

**MEDIA MOLECULE LIMITED**

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



**Registered Number: 05665849**

# **MEDIA MOLECULE LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019**

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

### **REVIEW OF THE BUSINESS**

The principal activities of the company consist of the development of computer software for the games industry.

The company continued to develop games exclusively for Sony Interactive Entertainment Europe Limited and in the year to 31 March 2019 focused resource on developing titles for the PlayStation 4 platform.

The results for the financial year show a profit before taxation of £1,345,000 (2018: £3,070,000) and revenue of £10,545,000 (2018: £11,411,000). The company continues in a strong financial position with total assets less current liabilities of £35,909,000 (2018: £35,091,000).

The key performance indicators used to monitor the commercial performance of the business are set out below. The company uses a combination of financial and non-financial measures to assess how successful it has been in achieving its objectives. These measures are:

#### **1. Software launches and titles in development**

One software title, "Dreams", developed by the company was launched during the year on the PS4 console (2018: none). During the year the company worked solely on the development of Dreams for PS4, a genre-defying innovative interactive game focusing on 'play, create and share' experiences.

#### **2. Total cost base**

As the company develops games for commercial retail, cost control is of significant importance to the company. The total operating cost base (consisting of cost of sales and administrative expenses) for the year ended 31 March 2019 was £9,493,000 (2018: £8,427,000). Cost sharing arrangements for activities relating to research and development are invoiced to other group companies on transfer of the underlying intellectual property, and are recognised as revenue.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Principal risks for the company include competition from other external software publishers, the downward price pressure on software and increasing costs to develop high quality next generation software titles. Management create and implement effective strategies to control these risks carefully monitoring the outcome of the strategies and the mitigation of these risks.

On 23 June 2016 the public of the United Kingdom voted to leave the European Union. The terms on which the United Kingdom will leave the European Union have not yet been negotiated and may significantly impact the operations of the company.

The Strategic Report was approved by the Board of Directors on 15 November 2019 and was signed on its behalf by:

  
J Ryan  
Director

## **MEDIA MOLECULE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019**

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

#### **DIRECTORS**

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

J Ryan  
S Rutter  
M Denny

#### **FUTURE DEVELOPMENTS**

As of 30 June 2019, Media Molecule ceased trading and an agreement was entered to transfer the assets and liabilities from Media Molecule to SIEEL. Following this transfer there was no further activity in Media Molecule and the entity became dormant. The Media Molecule Studio continues trade as part of Sony Interactive Entertainment Europe Limited (SIEEL), without any significant change to the current strategy or objectives. The Media Molecule Studio will continue to develop high quality video games for the PlayStation platforms.

#### **RESEARCH AND DEVELOPMENT**

It is vital for Media Molecule Limited to focus a high proportion of its resources on R&D to allow it to maintain its world leading position as a developer of innovative games for the PlayStation platform. To achieve this, the company must remain at the forefront of technological advances, and must bring new and often risky innovations to market in products of the highest quality to compete in a competitive global market. During the financial year, Media Molecule Limited invested £3,356,000 (2018: £2,879,000) in research and development for PlayStation games.

#### **FINANCIAL RISK MANAGEMENT**

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

##### ***Price risk***

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

##### ***Interest rate risk***

The company has interest bearing intercompany assets. Interest is charged at an arms-length basis and calculated as the London Interbank Bid Rate (LIBID) less 6.25 basis points.

#### **DIVIDENDS**

The Directors propose a dividend in the current financial year of £34,000,000 (2018: £nil).

# **MEDIA MOLECULE LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019**

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

Charitable donations of £2,349 were made during the financial year (2018: £1,901). These were in the form of various small donations to several charities. There were no political donations (2018: £nil).

### **QUALIFYING THIRD PARTY AND PENSION INDEMNITY SCHEMES**

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

### **GOING CONCERN**

The directors believe in the company's ability to continue as a going concern will be able to meet its financial obligations as they fall due for the foreseeable future, a period of at least twelve months from the date of signing these financial statements.

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### **Directors' confirmations**

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

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

**MEDIA MOLECULE LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019**

**INDEPENDENT AUDITORS**

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

The Directors' Report was approved by the Board of Directors on 15 November 2019 and was signed on its behalf by:



J Ryan  
Director

**MEDIA MOLECULE LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDIA MOLECULE LIMITED**

**Report on the audit of the financial statements**

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**Opinion**

In our opinion, Media Molecule Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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**Basis for opinion**

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

*Independence*

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

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**Conclusions relating to going concern**

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

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

# **MEDIA MOLECULE LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDIA MOLECULE LIMITED (CONTINUED)**

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### **Reporting on other information**

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

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

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

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

#### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**MEDIA MOLECULE LIMITED  
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDIA MOLECULE  
LIMITED (CONTINUED)**

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**Other required reporting**

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**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

*Katherine Birch-Evans*

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



**MEDIA MOLECULE LIMITED**  
**INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £'000	2018 £'000
<b>Revenue</b>	3	<b>10,545</b>	<b>11,411</b>
Cost of sales		(5,963)	(5,756)
<b>Gross profit</b>		<b>4,582</b>	<b>5,655</b>
Administrative expenses		(3,530)	(2,671)
<b>Operating profit</b>	4	<b>1,052</b>	<b>2,984</b>
Finance income	7	293	86
<b>Profit before taxation</b>		<b>1,345</b>	<b>3,070</b>
Tax on profit	8	(268)	(603)
<b>Profit for the financial year</b>		<b>1,077</b>	<b>2,467</b>

The results for the year arise solely from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019**

	2019 £'000	2018 £'000
<b>Profit for the financial year</b>	<b>1,077</b>	<b>2,467</b>
<b>Other comprehensive income:</b> Items that will not be reclassified to profit or loss	-	-
<b>Total comprehensive income for the year</b>	<b>1,077</b>	<b>2,467</b>

**MEDIA MOLECULE LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Property, plant and equipment	9	241	302
		<u>241</u>	<u>302</u>
<b>Current assets</b>			
Trade and other receivables (including £152,000 (2018: £151,000) due after one year)	10	70,990	47,404
Cash and cash equivalents		5	47
		<u>70,995</u>	<u>47,451</u>
<b>Creditors: amounts falling due within one year</b>	11	(35,327)	(12,662)
<b>Net current assets</b>		<u>35,668</u>	<u>34,789</u>
<b>Total assets less current liabilities</b>		<u>35,909</u>	<u>35,091</u>
<b>Creditors: amounts falling due after more than one year</b>	12	-	(259)
<b>Net assets</b>		<u>35,909</u>	<u>34,832</u>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Retained earnings		35,909	34,832
<b>Total shareholders' funds</b>		<u>35,909</u>	<u>34,832</u>

The notes on pages 11 to 20 are an integral part of these financial statements.

The financial statements on pages 8 to 20 were approved and authorised for issue by the Board of Directors on 15 November 2019 and were signed on its behalf by:

  
J Ryan  
Director

Company registered number: 05665849

**MEDIA MOLECULE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH**  
**2019**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total shareholders' funds £'000</b>
Balance as at 1 April 2017	-	32,365	32,365
Profit for the financial year	-	2,467	2,467
Other comprehensive income for the year	-	-	-
Total comprehensive income	-	2,467	2,467
<b>Balance as at 31 March 2018</b>	<b>-</b>	<b>34,832</b>	<b>34,832</b>
Balance as at 1 April 2018	-	34,832	34,832
Profit for the financial year	-	1,077	1,077
Other comprehensive income for the year	-	-	-
Total comprehensive income	-	1,077	1,077
<b>Balance as at 31 March 2019</b>	<b>-</b>	<b>35,909</b>	<b>35,909</b>

# **MEDIA MOLECULE LIMITED**

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

### **1 GENERAL INFORMATION**

Media Molecule Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The principal activities of the company consist of the development of computer software for the games industry.

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

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **Basis of preparation**

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

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

The Company is a qualifying entity for the purposes of FRS 101. Note 17 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There were no areas identified involving a higher degree of judgement or complexity, nor areas where assumptions and estimates are significant to the financial statements.

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

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 38 of IAS, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73(e) of IAS 16 'Property, plant and equipment';
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),

**MEDIA MOLECULE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**  
**2019**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- 111 (cash flow statement information), and
- 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into with other wholly owned members of the group headed by Sony Corporation.

**Going concern**

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

**New standards, amendments and IFRIC interpretations**

The company has assessed the impact of adopting IFRS15 and IFRS9, and have concluded that it is not material. No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2019, have had a material impact on the company.

**Revenue recognition**

Revenue is wholly derived from contracts with Sony Interactive Entertainment Europe Limited for the development of titles for the PS3 and PS4 consoles, as well as the PlayStation Network.

Revenue is recognised as the contract activity progresses on a milestone basis as agreed with Sony Interactive Entertainment Europe Limited. Revenue relating to research and development activity is recognised in the period the activity was undertaken.

Royalty income is also generated from the sale of software titles on PlayStation consoles. This is generated once the milestone advances have recouped and is calculated on a per unit basis dependent on the number of titles sold into the market by Sony Interactive Entertainment Europe Limited.

**Research and development**

The costs related to the internal creation of video game software are not considered to meet the criteria for capitalisation until the final stages of development. The costs prior to this point are recorded in profit and loss as incurred. The costs after this point are considered immaterial and expensed as incurred. All research costs are expensed as incurred.

**MEDIA MOLECULE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**  
**2019**

**2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)**

**Current and deferred income tax**

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

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

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

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

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

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

**Property, plant and equipment and depreciation**

Property, plant and equipment is stated at historical cost less accumulated depreciation and provisions for impairment. Costs include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures and fittings	20%
Computer hardware	20% - 33%

Leasehold improvements are depreciated over the term of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Operating income' in the income statement.

**MEDIA MOLECULE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**  
**2019**

**2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)**

**Financial assets**

*Classification*

The company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(i) Loans and receivables*

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

*Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the company commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within finance income or finance costs in the period in which they arise.

*Impairment of financial assets carried at amortised cost*

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss' event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**Employee benefits**

*Pension obligations*

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

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**MEDIA MOLECULE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**  
**2019**

**2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)**

The group participates in two defined contribution schemes. Contributions are charged in the income statement as they become payable in accordance with the rules of the scheme. The scheme's assets are held in separately administered funds.

**Leases**

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

**3 REVENUE**

Revenue is generated from one class of business, the development of computer software. All revenue is generated in the UK.

**4 OPERATING PROFIT**

Operating profit is stated after the recognition of the following items:

	Note	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	9	211	193
Operating lease charges:			
- Other		274	235
Research and development		<u>3,356</u>	<u>2,879</u>

Fees payable to the company's auditors for the audit of the company's annual financial statements were £12,180 (2018: £11,825). These costs are currently borne by the immediate parent undertaking, Sony Interactive Entertainment Europe Limited. There are no other services payable to the company's auditors.

**5 EMPLOYEES AND DIRECTORS**

The monthly average number of persons, including executive directors, employed by the company during the financial year was nil (2018: nil). All employee costs, including pension contributions, are borne by the immediate parent undertaking, Sony Interactive Entertainment Europe Limited, and recharged to the company.

**6 DIRECTORS' EMOLUMENTS**

The emoluments of the directors are paid by Sony Interactive Entertainment Europe Limited which makes no recharge to the company.

J Ryan and S Rutter are directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. J Ryan and S Rutter's total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.



**MEDIA MOLECULE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**  
**2019**

**6 DIRECTORS' EMOLUMENTS (CONTINUED)**

M Denny is a Senior Vice President within Sony Interactive Entertainment Europe Limited. M Denny has no executive management responsibilities for Media Molecule Limited and receives no remuneration for his role as a director. M Denny's full cost of employment is borne by Sony Interactive Entertainment Europe Limited and is included in the aggregate of employment costs disclosed in their financial statements.

**7 FINANCE INCOME**

	2019 £'000	2018 £'000
Bank interest income	293	86
<b>Total finance income</b>	<b>293</b>	<b>86</b>

**8 TAX ON PROFIT**

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax on profits of the year	262	584
Adjustments in respect of prior periods	28	20
<b>Total current tax</b>	<b>290</b>	<b>604</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4)	(1)
Impact of change in tax rate	(18)	-
Adjustments in respect of prior periods	-	-
<b>Total deferred tax</b>	<b>(22)</b>	<b>(1)</b>
<b>Tax on profit</b>	<b>268</b>	<b>603</b>

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

	2019 £'000	2018 £'000
Profit before taxation	1,345	3,070
Profit before taxation multiplied by standard rate in the UK 19% (2018: 19%)	256	584
Effects of:		
Non-taxable items / expenses not deductible	3	-
Deferred tax - rate adjustment	-	-
Adjustments in respect of prior periods	9	19
<b>Total tax charge for the year</b>	<b>268</b>	<b>603</b>

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**8 TAX ON PROFIT (CONTINUED)**

**Factors which may affect future tax charges:**

Legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020 was substantially enacted on 15 September 2016.

**9 PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold improvements £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Computer hardware £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2018	229	556	1,434	2,219
Additions	-	25	125	150
<b>At 31 March 2019</b>	<b>229</b>	<b>581</b>	<b>1,559</b>	<b>2,369</b>
<b>Accumulated depreciation</b>				
At 1 April 2018	183	476	1,258	1,917
Charge for the year	23	26	162	211
<b>At 31 March 2019</b>	<b>206</b>	<b>502</b>	<b>1,420</b>	<b>2,128</b>
<b>Net book amount At 31 March 2019</b>	<b>23</b>	<b>79</b>	<b>139</b>	<b>241</b>
At 31 March 2018	46	80	176	302

No assets were held under finance leases as at 31 March 2019 (2018: £nil).

**10 TRADE AND OTHER RECEIVABLES**

**Amounts falling due within one year:**

	<b>Note</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Amounts owed by group undertakings		70,051	46,681
Deferred tax	13	158	136
Prepayments and accrued income		781	587
		<b>70,990</b>	<b>47,404</b>

Amounts owed by group undertakings consists entirely of a loan balance with the parent company, Sony Interactive Entertainment Europe Limited. The loan balance accrues interest at the London Interbank Bid Rate (LIBID) less 6.25 basis points, is unsecured and repayable on demand.

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**11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £'000	2018 £'000
Trade creditors	118	14
Corporation tax payable	-	1
Amounts owed to group undertakings	34,850	12,471
Other creditors including other tax and social security	359	166
Accruals and deferred income	-	10
	<u>35,327</u>	<u>12,662</u>

Amounts owed to group undertakings consist of trading balances of £34,850,000 (2018: £12,471,000). All amounts owed to group undertakings are interest free, unsecured and repayable on demand.

Other creditors including taxation and social security consists of other taxation and social security of £359,000 (2018: £166,000).

**12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

Amounts falling due after more than one year and less than five years

	2019 £'000	2018 £'000
Accruals and deferred income	-	259
	<u>-</u>	<u>259</u>

**Maturity of creditors falling due after more than one year**

	2019 £'000	2018 £'000
Within one year	-	-
Within two to five years	-	259
After five years	-	-
	<u>-</u>	<u>259</u>

**13 DEFERRED TAX**

**Movement in deferred tax asset**

	2019 £'000	2018 £'000
At 1 April	136	111
Origination and reversal of timing differences	-	1
Deferred tax charged to income statement	4	-
Adjustments in respect of prior periods	18	24
<b>At 31 March</b>	<u>158</u>	<u>136</u>

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**13 DEFERRED TAX (CONTINUED)**

**Reconciliation of deferred tax asset**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Excess book depreciation of fixed assets over capital allowances	119	131
Other timing differences	39	5
<b>Total deferred tax asset</b>	<b>158</b>	<b>136</b>

**14 CALLED UP SHARE CAPITAL**

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
<b>Authorised share capital</b> 1,050 ordinary shares (2018: 1,050) of £0.10 (2018: £0.10) each	<b>105</b>	<b>105</b>
<b>Allotted and fully paid</b> 1,049 ordinary shares (2018: 1,049) of £0.10 (2018: £0.10) each	<b>105</b>	<b>105</b>

**15 OPERATING LEASE COMMITMENTS**

At 31 March, the company had entered into leases of commercial property and other equipment. The commitments under non-cancellable operating leases for each of the following periods are:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Within one year	274	260
Within two to five years	42	260
After five years	-	-
	<b>316</b>	<b>520</b>

**16 RELATED PARTY TRANSACTIONS**

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

**17 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

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

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

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**17 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY (CONTINUED)**

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

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

**18 SUBSEQUENT EVENTS**

As of 30 June 2019, Media Molecule ceased trading and an agreement was entered to transfer the assets and liabilities from Media Molecule to SIEEL. Following this transfer there was no further activity in Media Molecule Limited, and the entity became dormant. The Media Molecule Studio continues trade as part of Sony Interactive Entertainment Europe Limited (SIEEL), continues to develop high quality video games for the PlayStation platforms.

The Directors propose a dividend in the current financial year of £34,000,000 to the immediate parent.