Conduct (the "**Supply Chain Code**") for electronics products suppliers. The Supply Chain Code, which incorporates the RBA Code of Conduct, establishes standards designed to, among other things, ensure that human rights of workers are upheld and that workers are treated with respect and dignity by suppliers. In particular, the Supply Chain Code prohibits forced, bonded or indentured labour, involuntary prison labour, slavery and human trafficking. The Supply Chain Code is available at http://www.sony.net/SonyInfo/csr_report/sourcing/supplychain/code.html.

The Supply Chain Code is aligned with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the UN Declaration of Human Rights.

The Sony Group also publishes a group-wide annual statement on the steps being taken to ensure that slavery and human trafficking do not take place in its business or supply chains. This statement also satisfies the requirements from the UK Modern Slavery Act 2015.

The Company is committed to maintaining and improving systems and processes to help ensure that there are no human rights violations related to its business operations or supply chains. This commitment includes working with suppliers and other stakeholders to understand potential areas of risk and using the Company's influence to help mitigate any negative impacts identified within the Company's systems and processes.

Shareholders

The Company is a wholly owned subsidiary within the Sony Group. The ultimate parent undertaking is Sony Group Corporation and as such the Company is a member of the Sony Group. The Board aim to grow the business profitably and we work collectively with the entire Sony Group to provide sustained profitable growth for our shareholders and other stakeholders.

EMPLOYEE ENGAGEMENT STATEMENT

We have considered the Companies (Miscellaneous Reporting) Regulations 2018 and recognise that Sony Interactive Entertainment Europe Limited (the "**Company**") is required to describe and summarise how the board of directors (the "**Board**") has engaged with the Company's employees and had regard to employee interests 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.

³ 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 EUROPE LIMITED DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

EMPLOYEE ENGAGEMENT STATEMENT (CONTINUED)

The engagement of the Board with the Company's employees and the Board's regard to employee interests and the effect of that regard is discussed in the 'Corporate Governance Report' that is contained in this Directors' report, with particular reference to Principle 6, and is further discussed within the s.172 statement that is contained in the strategic report.

STAKEHOLDER ENGAGEMENT STATEMENT

We have considered the Companies (Miscellaneous Reporting) Regulations 2018 and recognise that Sony Interactive Entertainment Europe 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 key stakeholder groups of the Company are its employees, other Sony Interactive Entertainment group companies (the "**SIE Group**"), shareholders, the community and environment and vendors. The consideration given by the Board to each of these stakeholder groups is discussed in the 'Corporate Governance Report' that is contained in this Directors' report, with particular reference to Principle 6, and is further discussed within the s.172 statement that is contained in the strategic report.

STREAMLINED ENERGY AND CARBON REPORTING

Sony Interactive Entertainment Europe 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 recognise that the Company is required to report on its annual UK energy use and associated greenhouse gas emissions in this Directors Report.

This is the second financial year the Company is reporting on these requirements, it is worth noting that it will be hard to draw comparisons between the two years owing to the impact of COVID-19 and the resulting changes to employees work patterns and places of work. For example, although overall there have been fewer people in the offices over this period, the building systems have still had to run throughout, the air conditioning units have been run at a higher rate and set to fresh air which is a more power consumptive mode than recycling the air. Similarly with heating systems, they have either been turned off where there are no staff present in the office, or where they have been left running for business-critical staff in the office they will likely have been run at a higher rate, owing to the lack of people contributing to the body heat warming effect. Where the company introduced travel restrictions, with the exception for essential journeys, the energy data collected for mileage is not a direct comparison to indicate any improvements in reductions of associated emissions.

Due to the nature of how the Company and its associated UK subsidiaries operate, it is not practical to separate the energy and carbon information between these UK entities. Therefore, as well as the energy and carbon information relating to the Company, this report includes the energy and carbon usage for qualifying UK subsidiaries Sony Interactive Entertainment Network Europe Limited, Sony Interactive Entertainment UK Limited and also the following non-qualifying UK subsidiaries, Media Molecule Limited and Psygnosis Limited.

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

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)

1. UK energy use and associated greenhouse gas emissions data for the period 1 April 2020 to 31 March 2021 (the "Financial Year")

	UK ENERGY USE	2021	2020
(a)	Total energy consumption used to calculate emissions in (b) to (e):	6,398,040 kWh	8,763,311 kWh
(b)	Emissions from combustion of gas (scope 1)	233 tCO ₂ e	342 tCO ₂ e
(c)	Emissions from combustion of fuel for transport purposes (scope 1)	0	0
(d)	Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the (scope 3)	1 tCO ₂ e	12 tCO ₂ e
(e)	Emissions from purchased electricity (scope 2 location based)	1,195 tCO ₂ e	1,751 tCO ₂ e
(f)	Total gross CO ₂ e based emissions ((b) to (e))	1,429 tCO ₂ e	2,105 tCO ₂ e
(g)	Intensity ratio: t CO ₂ e gross / €m revenue	0.20	0.37

Methodology

The data has been calculated using the 2020 UK Government Conversion Factors for Company Reporting, specifically, the conversion factors for greenhouse gas company reporting (the "UK Government Conversion Factors for GHG Company Reporting").

Emissions have been identified and categorised into three 'scopes' of emission-releasing activities, as defined in the UK Government Conversion Factors for GHG Company Reporting:

- **Scope 1 (direct emissions)** emissions are those from activities owned or controlled by an organisation.
- **Scope 2 (energy indirect)** emissions are those released into the atmosphere that are associated with the consumption of purchased electricity, heat, steam, and cooling. These indirect emissions are a consequence of an organisation's energy use but occur at sources not owned or controlled by the organisation.
- **Scope 3 (other indirect)** emissions are a consequence of an organisation's actions that occur at sources not owned or controlled by an organisation and that are not classed as 'scope 2' emissions.

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

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)

Emissions have been calculated as follows:

- *Electricity, figure (e):* Emissions (CO₂e) in the UK resulting from purchased electricity have been calculated from meter readings (kWh). Location-based emissions reflect the average emission of the grid where the energy consumption occurs.
- *Gas combustion, figure (b):* Emissions (CO₂e) from activities involving the combustion of gas have been calculated from meter readings (kWh). As per paragraph 20K of Part 7A to Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, "gas" is defined, except in the definition of "offshore activity", as any combustible substance which is gaseous at a temperature of 15 degrees Celsius and a pressure of 101.325 kPa (1013.25 mb) and which consists wholly or mainly of methane, ethane, propane, butane, hydrogen or carbon monoxide, or a combination of those, or a combustible mixture of those and air.
- *Transport, figure (c) and (d):* Emissions (CO₂e) from business travel whereby the Company is responsible for purchasing the fuel have been calculated. As the number of business miles travelled are not known, the 'distance-based' method for calculating emissions has been used, as defined by Greenhouse Gas Protocol Corporate Accounting and Reporting Standard: Technical Guidance for Calculating Scope 3 Emissions:

The make, model, engine size and the fuel type of the cars used are not known, so the following assumptions have been made and appropriate conversion factors used:

- vehicle make/model: the conversion factor for an 'average' size of car has been used
- fuel type: 50% petrol, 50% diesel
- *Intensity Ratio, figure (g):* Tonnes of CO₂e per total €m revenue

2. Energy Efficiency Actions

The Company is committed to increasing internal and external awareness about climate change and ensuring that the environmental impact of its operations is being continually considered at a global level. The Company also has its own Environmental Management System (EMS) which follows the Sony Corporation's Global Environmental Management System (GEMS) requirements, which can be found here: https://www.sony.net/SonyInfo/csr_report/environment/

The Company's energy usage has been directly affected by COVID-19, and the data collected does not take into account the increased energy used by staff from home working arrangements. As part of the Company's commitment to reducing its environmental impacts the estimated energy consumption from employees working from home globally, 2641 tonnes of CO₂ were offset globally with the Gold Standard organisation.

In the Financial Year, 100% of the Company's total electricity originated from renewable sources. The Company purchased 100% renewable electricity across the London, Guildford and Liverpool offices and the Company's third-party data centre is powered by 100% REGO-backed certified renewable energy.

The Company launched a number of environmental goals during the previous Financial Year that focus on reducing waste and increasing recycling, specifically, reducing energy consumption, increasing water efficiency, increasing recycling and reducing plastic usage. COVID-19 has hindered progress of some of these goals especially more office-based initiatives, with limited staff numbers present for the majority of the 2020-2021 reporting period, initially these goals were set to be achieved

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

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)

by FY2022. For more information on this and our global environmental activities, please see here: <https://www.playstation.com/en-gb/corporate/playstation-and-the-environment/>

The Company also continues to monitor the energy saving measures undertaken during the 2021 refurbishment at 13 Great Marlborough Street (one of the London offices). Upgrading the air handling unit in this office is estimated to save approximately 37,500 kWh a year, other energy saving measure implemented include replacing 7 floors of older halogen light bulbs with LEDS and PIR systems.

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 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.

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.

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

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

A handwritten signature in black ink, appearing to be 'J Ryan', written over a circular stamp or seal.

J Ryan
Director

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

Report on the audit of the financial statements

Opinion

In our opinion, Sony Interactive Entertainment Europe 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's budgets and cash flow forecasts
- Evaluating key assumptions and the relevance and reliability of the underlying data used in budgets and cash flows forecasts
- Agreeing the underlying cash flow projections to approved budgets and forecasts

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.

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

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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

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

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.

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 EUROPE LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 €'000	2020 €'000
Revenue	4	7,281,660	5,675,389
Cost of sales		(6,108,982)	(5,049,413)
Gross profit		1,172,678	625,976
Distribution costs		(194,540)	(145,874)
Administrative expenses		(256,616)	(244,457)
Operating income	5	721,522	235,645
Income from shares in group undertakings	15	18,280	225,268
Gain from return of capital		-	21,987
Finance income	9	295	834
Finance costs	10	(7,280)	(15,582)
Profit before taxation		732,817	468,152
Income tax expense	11	(86,600)	(44,827)
Profit for the financial year		646,217	423,325

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	646,217	423,325
Other comprehensive income: Items that will not be reclassified to profit or loss	-	-
Total comprehensive income for the financial year	646,217	423,325

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

	Note	2021 €'000	2020 €'000
Fixed assets			
Property, plant and equipment	12	30,856	22,747
Right-of-use assets	13	55,407	60,542
Intangible assets	14	-	-
Investments	15	163,547	163,548
		249,810	246,837
Current assets			
Inventories	16	265,627	176,947
Trade and other receivables	17	2,435,080	2,581,954
Cash and cash equivalents		1,015	3,441
		2,701,722	2,762,342
Creditors: amounts falling due within one year	18	(2,193,452)	(2,150,621)
Net current assets		508,270	611,721
Total assets less current liabilities		758,080	858,558
Creditors: amounts falling due after more than one year	20	(53,167)	(58,680)
Provisions for liabilities	21	(49,120)	(43,295)
Net assets		655,793	756,583
Capital and reserves			
Called up share capital	23	75,075	75,075
Retained earnings		580,718	681,508
Total shareholders' funds		655,793	756,583

The notes on pages 25 to 47 are an integral part of these financial statements.

The financial statements on pages 22 to 47 were approved by the Board of Directors on 23 September 2021 and were signed on its behalf by:



J Ryan
Director

Company registered number: 3277793

SONY INTERACTIVE ENTERTAINMENT EUROPE 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	75,075	506,311	581,386
Profit for the financial year	-	423,325	423,325
Other comprehensive income:	-	-	-
Total comprehensive income for the financial year	-	423,325	423,325
Dividends paid	-	(250,000)	(250,000)
Credit relating to equity-settled share based payments	-	1,872	1,872
Balance as at 31 March 2020	75,075	681,508	756,583
Balance as at 1 April 2020	75,075	681,508	756,583
Profit for the financial year	-	646,217	646,217
Other comprehensive income:	-	-	-
Total comprehensive income for the financial year	-	646,217	646,217
Dividends paid	-	(750,000)	(750,000)
Credit relating to equity-settled share based payments	-	2,993	2,993
Balance as at 31 March 2021	75,075	580,718	655,793

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED

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

1 GENERAL INFORMATION

Sony Interactive Entertainment Europe Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The company is responsible for the sales, marketing and distribution of PlayStation video game hardware and software.

The company is a private company and is incorporated and domiciled in the UK, England and Wales. The address of its registered office is 10 Great Marlborough Street, London, W1F 7LP. The company established a branch in the Netherlands on 18 March 2019.

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

The financial statements of Sony Interactive Entertainment Europe Limited (formerly Sony Computer Entertainment Europe 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. Note 25 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability.

The presentation currency used is euro 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:

- Paragraph 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

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

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

Basis of preparation (continued)

- Paragraphs 38 of IAS, 'Presentation of financial statements' comparative information requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
 - Paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - Paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- 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:

- IFRS7 Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- IFRS13 Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- IAS36 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.

Therefore, the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

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

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

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.

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 or services have been transferred to the customer and the customer has control of these. The company's activities are described in detail below.

(a) 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.

(b) Royalty income

Revenues generated from the exploitation of intellectual product, other than through video game software sales, are recognised when they can be reliably measured. Reliable measurement usually occurs at the earlier of communication of statements from counterparties or receipt of cash.

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.

Research and development

The costs related to the internal creation of video game software are not considered to meet the criteria for capitalisation until the final stages of development. The costs prior to this point are recorded in profit and loss as incurred. The costs after this point are considered immaterial and expensed as incurred.

Royalty advances to third party suppliers to develop products are capitalised within prepayments and expensed to cost of sales over the period of expected future economic benefits.

All research costs are expensed as incurred.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
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2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

Current and deferred income tax (continued)

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.

Foreign currency translation

Functional and presentation currency

The financial statements have been presented in Euros (€) 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 £0.85277= €1 (2020: £0.89671= €1). Monetary assets and liabilities expressed in foreign currencies are translated into Euros 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.

Share-based payments

Share options are granted directly from the ultimate parent undertaking (Sony Group Corporation) to incentivise and retain selected key employees. The awards are granted by Sony Group Corporation and the company has no obligation to settle the awards. These transactions are recorded as equity-settled share-based payments to employees and are measured at the fair value of the share options granted at the date of the grant. The fair value of the options granted is determined using the Black-Scholes pricing model and is expensed on a straight line basis over the vesting period subject to the group's estimation of the proportion of the options that will eventually vest.

The increase in equity resulting from the transaction is recorded as a share-based payment credit.

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment is stated at historical cost less accumulated depreciation and provisions for impairment. Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures and fittings	20%
Computer hardware	20% - 33%

Leasehold improvements are depreciated over the term of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Operating income' in the income statement.

Intangible assets

Development costs that are directly attributable to the design, testing and installing of internal computer software controlled by the company are recognised as intangible assets only when the development is technically and commercially viable and / or economically beneficial to the company and the cost can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

Financial assets

Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, and amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets measured at fair value through profit or loss

All derivative financial instruments are classified as financial assets measured at fair value through profit or loss as stipulated by IFRS 9 *Financial Instruments: Recognition and Measurement*.

Financial contracts acquired principally for the purpose of selling in the short term are also classified as assets and liabilities at fair value through profit or loss. The company has no such contracts.

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2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

(ii) 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'.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets at amortised cost are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within finance income or finance costs in the period in which they arise.

Impairment of financial assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss' event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Derivative financial instruments

The company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

Investments in subsidiaries

Investments comprise equity shares in other group companies and are held at cost less any accumulated impairment losses. Impairment reviews are carried out annually and on the occasion of a triggering event.

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
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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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. All consoles sold by Sony Interactive Entertainment Europe Limited (formerly Sony Computer Entertainment Europe Limited) and its subsidiaries are sold with a consumer warranty. The costs of repairs under the warranties are borne fully by the company. A provision is recorded, and adjusted on a monthly basis, to reflect the estimated financial impact of the company's potential warranty obligations.

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
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2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

Provisions (continued)

This provision is based broadly on the number of consoles sold into trade over the prior 12 months taking into account the estimated failure rate and the average cost of repair.

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. A defined benefit plan is a plan that is not a defined contribution plan.

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.

Leases

The company leases offices and warehouses. Rental contracts are typically made for fixed periods of at least 12 months and may have extension options.

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments were discounted using Sony Interactive Entertainment Europe's incremental borrowing rate, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets were measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets were generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
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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) Impairment reviews

The carrying values of the Company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Value in use is determined by discounting the future net cash flows for the specific asset.

Estimates are used in deriving these cash flows and the discount rate that reflects current market assessments of the risks specific to the asset and the time value of money. The complexity of the estimation process, including projected performance, the discount rate and long term growth rate applied, affects the amounts reported in the financial statements.

(b) Utilisation of deferred tax asset

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The estimation of future taxable profits is subject to complex assumptions regarding future performance and long term growth rates.

(c) Warranty provision

The Company records a provision of the future cost for repairing consoles sold to consumers. Estimates used in determining the value of the warranty provision, including the rate of repair and the cost of repair per console, affects the provision reported in the financial statements.

(d) Sales returns accruals

The Company records an accrual for expected returns of first party software titles that are held in trade as at the balance sheet date. The calculation of this accrual includes estimates of the number of games held by retailers and the expected rate of returns.

(e) 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 and the future date and value of price changes.

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
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4 REVENUE

All revenue arose from two classes of business in 2021 and 2020.

Financial information by geography for the year ended 31 March 2021

	UK €'000	Continental Europe €'000	Rest of the World €'000	Total €'000
Revenue	5,519,819	1,303,421	458,420	7,281,660
Profit / (loss) before taxation	1,546,397	176,311	(989,891)	732,817
Net assets	304,328	212,945	138,520	655,793

Financial information by geography for the year ended 31 March 2020

	UK €'000	Continental Europe €'000	Rest of the World €'000	Total €'000
Revenue	4,077,371	1,195,049	402,969	5,675,389
Profit / (loss) before taxation	1,290,961	208,982	(1,031,791)	468,152
Net assets	537,166	26,133	193,284	756,583

The geographical analysis of revenue is based on the country where the order is received. It would not be materially different if based on the country in which the customer is located. The geographical analysis of profit / (loss) on ordinary activities before taxation reflects the gross margin generated in those regions. All other costs are recorded in the UK.

The geographical analysis of net assets and liabilities reflects trade debtors and amounts due from group undertakings in those regions. All other assets and liabilities are recorded in the UK.

Financial information by revenue category for the year ended 31 March 2021

	Sales of goods €'000	Royalty income €'000	Total €'000
Revenue	7,022,980	258,680	7,281,660

Financial information by revenue category for the year ended 31 March 2020

	Sales of goods €'000	Royalty income €'000	Total €'000
Revenue	5,403,730	271,659	5,675,389

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5 OPERATING INCOME

Operating income is stated after the recognition of the following items:

	Note	2021 €'000	2020 €'000
Employment costs	6	155,568	135,908
Depreciation of property, plant and equipment	12	7,773	8,033
Amortisation of intangible assets	14	36	25
Impairment of trade receivables		772	10,599
Impairment of inventory (included in cost of sales)	16	31,263	(6,273)
Lease expenses	13	13,793	12,830
Foreign exchange losses		498	28,098
Loss / (profit) on disposal of property, plant and equipment		24	(5)
Research and development		202,421	158,797
Services provided by the company's auditors		<u>726</u>	<u>673</u>

Services provided by the company's auditors and their associates

During the year the company obtained the following services from the company's auditors and their associates:

	2021 €'000	2020 €'000
Fees payable for the audit	465	429
Fees payable for other services:		
- Audit of subsidiary companies	240	196
- Audit-related assurance services	21	48
	<u>726</u>	<u>673</u>

6 EMPLOYEES AND DIRECTORS

Employment costs

	Note	2021 €'000	2020 €'000
Wages and salaries		126,519	113,578
Equity settled share-based payments	8	2,993	1,872
National insurance on share-based payments		413	258
Social security costs		15,364	12,107
Other pension costs		<u>10,279</u>	<u>8,093</u>
		<u>155,568</u>	<u>135,908</u>

All employment costs for subsidiary companies Sony Interactive Entertainment UK Limited and Media Molecule Limited are borne by the company and recharged. Employment costs are presented net of the amounts recharged.

Other pension costs are the total pension expense for two defined contribution schemes operated by the company and available to all permanent UK employees. At the year end, there was an accrual for

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
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6 EMPLOYEES AND DIRECTORS (CONTINUED)

Employment costs (continued)

pension contributions of €629,413, which was paid in April 2021 (2020: €782,066). There were no amounts prepaid as at 31 March 2021 (2020: €nil).

Employee activity

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

	2021 Number	2020 Number
Sales and distribution	155	130
Development	742	677
Administration	482	488
	<u>1,379</u>	<u>1,295</u>

7 DIRECTORS' EMOLUMENTS

The directors' remuneration was as follows:

	2021 €'000	2020 €'000
Aggregate emoluments excluding pension contributions and share options	8,579	5,318
Contributions to defined contribution pension schemes	11	22
	<u>8,590</u>	<u>5,340</u>

One of the directors (2020: 2) are members of the company's defined contribution pension scheme.

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

The emoluments T Kodera were paid by Sony Interactive Entertainment LLC which makes no recharge to the company. T Kodera was a director of Sony Interactive Entertainment Incorporated and a number of subsidiaries for the whole of the financial year, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. T Kodera have share options which are granted directly from the ultimate parent undertaking (Sony Group Corporation).

Highest paid director

	2021 €'000	2020 €'000
Aggregate emoluments excluding pension contributions	7,063	2,988
	<u>7,063</u>	<u>2,988</u>

The highest paid director exercised share options in the financial year. No qualifying service shares were received or receivable under long term incentive schemes.

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
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8 EQUITY SETTLED SHARE BASED INCENTIVES

Share options are granted directly from the ultimate parent undertaking (Sony Group Corporation) to incentivise and retain selected key employees.

Since 1 April 2002, the 'Stock Acquisition Rights' (STAR) scheme has been in operation. STAR provides selected key employees with the right to buy specified amounts of shares in the ultimate parent undertaking (Sony Group Corporation). The right extends for 10 years from the date of grant, and the shares vest over three years with approximately one third vesting each financial year on the anniversary of the grant date. To exercise these options the employee must still be employed by the company. There are no other vesting conditions. Options may be exercised at any point after the vesting date as long as the market price exceeds the granted option price. Upon exercise, the shares are purchased at the option grant price and automatically sold the next day at market price. No recharges for the costs of the scheme are made to Sony Interactive Entertainment Europe Limited (formerly Sony Computer Entertainment Europe Limited) by Sony Group Corporation. No new grants have been made under STAR since 17 November 2006. As at 31 March 2021 no options over shares in the group's ultimate parent undertaking (Sony Group Corporation) were outstanding.

Since 1 April 2007, the 'American Depositary Receipt' (ADR) scheme has been in operation. ADR provides selected key employees with the right to buy specified amounts of shares in the ultimate parent undertaking (Sony Group Corporation). The right extends for 10 years from the date of grant. The shares vest equally in three tranches. The first tranche vests on the date of the grant, with the remaining tranches vesting on the first and second anniversary of the grant date. To exercise these options the employee must still be employed by the company. There are no other vesting conditions. Options may be exercised at any point after the vesting date as long as the market price exceeds the granted option price. Upon exercise, the shares are purchased at the option grant price and automatically sold the next day at market price. No recharges for the costs of the scheme are made to Sony Interactive Entertainment Europe Limited (formerly Sony Computer Entertainment Europe Limited) by Sony Group Corporation.

During the financial year the company recognised a credit of €2,993,000 directly in retained earnings relating to the fair value of the shares awarded in the year (2020: €1,872,000). During the financial year 158,546 share options were exercised (2020: 134,000 shares). The related weighted average share price at the time of exercise was 9,375 Yen (2020: 6,746 Yen) per share.

At 31 March 2021, options over 771,954 (2020: 559,000) shares in the group's ultimate parent undertaking (Sony Group Corporation) were outstanding under the ADR scheme. The range of exercise prices and weighted average contractual lives are for the options outstanding as at 31 March 2021 are presented below:

8 EQUITY SETTLED SHARE BASED INCENTIVES (CONTINUED)

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Date of grant	Weighted average remaining contractual life as at 31 March 2021 (years)	Quantity at 31 March 2021	Weighted average remaining contractual life as at 31 March 2020 (years)	Quantity at 31 March 2020	Exercise price (Yen)
17/11/2010	-	-	1	26,400	2,945
22/11/2011	1	14,900	2	16,400	1,523
04/12/2012	2	-	3	-	1,722
20/11/2013	3	21,300	4	24,000	2,007
20/11/2014	4	16,133	5	17,733	2,411
20/12/2015	5	10,567	6	39,967	1,386
22/12/2016	6	28,800	7	63,200	1,309
21/11/2017	7	61,254	8	94,200	2,186
20/11/2018	8	79,900	9	109,100	1,811
20/11/2019	9	144,900	10	168,000	2,001
18/11/2020	10	334,200		-	2,247
		<u>711,954</u>		<u>559,000</u>	

9 FINANCE INCOME

	2021 €'000	2020 €'000
Bank interest income	5	-
Interest on loans to group undertaking	274	419
Total interest income	279	419
Gains on derivative financial instruments	16	415
Total finance income	295	834

10 FINANCE COSTS

	2021 €'000	2020 €'000
Bank borrowings	-	3
Interest on leases	1,876	1,967
Interest on loans from group undertakings	3,613	11,701
Total finance expense	5,489	13,671
Losses on derivative financial instruments	1,791	1,911
Total finance costs	7,280	15,582

11 INCOME TAX EXPENSE

	2021 €'000	2020 €'000
Current tax		
UK corporation tax on profit for the year	136,141	37,666
Foreign taxation	25,127	25,909
Other relief	(17,435)	-
Adjustments in respect of prior periods	(38,802)	(17,216)
Total current tax	105,031	46,359

11 INCOME TAX EXPENSE (CONTINUED)

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	2021 €'000	2020 €'000
Deferred tax		
Origination and reversal of timing differences	(2,746)	619
Other adjustments	-	53
Adjustments in respect of prior periods	(15,685)	(228)
Impact of change in tax rate	-	(1,976)
Total deferred tax	(18,431)	(1,532)
Tax on profit on ordinary activities	86,600	44,827

The tax assessed for the year is lower (2020: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2021 of 19% (2020: 19%). The differences are explained below:

	2021 €'000	2020 €'000
Profit before taxation	732,817	468,152
Profit before taxation multiplied by standard rate in the UK 19% (2020: 19%)	139,235	88,949
Effects of:		
Expenses not deductible for tax purposes	(2,537)	(2,323)
Income not taxable	(3,473)	(47,034)
Foreign tax	7,692	25,909
Impact of change in tax rate	-	(1,976)
Adjustments in respect of prior periods	(54,488)	(17,444)
Other differences	-	(1,254)
Advanced pricing agreement adjustment	171	-
Tax charge for the year	86,600	44,827

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 €4,935,455 and increase the deferred tax asset by €4,935,455.

The company has applied for a Trilateral Advance Pricing Agreement with the Japanese, US and UK Tax Authorities for a transaction between Sony Interactive Entertainment Inc., Sony Interactive Entertainment LLC and Sony Interactive Entertainment Europe Limited for the financial periods ending 31 March 2021 through to 31 March 2023 (with a roll back to financial years ended 31 March 2017, 31 March 2018, 31 March 2019 and 31 March 2020).

The company incurred a reduction of €185,154,000 in operating profit as the company's best estimate of the cumulative profit adjustment between SIEI, SIE LLC and SIEEL for the year ended 31 March 2021 (2020: €512,288,000). The prior year's profit adjustment covers the roll back period mentioned above.

11 INCOME TAX EXPENSE (CONTINUED)

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The company has also applied for the renewal of the Bilateral Advance Pricing Agreement with the Japanese and UK Tax Authorities for transactions between Sony Interactive Entertainment Incorporated ('SIEI') and Sony Interactive Entertainment Europe Limited ('SIEEL') for the financial periods ended 31 March 2018 through to 31 March 2022 (with a roll back to 31 March 2017).

The company included a reduction of €754,990,000 (2020: €527,791,000) in operating profit as the company's best estimate of the cumulative profit adjustment between SIEI and SIEEL for the year ended 31 March 2021.

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements €'000	Fixtures and fittings €'000	Computer hardware €'000	Total €'000
Cost				
At 1 April 2020	19,367	2,859	37,801	60,027
Additions	5,273	20	10,603	15,896
Disposals	(96)	(33)	(89)	(218)
At 31 March 2021	24,544	2,846	48,315	75,705
Accumulated depreciation				
At 1 April 2020	10,104	1,958	25,218	37,280
Charge for the year	1,862	475	5,436	7,773
Disposals	(96)	(20)	(88)	(204)
At 31 March 2021	11,870	2,413	30,566	44,849
Net book amount At 31 March 2021	12,674	433	17,749	30,856
At 31 March 2020	9,263	901	12,583	22,747

13 LEASES

The company has lease contracts for various offices and warehouses. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

	31 March 2021 €'000	1 April 2020 €'000
Right-of use assets		
Buildings	55,407	60,542
Lease liabilities		
Current	10,588	8,343
Non-current	51,406	57,029
	61,994	65,372

Additions to the right-of-use assets during the year ended 31 March 2021 were €2,268,000.

13 LEASES (CONTINUED)

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(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Note	2021 €'000	2020 €'000
Depreciation charge of right-of-use assets – buildings		<u>13,793</u>	<u>12,830</u>
Interest expense (included in finance cost)	10	1,876	1,967
Future minimum lease payments as at 31 March 2021 are as follows:			
Not later than one year		12,864	10,145
Later than one year and not later than five years		40,102	39,549
Later than five years		<u>17,218</u>	<u>23,512</u>
Total gross payments		<u>70,184</u>	<u>73,206</u>
Impact of finance expenses		<u>(8,190)</u>	<u>(7,834)</u>
Carrying amount of liability		<u>61,994</u>	<u>65,372</u>

14 INTANGIBLE ASSETS

	Computer software €'000	Total €'000
Cost		
At 1 April 2020	3,117	3,117
Additions	45	45
Disposals	(29)	(29)
At 31 March 2021	<u>3,133</u>	<u>3,133</u>
Accumulated amortisation		
At 1 April 2020	3,117	3,117
Charge for the year	36	36
Disposals	(20)	(20)
At 31 March 2021	<u>3,133</u>	<u>3,133</u>
Net book amount		
At 31 March 2021	<u>-</u>	<u>-</u>
At 31 March 2020	<u>-</u>	<u>-</u>

15 INVESTMENTS

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€'000

Cost

At 1 April 2020 and 31 March 2021

327,620

Provision for impairment

At 1 April 2020 and 31 March 2021

(164,073)

Net book amount 31 March 2021

163,547

Net book amount 31 March 2020

163,547

There were no additions, disposals or impairment of investments during the financial year.

The Company received dividend income of €18,280,000 from its investments in subsidiary companies during the financial year (2020: €225,268,000).

Investments comprise equity shares in other group companies. Details of the company's investments are as shown below.

Name of company	Country of incorporation	Nature of business	Proportion of ordinary shares held
Subsidiary undertakings:			
Sony Interactive Entertainment France SA 92 Avenue de Wagram, 75017 Paris	France	Sales of video games	99.96%
Sony Interactive Entertainment Italia SpA Via Giovanni Battista Morgagni Pal.C 30/E. Roma, 00161	Italy	Sales of video games	100%
Sony Interactive Entertainment Deutschland GmbH Frankfurter Str. 190 A, Neu-Isenburg 63263	Germany	Sales of video games	100%
Sony Interactive Entertainment UK Limited 10 Great Marlborough Street, London, W1F 7LP	England	Sales of video games	100%
Sony Interactive Entertainment Benelux B.V. Marathon 2, Hilversum, Noord-Holland, 1213 PH	Netherlands	Sales of video games	100%
Sony Interactive Entertainment España S.A. Cl Pedro de Valdivia 10, 28006, Madrid	Spain	Sales of video games	100%
Sony Interactive Entertainment Australia Pty Limited Level 1, 63-73 Ann Street, Surry Hills, NSW 2010	Australia	Sales of video games	100%
Sony Interactive Entertainment New Zealand Limited 100 Ponsonby Road, Ponsonby, Auckland	New Zealand	Sales of video games	100%
Sony Interactive Entertainment Portugal, Unipessoal, Lda	Portugal	Sales of video games	100%

15 INVESTMENTS (CONTINUED)

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Sony Interactive Entertainment Polska sp. z o.o. <i>Ogrodowa 58, 00-876 Warsaw</i>	Poland	Sales of video games	100%
Sony Interactive Entertainment Network Europe Limited <i>10 Great Marlborough Street, London, W1F 7LP</i>	England	Digital retailer	100%
Media Molecule Limited <i>10 Great Marlborough Street, London, W1F 7LP</i>	England	Software Developer	100%
Psygnosis Limited <i>10 Great Marlborough Street, London, W1F 7LP</i>	England	Software Developer	100%
Evolution Studios Limited <i>10 Great Marlborough Street, London, W1F 7LP</i>	England	Non trading	100%
Sony Computer Entertainment Switzerland AG <i>Flugplatzstrasse 5, 8404 Winterthur</i>	Switzerland	Liquidated	100%
Sony Interactive Entertainment Ireland Limited <i>Bradwell Limited, 1st Floor, 110 Amien's Street, Dublin 1</i>	Ireland	Non trading	100%

Sony Interactive Entertainment Europe Limited holds 100% of ordinary shares in the subsidiary company, Evolution Studios Limited ("Evolution").

The investments above are all held at original cost. The directors believe that the book value of investments is supported by their underlying net assets.

16 INVENTORIES

The inventory value as at 31 March 2021 of €265,627,000 relates solely to finished goods (2020: €176,947,000). Inventories are stated after provisions for impairment of €36,252,000 (2020: €4,989,000).

During the financial year ending 31 March 2021 €5,222,404,000 (2020: €4,004,581,000) of inventories were recognised as cost of sales. Debits amounting to €31,263,000 (2020: Credits €6,273,000) were recognised in the same financial year due to the build up of the PlayStation 5 stock before launch in November 2020.

17 TRADE AND OTHER RECEIVABLES

	Note	2021 €'000	2020 €'000
Trade receivables		208,082	159,943
Amounts owed by group undertakings		2,119,461	2,165,061
Corporation tax		31,638	92,269
Deferred tax	22	36,708	18,277
Other receivables		16,328	11,730
Prepayments and accrued income		22,863	134,674
		2,435,080	2,581,954

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
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Trade receivables are stated after provisions for impairment of €14,515,000 (2020: €14,121,000).

Amounts owed by group undertakings consist of a net deposit of €Nil (2020: €573,907,000) and other trading balances of €2,119,461,000 (2020: €1,590,328,000). The net deposit balance in the prior year 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 €36,708,000 (2020: €18,277,000) is expected to take more than one year to fully recover.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2021 €'000	2020 €'000
Trade creditors		364,096	363,719
Amounts owed to group undertakings		1,001,674	919,151
Corporation tax payable		-	-
Other creditors including other tax and social security		8	65
Derivatives	19	1,775	1,496
Accruals and deferred income		815,311	857,847
Lease liability		10,588	8,343
		<u>2,193,452</u>	<u>2,150,621</u>

Amounts owed to group undertakings consist of a net borrowing of €253,435,550 (2020: €105,922,000) and trading balances of €748,239,000 (2020: €812,263,000). Of the total net borrowing balance €146,823,240 accrues interest 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 net borrowing balance accrues interest at an average of 1 per cent (2020: 1 per cent), is unsecured and repayable on demand. All other amounts owed by group undertakings are interest free, unsecured and repayable on demand.

Other creditors including taxation and social security consists of other taxation and social security of €8,000 (2020: €Nil) and other creditors of €Nil (2020: €65,000).

Accruals and deferred income include €141,898,000 (2020: €127,660,000) of deferred income in relation to subscriptions services provided by Sony Interactive Entertainment Network Europe Limited.

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2021		2020	
	Asset €'000	Liability €'000	Asset €'000	Liability €'000
Forward exchange contracts	15	1,790	416	1,912
Total	<u>15</u>	<u>1,790</u>	<u>416</u>	<u>1,912</u>

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
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19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The company enters into foreign currency forward exchange contracts to mitigate the exchange rate risk relating to future net foreign currency cash flows. At 31 March 2021, the outstanding contracts all mature within two months (2020: two months) of the year end. The company is committed to sell Euro ("EUR"), Sterling ("GBP"), US Dollar ("USD") and Australian Dollar ("AUD"). The company receives fixed Euro and Sterling amounts.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:EUR, USD:EUR and AUD:EUR.

20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Amounts falling due after more than one year and less than five years

	Note	2021 €'000	2020 €'000
Lease liabilities	13	51,406	57,029
Accruals and deferred income		1,761	1,651
		<u>53,167</u>	<u>58,680</u>

Maturity of leases falling due after more than one year is disclosed in note 13

Maturity of accruals and deferral income falling due after more than one year

	2021 €'000	2020 €'000
Within one year	-	-
Within two to five years	1,761	1,651
After five years	-	-
	<u>1,761</u>	<u>1,651</u>

21 PROVISIONS FOR LIABILITIES

	Warranty provision €'000
At 1 April 2020	43,295
Charged to the profit and loss account	5,825
At 31 March 2021	<u>49,120</u>

All consoles sold by Sony Interactive Entertainment Europe Limited and its subsidiaries include a consumer warranty. The costs of repairs under the warranty are borne fully by the company. A provision has been recorded reflecting the expected cost of repairing consoles under the terms of the warranty and is calculated using the estimated console failure rate and the average repair cost. The provision is expected to be utilised over a period of two years.

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
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22 DEFERRED TAX

Movement in deferred tax asset

	2021	2020
	€'000	€'000
At 1 April	18,277	16,567
Deferred tax credited / (charged) in income statement:		
Origination and reversal of timing differences	2,746	1,357
Adjustment in respect of previous years	15,685	228
Other adjustment	-	125
At 31 March	36,708	18,277

Reconciliation of deferred tax asset

	2021	2020
	€'000	€'000
Excess book depreciation of fixed assets over capital allowances	26,045	14,454
Other timing differences	10,663	3,823
Total deferred tax asset	36,708	18,277

23 CALLED-UP SHARE CAPITAL

	2021	2020
	€'000	€'000
Authorised share capital		
100,000,000 ordinary shares (2020: 100,000,000) of €1.5015 (2020: €1.5015) each	150,150	150,150
Allotted and fully paid		
50,000,000 ordinary shares (2020: 50,000,000) of €1.5015 (2020: €1.5015) each	75,075	75,075

24 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.

25 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 March 2021, the immediate parent undertaking, 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.

SONY INTERACTIVE ENTERTAINMENT EUROPE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
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26 SUBSEQUENT EVENTS

The Directors propose a dividend in the current financial year of €380,000,000 to the ultimate parent.

In June 2021 the Company invested in 100% of the shares of Housemarque Oy, a game developer incorporated in Finland. In August 2021 the Company signed a definitive agreement to invest in 100% of the shares of Firesprite Limited, a videogame studio incorporated in the UK. As a result of the company's actions it is estimated that investments in subsidiaries would increase by €133,628,000.