

# **Square Enix of Europe Holdings Limited**

## **Report and Financial Statements**

31 March 2013

FRIDAY



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COMPANIES HOUSE

**Directors**

Y Matsuda  
Y Wada  
P T Rogers  
K Honda  
M Sasaki

**Secretary**

J Ball (Appointed 30 August 2012)  
A Price (resigned 30 August 2012)

**Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**Bankers**

Sumitomo Mitsui Banking Corporation Europe Limited  
99 Queen Victoria Street  
London EC4V 4EH

The Bank of Tokyo-Mitsubishi, UFJ Limited  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AN

Mizuho Corporate Bank Limited  
London Branch  
Bracken House  
1 Friday Street  
London EC4M 9JA

**Registered Office**

Wimbledon Bridge House  
1 Hartfield Road  
London SW19 3RU

Registered No 06765697

## **Directors' report**

The directors present their report and financial statements for the year ended 31 March 2013

### **Results and dividends**

The loss for the year after taxation has increased by 37% to £2,745,879 (2012 – loss of £1,996,940) since the prior year. The increase in loss has primarily been driven by increased interest expense arising from bank loans in addition to exceptional restructuring costs being suffered. Net assets have remained largely in line with the prior year due to significant movements within intercompany debtors and creditors mostly netting each other off. The directors do not recommend a final dividend (2012 – £nil)

### **Principal activity and review of the business**

The principal activity of the company is that of an investment parent undertaking

### **Future developments**

The directors expect the current activities to continue into the future

### **Principal risks and uncertainties**

The company owns 100% of Square Enix Limited and it provides central services to the trading group. Therefore the main risks relate to those of the trading subsidiaries and their impact on the carrying value of the investment.

The principal activity of the Square Enix Limited is the publishing, licensing, marketing, distribution and development of entertainment software. The market for games, mobile phone content and merchandising in Europe is very competitive and outlook is difficult to predict. Therefore the key risks include technological risk and delay of game launch which may impact on the financial performance of the company's subsidiaries and therefore on the carrying value of the investment.

## Directors' report

### Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out above. The directors have relied upon parental support from its ultimate parent undertaking, Square Enix Holdings Co., Ltd, a company registered in Japan, to allow the directors to adopt the going concern basis of accounting. Parental support will allow the company to meet its obligations and liabilities as they fall due should this be required. The directors, having made inquiries of, and having assessed the responses of the directors of the company's ultimate parent undertaking, Square Enix Holdings Co., Ltd, consider the ultimate parent undertaking to have sufficient financial resources to fulfil the obligation to provide continuing financial support, to allow the company to meet its obligations and liabilities should financial support be necessary. They have thus concluded that the company is a going concern for at least 12 months from the date of approval of these financial statements.

### Directors

The directors who served the company during the year were as follows:

Y Matsuda  
Y Wada  
P T Rogers  
K Honda  
M Sasaki

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



P T Rogers  
Director

19<sup>th</sup> December 2013

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

## **to the members of Square Enix of Europe Holdings Limited**

We have audited the financial statements of Square Enix of Europe Holdings Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 15 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

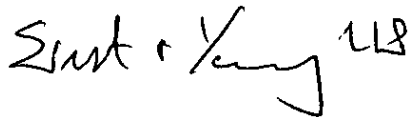
## **Independent auditors' report**

**to the members of Square Enix of Europe Holdings Limited**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

A handwritten signature in black ink, appearing to read "Ernst & Young" followed by a stylized mark.

Philip Young (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

20<sup>th</sup> December 2013

## Profit and loss account

for the year ended 31 March 2013

	Notes	2013 £	2012 £
Administration expenses		(1,572,292)	(1,675,261)
<b>Loss on ordinary activities before interest and taxation</b>	4	(1,572,292)	(1,675,261)
Interest receivable and similar income	5	–	100,274
Interest payable and similar charges	6	(1,050,325)	(421,953)
Exceptional items	7	(123,262)	–
<b>Loss on ordinary activities before taxation</b>		(2,745,879)	(1,996,940)
Tax on loss on ordinary activities	8	–	–
<b>Loss for the financial year</b>	13	<u>(2,745,879)</u>	<u>(1,996,940)</u>

All amounts relate to continuing activities

## Statement of total recognised gains and losses

for the year ended 31 March 2013

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £2,745,879 in the year ended 31 March 2013 (2012 – loss of £1,996,940)

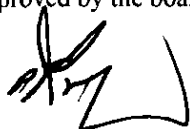


## Balance sheet

at 31 March 2013

	Notes	2013 £	2012 £
<b>Fixed assets</b>			
Investments	9	17,008,000	17,008,000
<b>Current assets</b>			
Cash at bank and in hand		18,802	75,566
Debtors	10	112,200,359	85,261,468
		112,219,161	85,337,034
<b>Creditors</b> amounts falling due within one year	11	(71,418,218)	(41,790,211)
<b>Net current assets</b>		40,800,943	43,546,823
<b>Net assets</b>		57,808,944	60,554,823
<b>Capital and reserves</b>			
Called up share capital	12	2	2
Share premium	13	144,999,998	144,999,998
Retained earnings	13	(87,191,056)	(84,445,177)
<b>Shareholders' funds</b>		57,808,944	60,554,823

Approved by the board



P T Rogers

Director

19<sup>th</sup> December 2013

## Notes to the financial statements

at 31 March 2013

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

#### *Going concern*

The financial statements have been prepared on a going concern basis. The directors consider this to be appropriate on the grounds that the company's ultimate parent undertaking, Square Enix Holdings Co., Ltd, has committed to provide continuing financial support to the company to allow it to meet its debts as they fall due for a period of at least 12 months from the date of approval of these financial statements. The directors consider Square Enix Holdings Co., Ltd to have sufficient financial resources to fulfil this obligation should financial support be required.

#### *Group financial statements*

The financial statements contain information about Square Enix of Europe Holdings Limited as an individual company and do not contain group information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirements to prepare group financial statements for the year to 31 March 2013 as it and its subsidiary undertakings are included in the group financial statements of its ultimate parent, Square Enix Holdings Co., Ltd, a company registered in Japan.

#### *Statement of cash flows*

The company has taken advantage of the exemption to prepare a statement of cash flows under Financial Reporting Standard 1. The company is a wholly owned subsidiary Square Enix Holdings Co., Ltd. Square Enix Holdings Co., Ltd prepares group financial statements, which are publically available from Shinjuku Bunka Quint Building, 3-22-7 Yoyogi, Shibuya-ku, Tokyo, 151-8544, Japan.

#### *Investments*

Investments held as fixed assets are stated at cost less provision for any permanent impairment in value. The carrying values are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Foreign currency*

Foreign currency transactions are translated at the rate ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

#### *Pensions*

The company makes contributions to a defined contribution pension scheme through a third party. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

## Notes to the financial statements

at 31 March 2013

### 2. Staff costs

	2013	2012
	£	£
Wages and salaries	3,418,910	3,228,765
Social security costs	362,328	407,043
Other pension costs	325,814	328,049
	<u>4,107,052</u>	<u>3,963,857</u>

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

	No	No
Administration	<u>45</u>	<u>47</u>

### 3. Directors' remuneration

	2013	2012
	£	£
Remuneration	<u>473,965</u>	<u>419,596</u>
Company contributions paid to defined contribution pension schemes	<u>52,500</u>	<u>52,500</u>

The directors remuneration above relates to the only director paid by the company during the current and prior year, who is therefore the highest paid director Y Matsuda, Y Wada and K Honda were directors of the ultimate parent undertaking, Square Enix Holdings Co , Ltd, during the current year and prior year, and were paid by that company M Sasaki was an employee not a director of the ultimate parent undertaking, Square Enix Holdings Co , Ltd, during the current year and prior year, and was paid by that company None of the four Japanese directors received any remuneration for services to this company

### 4. Operating loss

This is stated after charging/(crediting)

	2013	2012
	£	£
Auditors' remuneration – audit services	480,000	453,563
– tax services	23,998	69,185
Profit/loss on foreign exchange	(80,041)	(6,293)
Management charge issued to subsidiary *	(6,790,181)	(6,593,472)
Management charge issued from parent company**	<u>(450,571)</u>	<u>–</u>

\* The management charge was made to a subsidiary company, Square Enix Limited, in relation to administrative services provided by Square Enix of Europe Holdings Limited

\*\* The management charge was from the parent company, Square Enix Holding Co Ltd, in relation to administrative services provided by them There was no such charge carried out in the prior year

## Notes to the financial statements

at 31 March 2013

### 5. Interest receivable and similar income

	2013	2012
	£	£
Amounts receivable from group undertakings	–	100,274

### 6 Interest payable and similar charges

	2013	2012
	£	£
Amounts payable on bank loans and overdrafts	642,405	–
Amounts payable to group undertakings	407,920	421,953
	<u>1,050,325</u>	<u>421,953</u>

### 7. Exceptional items

	2013	2012
	£	£
Business restructuring expenses	<u>123,262</u>	–

A restructuring plan was announced during the year of which the £123k (2012-£nil) costs were accrued for at the period end. The significant majority of the restructuring expense arose from staff redundancy.

### 8. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2013	2012
	£	£
<b>Current tax</b>		
UK corporation tax on the loss for the year	–	–
Tax on loss on ordinary activities	<u>–</u>	<u>–</u>

## Notes to the financial statements

at 31 March 2013

### 8. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24% (2012 – 26%) The differences are explained below

	2013 £	2012 £
Loss on ordinary activities before tax	(2,745,879)	(1,996,940)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 – 26%)	(659,011)	(519,204)
<i>Effects of</i>		
Non-taxable deductible items	9,512	9,934
Losses available for carry forward	649,499	509,270
Current tax for the year (note 8(a))	–	–

At 31 March 2013, the company had an unrecognised deferred tax asset of £3,012k (2012 – £2,533k) in relation to the tax losses carried forward, that has not been recognised in the financial statements due to uncertainty of future profits

(c) Factors that may affect future tax charges

In his budget of 21 March 2012, the Chancellor of the Exchequer announced a number of changes to the UK corporation tax rate. These included a reduction in the UK corporation tax rate to 23% effective from 1 April 2013 (enacted in July 2012)

The UK Government intends to further reduce the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. These reductions were substantively enacted in July 2013 and will affect the future tax charges of the company. The impact would be a reduction in the deferred tax asset of approximately £393k.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date. Therefore, the deferred tax is measured at 23% in the current period.

## Notes to the financial statements

at 31 March 2013

### 9. Investments

	<i>Unlisted investments £</i>
Cost	
At 1 April 2012	88,839,109
At 31 March 2013	<u>88,839,109</u>
Provision against investments *	
At 1 April 2012	71,831,109
At 31 March 2013	<u>71,831,109</u>
Net book value	
At 31 March 2013	<u>17,008,000</u>
At 1 April 2012	<u>17,008,000</u>

\* The provision against investments represents a write down against the investment in Square Enix Limited based on a valuation of the business carried out by management, assisted by Pricewaterhouse-Coopers, dated February 2012. Management believes that a permanent diminution of the value of the company has taken place.

The principal subsidiary undertakings are as follows

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class of shares held</i>	<i>Percentage of shareholding held</i>
Square Enix Limited	England	Interactive Entertainment Software	Ordinary £1 shares	100%
Crystal Dynamics, Inc**	USA	Developer of entertainment software	Ordinary Shares	100%
IO Interactive A/S***	Denmark	Developer of entertainment software	Ordinary shares of DKK1000 each	100%
Eidos Interactive Corporation*	Canada	Developer of entertainment software	Ordinary shares	100%
Eidos Creative Software Development (Shanghai) Co Limited****	China	Interactive Entertainment Software	Ordinary Shares	100%
Eidos Interactive France SARL*	France	Distributor of computer software	Ordinary shares of €7,623	100%
Square Enix GmbH*	Germany	Promotion of entertainment software	Ordinary Shares	100%
Eidos Inc*	USA	Parent undertaking	Ordinary Shares	100%

## Notes to the financial statements

at 31 March 2013

### 9. Investments (continued)

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class of shares held</i>	<i>Percentage of shareholding held</i>
IO Interactive Holdings S/A*	Denmark	Parent undertaking	Ordinary shares of DKK 1000 each	100%
SCi Games Limited*	England	Parent undertaking	Ordinary Shares	100%
Centregold Ltd*****	England	Non trading	Ordinary Shares	100%

All of the above companies operated principally in their country of incorporation. All are held directly except as indicated below.

\* Held indirectly through Square Enix Ltd

\*\* Held indirectly through Eidos Inc

\*\*\* Held indirectly through IO Interactive Holdings S/A

\*\*\*\* Held indirectly through SCi Games Ltd

\*\*\*\*\* Held indirectly through Eidos Ltd

### 10. Debtors

	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Other debtors	—	2,343
Prepayments and accrued income	656,930	519,425
Amounts receivable from fellow group undertakings	111,542,501	84,738,687
Other taxes and social security	928	1,013
	<u>112,200,359</u>	<u>85,261,468</u>

### 11. Creditors: amounts falling due within one year

	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>
Bank loans and overdrafts*	40,000,000	40,000,000
Other creditors	101,295	20,595
Amounts payable to fellow group undertakings**	30,145,024	—
Accrued expenses	1,171,899	1,769,616
	<u>71,418,218</u>	<u>41,790,211</u>

\* The £40,000,000 of bank loans are secured by a guarantee provided by the ultimate parent undertaking, Square Enix Holdings Co., Ltd

\*\* The amounts payable to fellow group undertakings includes a £30,000,000 loan payable within one year provided by the ultimate parent undertaking, Square Enix Holdings Co., Ltd

## Notes to the financial statements

at 31 March 2013

### 12. Issued share capital

	2013		2012	
<i>Allotted, called up and fully paid</i>	<i>No</i>	<i>£</i>	<i>No</i>	<i>£</i>
Ordinary shares of £1 each	2	<u>2</u>	2	<u>2</u>

### 13. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Shareholders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 April 2011	2	144,999,998	(82,448,237)	62,551,763
Loss for the year	–	–	(1,996,940)	(1,996,940)
At 1 April 2012	2	144,999,998	(84,445,177)	60,554,823
Loss for the year	–	–	(2,745,879)	(2,745,879)
At 31 March 2013	2	144,999,998	(87,191,056)	57,808,944

### 14. Related party transactions

The company had taken advantage of the exemption in FRS 8 not to disclose related party transactions in respect of its ultimate parent undertaking and wholly owned fellow subsidiaries of Square Enix Holdings Co., Ltd

### 15. Ultimate parent undertaking and controlling party

As at 31 March 2013, the company's immediate and ultimate parent undertaking and controlling party was Square Enix Holdings Co., Ltd, a company incorporated in Japan. Square Enix Holdings Co., Ltd is the smallest and largest group of undertakings for which group financial statements are prepared. Group financial statements for Square Enix Holdings Co., Ltd are available from Shinjuku Bunka Quint Bldg, 3-22-7 Yoyogi, Shibuya-ku, Tokyo 151-8544, Japan