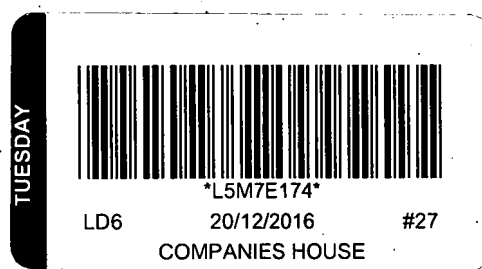


MEDIA MOLECULE LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2016



Registered Number: 05665849

MEDIA MOLECULE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

The directors present their strategic report on the company for the year ended 31 March 2016.

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 March 2016 focused resource on developing titles for the PlayStation 4 platform.

The company transitioned to the International Financial Reporting Standards ("IFRS") implementing the Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") option of the new UK GAAP requirements as of 1 April 2015. There has been no effect on the historic profits or profit recorded for the period as a result of this transition. An analysis of the effects of transition has been included in note 20 to the financial statements.

The results for the financial year show a profit on ordinary activities before taxation of £4,425,000 (2015: £4,544,000) and turnover of £8,901,000 (2015: £8,870,000). The company continues in a strong financial position with total assets less current liabilities of £29,523,000 (2015: £25,978,000).

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 developed by the company, *Tearaway Unfolded*, was launched during the year on the PS4 console (2015: one). The Company also worked on the development of other titles for the PS4 console which will launch in future periods.

2. Total cost base

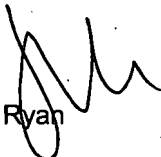
As the company develops games for commercial retail, cost control is of significant importance to the company. The total operating cost base for the year ended 31 March 2016 was £4,613,000 (2015: £4,439,000).

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 20 December 2016 and was signed on its behalf by:


J Ryan

MEDIA MOLECULE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report and audited financial statements for the company for the year ended 31 March 2016.

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

The directors do not expect any significant change to the current strategy and objectives of the company. The company 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 £2,797,000 (2015: £2,287,000) 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 do not recommend the payment of a dividend (2015: £nil).

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations of £3,873 were made during the financial year (2015: £3,215). These were in the form of various small donations to several charities. There were no political donations (2015: £nil).

MEDIA MOLECULE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

EMPLOYEES

The company has no employees. All employee costs are borne by other group companies, and recharged to the company. All group companies have appropriate policies in relation to employees, as set out below.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the business as a whole.

The group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement is encouraged, to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company and group. The group encourages the involvement of employees through incentive schemes based on the financial and non-financial performance of the company and its wider group.

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

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and

MEDIA MOLECULE LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

- 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.

STATEMENT OF 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 section 418 of the Companies Act 2006.

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 20 December 2016 and was signed on its behalf by:



S Rutter
Director

MEDIA MOLECULE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDIA MOLECULE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Media Molecule Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 March 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, 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.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
20 December 2016

MEDIA MOLECULE LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £'000	2015 £'000
Revenue	3	8,901	8,870
Cost of sales		(5,092)	(4,164)
Gross profit		3,809	4,706
Distribution costs		(33)	(82)
Administrative expenses		512	(193)
Operating income	4	4,288	4,431
Finance income	7	137	113
Profit on ordinary activities before taxation		4,425	4,544
Income tax expense on ordinary activities	8	(913)	(962)
Profit for the financial year		3,512	3,582

The results for the year arise solely from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

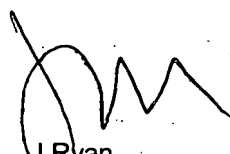
	2016 £'000	2015 £'000
Profit for the financial year	3,512	3,582
Other comprehensive income: Items that will not be reclassified to profit or loss	-	-
Total comprehensive income for the year	3,512	3,582

MEDIA MOLECULE LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Property, plant and equipment	10	360	320
		<u>360</u>	<u>320</u>
Current assets			
Trade and other receivables (including £120,000 (2015: £134,000) due after one year)	11	32,466	29,093
Cash and cash equivalents		14	28
		<u>32,480</u>	<u>29,121</u>
Creditors: amounts falling due within one year	12	(3,317)	(3,463)
Net current assets		<u>29,163</u>	<u>25,658</u>
Total assets less current liabilities		<u>29,523</u>	<u>25,978</u>
Creditors: amounts falling due after more than one year	13	(288)	(255)
Net assets		<u>29,235</u>	<u>25,723</u>
Capital and reserves			
Called-up share capital	15	-	-
Retained earnings		29,235	25,723
Total shareholders' funds		<u>29,235</u>	<u>25,723</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 by the Board of Directors on 20 December 2016 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
2016

	Called-up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 1 April 2014	-	22,141	22,141
Profit for the financial year	-	3,582	3,582
Other comprehensive income for the year	-	-	-
Balance as at 31 March 2015	-	25,723	25,723
Balance as at 1 April 2015	-	25,723	25,723
Profit for the financial year	-	3,512	3,512
Other comprehensive income for the year	-	-	-
Balance as at 31 March 2016	-	29,235	29,235

MEDIA MOLECULE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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 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).

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 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- 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),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.

MEDIA MOLECULE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2016

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

- 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.

First time application of FRS 101

Information as to the effect of applying FRS 101 for the first time is included in note 20 to the financial statements. In the current year the company has adopted FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

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

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2016, 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.

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.

MEDIA MOLECULE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

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.

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.

MEDIA MOLECULE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2016

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

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.

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) Financial assets measured at fair value through profit or loss

All derivative financial instruments are classified as financial assets measured at fair value through profit or loss as stipulated by IAS 39 *Financial Instruments: Recognition and Measurement*.

Financial contracts acquired principally for the purpose of selling in the short term are also classified as assets and liabilities at fair value through profit or loss. The company has no such contracts.

(ii) 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.

MEDIA MOLECULE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2016

2 SUMMARY OF ACCOUNTING INFORMATION AND POLICIES (CONTINUED)

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. A defined benefit plan is a plan that is not a defined contribution plan.

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.

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 INCOME

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

	Note	2016 £'000	2015 £'000
Depreciation of property, plant and equipment	10	199	296
Operating lease charges:			
- Other		233	266
Research and development		2,797	2,287

Fees payable to the company's auditors for the audit of the company's annual financial statements were £11,825 (2015: £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.

MEDIA MOLECULE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2016

5 EMPLOYEES AND DIRECTORS

The monthly average number of persons, including executive directors, employed by the company during the financial year was none (2015: none). 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.

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

	2016 £'000	2015 £'000
Bank interest income	137	113
Total finance income	137	113

8 INCOME TAX

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profit/(loss) of the year	890	982
Adjustments in respect of prior periods	8	-
Total current tax	898	982
Deferred tax		
Origination and reversal of timing differences	2	(20)
Impact of change in tax rate	13	-
Total deferred tax	15	(20)
Tax on profit on ordinary activities	913	962

MEDIA MOLECULE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2016

8 INCOME TAX (CONTINUED)

The tax assessed for the year is higher (2015: higher) than the standard effective rate of corporation tax in the UK (20%) for the year ended 31 March 2016 (2015: 21%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	4,425	4,544
Profit/ (loss) on ordinary activities multiplied by standard rate in the UK 20% (2015: 21%)	885	954
Effects of:		
Non-taxable items / expenses not deductible	7	8
Deferred tax - rate adjustment	13	-
Prior Year Adjustment	8	-
Total tax charge for the period	913	962

Factors which may affect future tax charges:

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

The March 2016 Budget Statement announced a further change to the UK Corporation tax rate which will now reduce the main rate of corporation tax to 17% from 1 April 2020.

As the change has not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer hardware £'000	Total £'000
Cost				
At 1 April 2015	229	437	1,047	1,713
Additions	-	64	175	239
Disposals	-	-	(13)	(13)
At 31 March 2016	229	501	1,209	1,939
Accumulated depreciation				
At 1 April 2015	114	395	884	1,097
Charge for the year	23	29	147	199
Disposals	-	-	(13)	(13)
At 31 March 2016	137	424	1,018	1,579
Net book amount				
At 31 March 2016	92	77	191	360
At 31 March 2015	115	42	163	320

No assets were held under finance leases as at 31 March 2016 (2015: £nil).

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11 TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:

	Note	2016 £'000	2015 £'000
Amounts owed by group undertakings		31,765	28,500
Deferred tax	14	120	134
Other receivables		-	366
Prepayments and accrued income		581	93
		<u>32,466</u>	<u>29,093</u>

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.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	99	94
Amounts owed to group undertakings	2,824	2,966
Other creditors including other taxation and social security	368	377
Accruals and deferred income	26	26
	<u>3,317</u>	<u>3,463</u>

Amounts owed to group undertakings consist of trading balances of £2,824,000 (2015: £2,966,000). All other 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 £368,000 (2015: £377,000).

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

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

	2016 £'000	2015 £'000
Accruals and deferred income	288	255
	<u>288</u>	<u>255</u>

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13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

Maturity of creditors falling due after more than one year

	2016 £'000	2015 £'000
Within one year	26	26
Within two to five years	262	229
After five years	-	-
	<u>288</u>	<u>255</u>

14 DEFERRED TAX

Movement in deferred tax asset

	2016 £'000	2015 £'000
At 1 April	134	114
Origination and reversal of timing differences	(14)	20
At 31 March	<u>120</u>	<u>134</u>

Reconciliation of deferred tax asset

	2016 £'000	2015 £'000
Excess book depreciation of fixed assets over capital allowances	115	129
Other timing differences	5	5
Total deferred tax asset	<u>120</u>	<u>134</u>

15 CALLED-UP SHARE CAPITAL

	2016 £	2015 £
Authorised share capital		
1,050 ordinary shares (2015: 1,050) of £0.10 (2015: £0.10) each	<u>105</u>	<u>105</u>
Allotted and fully paid		
1,049 ordinary shares (2015: 1,049) of £0.10 (2015: £0.10) each	<u>105</u>	<u>105</u>

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16 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:

	2016 £'000	2015 £'000
Within one year	240	243
Within two to five years	740	-
After five years	-	-
	<u>980</u>	<u>244</u>

17 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.

18 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 March 2016, the immediate parent undertaking is Sony Interactive Entertainment Europe Limited.

At 31 March 2016, 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 2016.

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, 15th Floor, Commercial Union Tower, 1 Undershaft, London, EC3A 8EE.

19 SUBSEQUENT EVENTS

In a referendum on 23 June 2016 the United Kingdom voted to leave the European Union. This event has not resulted in any changes to the value of assets and liabilities recorded on the balance sheet as at, or impacted the financial results for the 12 months to, 31 March 2016.

20 FIRST TIME ADOPTION OF FRS 101 REDUCED DISCLOSURE FRAMEWORK

This is the first time that the company has adopted FRS 101 having previously applied applicable UK accounting standards. The date of transition to FRS 101 was 1 April 2014.

As a result of the adoption of FRS101 there have been no adjustments to the opening or closing retained earnings balances, or the profit for the year ended 31 March 2015.