

# **Square Enix (2009) Limited**

## **Reports and Financial Statements**

31 March 2018

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COMPANIES HOUSE

**Directors**

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 2018.

### Principal activity and review of the business

Following the cessation of the SEJ distribution agreement described below, the company carried out no active trade in the current year.

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

	2018	2017
	€000	€000
Turnover	-	103
Profit/(loss) after taxation	-	2,758

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 or previous year.

For the year ended 31 March 2018 the company's turnover decreased by 100.0% to €nil (2017 – €103,000). The decrease in sales was due to the cessation of the SEJ distribution agreement described above.

Profit after taxation decreased from a profit of €2,758,000 in 2017 to a profit of €nil in 2018. This is because the company carried out no active trade in the current year.

### 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

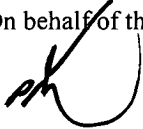
The company has exposure to technological changes which may include the introduction of new hardware platforms and adaption of appropriate software technology to operate on these platforms.

## 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

A handwritten signature in black ink, appearing to be 'P Rogers', written over a horizontal line.

P Rogers  
Director  
17 December 2018

Registered No. 03679704

## Directors' report

The directors present their report and financial statements for the year ended 31 March 2018.

### Results and dividends

The profit for the year after taxation amounted to £nil (2017 – €2,758,000). The directors do not recommend a final dividend (2017 – £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 (resigned on 31 August 2018)

### 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

17 December 2018

## **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

### Opinion

We have audited the financial statements of Square Enix (2009) Limited for the year ended 31 March 2018 which comprise the Statement of comprehensive income, the Statement of financial position, Statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018
- 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters 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 report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

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, and for such internal control as the directors 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.

### **Auditor's 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 auditor's 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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

*Ernst & Young LLP*

Philip Young (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

20 December 2018



## Statement of comprehensive income

for the year ended 31 March 2018

	Notes	2018 €000	2017 €000
<b>Turnover</b>	2	-	103
Cost of sales		-	(1)
<b>Gross profit</b>		-	102
Administrative expenses		-	-
<b>Operating profit</b>	3	-	102
Interest receivable and similar income	6	-	2,664
<b>Profit/(loss) on ordinary activities before taxation</b>		-	2,766
Tax on profit/(loss) on ordinary activities	7	-	(8)
<b>Profit/(loss) for the financial year and total comprehensive income</b>	12	-	2,758

All amounts relate to continuing activities.

## Statement of financial position

at 31 March 2018

	Notes	2018 €000	2017 €000
<b>Current assets</b>			
Debtors	8	120,796	120,804
Cash at bank and in hand		-	-
		<u>120,796</u>	<u>120,804</u>
<b>Creditors:</b> amounts falling due within one year	10	<u>(69,004)</u>	<u>(69,012)</u>
<b>Net current assets</b>		<u>51,792</u>	<u>51,792</u>
<b>Net assets</b>		<u>51,792</u>	<u>51,792</u>
<b>Capital and reserves</b>			
Called up share capital	11	4,507	4,507
Profit and loss account		47,285	47,285
<b>Shareholder's funds</b>		<u>51,792</u>	<u>51,792</u>

Approved on behalf of the board by



P Rogers

Director

17 December 2018

## Statement of changes in equity

for the year ended 31 March 2018

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>
At 1 April 2016	4,507	44,527	49,034
Loss for the year	-	2,758	2,758
At 1 April 2017	4,507	47,285	51,791
Profit for the year	-	-	-
At 31 March 2018	4,507	47,285	51,791

## Notes to the financial statements

at 31 March 2018

### 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 2018.

#### *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 2018

### 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 2018 was 1.1369.

## Notes to the financial statements

at 31 March 2018

### 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:

	2018 €000	2017 €000
Europe	-	-
Rest of World	-	103
	<u>-</u>	<u>103</u>

### 3. Operating profit

This is stated after charging:

	2018 €000	2017 €000
Management charge issued from fellow group company *	<u>-</u>	<u>-</u>

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

	2018 €000	2017 €000
Intercompany interest receivable	-	2,664
Foreign exchange (loss)/gain	-	-
	<u>-</u>	<u>2,664</u>

## Notes to the financial statements

at 31 March 2018

### 7. Tax

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

The tax charge is made up as follows:

	2018	2017
	€000	€000
<b>Current tax:</b>		
UK corporation tax on the loss for the year	-	8
Total current tax (note 7(b))	-	8

(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 19% (2017 – 20%). The differences are explained below:

	2018	2017
	€000	€000
Profit/(loss) on ordinary activities before tax	-	2,766
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 20%)	-	553
<i>Effects of:</i>		
Expenses/income disallowed for tax purposes	-	(533)
Differences between tax allowances and book depreciation	-	(12)
Current year loss unable to be utilised in the current year	-	-
Current tax for the year (note 7(a))	-	8

(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 18% from April 2020, was substantially enacted.

### 8. Debtors

	2018	2017
	€000	€000
Amounts owed by fellow group undertakings	120,796	120,804
	<u>120,796</u>	<u>120,804</u>

## Notes to the financial statements

at 31 March 2018

### 9. Deferred tax

	2018 £000	2017 £000
Recognised tax assets		
Tax effect of losses carried forward	-	-
	2018 £000	2017 £000
Unrecognised tax assets		
Difference between tax allowances and book depreciation of fixed assets	62	62
Tax effect of losses carried forward	552	552
	614	614

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 (2017 -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

	2018 €000	2017 €000
Amounts owed to parent undertaking	69,004	69,012
	69,004	69,012

### 11. Issued share capital

	No.	2018 €000	No.	2017 €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 2018

### 12. Financial instruments

	2017	2017
	€000	€000
<i>Financial assets that are debt instruments measured at amortised cost</i>		
Debtors	120,796	120,804
<i>Financial liabilities measured at amortised cost</i>		
Creditors	(69,004)	(69,012)

### 13. Ultimate parent undertaking and controlling party

As at 31 March 2018, 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.