

**SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY
PLAYSTATION NETWORK EUROPE LIMITED)**

**ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

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COMPANIES HOUSE

Registered number 06020283

SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY PLAYSTATION NETWORK EUROPE LIMITED) DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2011

RESULTS AND DIVIDENDS

The company has net assets of €369,000 (2010 €369,000) The results for the company show a pre tax result of €nil (2010 profit of €79,000) and sales of €159.8 million (2010 €93.1 million)

The profit on ordinary activities before tax for the financial year amounted to €nil (2010 €82,000) No dividend was paid during the financial year (2010 €nil)

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

On the 1 April 2011, PlayStation Network Entertainment Europe Limited changed its name to Sony Network Entertainment Europe Limited

The principal activities of the company are the marketing, digital distribution and retail of video game software and other digital entertainment content for use by the consumer across the family of PlayStation platforms

Sony Network Entertainment Europe Limited operates throughout the PAL 'Phase Alternating Line' (television encoding system used throughout our region) territories across 33 PlayStation stores

BUSINESS ENVIRONMENT

Sony Network Entertainment Europe Limited is involved in the marketing, digital distribution and retail of video game software and other digital entertainment content via the PlayStation Network online store for use by the consumer across the family of PlayStation platforms

PRINCIPAL RISKS AND UNCERTAINTIES

The success of the PlayStation Network is very reliant on the success of the PlayStation console formats which builds an installed base of consumers to purchase product on the PlayStation Network. The group currently operates in a highly competitive environment and a key risk for the group includes competition from alternative hardware consoles in both the handheld and home markets. The PlayStation Network also faces competition from other digital content providers such as X Box Live as well as competition from traditional packaged media sales through retail. These risks are carefully monitored and controlled by the management team who build effective strategies to control these risks

STRATEGY

The company strategy is to build and improve upon a strong first financial year of sales and strive to continue to grow sales revenues from digital product as well as extend the choice and convenience of product available to the consumer. The company will also maintain investment in the brand to retain credibility with hardcore gamers as well as extending the group's market through innovation and more accessible software. This is being achieved by the company continuing to expand its game and non game offerings on the PlayStation Network for example shorter casual games developed specifically for the network. The group's strategy is to increase the customer base for the PlayStation Network by increasing the installed base of both the PS3 and the PSP console

**SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY
PLAYSTATION NETWORK EUROPE LIMITED)
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011 (continued)**

KEY PERFORMANCE INDICATORS

Sales in the financial year have been extremely encouraging with total sales for the financial year of €159.8 million (2010: €93.1 million) and over 6,100 downloadable titles available to customers as at 31 March 2011. This reflects the strong success of PlayStation 3 hardware since its launch on 23 March 2007 as well as the promising number of customers registering on the PlayStation Network (over 6.5 million). Gross profit margin is 7.6% in the year (2010: 6.0%).

FINANCIAL RISK MANAGEMENT

Financial instruments

Credit risk – all on-line sales are made from a pre-populated wallet which reduces both the cost of transactions and mitigates the credit risk. The majority of the group's borrowing/deposits are with fellow group undertakings and are managed centrally.

Liquidity risk – liquidity risk is minimal as the company has no external borrowings, all borrowing/deposits are with parent undertakings.

Market risk - deposits and loans are in both Euro and Sterling and are with parent undertakings at floating interest rates. This will be impacted directly by future variances in interest rates. The vast majority of sales and purchases are made in the company's functional currency hence there is limited currency risk.

Financial risk management is the ultimate responsibility of the boards of Sony Network Entertainment Europe Limited and its parent company Sony Computer Entertainment Europe Limited, and is monitored by the finance team.

DIRECTORS

The directors of the company who held office during the year ended 31 March 2011 and up to the date of signing these financial statements are as follows:

J Ryan
A House (resigned 5 October 2011)
S Rutter (appointed 5 October 2011)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

**SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY
PLAYSTATION NETWORK EUROPE LIMITED)
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011 (continued)**

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

- make judgements and accounting 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,
- 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 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

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

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that so far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware. Each director has taken all the steps 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 s418 of the Companies Act 2006

INDEPENDENT AUDITORS

The auditors PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

On behalf of the Board


J Ryan
Director

16 December 2011

SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY PLAYSTATION NETWORK EUROPE LIMITED)

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

We have audited the financial statements of Sony Network Entertainment Europe Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

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

Opinion on 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 2011 and of its result for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Robert Girdlestone (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Alban

16 December 2011

**SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY PLAYSTATION
NETWORK EUROPE LIMITED)
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 €'000	2010 €'000
TURNOVER	1, 2	159,761	93,125
Cost of sales		<u>(147,680)</u>	<u>(87,528)</u>
GROSS PROFIT		12,081	5,597
Distribution costs		(7,263)	(2,224)
Administrative expenses		<u>(5,014)</u>	<u>(3,377)</u>
OPERATING LOSS		(196)	(4)
Interest receivable and similar income	6	<u>196</u>	<u>83</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	-	79
Tax on profit on ordinary activities	7	<u>-</u>	<u>3</u>
PROFIT FOR THE FINANCIAL YEAR	12	<u>-</u>	<u>82</u>

All operations are continuing

The company has no recognised gains or losses other than the results shown above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

**SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY
PLAYSTATION NETWORK EUROPE LIMITED)
BALANCE SHEET AS AT 31 MARCH 2011**

	Note	2011 €'000	2010 €'000
CURRENT ASSETS			
Debtors	8	64,342	32,505
Cash at bank and in hand		<u>583</u>	<u>462</u>
		64,925	32,967
CREDITORS (amounts falling due within one year)			
	9	<u>(64,556)</u>	<u>(32,598)</u>
NET CURRENT ASSETS		<u>369</u>	<u>369</u>
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account	11	<u>369</u>	<u>369</u>
TOTAL SHAREHOLDERS' FUNDS	12	<u>369</u>	<u>369</u>

These financial statements on pages 5 to 11 were approved by the Board on 16 December 2011, and signed on its behalf by


J. Ryan
Director

Registered number: 06020283

SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY PLAYSTATION NETWORK EUROPE LIMITED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Companies Act 2006. These financial statements have been prepared on a going concern basis and using consistently applied accounting policies.

Taxation

Full provision is made for timing differences and 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 that result in an obligation to pay more tax in the future, or a right to apply less tax in the future, have occurred at the balance sheet date.

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as 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 at the average tax rate that is expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities recognised have not been discounted.

Cash flow statement

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.

Consequently, the company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement.

Foreign currencies

The local and presentation currency is the Euro. Monetary assets and liabilities expressed in foreign currencies are translated into Euros at the rates of exchange ruling at the balance sheet date. At 31 March 2011 the rate applicable was €1 to £0.88103 (2010: €1 to £0.88778). Transactions in foreign currencies are converted to Euro at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Turnover

Turnover consists of sales of goods at invoiced value net of discounts, estimated returns and price protection and value added tax and is recognised at the time the customer pays and receives the right to download the digital product.

Deferred income

Deferred income represents amounts paid in advance by customers into their customer wallets. Customers use the balance in their wallets to purchase items from the PlayStation Network online store and income is recognised at this point of purchase.

**SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY PLAYSTATION
NETWORK EUROPE LIMITED)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

1 ACCOUNTING POLICIES (continued)

Deferred income also relates to the sales of PSN cash cards which are yet to be redeemed by customers. These cards are another form of payment that can be used to purchase items from the online store.

2 SEGMENTAL REPORTING

Sony Network Entertainment Europe Limited is involved in the marketing, digital distribution and retail of video game software and other digital entertainment content for use by the consumer across the family of PlayStation platforms. All of these activities occur in the online gaming business segment.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Sony Network Entertainment Europe Limited is not charged for the services provided by the employees that work for it. The number and cost of these employees are included in the Sony Computer Entertainment Europe Limited financial statements.

Costs for audit and non-audit services are currently borne by Sony Computer Entertainment Europe Limited.

4 DIRECTORS' EMOLUMENTS

The emoluments of Mr J Ryan and Mr A House are paid by Sony Computer Entertainment Europe Limited which makes no recharge to the company. Mr Ryan and Mr House 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. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

5 EMPLOYEE INFORMATION

(a) The company had no employees during the financial year (2010: none)

(b) No employment costs were borne by the company during the financial year (2010: €nil)

SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY PLAYSTATION NETWORK EUROPE LIMITED)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 €'000	2010 €'000
Interest receivable from group undertakings	<u>196</u>	<u>83</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 €'000	2010 €'000
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustments in respect of prior year	<u>-</u>	<u>3</u>
Total current tax	<u>-</u>	<u>3</u>
Deferred tax	<u>-</u>	<u>-</u>
Total tax on profit on ordinary activities	<u>-</u>	<u>3</u>

The tax assessed for the year is at the standard rate of corporation tax in the UK 28% (2010 28%)

The differences are explained below

	2011 €'000	2010 €'000
Profit/(loss) on ordinary activities before taxation	<u>-</u>	<u>(79)</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010 28%)	-	(22)
Effects of		
UK transfer pricing adjustment	-	22
Adjustment to tax in respect of prior years	<u>-</u>	<u>3</u>
Total current tax credit	<u>-</u>	<u>3</u>

Factors which may affect future tax charges

On 29 March 2011 a resolution passed by Parliament reduced the main corporation tax rate from 28% to 26% effective from 1 April 2011

This change was announced in the March 2011 Budget Statement together with the intention to reduce the main rate of corporation tax to 23% by 1 April 2014. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is included in the Finance Act 2011

SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY PLAYSTATION NETWORK EUROPE LIMITED)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

7 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

None of the rate reductions from 25% to 23% had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

8 DEBTORS

	2011 €'000	2010 €'000
Trade debtors	3,472	1,853
Amounts owed by group undertakings	60,140	29,805
Other debtors	133	283
Prepayments	597	564
	<u>64,342</u>	<u>32,505</u>

9 CREDITORS amounts falling due within one year

	2011 €'000	2010 €'000
Trade creditors	163	706
Amounts owed to group undertakings	11,733	3,636
Other taxation and social security	4,924	2,033
Accruals and deferred income	47,736	26,223
	<u>64,556</u>	<u>32,598</u>

10 CALLED UP SHARE CAPITAL

	2011 €	2010 €
Authorised		
1,000 ordinary shares (2010 1,000) of €1 each	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid up:		
1 ordinary shares (2010 1) of €1 each	<u>1</u>	<u>1</u>

11 PROFIT AND LOSS ACCOUNT

	Profit and loss account €'000
As at 1 April 2010	369
Profit for the financial year	<u>-</u>
As at 31 March 2011	<u>369</u>

SONY NETWORK ENTERTAINMENT EUROPE LIMITED (FORMERLY PLAYSTATION NETWORK EUROPE LIMITED)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

12 RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	2011 €'000	2010 €'000
Profit for the financial year	-	82
Net movement in total shareholders' funds	-	82
Opening total shareholders' funds	369	287
Closing total shareholders' funds	369	369

13 ULTIMATE PARENT AND CONTROLLING PARTY

At 31 March 2011, the immediate parent undertaking is Sony Computer Entertainment Europe Limited

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 2011

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

14 RELATED PARTY TRANSACTIONS

As 100% of share capital is held by its parent (Sony Computer Entertainment Europe Limited), advantage has been taken of paragraph 3 of FRS8 "Related party disclosures" not to disclose transactions with other group companies