

# **Square Enix (2009) Limited**

## **Reports and Financial Statements**

31 March 2017

THURSDAY



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COMPANIES HOUSE

**Directors**

M Sherlock  
P Rogers

**Secretary**

A Chokshi

**Auditor**

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

**Bankers**

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

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

BNP Paribas S.A.  
1 Boulevard Haussmann  
75009 Paris 09

**Registered Office**

240 Blackfriars Road  
London  
SE1 8NW

Registered No. 03679704

## Strategic report

The directors present their strategic report for the year ended 31 March 2017.

### Principal activity and review of the business

The principal activity of the company in the year under review was the sale of interactive video games and software.

The company's key financial and other performance indicators during the period were as follows:-

	2017	2016
	€000	€000
Turnover	103	46,104
Profit/(loss) after taxation	2,758	(133)

The company's distribution agreement with Square Enix Co., Ltd ("SEJ") for the distribution of SEJ titles outside Japan ended on 31 March 2016. As a result, the company's agency agreement with Square Enix Limited also ended at the same date. Square Enix Limited ceased to act as an agent for the company in collecting revenue on the company's behalf. Therefore the company no longer incurred a management charge from Square Enix Limited in the current year.

For the year ended 31 March 2017 the company's turnover decreased by 100.0% to €103,000 (2016 – €46,104,000). The decrease in sales was due to the cessation of the SEJ distribution agreement described above.

Profit/(loss) after taxation increased from a loss of €133,000 in 2016 to a profit of €2,758,000 in 2017. This is due largely to the absence of a foreign exchange loss of in the current year (2016 – loss of €6,809,000).

### Principal risks and uncertainties

The company had the following principal risks and uncertainties. The directors regularly monitor all these risks and uncertainties and appropriate actions are taken to mitigate the risks or their potential outcomes.

#### Financial instruments

The company has exposure to foreign currency risk due to various intercompany balances, significant sales to overseas companies and the payments to overseas suppliers. The company seeks to balance the flows of currency across countries to minimise any imbalance of foreign currency receipts and payments.

#### Technological risk

The company has exposure to technological changes which may include the introduction of new hardware platforms and adaption of appropriate software technology to operate on these platforms.

## Strategic report (continued)

### Financial risk management policies

The company's purchases are denominated mainly in Euros and administrative expenses are denominated mainly in Sterling, which exposes the company to exchange rate risk. No foreign exchange hedging activities are performed.

On behalf of the Board



P Rogers  
Director

14 December 2017

Registered No. 03679704

## Directors' report

The directors present their report and financial statements for the year ended 31 March 2017.

### Results and dividends

The profit for the year after taxation amounted to €2,758,000 (2016 – €133,000 loss). The directors do not recommend a final dividend (2016 – €nil).

### Future developments

Having ended the distribution agreement with Square Enix Holding Co., Ltd ("SEJ") for distribution of SEJ titles outside Japan, the directors do not intend for the company to conduct active trade in the future.

### Going concern

The directors have relied upon parental support from the company's 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 obligations 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:

P Rogers  
M Sherlock

### Disclosure of information to the auditor

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 have taken all the steps that they are obliged to take as a directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditor

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

On behalf of the Board



P Rogers  
Director  
14 December 2017

## Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' 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), including financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 auditor's report**

## **to the members of Square Enix (2009) Limited**

We have audited the financial statements of Square Enix (2009) Limited for the year ended 31 March 2017 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 13. 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), including Financial Reporting Standard FRS 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Directors' responsibilities statement set out on page 5, 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 Reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements
- the Strategic and Directors' report has been prepared in accordance with applicable legal requirements.

# Independent auditor's report

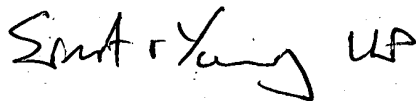
to the members of Square Enix (2009) Limited

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit we have identified no material misstatements in the 'Strategic and Directors' report.

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.

Handwritten signature of Philip Young in black ink, followed by the letters 'UP'.

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

London

Date 14/12/17



## Statement of comprehensive income

for the year ended 31 March 2017

	Notes	2017 €000	2016 €000
<b>Turnover</b>	2	103	46,104
Cost of sales		(1)	(23,255)
<b>Gross profit</b>		102	22,849
Administrative expenses		-	(18,946)
<b>Operating profit</b>	3	102	3,903
Interest receivable and similar income	6	2,664	(4,036)
<b>Profit/(loss) on ordinary activities before taxation</b>		2,766	(133)
Tax on profit/(loss) on ordinary activities	7	(8)	-
<b>Profit/(loss) for the financial year and total comprehensive income</b>	12	2,758	(133)

All amounts relate to continuing activities.

## Statement of financial position

at 31 March 2017

	Notes	2017 €000	2016 €000
<b>Current assets</b>			
Debtors	8	120,804	118,139
Cash at bank and in hand		-	-
		<u>120,804</u>	<u>118,139</u>
<b>Creditors:</b> amounts falling due within one year	10	<u>(69,012)</u>	<u>(69,105)</u>
<b>Net current assets</b>		<u>51,792</u>	<u>49,034</u>
<b>Net assets</b>		<u>51,792</u>	<u>49,034</u>
<b>Capital and reserves</b>			
Called up share capital	11	4,507	4,507
Profit and loss account		47,285	44,527
<b>Shareholder's funds</b>		<u>51,792</u>	<u>49,034</u>

Approved on behalf of the board by



P Rogers

Director

14 December 2017

## Statement of changes in equity

for the year ended 31 March 2017

	<i>Share capital</i> €000	<i>Profit and loss account</i> €000	<i>Total</i> €000
At 1 April 2015	4,507	44,660	49,167
Loss for the year	-	(133)	(133)
At 1 April 2016	4,507	44,527	49,034
Profit for the year	-	2,758	2,758
At 31 March 2017	4,507	47,285	51,791

## Notes to the financial statements

at 31 March 2017

### 1. Accounting policies

#### *Statement of compliance*

Square Enix (2009) Limited is a limited liability company incorporated in England. The Registered Office is 240 Blackfriars Road, London, SE1 8NW.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 March 2017.

#### *Basis of preparation*

The financial statements are prepared on the historical cost basis.

The financial statements are prepared in Euros which is the functional currency of the company.

The nature of operations and its principal activity are set out in the 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 the company's 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 obligations 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.

#### *Statement of cash flows*

The company has taken advantage of the exemption available under FRS 102 not to prepare a statement of cash flows as the company was a subsidiary undertaking of a company which prepares publicly available group financial statements.

#### *Disclosure exemptions*

In accordance with FRS 102 Section 33, the company has taken advantage of the exemption for subsidiary undertakings, whose 100% of voting rights are controlled within a group, from the requirement to disclose related party transactions.

#### *Judgements and key sources of estimation uncertainty*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

#### *Taxation*

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

#### *Cash*

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

#### *Short term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

## Notes to the financial statements

at 31 March 2017

### 1. Accounting policies (continued)

#### **Revenue recognition**

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods.

In common with other companies in the electronic games industry, the company has arrangements with certain customers whereby price protection is offered. A provision is made for anticipated credits arising from these arrangements and is calculated by reference to the estimated customer stock holdings at the balance sheet date, the rate of stock sell through in the channel, past experience and situations of which the management is aware. Revenue is recognised net of these allowances and excluding value added tax.

##### *Rendering of services*

Revenue from subscriptions to online games is recognised in relation to the period in which the subscriptions relate net of value added tax.

##### *Agency agreement*

Square Enix (2009) Limited appointed Square Enix Limited as its authorised agent pursuant to an agency agreement between both parties entered into on 9 November 2009. Square Enix Limited transferred to Square Enix (2009) Limited the revenue it collected as its agent, and charged a management charge for performing its duties. This agency agreement ceased to be effective in the current year from 1 April 2016.

##### *Interest income*

Revenue is recognised as interest accrues using the effective interest method.

#### **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### **Pensions**

The company pays specified pension contributions to certain employees' private pension schemes on a monthly basis. Other than this, the company has no ongoing commitment. Consequently no provision for pension obligation is necessary. Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

#### **Functional currency**

The functional currency is deemed to be the Euro as the majority of purchase and sales are denominated in Euros. The British Pounds Sterling rate used at 31 March 2017 was 1.1732.

## Notes to the financial statements

at 31 March 2017

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the Strategic report.

An analysis of turnover by geographical market is given below:

	2017 €000	2016 €000
Europe	-	41,851
Rest of World	103	4,253
	<u>103</u>	<u>46,104</u>

### 3. Operating profit

This is stated after charging:

	2017 €000	2016 €000
Management charge issued from fellow group company *	-	13,026

The auditor's remuneration for the current and prior year was borne by other group undertakings; Square Enix Limited in the current year and Square Enix of Europe Holdings Limited in the prior year.

\* The management charge was made from Square Enix Limited, in relation to administrative services provided by that company in relation to the agency relationship that existed between Square Enix (2009) Limited and Square Enix Limited. That agency relationship ended on 1 April 2016. Therefore no management charge was incurred in the current year.

### 4. Staff costs

All employees were transferred to Square Enix Limited during the year ended 31 March 2010 and the processing of all transactions and the management of the remaining business of the company was carried out by Square Enix Limited which charged Square Enix (2009) Limited a management charge for these services under an agency agreement. This agency agreement, together with the associated management charge, ended on 1 April 2016.

### 5. Directors' remuneration

All directors' costs were incurred by Square Enix Limited, a fellow a group undertaking. Both directors of the company are also directors of Square Enix Limited. The total directors' remuneration and the remuneration of the highest paid director are disclosed in the financial statements of Square Enix Limited. None of the directors received any remuneration for their qualifying services to this company.

### 6. Interest receivable and similar income

	2017 €000	2016 €000
Intercompany interest receivable	2,664	2,773
Foreign exchange (loss)/gain	-	(6,809)
	<u>2,664</u>	<u>(4,036)</u>

## Notes to the financial statements

at 31 March 2017

### 7. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2017 €000	2016 €000
<b>Current tax:</b>		
UK corporation tax on the loss for the year	8	-
Total current tax (note 7(b))	<u>8</u>	<u>-</u>

(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 20% (2016 – 20%). The differences are explained below:

	2017 €000	2016 €000
Profit/(loss) on ordinary activities before tax	<u>2,766</u>	<u>(133)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 – 20%)	553	(27)
<b>Effects of:</b>		
Expenses/income disallowed for tax purposes	(533)	(554)
Differences between tax allowances and book depreciation	(12)	-
Current year loss unable to be utilised in the current year	-	581
Current tax for the year (note 7(a))	<u>8</u>	<u>-</u>

(c) Factors that may affect future tax charges

On 26 October 2015 the Summer Finance Bill 2015, which reduces the main rate of corporation tax to 19% from April 2017 and 18% from April 2020, was substantially enacted.

### 8. Debtors

	2017 €000	2016 €000
Amounts owed by fellow group undertakings	<u>120,804</u>	<u>118,139</u>
	<u>120,804</u>	<u>118,139</u>

## Notes to the financial statements

at 31 March 2017

### 9. Deferred tax

	2017 £000	2016 £000
Recognised tax assets		
Tax effect of losses carried forward	-	-
	2017 £000	2016 £000
Unrecognised tax assets		
Difference between tax allowances and book depreciation of fixed assets	62	65
Tax effect of losses carried forward	552	552
	614	617

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 enacted or substantially enacted at the balance sheet date. Therefore, the unrecognised deferred tax is measured at 19% in the current period (2016 -19%).

In accordance with FRS 19, the recognition of a deferred tax asset has been limited to the extent that the company anticipates making sufficient taxable profits in the near future to absorb the reversal of the underlying timing differences.

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

	2017 €000	2016 €000
Amounts owed to parent undertaking	69,012	69,105
	69,012	69,105

### 11. Issued share capital

	No.	2017 €000	No.	2016 €000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	3,000,000	4,507	3,000,000	4,507



## Notes to the financial statements

at 31 March 2017

### 12. Financial instruments

	2017	2016
	€000	€000
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Debtors	120,804	118,139
<i>Financial liabilities measured at amortised cost</i>		
Creditors	(69,004)	(69,105)

### 13. Ultimate parent undertaking and controlling party

As at 31 March 2017, 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 parent of 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 Eastside Square, 6-27-30 Shinjuku, Shinjuku-ku, Tokyo 160-8430, Japan.