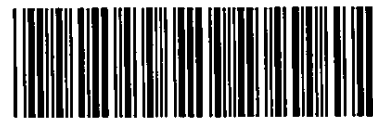


**PLAYSTATION NETWORK EUROPE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2010**

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Registered Number 06020283

## **PLAYSTATION NETWORK EUROPE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 March 2010**

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2010

#### **RESULTS AND DIVIDENDS**

The company has net assets of €369,000 (2009 €287,000) The results for the company show a pre tax profit of €79,000 (2009 €87,000) and sales of €93.1 million (2009 €45.4 million)

The profit for the financial year amounted to €82,000 (2009 €148,000) No dividend was paid during the year (2009 €nil)

#### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

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

PlayStation Network Europe Limited operates throughout the PAL territories across 25 PlayStation stores

#### **BUSINESS ENVIRONMENT**

PlayStation Network 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 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.

#### **KEY PERFORMANCE INDICATORS**

Sales in the year have been extremely encouraging with total sales for the year of €93.1m (2009 €45.4m) and over 300 downloadable titles available to customers as at 31 March 2010. This reflects the strong success of PlayStation 3 hardware since its launch on 23 March 2007 as well as the

## **PLAYSTATION NETWORK EUROPE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 March 2010 (continued)**

promising number of customers registering on the PlayStation Network (over 4 million) Gross profit margin is 6.0% in the year (2009 10.6%)

#### **FINANCIAL RISK MANAGEMENT**

Financial risk management is the ultimate responsibility of the boards of PlayStation Network 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 2010 and up to the date of signing these financial statements are as follows

J Ryan

A House (appointed 1 May 2009)

D Reeves (resigned 1 May 2009)

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

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,
- 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

**PLAYSTATION NETWORK EUROPE LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 March 2010 (continued)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT  
AND THE FINANCIAL STATEMENTS (continued)**

**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.

**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

25 November 2010

## PLAYSTATION NETWORK EUROPE LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PLAYSTATION NETWORK EUROPE LIMITED

We have audited the financial statements of PlayStation Network Europe Limited for the year ended 31 March 2010 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement as set out in the Directors' Report, 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 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.

#### 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 2010 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

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

#### 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 Albans

25 November 2010

**PLAYSTATION NETWORK EUROPE LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 March 2010**

	Note	2010 €'000	2009 €'000
<b>TURNOVER</b>			
Cost of sales	1, 2	93,125 <u>(87,528)</u>	45,368 <u>(40,543)</u>
<b>GROSS PROFIT</b>		5,597	4,825
Distribution costs		(2,224)	(3,482)
Administrative expenses		<u>(3,377)</u>	<u>(1,626)</u>
<b>OPERATING LOSS</b>		(4)	(283)
Interest receivable and similar income	6	<u>83</u>	<u>370</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	79	87
Tax on profit on ordinary activities	7	<u>3</u>	<u>61</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	12	<u>82</u>	<u>148</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

**PLAYSTATION NETWORK EUROPE LIMITED**  
**BALANCE SHEET AS AT 31 March 2010**

	Note	2010		2009	
		€'000	€'000	€'000	€'000
<b>CURRENT ASSETS</b>					
Debtors	8	32,505		19,204	
Cash at bank and in hand		<u>462</u>		<u>938</u>	
		32,967		20,142	
<b>CREDITORS (amounts falling due within one year)</b>					
	9	<u>(32,598)</u>		<u>(19,855)</u>	
<b>NET CURRENT ASSETS</b>			<u>369</u>		<u>287</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		-		-
Profit and loss account	11		<u>369</u>		<u>287</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	12		<u>369</u>		<u>287</u>

These financial statements on pages 5 to 11 were approved by the board on 25 November 2010, and signed on its behalf by



J Ryan  
Director

**Registered Number 06020283**

# **PLAYSTATION NETWORK EUROPE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

### **1 ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom 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**

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In relation to deferred tax under FRS19, 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 has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 'Cash flow statements' (revised 1996) as its results are consolidated in the group financial statements of Sony Corporation.

#### **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 2010 the rate applicable was €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.

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.



# **PLAYSTATION NETWORK EUROPE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

### **1 ACCOUNTING POLICIES (CONTINUED)**

#### **Financial Instruments**

**Credit risk** – all on-line sales are made from a pre-populated wallet which reduces both the cost of transactions as well as the credit risk

**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

### **2 SEGMENTAL REPORTING**

PlayStation Network 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**

PlayStation Network 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 Jim Ryan and Mr Andrew 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 year (2009: none)

(b) No employment costs were borne by the company during the financial period (2009: €nil)

**PLAYSTATION NETWORK EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2010 €'000	2009 €'000
Interest receivable from group undertakings	<u>83</u>	<u>370</u>

**7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2010 €'000	2009 €'000
UK corporation tax on profits of the year	-	-
Adjustments in respect of prior year	<u>3</u>	<u>61</u>
	3	61
<b>Deferred tax</b>		
Current year	<u>-</u>	<u>-</u>
	3	61

The tax assessed for the period is lower (2009 lower) than the standard rate of corporation tax in the UK 28% (2009 28%)

The differences are explained below

	2010 €'000	2009 €'000
Profit on ordinary activities before tax	<u>(79)</u>	<u>(87)</u>
Profit on ordinary activities before tax multiplied by the Standard rate of Corporation Tax in the UK of 28% (2009 28%)	(22)	(24)
UK-UK transfer pricing adjustment	22	24
Adjustment to tax in respect of prior years	<u>3</u>	<u>61</u>
Current tax credit	<u>3</u>	<u>61</u>

**Factors which may affect future tax charges**

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement

Finance (No 2) Act 2010 reduces the standard rate of UK corporation tax from 28% to 27% with effect from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. These changes have not been substantively enacted at the balance sheet date and therefore have not been included in these financial statements

**PLAYSTATION NETWORK EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

**8 DEBTORS**

	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>
Trade debtors	1,853	3,906
Amounts owed by group undertakings	29,805	15,298
Prepayments	564	-
Other debtors	283	-
	<u>32,505</u>	<u>19,204</u>

**9 CREDITORS (amounts falling due within one year)**

	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>
Trade creditors	706	3,315
Amounts owed to group undertakings	3,636	6,371
Corporation tax	0	3
Other taxation and social security	2,033	1,407
Accruals and deferred income	26,223	8,759
	<u>32,598</u>	<u>19,855</u>

**10 CALLED UP SHARE CAPITAL**

	<b>2010</b>	<b>2009</b>
	<b>€</b>	<b>€</b>
Authorised 1,000 ordinary shares (2009 1,000) of €1 each	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid up 1 Ordinary shares (2009 1) of €1 each	<u>1</u>	<u>1</u>

**11 RESERVES**

	<b>Profit and loss account €'000</b>
Balance as at 1 April 2009	287
Profit for the financial year	<u>82</u>
Balance as at 31 March 2010	<u>369</u>

**PLAYSTATION NETWORK EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010**

**12 RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS**

	2010 €'000	2009 €'000
Profit for the financial year	<u>82</u>	<u>148</u>
Net movement in total shareholders' funds	82	148
Opening total shareholders' funds	<u>287</u>	<u>139</u>
Closing total shareholders' funds	<u>369</u>	<u>287</u>

**13 IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS**

At 31 March 2010, the immediate parent undertaking is Sony Computer Entertainment Europe Limited. The smallest group for which Group financial statements are prepared, and of which the company is a member, is Sony Corporation, a company incorporated in Japan. Copies of these financial statements can be obtained from Sony Global Treasury Services Plc, 15<sup>th</sup> Floor, Commercial Union Tower, 1 Undershaft, London, EC3A 8EE.

The ultimate parent company is Sony Corporation.

**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.