

Registered number: 09404049

Sony New Media Solutions UK Limited

(formerly Sony DADC New Media Solutions UK Limited)

**Annual report and financial statements
for the year ended 31 March 2018**



Annual report and financial statements for the year ended 31 March 2018

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Sony New Media Solutions UK Limited (formerly Sony DADC New Media Solutions UK Limited)

Annual report and financial statements for the year ended 31 March 2018

Directors and advisors

Directors

A. C. Fry

J. Towers

K. Yamanouchi

Company secretary

J.H. Lawrence

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

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25 High Street

Crawley

West Sussex

RH10 1BG

Bankers

National Westminster Bank Plc

City of London Office

PO Box 12258

1 Princes Street

London

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Registered office

C/O Legal Department Sony Europe Limited

The Heights, Brooklands

Weybridge, Surrey

England

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2018. On 1 April 2018 the company changed its name from Sony DADC New Media Solutions UK Limited to Sony New Media Solutions UK Limited.

Directors

The directors who served the company during the year and up to the date of signing the financial statements were as follows:

A. C. Fry (appointed on 1 January 2018)
J. Towers (appointed on 1 October 2017)
K. Yamanouchi (appointed on 1 October 2017)
O. S. Hamilton (resigned on 1 January 2018)
C. L. Fairlamb (resigned on 1 October 2017)
M. Watanabe (resigned on 1 October 2017)

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Results and dividends

Turnover for the year amounted to £114k (2017: £2,654k). The profit for the financial year of £532k (2017: £168k) was taken to reserves. Net liabilities as at 31 March 2018 were £3,189k (2017: £3,721k).

No dividend was paid or proposed (2017: £nil).

Review of the business

The discontinued operations which is comprised of the creative services business traded for the first week of the financial year only. This resulted in turnover of £17k (2017: £1,731k). Continuing operations consisted of the video business and resulted in turnover of £97k (2017: £177k). Profit after tax for the year was £532k (2017: £168k) which includes profit from discontinued operations of £544k (2017: £(12k)) and loss of continuing operations of £(12k) (2017: profit £180k). Other operating income – gain on sale of business of £737k (2017: £nil) is included in discontinued operations (further details included below in key developments during the year).

Key developments during the year

On 2 March 2017, the company, along with Sony DADC New Media Solutions Inc (NMS US), entered into an agreement with Pixelogic Media Partners LLC (PLM US) and Pixelogic Media UK Limited (PLM UK) to transfer its creative services business. The total consideration for this transfer was USD 9m, of which the company's share was USD 0.9m. The transfer was effected on 7 April 2017 and subsequently, the company received its share of the purchase consideration as well as separate payments for settlement of the trade receivables and payables transferred. Gain arising from this transfer of £737k was recognised during the year. Accordingly the directors deem that the creative services business is a discontinued operation. Refer note 22 of the financial statements for further details. The directors have deemed that the sale of the creative services business does not affect the going concern assumption of the company.

Post balance sheet events

On 1 April 2018 the company changed its name from Sony DADC New Media Solutions UK Limited to Sony New Media Solutions UK Limited and Sony Europe Limited became the parent company.

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 102, 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

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 each 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.

Small companies exemption

The Directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and the company is therefore exempt from the requirement to prepare a Strategic report.

Political donations or expenditure

No political donations or expenditure were made or incurred by the company during the year (2017: £nil).

Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors, PricewaterhouseCoppers LLP, have indicated their willingness to continue in office.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support by a fellow subsidiary, Sony Global Treasury Services PLC. Refer note 3 of the financial statements for further details.

On behalf of the Board



Director: A. C. Fry

Date: 5 November 2018

Registered number: 09404049

Independent auditors' report to the members of Sony New Media Solutions UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sony New Media Solutions UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the statement of comprehensive income and 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.

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.

Conclusions relating to going concern

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

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.

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 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.

Independent auditors' report to the members of Sony New Media Solutions UK Limited (continued)

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 March 2018 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 Directors' report.

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 pages 4 and 5, 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. 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.

Other required reporting

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Peter Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
Date: 5 November 2018

Statement of comprehensive income

		Continuing operations Year ended 31 March 2018 £'000	Discontinued operations Year ended 31 March 2018 £'000	TOTAL Year ended 31 March 2018 £'000	Continuing operations Year ended 31 March 2017 £'000	Discontinued operations Year ended 31 March 2017 £'000	TOTAL Year ended 31 March 2017 £'000
Turnover	5	97	17	114	923	1,731	2,654
Administrative expenses		(97)	(29)	(126)	(656)	(1,786)	(2,442)
Operating profit/(loss)		-	(12)	(12)	267	(55)	212
Other income - Gain on sale of business	6	-	737	737	-	-	-
Profit/(Loss) before interest and taxation	6	-	725	725	267	(55)	212
Interest payable and similar expenses	8	(14)	-	(14)	(41)	-	(41)
Net interest expense		(14)	-	(14)	(41)	-	(41)
Profit/(Loss) before taxation		(14)	725	711	226	(55)	171
Tax on profit/(loss)	9	2	(181)	(179)	(46)	44	(3)
Total comprehensive income/(expense) for the year		(12)	544	532	180	(12)	168

Statement of financial position

	Note	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Tangible assets	10	-	1,327
Intangible assets	11	-	-
		<u>-</u>	<u>1,327</u>
Current assets			
Trade and other receivables	12	2,297	1,701
Cash at bank and in hand		2	169
		<u>2,299</u>	<u>1,870</u>
Current liabilities			
Trade and other payables	13	(5,488)	(5,576)
Other current liabilities		-	(155)
Net current liabilities		<u>(3,189)</u>	<u>(3,861)</u>
Total assets less current liabilities		<u>(3,189)</u>	<u>(2,533)</u>
Long-term liabilities			
Provision for liabilities	14	-	(1,188)
Net liabilities		<u>(3,189)</u>	<u>(3,721)</u>
Capital and reserves			
Called-up share capital	15	-	-
Accumulated losses		(408)	(940)
Other reserves		(2,781)	(2,781)
Total equity		<u>(3,189)</u>	<u>(3,721)</u>

The notes on pages 11 to 25 are an integral part of these financial statements.

The financial statements on pages 8 to 25 were authorised for issue by the board of directors and were signed on its behalf.


A. C. Fry
Director

Date: 5 November 2018

Registered number: 09404049

Statement of changes in equity

	Note	Called-up share capital £'000	Accumulated losses £'000	Other reserves £'000	Total equity £'000
At 1 April 2016		-	(1,109)	(2,781)	(3,890)
Profit for the period		-	169	-	169
Other comprehensive income for the period		-	-	-	-
Total comprehensive profit for the period		-	169	-	169
At 31 March 2017		-	(940)	(2,781)	(3,721)
At 1 April 2017		-	(940)	(2,781)	(3,721)
Profit for the year		-	532	-	532
Total comprehensive income for the year		-	532	-	532
At 31 March 2018		-	(408)	(2,781)	(3,189)

Notes to the financial statements

1 General information

Sony New Media Solutions UK Limited ("the company") [formerly Sony DADC New Media Solutions UK Limited], is a private limited company, limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is C/O Legal Department Sony Europe Limited, The Heights, Brooklands, Weybridge, Surrey, England, KT13 0XW.

The company is a digital supply chain solution provider for the entertainment, education and information industries.

2 Statement of compliance

The financial statements of the company have been prepared in compliance with the applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied in the current and comparative periods presented.

Basis of preparation

These financial statements are prepared under the historical cost convention and applicable accounting standards in the United Kingdom.

The preparation of financial statements 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Going concern

The financial statements have been prepared on a going concern basis. The company earned a profit before tax for the year of £711k. At 31 March 2018, the company had net current liabilities of £3,189k and net liabilities of £3,189k. The company continues to rely on the financial support of a fellow subsidiary, Sony Global Treasury Services PLC, to meet its liabilities as and when they fall due through provision of a credit line.

The directors have received confirmation from Sony Global Treasury Services PLC that it will continue to provide financial support to the company and assist in meeting any of the company's liabilities as and when they fall due under a credit facility. The facility is renewed annually and Sony Global Treasury Services PLC has reiterated that the facility will not be reduced or withdrawn on renewal unless justified by a valid business reason. At the time of approving these financial statements, the directors have considered Sony Global Treasury Services PLC's ability to provide the support they have offered. The directors can see no reason that the company will not meet any funding obligations for the foreseeable future. They also have no reason to believe that an appropriate facility will not be extended at the time of renewal. The directors are not aware of any valid business reason which would lead to the removal of the credit line.

Based on the above, the directors consider it appropriate to prepare the financial statements on a going concern basis. If the company were no longer able to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the carrying values of assets to recoverable amounts, provide for further liabilities that may arise and to reclassify tangible and intangible assets and long-term liabilities as current assets and liabilities.

In addition to the above, the directors also considered any potential impacts arising from the sale of the Creative Services business which represented a substantial portion of the company's operations as at 31 March 2017. Considering the size of the company's remaining operations as well as the support from Sony Global Treasury Services PLC assessed above, the directors concluded that the aforementioned sale does not affect the company's going concern assumption.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Exemption for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Sony Corporation, which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Foreign currencies

(i) Functional and presentation currency

The company's functional and presentation currency is the British Pound Sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance (expense)/income'. All other foreign exchange gains and losses resulting from the settlement of transactions and from translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are presented in the statement of comprehensive income within 'Other operating (losses)/gains'.

Group reconstruction

Group reconstructions are accounted for using the merger accounting method in accordance paragraph 19.27 of FRS 102. Under the merger accounting method, the acquired entity's assets and liabilities are recognised at their carrying amounts, subject to appropriate adjustments made to achieve uniformity of accounting policies in the combining entities. The difference between the fair value consideration given and the net assets acquired is recognised as a movement in other reserves.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration receivable, excluding discounts, rebates and VAT.

Turnover from digital distribution services, where the company acts as principal in the arrangement, is recognised by reference to contractual commitments with customers. Where turnover relates to commission income from services provided turnover is recognised on an agent basis.

Turnover not recognised immediately under this policy is classified as deferred income in the statement of financial position until the relevant performance criteria have been met.

Accrued income is recognised when work has been fully completed by the year end but has yet to be invoiced. Provision is made for any foreseeable losses where appropriate.

Tangible assets and depreciation

Tangible assets are stated at historic purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. The carrying values of tangible fixed assets are reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold installations	- over the shorter of the lease tenure and their estimated useful lives
Plant and machinery, fixtures and fittings	- 3 to 10 years on straight line basis

Assets under construction are not depreciated until complete and transferred into the relevant asset category. Assets acquired under group reconstruction are depreciated over their remaining useful lives.

Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the amortisable amount of the assets to their residual values over their estimated useful lives, as follows:

Software	- 5 years
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Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Impairment of non-financial assets

At each year-end date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication, the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity.

Current taxation

Current taxation is the amount of income tax payable or receivable in respect of the taxable profit or loss for the year or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates 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 taxation

Deferred tax arises from timing differences between the taxable profits/losses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease. Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight line basis over the period of the lease.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Financial instruments

The company has chosen to adopt the recognition and measurement provisions of IAS 39 and disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Classification

The company classifies its financial assets in the following categories:

- * measured at fair value through profit or loss (FVTPL);
- * measured at fair value through other comprehensive income (FVOCI); and
- * measured at amortised cost

Financial liabilities are classified in the following categories:

- * measured at fair value through profit or loss (FVTPL); and
- * measured at amortised cost

(ii) Measurement

At initial recognition, the company measures a financial asset and liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

For assets classified as subsequently measured at amortised cost, interest income, expected credit losses and foreign exchange gains or losses are recognised in the statement of comprehensive income. On de-recognition, any gain or loss is recognised in the statement of comprehensive income.

For assets classified as subsequently measured at fair value through other comprehensive income, interest income, expected credit losses and foreign exchange gains or losses are recognised in the statement of comprehensive income. Other gains and losses on re-measurement to fair value are recognised in other comprehensive income. On de-recognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the statement of comprehensive income.

For assets classified as subsequently measured at fair value through profit and loss, all gains and losses are recognised in the statement of comprehensive income.

Financial liabilities held for trading, derivatives and financial liabilities designated as at fair value through profit or loss on initial recognition are subsequently measured at fair value with all gains and losses being recognised in the statement of comprehensive income.

Financial liabilities that are not classified at fair value through profit or loss are subsequently measured at amortised cost using the effective

(iii) Impairment

At the end of each reporting year, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

(iv) De-recognition

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(v) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution pension scheme in an independently administered fund. The amount of any contributions payable in respect of a financial period is charged to the statement of comprehensive income. Any outstanding or prepaid contributions at the year-end date are shown as liabilities or assets respectively.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where the time value of money is material.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks; other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, where applicable, are shown within borrowings in current liabilities.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Exceptional items

Where items of income and expense included in the statement of comprehensive income are considered to be material and exceptional in nature, separate disclosure of their nature and amount is provided in the financial statements. Both size and nature is considered individually and when aggregated with similar items.

Notes to the financial statements (continued)

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Turnover

The turnover and profit before taxation for the year are attributable to digital services rendered, the principal activity of the company. An analysis of turnover by geography is given below:

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
United Kingdom	36	2,056
Rest of the world	76	439
Europe	2	159
	114	2,654

6 Profit/(Loss) before interest and taxation

Profit/(Loss) before interest and taxation is stated after charging/ (crediting):

	Year ended 31 March 2017 £000
Staff costs (refer note 7)	115
Depreciation and amortisation (refer notes 10 and 11)	-
Other income - Gain on sale of business (refer note 22)	(737)
Net foreign exchange (gain)/ loss	(11)
Operating lease costs (refer note 19)	-
Auditors' remuneration	20
Sub-lease income (refer note 19)	-
	869
	315
	-
	(13)
	708
	30
	(574)

No non-audit services were provided to the company by the auditors during the year ended 31 March 2018 (2017: £ nil).

Notes to the financial statements (continued)

7 Staff costs

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Wages and salaries	96	735
Social security costs	13	94
Other pension costs	6	40
	<u>115</u>	<u>869</u>

Staff costs disclosed above are net of recharges £789k (2017: £949k) made to other Sony group companies for services provided to those companies.

The average monthly number of employees of the company were as follows:

	Year ended 31 March 2018 No.	Year ended 31 March 2017 No.
By activity:		
Selling and administration	<u>13</u>	<u>33</u>
	<u>13</u>	<u>33</u>

No emoluments were payable to the directors of the company during the year ended 31 March 2018 (2017: £ nil). Directors' remuneration and pension contributions are borne by other Sony group companies. An appropriate apportionment for the element of the remuneration which relates to the company cannot be reasonably ascertained.

8 Interest payable and similar expenses

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Finance charge on provisions	-	39
Interest on loan from related party	<u>14</u>	<u>2</u>
	<u>14</u>	<u>41</u>

Notes to the financial statements (continued)

9 Tax on profit

a) Tax charge included in the statement of comprehensive income

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
<i>Current tax</i>		
UK corporation tax on profit for the year	101	41
Adjustment in respect of prior period	-	40
Total current tax charge for the year	101	81
<i>Deferred tax</i>		
Origination and reversal of timing differences	78	5
Impact of changes in tax rate	-	15
Adjustment in respect of prior year/period	-	(98)
Total deferred tax charge/(credit) for the year	78	(78)
Tax on profit	179	3

(b) Reconciliation of tax charge

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% applied to the profit of the company. The differences are explained below.

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Profit before taxation	710	171
Profit multiplied by standard rate of corporation tax in the UK of 19%	135	34
<i>Effects of:</i>		
Expenses not deductible for tax purposes	44	13
Current tax - prior period adjustment	-	39
Re-measurement of deferred tax - change in UK tax rate	-	13
Deferred tax - prior period adjustment	-	(98)
Total tax charge for the year	179	3

Notes to the financial statements (continued)

9 Tax on profit (continued)

(c) Deferred taxation

Deferred tax asset consists of:

	At 31 March 2018 £'000	At 31 March 2017 £'000
Capital allowance timing differences	162	112
Other timing differences	-	128
Balance at the end of the year	162	240

A deferred tax asset has been recognised in the statement of financial position as the recognition criteria of FRS 102 have been considered to have been met. The directors believe that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Movement in deferred tax balances has been explained below.

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Balance at beginning of the year	240	162
(Charged)/credited during the year	(78)	78
Balance at the end of the year	162	240

(d) Amounts included in the statement of financial position

	At 31 March 2018 £'000	At 31 March 2017 £'000
Deferred tax asset (refer note 9(c) above)	162	240
Group relief receivable	(92)	9
Balance at the end of the year	70	249

The company has utilised £532k (2017: utilised £207k) of tax losses from other group companies.

(e) Tax rate changes

Legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020 was included in the Finance Act 2016 which received Royal Assent on 15 September 2016. The deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

Notes to the financial statements (continued)

10 Tangible assets

	Plant and machinery £000	Fixtures and fittings £000	Leasehold installations £000	Total £000
Cost:				
As at 1 April 2017	1,040	157	1,801	2,997
Additions	-	-	-	-
Transfer of assets (refer note 22)	(1,040)	(157)	(1,801)	(2,997)
At 31 March 2018	-	-	-	-
Accumulated depreciation:				
As at 1 April 2017	(764)	(88)	(818)	(1,670)
Additions	-	-	-	-
Transfer of assets (refer note 22)	764	88	818	1,670
At 31 March 2018	-	-	-	-
Net book value as at 31 March 2018	-	-	-	-
Net book value as at 31 March 2017	276	69	983	1,327

There were no impairment charges recognised during the year (2017: Nil).

11 Intangible assets

	Software £000	Total £000
Cost:		
As at 1 April 2017	76	76
At 31 March 2018	76	76
Accumulated amortisation:		
As at 1 April 2017	(76)	(76)
At 31 March 2018	(76)	(76)
Net book value as at 31 March 2018	-	-
Net book value as at 31 March 2017	-	-

There were no impairment charges recognised during the year (2017: Nil)

Notes to the financial statements (continued)

For the year ended 31 March 2018

12 Trade and other receivables

	At 31 March 2018 £000	At 31 March 2017 £000
Trade receivables	972	651
Amounts owed by group undertakings	130	369
Taxation (refer note 9(d))	70	249
Prepayments and accrued income	1,125	432
	<u>2,297</u>	<u>1,701</u>

Amounts owed by group undertakings relate to trading balances and are unsecured, interest-free and repayable on demand.

Prepayments and accrued income includes accrued income of £392k (2017: £132k) due from group undertakings.

13 Trade and other payables

	At 31 March 2018 £000	At 31 March 2017 £000
Trade payables	279	210
Amounts owed to group undertakings	4,922	5,091
Deferred revenue	226	226
VAT payable	61	49
	<u>5,488</u>	<u>5,576</u>

Amounts owed to group undertakings include short-term borrowings of £3,640k (2017: £3,074k) and trade balances of £1,282k (2017: £2,017k). Short-term borrowings represents a line of credit from Sony Global Treasury Services.

Notes to the financial statements (continued)

For the year ended 31 March 2018

14 Provision for liabilities

	At 31 March 2018 £000	At 31 March 2017 £000
Asset decommissioning liabilities	-	510
Lease incentives	-	678
	<u>-</u>	<u>1,188</u>

Lease incentives transferred as part of the group reconstruction are also released to the statement of comprehensive income over the tenure of the lease.

Current portion of lease incentives and asset decommissioning liabilities are included within "Other current liabilities" in the Statement of financial position.

15 Called up share capital

	At 31 March 2018 £000	At 31 March 2017 £000
Allotted, called up and fully paid	-	-
1 (2017: 1) Ordinary share of £1	<u>-</u>	<u>-</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Notes to the financial statements (continued)

For the year ended 31 March 2018

16 Related party transactions

In accordance with paragraph 33.1A of FRS 102, the company is exempt, as a wholly owned subsidiary of Sony Corporation, from the requirement to disclose transactions with entities that are part of Sony Corporation or investees of Sony Corporation qualifying as related parties. There were no other related party transactions during the year (2017: £nil).

17 Financial instruments

The company has the following financial instruments:

	Note	At 31 March 2018 £000	At 31 March 2017 £000
<i>Financial assets measured at amortised cost</i>			
Trade receivables	12	972	651
Amounts owed by group undertakings	12	130	369
At 31 March 2018		1,102	1,020
<i>Financial liabilities measured at amortised cost</i>			
Trade payables	13	(279)	(210)
Amounts owed by group undertakings	13	(4,922)	(5,091)
Other current liabilities		-	(154)
At 31 March 2018		(5,201)	(5,455)

18 Events after the reporting date

On 1 April 2018 Sony DADC New Media Solutions UK Limited's name was changed to Sony New Media Solutions UK Limited and on the same day the parent company changed to Sony Europe Limited.

Notes to the financial statements (continued)

For the year ended 31 March 2018

19 Operating leases

The company's Rathbone Place premises was occupied under an operating lease. Pursuant to the transfer of the creative services business (see note 22) the company also transferred its obligations under the lease agreement. Lease payments of £nil (2017: £708k) were recognised as an expense during the year. The company sub-let a portion of its premises and income from sub-lease recognised during the year was £nil (2017: £574k).

Future annual commitments under non-cancellable operating leases are as below.

	At 31 March 2018 £000	At 31 March 2017 £000
Within one year	-	835
Between two to five years	-	3,339
After five years	-	417

20 Immediate and ultimate parent undertaking and controlling party

Sony Corporation of America was the immediate parent of the company until 31 March 2018. Effective 1 April 2018, Sony Europe Limited became the immediate parent of the company. The ultimate parent of the company and controlling party is Sony Corporation, a public company registered at 7-1, Konan 1-Chome, Minato-Ku, Tokyo 108-0075 Japan.

Sony Corporation is the parent of both the largest and smallest group of undertakings to consolidate these financial statements as at 31 March 2018. The consolidated financial statements of Sony Corporation, Japan are available at the registered office shown on page 3.

21 Contingent liability

The company is required to act as surety under the Licence to Assign to Pixelogic Media UK Limited for the Lower Ground and Ground Floor Lease, First Floor Lease and Second Floor Lease for 19-22 Rathbone Place London. The company's obligations under these licences to assign subsist for the remainder of the lease period of the Lower Ground and Ground Floor Lease, the First Floor Lease and the Second Floor Lease i.e. until 5 September 2022.

The company's aggregate liability under the Licence to Assign relating to the Lower Ground and Ground Floor, the First Floor and the Second Floor is capped at a total monetary amount of one million and one hundred thousand pounds Sterling (£1.1m). Based on the trading history of Pixelogic Media UK Limited this is deemed a remote risk.

22 Discontinued operations

On 2 March 2017, the company, along with Sony DADC New Media Solutions Inc (NMS US), entered into an agreement with Pixelogic Media Partners LLC (PLM US) and Pixelogic Media UK Limited (PLM UK) to transfer its creative services business (the "business"). The total consideration for this transfer was USD 9,000k, of which the company's share was USD 900k (£722k). The transfer was effected on 7 April 2017 and subsequently, the company received its share of the purchase consideration. The company also received separate payments of £229k for the transfer of trade receivables and payables related to the business. Under the agreement, the company also assigned its lease of the Rathbone Place premises to PLM UK and the lease assignment was formally executed on 7 April 2018. This is considered an "adjusting" event after the year end as PLM UK were, in substance, the lessee for the premises from 7 April 2017. Gain arising on transfer of the business is disclosed below.

	Year ended 31 March 2018 £000
Consideration for transfer of the business (US\$900k)	(722)
Add: Payment received for transfer of net working capital	(229)
Less: Net assets transferred	214
- Property, plant and equipment	1,327
- Trade and other receivables	234
- Trade and other payables	(5)
- Other current liabilities	(154)
- Provision for liabilities	(1,188)
Gain on transfer of the business	(737)

The company considers that the above transfer does not affect its use of the going concern assumption.

As per the terms of the lease assignment executed on 7 April 2018, the company is designated as a surety, along with PLM US, to compensate the lessor for any defaults committed by PLM UK. The company's liability in this matter is limited to £1,100k. The company expects the likelihood of any payments arising under this agreement to be remote and considers this a contingent liability.