

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2019**



Registered Number: 02829355

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their strategic report on the company for the year ended 31 March 2019.

REVIEW OF THE BUSINESS AND KEY PERFORMANCE INDICATORS

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

The results for the financial year show a profit before taxation of £13,954,000 (2018: £9,558,000), revenue of £432,030,000 (2018: £382,684,000) and total assets less current liabilities of £12,024,000 (2018: £10,775,000).

The primary purpose of the company is the fulfilment of its role as sole distributor of PlayStation products in the UK and Ireland. The key performance indicators used to monitor the commercial performance of the business is set out below. The Company uses a combination of financial and non-financial measures to assess how successful it has been in achieving its objectives. These measures are:

1. Sales volumes

External sales volumes of consoles, peripherals and software for the company were 5,130,265 (2018: 5,105,045) across all platforms.

2. Revenue

Revenue remained robust against a competitive market and a challenging economic climate. Revenue for the financial year of £432,030,000 (2018: £382,684,000) represents the strength of PlayStation 4.

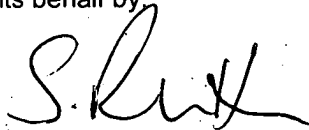
PRINCIPAL RISKS AND UNCERTAINTIES

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

- Competition for the PlayStation 4 from alternative next generation platforms resulting in a lower installed base
- Sustained success of high quality content is required to support revenue generation, promote the platform brand and mitigate potential migration to competitor platforms
- Unauthorised access to the Company's IT environment, or IT failure leads to the misappropriation of confidential information and / or prolonged store outage.
- On 23 June 2016 the public of the United Kingdom voted to leave the European Union. The terms on which the United Kingdom will leave the European Union have not yet been agreed and may significantly impact the operations of the company
- Evolution of UK physical retail channels

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 7 October 2019 and was signed on its behalf by:



S Rutter
Director

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and audited financial statements for the company for the year ended 31 March 2019.

DIRECTORS

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

J Ryan
S Rutter
W Light

The company secretary is M Toole.

FUTURE DEVELOPMENTS

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

FINANCIAL RISK MANAGEMENT

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

Price risk

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

Credit risk

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

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

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

Liquidity risk

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

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

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

DIVIDENDS

The directors paid a dividend of £10,000,000 during the year to Sony Interactive Entertainment Europe Limited (2018: £14,996,000).

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no charitable donations during the financial year (2018: £nil). There were no political donations (2018: £nil).

QUALIFYING THIRD PARTY AND PENSION INDEMNITY SCHEMES

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

GOING CONCERN

The directors believe in the company's ability to continue as a going concern 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.

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.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' CONFIRMATIONS

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

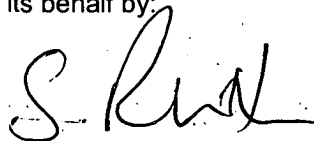
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's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

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

INDEPENDENT AUDITORS

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

The Directors' Report was approved by the Board of Directors on 7 October 2019 and was signed on its behalf by:



S Rutter
Director

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2019 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 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

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

Reporting on other information (continued)

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 2019 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 set out on pages 3 and 4, 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.

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.

Katherine Birch-Evans

Katherine Birch-Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
8 October 2019

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Revenue	4	432,030	382,684
Cost of sales		(386,807)	(343,724)
Gross profit		45,223	38,960
Distribution costs		(27,231)	(25,047)
Administrative expenses		(4,282)	(4,266)
Operating profit	5	13,710	9,647
Finance income	8	244	67
Finance costs	9	-	(156)
Profit before taxation		13,954	9,558
Income tax expense	10	(2,705)	(1,853)
Profit for the financial year		11,249	7,705

The results for the year arise solely from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	2019 £'000	2018 £'000
Profit for the financial year	11,249	7,705
Other comprehensive income: Items that will not be reclassified to profit or loss	-	-
Total comprehensive income for the financial year	11,249	7,705

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 £'000	2018 £'000
Current assets			
Inventory	11	4,128	1,826
Trade and other receivables (including £277,000 deferred tax (2018: £326,000) falling due after one year)	12	77,698	120,117
Cash and cash equivalents		461	-
		82,287	121,943
Creditors: amounts falling due within one year	13	(70,263)	(111,168)
Net current assets		12,024	10,775
Total assets less current liabilities		12,024	10,775
Net assets		12,024	10,775
Capital and reserves			
Called-up share capital	15	1	1
Retained earnings		12,023	10,774
Total shareholders' funds		12,024	10,775

The notes on pages 10 to 20 are an integral part of these financial statements.

The financial statements on pages 7 to 20 were approved and authorised for issue by the Board of Directors on 7 October 2019 and were signed on its behalf by:



S Rutter
Director

Company registered number: 02829355

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH
2019

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 April 2017	1	18,065	18,066
Profit for the financial year	-	7,705	7,705
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	7,705	7,705
Dividends paid	-	(14,996)	(14,996)
Balance as at 31 March 2018	1	10,774	10,775
Balance as at 1 April 2018	1	10,774	10,775
Profit for the financial year	-	11,249	11,249
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	11,249	11,249
Dividends paid	-	(10,000)	(10,000)
Balance as at 31 March 2019	1	12,023	12,024

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1 GENERAL INFORMATION

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is 10 Great Marlborough Street, London, W1F 7LP.

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

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

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES

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

Basis of preparation

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

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

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

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

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

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

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

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

- IFRS 7, 'Financial Instruments: Disclosures'

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2019

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

- Paragraphs 38 of IAS, 'Presentation of financial statements' comparative information requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
- 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 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 Corporation. These financial statements do not include certain disclosures in respect of:

- IFRS5 Assets held for sale and discontinued operations;
- 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 Corporation, and is included in the consolidated financial statements of that company, which are publicly available. Sony Corporation is registered in Japan and copies of their financial statements can be obtained from Sony Global Treasury Services Plc, 15th Floor, Commercial Union Tower, 1 Undershaft, London EC3A 8EE.

Going concern

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

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

New standards, amendments and IFRIC interpretations

The company has assessed the impact of adopting IFRS15 and IFRS9, and have concluded that it is not material. No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2018, have had a material impact on the company.

Revenue recognition

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

Sales of goods

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

Dividend income and distribution

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

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

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

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

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

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

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

SONY INTERACTIVE ENTERTAINMENT UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. The exchange rate at 31 March 2019 was £1 = €1.1616 (2018: £1 = €1.1407). Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Differences on exchange arising from trading are dealt with in arriving at the result for the financial year, and are recognised in the income statement.

Financial assets

Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. 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) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

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. Loans and receivables 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.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2019

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

Inventory

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

Trade and other receivables

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

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

Cash and cash equivalents

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

Called up share capital

Ordinary shares are classified as equity.

Creditors

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

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

Employee benefits

Pension obligations

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

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2019

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical Accounting Estimates and Judgements

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

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

(a) Stock compensation accruals

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

(b) Promotion accruals

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

4 REVENUE

All revenue arose from one class of business in 2019 and 2018.

Financial information by geography for the year ended 31 March 2019

	UK £'000	Ireland £'000	Total £'000
Revenue	413,109	18,921	432,030
Profit before taxation	14,323	(369)	13,954
Net assets / (liabilities)	22,571	(10,547)	12,024

Financial information by geography for the year ended 31 March 2018

	UK £'000	Ireland £'000	Total £'000
Revenue	367,514	15,170	382,684
Profit / (loss) before taxation	10,028	(470)	9,558
Net assets / (liabilities)	21,322	(10,547)	10,775

5 OPERATING INCOME

Fees payable to the company's auditors for the audit of the company's annual financial statements were £79,310 (2018: £77,000). These costs are currently borne by the immediate parent undertaking, Sony Interactive Entertainment Europe Limited. There are no other services payable to the company's auditors.

SONY INTERACTIVE ENTERTAINMENT UK LIMITED
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6 EMPLOYEES AND DIRECTORS

Employment costs

	2019	2018
	£'000	£'000
Wages and salaries	2,562	2,510
Social security costs	323	323
Other pension costs	223	169
	<u>3,108</u>	<u>3,002</u>

Other pension costs are the total pension expense for one defined contribution schemes operated by the company and available to all permanent UK employees. At the year end, no contributions were outstanding (2018: £nil). There are no prepaid amounts as at 31 March 2019 (2018: £9,716).

Employee activity

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

	2019	2018
	Number	Number
Sales and distribution	25	25
Development		
Administration	9	9
	<u>34</u>	<u>34</u>

7 DIRECTORS' EMOLUMENTS

The directors' remuneration was as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments excluding pension contributions and share options	344	277
Contributions to defined contribution pension schemes	10	10
	<u>354</u>	<u>287</u>

1 director (2018: 1) is a member of the company's defined contribution pension scheme.

One director exercised share options during the financial year (2018: 2).

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

The emoluments of J Ryan and S Rutter are paid by Sony Interactive Entertainment Europe Limited, the parent company, which makes no recharge to the company. J Ryan and S Rutter are directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. J Ryan and S Rutter's total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

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8 FINANCE INCOME

	2019 £'000	2018 £'000
Interest on loans to group undertaking	244	67
Total finance income	244	67

9 FINANCE COSTS

	2019 £'000	2018 £'000
Other interest payable	-	156
Total finance costs	-	156

10 INCOME TAX EXPENSE

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profit for the year	2,656	1,757
Foreign tax in relation to Irish entity	-	6
Adjustments in respect of prior periods	-	32
Total current tax	2,656	1,795
Deferred tax		
Origination and-reversal of timing differences	55	62
Adjustments in respect of prior periods	-	3
Impact of change in tax rate	(6)	(7)
Total deferred tax	49	58
Tax on profit	2,705	1,853

The tax assessed for the year is higher (2018: higher) to the standard effective rate of corporation tax in the UK (19%) for the year ended 31 March 2019 (2018: 19%).

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10 INCOME TAX EXPENSE (CONTINUED)

	2019 £'000	2018 £'000
Profit before taxation	<u>13,954</u>	<u>9,558</u>
Profit before taxation multiplied by standard rate in the UK 19% (2018: 19%)	2,651	1,816
Effects of:		
Expenses not deductible for tax purposes	60	3
Irish entity – Current Tax	-	6
Adjustments to current tax charge in respect of previous periods	-	32
Adjustments to deferred tax charge in respect of previous periods	-	3
Deferred tax - rate adjustment	(6)	(7)
Total tax charge	<u>2,705</u>	<u>1,853</u>

Factors affecting current and future tax charges

Legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017, and from 19% to 17% from 1 April 2020 was substantially enacted in 2016.

11 INVENTORY

The inventory value as at 31 March 2019 of £4,128,000 relates solely to finished goods (2018: £1,826,000). During the financial year ending 31 March 2019 £386,807,000 (2018: £343,724,000) of inventories were recognised as cost of sales.

12 TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Note		
Trade receivables	24,680	28,034
Amounts owed by group undertakings	52,695	91,689
Deferred tax	277	326
Prepayments and accrued income	46	68
	<u>77,698</u>	<u>120,117</u>

Trade receivables are stated after provisions for impairment of £1,985,000 (2018: £2,219,000).

Amounts owed by group undertakings consist of a deposit of £49,115,000 (2018: £50,003,000). There were other trading balances of £3,580,000 (2018: £41,689,000). The net deposit balance accrues interest at the London Interbank Bid Rate (LIBID) less 6.25 basis points per month, is unsecured and repayable on demand.

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12 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 £277,000 (2018: £326,000) is expected to take more than one year to fully recover.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Corporation tax payable	5,886	4,451
Amounts owed to group undertakings	7,103	5,578
Other taxation and social security	1,488	1,193
Accruals and deferred income	55,786	99,775
Overdraft	-	171
	<u>70,263</u>	<u>111,168</u>

Amounts owed to group undertakings consist of trading balances of £7,103,000 (2018: £4,406,000).
 All other amounts owed to group undertakings are interest free, unsecured and repayable on demand.

14 DEFERRED TAX

Movement in deferred tax asset

	2019 £'000	2018 £'000
At 1 April	326	383
Origination and reversal of timing differences	(49)	(62)
Adjustments in respect of prior periods	-	(2)
Deferred tax - rate adjustment	-	7
At 31 March	<u>277</u>	<u>326</u>

Reconciliation of deferred tax asset

	2019 £'000	2018 £'000
Excess book depreciation of fixed assets over capital allowances	267	313
Other timing differences	10	13
Total deferred tax asset	<u>277</u>	<u>326</u>

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15 CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised share capital		
1,000 ordinary shares (2018: 1,000) of £1 (2018: £1) each	<u>1</u>	<u>1</u>
Allotted and fully paid		
1,000 ordinary shares (2018: 1,000) of £1 (2018: £1) each	<u>1</u>	<u>1</u>

16 RELATED PARTY TRANSACTIONS

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

17 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 March 2019, the immediate parent undertaking is Sony Interactive Entertainment Europe Limited.

At 31 March 2019, the ultimate parent undertaking and controlling party is Sony Corporation, a company incorporated Japan.

Sony Corporation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2019.

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