

Registered number 05640889

## **Sony DADC Europe Limited**

**Annual report and financial statements  
for the year ended 31 March 2020**



## **Annual report and financial statements for the year ended 31 March 2020**

### **Contents**

	<b>Pages</b>
<b>Directors and advisors</b>	<b>3</b>
<b>Strategic report for the year ended 31 March 2020</b>	<b>4</b>
<b>Directors' report for the year ended 31 March 2020</b>	<b>7</b>
<b>Independent auditors' report to the members of Sony DADC Europe Limited</b>	<b>10</b>
<b>Statement of comprehensive income for the year ended 31 March 2020</b>	<b>12</b>
<b>Balance sheet as at 31 March 2020</b>	<b>13</b>
<b>Statement of changes in equity for the year ended 31 March 2020</b>	<b>14</b>
<b>Notes to the financial statements for the year ended 31 March 2020</b>	<b>15</b>

## **Directors and advisors**

### **Directors**

Mr D Tanzer  
Mr R Taylor  
Mr M Khalil

### **Company secretary**

Mr N Langhorne

### **Registered office**

Level 5  
2 More London Riverside  
London  
SE1 2AP

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
40 Clarendon Road  
Watford  
Hertfordshire  
WD17 1JJ

### **Bankers**

Barclays Bank Plc  
Corporate Banking  
1 Churchill Place  
London  
E14 5HP

## Strategic report for the year ended 31 March 2020

The directors present their strategic report of the company for the year ended 31 March 2020.

### The development and performance of the business during the financial year

Sony DADC Europe Limited ("the company") is a leading end-to-end services provider for the entertainment industry and beyond, offering world-class physical supply chain solutions, optical media replication services and software services. Customers around Europe rely on us and our global network of service offices, manufacturing and distribution facilities, which enable us to quickly respond to their individual demands.

Given the declining environment and change in customer portfolio, gross profit margin remained broadly in line at 45% (2019: 47%). Exceptional items of £12,995k (2019: £13,872k) caused an overall operating loss of £12,355k in the year (2019: £7,020k).

As the company no longer sees significant potential for further market share growth the strategy has been updated to focus on:

Cost leadership	Through restructuring and cost cutting measures, the company reduced its fixed cost base from £113,182k to £81,192k on a like for like basis, primarily staffing costs, royalties, service centre costs from a subsidiary and depreciation.
Service expansion	Developing tailored solutions in a mature market selecting from the wide range of services Sony DADC offers
Diversification	Using core competencies to develop solutions for other industries

### Future outlook

The physical entertainment media market will continue to decline, as consumers shift to digital and streaming alternatives. This means the commercial environment is expected to remain competitive and this will put further pressure on revenue streams and margins. However these are the same conditions that the company has faced for a number of years and it remains confident that the continued focus on delivering its strategy will result in a successful financial future.

In June 2019 the company announced plans to close its Enfield distribution warehouse. Many of the contracts will have come to a natural end and the rest will either be outsourced to third parties or distributed out of the company's Southwater facility. Total closure costs are expected to be approximately of £13m. Pursuant to its plans to close its Anif site, the company has relocated its employees to the Thalgau site. All costs associated with this relocation were recognised in the prior year.

In order to mitigate operational and legal risks of a hard Brexit, the directors decided to establish a 100% owned subsidiary in Austria named Sony DADC Europe GmbH which was established on 6 November 2020. On 27 November 2020, both companies signed an agreement that contributes assets and liabilities of Sony DADC Europe Limited's Austrian Branch into Sony DADC Europe GmbH. This became effective

### The position of the company at the end of the year

The company's financial position at the year end remains strong. Cash balances deposited with the Sony Group treasury company amount to £93,571k at the year end.

### The principal risks and uncertainties facing the company

As an international company, Sony DADC Europe Limited is exposed to general business and trade-specific risks. The risk policy allows the company to make use of business opportunities that arise, as long as the risks are avoidable within the framework of value creation. Risk management is a fundamental element of business processes and decisions.

Competition between UK, European and other global suppliers is intense and has resulted in a continuing downward trend in customer pricing. The margins are further put under pressure by the volatility in raw materials prices, inflationary increase in costs and increases in labour costs. The company continues to implement innovative manufacturing solutions and exercises rigorous cost control and therefore limits the effect on its margins as far as possible.

The home entertainment industry is diverse, and the company operates as a supply chain service provider for physical media such as CD, DVD, Blu-ray, and UHD discs in the music, video and gaming sectors.

Each sector of the industry exhibits different market trends. The physical media market showed sustained growth during the 1990s and 2000s, but is now in its mature phase, despite the ongoing introduction of newer high definition formats such as UHD. The growth of the industry over the previous decades has put significant downward price pressure on all areas of the supply chain, and with that growth in volume no longer seen, some industry consolidation has already occurred and more is expected in the coming years. The Sony DADC group (comprising all Sony DADC companies) has global experience, strength and capacity which makes it well placed to benefit from industry consolidation, whilst continuing to provide first class customer service.

One of the key differentiators between competitors will be their ability to offer innovative supply chain solutions for the maturing physical media market and diversify into alternative markets. The company is well-positioned to meet its customer requirements for all products, benefiting from the technology and scale of its group companies in Europe and worldwide.

On 29 March 2017 the United Kingdom triggered article 50 in order to begin the process of leaving the European Union. We do not believe that the decision to leave the EU will significantly impact the company at this time however we will continue to carefully monitor developments going forward to mitigate any negative impact and take advantage of any opportunities that may arise. In order to mitigate operational and legal risks of a hard Brexit, the directors decided to demerge the Austrian branch into a separate legal entity in Austria. see note 24.

## Strategic report for the year ended 31 March 2020 (continued)

### Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors of the company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 March 2020 with regard to the following matters (amongst others):

#### The likely consequences of any decision in the long term

The company's business strategy is focused on achieving success for the Company in the long-term. In setting this strategy, the board takes into account the impact of relevant factors and stakeholder interests on the Company's performance. The Board also identifies principal risks facing the business and sets risk management objectives appropriately.

#### The interests of the company's employees

The directors recognise that the company's employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

#### The need to foster the company's business relationships with suppliers, customers and others

The directors understand the business and the evolving environment in which we operate, including the challenges of navigating through the transition away from disc-based storage. The strategy set by the board is intended to strengthen the company's position as a leading end-to-end services provider for the entertainment industry.

#### The impact of the company's operations on the community and the environment

As a leading international end-to-end supply chain services provider for the entertainment industry and beyond, we are committed to minimizing the negative impacts of our operations on the environment and to undertaking relevant steps to restore and preserve the environment. Please see website for more details - <https://www.sonydadc.com/about/sustainability/>

#### The desirability of the company maintaining a reputation for high standards of business conduct

The company aims to be a leading end-to-end services provider for the entertainment industry in ways which are economically, environmentally and socially responsible. The board periodically reviews and approves clear frameworks, such as the Code of Conduct, the Sony Group Anti-Bribery Policy to ensure that its high standards are maintained both within the businesses and the business relationships we maintain.

#### The need to act fairly as between members of the company

After weighing up all relevant factors, the directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our directors act fairly as between the company's members but are not required to balance the company's interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

#### COVID-19

The impact of COVID-19 on UK and global economies and businesses is significant, but in the short term the company has been fortunate that it has not seen an impact on doubtful debtors and given that the company operates in a declining market its expectations have been met. The company has implemented home working measures where possible and social distancing and other measures where employees cannot work from home. Demand for physical media, particularly in the gaming sector, has remained in line with expectations and as such the directors consider that COVID-19 has not negatively impacted the operations of the company.

## Strategic report for the year ended 31 March 2020 (continued)

### Health and safety

The company has a comprehensive health and safety policy which meets or exceeds all current requirements by law. The company takes the health and safety of its staff, customers and suppliers very seriously.

### Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the company's healthy position in the market place.

### Analysis using financial and non-financial key performance indicators

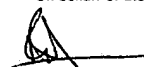
For the year ended 31 March 2020, the results of the company show a revenue of £179,914k (2019: £255,322k). The operating loss was £12,355k (2019: £7,020k).

The overall declining physical media market means that the business operates in a challenging environment. The company has seen its gross profit ratio decline from 47% to 45%. We have also seen our cost of sales and administration expenses before exceptional items decrease from £248,470k to £179,274k.

KPI	Definition and method of calculation	2020	2019
Discs sold/manufactured	The number of discs sold in the year, all formats	250,947	388,405
Distribution Units touched (thousands) -	The number of units despatched as well as the number of returns	69,400	73,692
Gross Margin	Turnover minus cost of sales	45%	47%
Operating margin before exceptional items	The ratio of operating profit/(loss) before interest and tax to turnover, expressed as a percentage	0.4%	2.7%
Liquidity	Total current assets less inventory, expressed as a ratio of total current liabilities	1.52	4.12
DSO	Trade debtors balance compared to turnover for the year, expressed in days	70	98

Carbon emission		2020	2019
Electricity (thousands kWh)	Electricity used on the Enfield site in thousands of kilowatt hours	1,203	1,220
Gas (m³)	Natural gas used on the Enfield site in cubic meters	9,664	9,996
Greenhouse gas (tons)	0.459kg of CO2 per kWh of electricity and 2.217 kg of CO2 per m³ of gas	574	582
Grams of CO2 per distribution unit touched		7.8	8.4

On behalf of the board



Mr R Taylor

Director

24 March 2021

## Directors' report for the year ended 31 March 2020

The directors present their report and the audited financial statements of the company for the year ended 31 March 2020.

### Review and results

Turnover has decreased by 30% compared to a European market decline of 13%. The business observed its operating profit before exceptional costs decrease to £640k from £6,852k in the prior year mainly due to a less favourable product mix and foreign exchange movements.

The operating profit for the year is stated after recognising an exceptional cost of £45,671k relating to impairment of the UK manufacturing and distribution fixed assets and impairment of investment in Russian and German subsidiaries (2019: £13,872k).

The reported loss for the year was £42,268k (2019: profit £468k).

At 31 March 2020, the company had net current assets of £59,821k (2019: £376,535k) and net assets of £75,025k (2019: £398,338k).

In October 2018 it was identified that the company had declared dividends to its sole member on 27 September 2017 of £146,138k and on 14 September 2018 of £134,000k without adequate distributable reserves being available. The company recalled these dividends and an amount of £280,138k was shown as an interest-free receivable balance due from Sony Entertainment Holdings Europe Limited at 31 March 2019. On 10 December 2018, the company approved a reduction of its share capital by £280,138k in accordance with section 641 of the Companies Act, 2006. On 23 March 2020, pursuant to section 551 of the Companies Act 2006 the company capitalised the merger reserve (£200,814k), this sum was then used to issue 200,814,000 bonus shares of £1 each to the sole member of the company. The company then reduced the share capital of the company by 200,814,000 shares to credit the distributable reserves. The distributable reserves were then used to settle the receivable balance with Sony Entertainment Holding Europe Limited.

In November 2019, the company's directors approved a plan to liquidate its subsidiary, S.D.G.D. GmbH ("DADC Germany"). The company contributed additional capital of €32m (£28.6m) to settle DADC Germany's outstanding liabilities as of this date. In March 2020, the company's directors approved a plan to inject RUB 375m (£4.1m) into its subsidiary, O.O.O Sony DADC ("DADC Russia") to settle the subsidiary's outstanding liabilities as of that date. The additional investments were fully impaired in the financial year ending 31 March 2020.

### Future developments

These have been outlined within the strategic report within the development and performance of the business.

### Political donations

The company did not make any political donations during the financial year (2019: £nil).

### Dividends

The company paid a final dividend of £280,138k during the financial year (2019: £nil).

### Financial risk management

The company takes into account the following financial risks which it considers relevant:

#### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made, as well as monitoring debtors on an ongoing basis. The company insures its debtors where appropriate to mitigate risk on existing customers.

#### *Liquidity risk*

Short and long term debt finance is provided and maintained by Sony Global Treasury Services PLC, a fellow subsidiary. The directors actively manage these funding positions to ensure that the company has adequate funds available for its operations and future development. The company has surplus funds held by Sony Global Treasury Services PLC.

#### *Price risk*

The company is exposed to fluctuation in prices of raw material prices. This risk is managed through ongoing review of commodity prices and contracts with customers and suppliers.

## Directors' report for the year ended 31 March 2020 (continued)

### *Interest rate cash flow risk*

The company has interest bearing assets. In the event the company needs to borrow money, it takes out loans with interest rates that are linked to LIBOR and fixed over periods of up to 6 months.

### *Foreign exchange risk*

The company has exposure to Euro and US dollar denominated revenues and costs. The majority of foreign exchange gains and losses result from intercompany trading and converting the EUR results of the Austrian branch into GBP. The intercompany trading transactional risk is considered minimal by the directors and, as such, the company has no formal hedging risk strategy or policies to mitigate these. The company considers the need to hedge against third party foreign currency exposure as it arises.

### **Directors**

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

Mr D Tanzer

Mr R Taylor

Mr M Khalil

### **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.

Third party indemnity provisions for the directors are provided by Sony Corporation. Copies are available for inspection upon request.

### **Employees**

The company recognises that the contribution made by its employees is crucial to the success of its businesses. Substantial investment is therefore made in the training, development and motivation of staff with particular attention to ensuring customer satisfaction through the consistent achievement of high standards of service and delivery of quality products.

Employee involvement in the direction and objectives of the business is encouraged. Communication and consultation programmes exist at site and company level.

The company endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

The company will consider workplace adjustments if the employee has become disabled within the meaning of the Equality Act 2010. Every effort will be made to accommodate the needs of the individual through the adaptation or modification of the role, training and reduction or alteration of working hours.

The company holds regular meetings with all levels of management which provides updates on the company's operational and financial performance, and provides an update on macro-economic factors affecting the company and the industry sector. This information is then passed to employees in regular update meetings.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

### **Post balance sheet events**

In order to mitigate operational and legal risks of a hard Brexit, the directors decided to establish a 100% owned subsidiary in Austria named Sony DADC Europe GmbH which was established on 6 November 2020. On 27 November 2020, both companies signed an agreement that contributes assets and liabilities of Sony DADC Europe Limited's Austrian Branch into Sony DADC Europe GmbH. This became effective under tax law as of 31 October 2020.

## Directors' report for the year ended 31 March 2020 (continued)

### 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 UK 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

### Directors' confirmations

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board



Mr R Taylor  
Director

24 March 2021

# ***Independent auditors' report to the members of Sony DADC Europe Limited***

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

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### **Opinion**

In our opinion, Sony DADC Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss 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 balance sheet as at 31 March 2020; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

### **Independence**

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

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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### **Reporting on other information**

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

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

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

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

## ***Independent auditors' report to the members of Sony DADC Europe Limited (Continued)***

### **Report on the audit of the financial statements (Continued)**

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#### **Reporting on other information (Continued)**

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

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

##### *Use of this report*

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

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### **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.

*Katherine Birch-Evans*

Katherine Birch-Evans (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
24 March 2021

## Statement of comprehensive income

For the year ended 31 March 2020

		Year ended 31 March 2020	Year ended 31 March 2019
	Note	£'000	£'000
<b>Turnover</b>	4	179,914	255,322
Cost of sales		(98,082)	(135,288)
<b>Gross profit</b>		81,832	120,034
Administrative expenses before exceptional items		(81,192)	(113,182)
Exceptional operating items	5	(12,995)	(13,872)
Administrative expenses	5	(94,187)	(127,054)
<b>Operating loss</b>	6	(12,355)	(7,020)
Exceptional non-operating items - impairment of investment in subsidiaries	7	(32,676)	-
Income from shares in group undertakings	15	1,413	4,259
Finance (costs) / income - net	10	(8)	857
<b>Loss before tax</b>		(43,626)	(1,904)
Income tax credit	11	1,358	2,372
<b>(Loss) / profit for the financial year</b>		(42,268)	468
<b>Other comprehensive expense</b>			
Exchange differences arising on translation of foreign operations		(907)	(2,604)
<b>Other comprehensive expense for the year</b>		(907)	(2,604)
<b>Total comprehensive expense for the year</b>		(43,175)	(2,136)

## Balance sheet

As at 31 March 2020

		31 March 2020	31 March 2019
	Note	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	18,778	18,512
Intangible assets	14	1	1
Investments	15	3,677	3,906
		<b>22,456</b>	<b>22,419</b>
<b>Current assets</b>			
Inventories	16	11,665	15,603
Trade and other receivables	17	140,014	475,609
Cash and cash equivalents		1,566	3,164
		<b>153,245</b>	<b>494,376</b>
<b>Total assets</b>		<b>175,701</b>	<b>516,795</b>
<b>Equity and liabilities</b>			
Ordinary shares	18	6,589	5,000
Share premium	18	19,446	21,035
Merger reserve	18	0	200,814
Profit and loss account		48,990	171,489
<b>Total equity</b>		<b>75,025</b>	<b>398,338</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for liabilities	19	7,252	616
		<b>7,252</b>	<b>616</b>
<b>Current liabilities</b>			
Trade and other payables	20	93,424	117,841
<b>Total liabilities</b>		<b>100,676</b>	<b>118,457</b>
<b>Total equity and liabilities</b>		<b>175,701</b>	<b>516,795</b>

The financial statements on pages 12 to 28 were approved by the board of directors on 24 March 2021 and were signed on its behalf by:



Mr R Taylor  
Director

24 March 2021

**Statement of changes in equity**  
**For the year ended 31 March 2020**

	Note	Ordinary shares £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
Balance as at 1 April 2018		5,000	301,173	200,814	(106,513)	400,474
Profit for the year		-	-	-	468	468
Other comprehensive income for the year		-	-	-	(2,604)	(2,604)
Total transactions with shareholders recognised directly in equity - Capital reduction	18	-	(280,138)	-	280,138	-
Balance as at 31 March 2019		5,000	21,035	200,814	171,489	398,338
Loss for the year		-	-	-	(42,268)	(42,268)
Other comprehensive expense for the year		-	-	-	(907)	(907)
Dividends issued	18	-	-	-	(280,138)	(280,138)
Capitalisation of merger reserve	18	-	-	(200,814)	200,814	-
Issue of shares	18	1,589	(1,589)	-	-	-
Total transactions with owners, recognised directly in equity		1,589	(1,589)	(200,814)	(79,324)	(280,138)
Balance as at 31 March 2020		6,589	19,446	-	48,990	75,025

## **Notes to the financial statements for the year ended 31 March 2020**

### **1 General information**

Sony DADC Europe Limited (formerly Sony DADC UK Limited) is a private company limited by shares and it is incorporated and domiciled in the United Kingdom. The address of its registered office is Level 5 2 More London Riverside, London, SE1 2AP. The registered number of the company is 05640889.

The principal activity of the company is provision of end-to-end services for the entertainment industry and beyond, offering world-class physical supply chain solutions, optical media replication services and software services. Customers around Europe rely on us and our global network of service offices, manufacturing and distribution facilities, which enable us to quickly respond to their individual demands.

The company has a branch in Austria.

### **2 Statement of compliance**

The financial statements of the company have been prepared in compliance with 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **a) Basis of preparation**

These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 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 3(s).

#### **b) Going concern**

The financial statements have been prepared on a going concern basis. The company achieved a loss before tax for the financial year of £43,626k (2019: £1,904k). At the balance sheet date the company had total assets of £175,701k (2019: £516,795k) and net assets of £75,025k (2019: £398,338k).

The directors have prepared forecasts and projections for the foreseeable future and for a minimum period of 12 months from the date of approval of these financial statements. These forecasts and projections show the company is able to meet its liabilities as and when they fall due for the foreseeable future. Subsequent to the transfer of the Austrian branch's business to the new subsidiary, the going concern assessment remains valid. The company has significant cash reserves available which will allow it to meet its liabilities for the foreseeable future.

## Notes to the financial statements (continued) for the year ended 31 March 2020

### 3 Summary of significant accounting policies (continued)

#### c) Exemption for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. 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.

The company is a wholly-owned subsidiary of Sony Entertainment Holdings Europe Limited and is included in the consolidated financial statements of Sony Corporation, the ultimate holding company, which are publicly available. The consolidated financial statements of Sony Corporation are publicly available (see note 23). Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

#### d) Foreign currencies

##### (i) Functional and presentation currency

The functional currency for the UK operations is the Pound Sterling and for the Austrian branch is the Euro. The presentation currency is the 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 period 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 resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### e) Turnover

Turnover represents the value of goods and services supplied, excluding value added tax. For goods, revenue is recognised at the point of delivery when the customer has accepted the delivery. For services, revenue is recognised or at the end of the month in which the services were supplied. An accrual will be made at the end of the year for the value of goods or services which were not invoiced, but the company acquired a right to consideration because it fulfilled its contractual obligations to the customer.

Where the substance of a transaction is that the company acts as agent, any amounts received or receivable from the customer that are payable to the principal in the arrangement are not included in revenue.

#### f) Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company. Both the size and nature is considered individually and when aggregated with similar items.

#### g) 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.

## Notes to the financial statements (continued) for the year ended 31 March 2020

### 3 Summary of significant accounting policies (continued)

#### g) Employee benefits (continued)

##### *(ii) Defined contribution pension plans and other long term employment benefits*

The company operates defined contribution plans in both UK and Austria for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

The Austrian branch has an other long term employment benefit plan for its employees who started with the company before 2001. The plan will pay out to any qualifying employee who retires or is made redundant. The plan is classified as other long term employee benefits under FRS 102 and is accounted for under the projected unit credit method. Actuarial variations are involved in the estimation of the present value of the liability.

#### h) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of income and retained earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### *(i) Current tax*

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

##### *(ii) Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits 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 except for certain exceptions. 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 period end and that are expected to apply to the reversal of the timing difference.

#### i) Business combination and goodwill

Group reorganisations are accounted for at the effective date, being the date the risks and rewards are transferred. Cross border mergers are accounted for at the effective date by recording the assets and liabilities of the transferee in the company's accounts at the book value and eliminating the cost of investment. The difference arising between these balances is taken to the merger reserve.

## Notes to the financial statements (continued) for the year ended 31 March 2020

### 3 Summary of significant accounting policies (continued)

#### j) Property, plant and equipment

Property, plant and equipment are stated at their historic purchase cost which includes any incidental expenses of acquisition less accumulated depreciation and where appropriate, provision for impairment.

If there are indications of an impairment, a review is undertaken to determine if there has been an impairment in value, which would result in the

Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual value, over their estimated useful economic lives using the following methods:

Freehold buildings	20 to 50 years	Straight line
Short leasehold properties	Over term of lease	Straight line
Plant, machinery and equipment, fixtures and fittings	3 to 10 years	Straight line

Freehold land is not depreciated.

Assets under construction are not depreciated until complete and transferred into the relevant asset category.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

#### k) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases costs are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

The company has taken advantage of the transition exemption under paragraph 35.10(p) of FRS 102 to continue to recognise the existing lease incentives at the transition date (1 April 2014) on the same basis as previous UK GAAP. Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period.

#### l) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset 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 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 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 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.

#### m) Investments

Investment in a subsidiary company is held at cost less accumulated impairment losses.

#### n) Inventories

Inventories are held at the lower of cost or net realisable value, where cost is established by using the lowest cost method. Provision for obsolete and slow moving inventories is made when required. Work in progress and finished goods are valued at the lower of the cost of raw materials used in getting the product to its current state plus an allocation of labour and overhead based on standard costs which are defined annually. Inventory is recognised as an expense in the year in which the related revenue is recognised.

## Notes to the financial statements (continued) for the year ended 31 March 2020

### 3 Summary of significant accounting policies (continued)

#### o) 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.

#### p) 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.

#### q) 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) Measurements

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.

Assets classified as subsequently measured at amortised cost, the interest revenue, 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.

Assets classified as subsequently measured at fair value through other comprehensive income, the interest revenue, expected credit losses and foreign exchange gains or losses are recognised in the statement of comprehensive income. Other gain 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 statement of comprehensive income.

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 interest method.

##### (iii) Impairment

At the end of each reporting period 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.

## Notes to the financial statements (continued) for the year ended 31 March 2020

### 3 Summary of significant accounting policies (continued)

#### q) Financial instruments (continued)

##### (iii) Impairment (continued)

If there is a 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.

##### (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 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.

##### (w) Interest

Income arising on financial instruments (loans and deposits with Sony Global Treasury Services PLC) is recognised on an accrual basis in the statement of comprehensive income in the financial period in which they arise.

#### r) Related party transactions

The company has taken advantage of the exemption under paragraph 33.1A of FRS 102 on the grounds that it is a wholly owned subsidiary of a group headed by Sony Corporation, whose financial statements are publicly available.

#### s) Critical accounting estimates and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

##### (i) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property, plant and equipment and accounting policy above for the useful economic lives for each class of assets.

##### (ii) Impairment of property, plant and equipment

Annually, the company considers whether property, plant and equipment are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). The company determined the fair value of certain assets using an external valuer.

##### (iii) Provisions - exceptional costs

Provision is made for exceptional costs such as reorganisation/ restructuring. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

#### t) Dividend income

Dividend income is recognised when the right to receive payment is established.

## Notes to the financial statements (continued)

### For the year ended 31 March 2020

#### 4 Turnover

Turnover analysed by business category:

Business category	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Manufacturing	161,086	231,090
Distribution	12,274	15,892
Client servicing	6,554	8,340
	<b>179,914</b>	<b>255,322</b>

Turnover analysed by destination and origin:

Geographical origin	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
United Kingdom	90,719	122,551
Rest of Europe	71,036	109,547
Rest of the world	18,159	23,224
	<b>179,914</b>	<b>255,322</b>

#### 5 Administrative expenses

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Selling and distribution costs	23,895	33,101
Administrative expenses	57,297	80,081
Exceptional costs:		
- Impairment of tangible assets and reorganisation costs	12,995	13,872
<b>Total administrative expenses</b>	<b>94,187</b>	<b>127,054</b>

Current year exceptional costs relate to the closure of UK distribution (£12,995k, including £1,819k for impairment of tangible assets and £11,176k for reorganisation costs).

Exceptional costs in the prior year relate to the impairment of UK manufacturing (£1,408k) and distribution (£3,214k) fixed assets and reorganisation in Austria (£9,250k).

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 6 Operating loss

Operating loss is stated after charging:

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Staff costs	8	35,753	43,892
Depreciation of property, plant and equipment	13	4,151	2,944
Exceptional item - impairment and reorganisation costs	5	12,995	13,872
Impairment of trade receivables		552	488
Operating lease charges	22	704	1,330
Auditors' remuneration - Fees for audit of the company		101	97
Foreign exchange losses		2,777	776

Exceptional items in the current year relate to the closure of the UK distribution site, the exceptional items in the prior year relate to the impairment of the UK manufacturing and distribution property, plant and equipment and the reorganisation in Austria.

### 7 Capital injection in subsidiaries

In November 2019 the Board approved a capital injection of €32m (£28.6m) to its subsidiary S.D.G.D. GmbH. In March 2020 the board approved a capital injection of RUB 375m (£4.1m) to its subsidiary O.O.O Sony DADC in Russia in March 2020. Both capital injections were immediately impaired as both entities will be liquidated (please see the directors report for more detail).

### 8 Staff costs

Staff costs during the financial year amounted to:

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Wages and salaries		30,427	36,234
Social security costs		4,414	6,525
Other pension costs	21	912	1,133
Staff costs		35,753	43,892

#### Directors' remuneration

Two directors of the company are remunerated directly by the company and their aggregate remuneration in respect of qualifying services was £1,309k in the current financial year (2019: £1,300k). Aggregate emoluments of the highest paid director was £801k (2019: £832k). These directors also accrue benefits under the defined contribution pension scheme operated by the company.

The remaining director is remunerated by other Sony group companies. The directors of the company are also directors of other fellow entities or perform other duties. It is not possible to make a reasonable apportionment of the remuneration for the services rendered to the company.

## Notes to the financial statements (continued)

### For the year ended 31 March 2020

#### 9 Employee information

The average number of persons employed by the company during the financial year was:

By activity	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
Production	406	424
Selling, distribution and administration	273	323
	679	747

#### 10 Finance income - net

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest income on intercompany deposits	310	1,070
<b>Finance income</b>	<b>310</b>	<b>1,070</b>
Interest expense	(303)	(123)
Unwinding of discounts in provisions	(15)	(90)
<b>Finance cost</b>	<b>(318)</b>	<b>(213)</b>
<b>Finance income - net</b>	<b>(8)</b>	<b>857</b>

#### 11 Income tax credit

##### a) Tax on loss

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current taxation		
UK corporation tax at 19% (2019 - 19%)	(2,882)	(886)
Adjustment in respect of prior years	-	(1,219)
Foreign tax - Austrian branch: Current tax on income for the year	41	1,588
Foreign tax adjustment in respect of prior periods	-	(1,061)
<b>Total current tax</b>	<b>(2,841)</b>	<b>(1,578)</b>
Deferred taxation		
Origination and reversal of timing differences	2,014	(506)
Adjustment in respect of prior years	162	(325)
Foreign exchange impact arising from Austrian branch	223	-
Impact of changes in tax rate	(916)	37
<b>Total deferred tax</b>	<b>1,483</b>	<b>(794)</b>
<b>Income tax credit</b>	<b>(1,358)</b>	<b>(2,372)</b>

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 11 Income tax credit (continued)

#### b) Factors affecting tax credits

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Loss before tax	(43,626)	(1,904)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(8,289)	(362)
Effects of:		
Expenses not deductible for tax purposes	6,210	699
Income not taxable for tax purposes	(269)	(809)
Transfer pricing adjustments	20	21
Adjustments to tax charge in respect of prior periods - current tax	-	(1,219)
Adjustments to tax charge in respect of prior periods - deferred tax	162	(325)
Impact of changes in tax rate	(175)	44
Impact of overseas taxes	983	(421)
Total tax credit	(1,358)	(2,372)

#### c) Factors which may affect future tax charge

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. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

### 12 Deferred tax asset

The following deferred tax asset has been recognised:

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Opening balance	7,845	7,252
Amounts credited to the statement of comprehensive income (see note below)	(1,260)	744
Amount debited to statement of changes in equity	-	(151)
Closing balance	6,585	7,845

This includes an amount of £1k (2019: £49k) recognised in other comprehensive income.

The deferred tax asset analysed by major component are as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
	£'000	£'000
Fixed asset timing differences	1,318	1,297
Overseas tax timing differences	4,910	6,195
Other short term timing differences	357	353
Total deferred tax asset recognised	6,585	7,845

## Notes to the financial statements (continued)

### For the year ended 31 March 2020

#### 13 Property, plant and equipment

	Freehold land	Freehold buildings	Short leasehold properties	Plant, machinery and equipment, fixtures and fittings	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 April 2019	5,521	32,731	1,504	303,133	1,193	344,082
Additions	-	2,434	-	1,823	279	4,536
Exchange differences arising on translation of foreign operations	(2)	(27)	-	(264)	(1)	(294)
Disposals/written off	(1,120)	(3,646)	(1,504)	(100,171)	-	(106,441)
<b>At 31 March 2020</b>	<b>4,399</b>	<b>31,492</b>	<b>-</b>	<b>204,521</b>	<b>1,471</b>	<b>241,883</b>
<b>Accumulated depreciation</b>						
At 1 April 2019	(2,657)	(23,789)	(1,504)	(297,620)	-	(325,570)
Charge for the financial year	-	(515)	-	(3,636)	-	(4,151)
Exchange differences arising on translation of foreign operations	2	19	-	218	-	239
Transfer	(1,120)	(1,046)	-	2,166	-	0
Disposals	1,056	3,646	1,504	100,171	-	106,377
<b>At 31 March 2020</b>	<b>(2,719)</b>	<b>(21,685)</b>	<b>-</b>	<b>(198,701)</b>	<b>-</b>	<b>(223,105)</b>
<b>Net book value</b>						
<b>At 31 March 2020</b>	<b>1,680</b>	<b>9,807</b>	<b>-</b>	<b>5,820</b>	<b>1,471</b>	<b>18,778</b>
At 31 March 2019	2,864	8,942	-	5,513	1,193	18,512

The transfer above relates to the correction of immaterial historic inaccuracies in the posting of depreciation.

#### 14 Intangible assets

	Patents and trademarks	Total
	£'000	£'000
<b>Cost</b>		
At 1 April 2019	2,609	2,609
Exchange differences arising on translation of foreign operations	(2)	(2)
Disposals / write off	(1,240)	(1,240)
<b>At 31 March 2020</b>	<b>1,367</b>	<b>1,367</b>
<b>Accumulated amortisation</b>		
At 1 April 2019	(2,608)	(2,608)
Exchange differences arising on translation of foreign operations	2	2
Disposals / write off	1,240	1,240
<b>At 31 March 2020</b>	<b>(1,366)</b>	<b>(1,366)</b>
<b>Net book value</b>		
<b>At 31 March 2020</b>	<b>1</b>	<b>1</b>
At 31 March 2019	1	1

## Notes to the financial statements (continued)

### For the year ended 31 March 2020

#### 15 Investments

	Subsidiary and associated undertakings £'000
<b>Cost</b>	
At 1 April 2019	3,906
Additions	32,676
Disposals	(32,905)
<b>At 31 March 2020</b>	<b>3,677</b>

During the year, the company received cash payment of £1,642k (2019: £nil) from its subsidiary Sony DADC China Co Ltd following the winding up of the subsidiary, resulting in a net gain on disposal of £1,413k (2019: £4,259). The company made capital injections to its German and Russian subsidiaries of £32,676k which were subsequently written off in the year.

The following are the company's subsidiary and associated undertakings.

Name of Company	Relationship	Percentage holding	Country of incorporation	Nature of business	Address
S.D.G.D. GmbH	Subsidiary	100.0%	Germany	Distribution	S.D.G.D. GmbH Feldscheidenstrasse 50 60435 Frankfurt am Main Germany
Sony DADC Czech Republic s.r.o	Subsidiary	100.0%	Czech Republic	Distribution and services	Sony DADC Czech Republic s.r.o European Service Centre Podebradova 2842/1 301 00 Pilsen Czech Republic
Entertainment Network Scandinavia AB	Subsidiary	100.0%	Sweden	Services	ENS – Entertainment Network Scandinavia AB Sony DADC Group Company Viaredsvägen 24 504 94 Borås Sweden
O.O.O Sony DADC	Subsidiary	100.0%	Russia	Disc manufacturing	Sony DADC Russia Office A100 4 Stasovoy Ul. 119 071 Moscow Russia
Shanghai Epic Music Entertainment Co Ltd	Joint venture	49.0%	China	Disc manufacturing	Shanghai Epic Music Entertainment Co, Ltd. No.99, East Jiang Tian Road Songjiang Industrial Development Zone Shanghai China, 201600
DBD Logistics Services Limited	Subsidiary	100.0%	UK	Insurance broker	DBD Logistics Services Limited Southwater Business Park Worthing Road Southwater RH13 9YT UK
Sony DADC France S.A.S	Subsidiary	100.0%	France	Sales office	23 Rue D'Anjou 75008 Paris 8 France

#### 16 Inventories

	31 March 2020 £'000	31 March 2019 £'000
Raw materials and consumables	10,320	14,716
Work in progress	16	21
Finished goods and goods for resale	1,329	866
	<b>11,665</b>	<b>15,603</b>

In the opinion of the directors there is no material difference between the replacement cost of stocks and their balance sheet values. The amount of inventory recognised as an expense during the year ended was £63,178k (2019: £96,162k). Inventories are stated after provision for impairment of £270k (2019: £90k).

## Notes to the financial statements (continued)

### For the year ended 31 March 2020

#### 17 Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Trade debtors	28,350	37,485
Amounts owed by group undertakings	98,616	417,772
Corporation tax receivable	4,685	7,967
Deferred tax asset	6,585	7,845
VAT receivables	844	2,138
Prepayments and accrued income	934	2,402
	<b>140,014</b>	<b>475,609</b>

Amounts owed by group undertakings includes net short-term cash deposits of £93,308k (2019: £123,916k) placed at an average interest rate of 0.80% (2019: 1.04%), the remaining £5,308k relates to trade receivables. In 2019 an £280,138k interest-free loan was provided to the company's parent Sony Entertainment Holdings Europe Limited, this was settled in 2020. Remaining amounts represent trading balances which are unsecured and interest-free.

Trade receivables are presented net of an impairment allowance of £4,825k (2019: £7,606k). Trade receivables written off during the year to the value of £849k (2019: £923k)

#### 18 Ordinary shares

	31 March 2020 £'000	31 March 2019 £'000
Allotted, issued and fully paid		
6,589,354 (2019: 5,000,003) ordinary shares of £1 each	6,589	5,000
Share premium	19,446	21,035
	<b>26,035</b>	<b>26,035</b>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital. On 10 December 2018 the Board resolved to effect a reduction of share capital in the amount of £280,138k with the consent of its parent Sony Entertainment Holdings Europe Limited.

In October 2018 it was identified that the company had declared dividends to its sole member on 27 September 2017 of £146,138k and on 14 September 2018 of £134,000k without adequate distributable reserves being available. The company recalled these dividends and an amount of £280,138k was shown as an interest-free receivable balance due from Sony Entertainment Holdings Europe Limited at 31 March 2019. On 10 December 2018, the company approved a reduction of its share capital by £280,138k in accordance with section 641 of the Companies Act, 2006. On 23 March 2020, pursuant to section 551 of the Companies Act 2006 the company capitalised the merger reserve (£200,814k), this sum was then used to issue 200,814,000 bonus shares of £1 each to the sole member of the company. The company then reduced the share capital of the company by 200,814,000 shares to credit the distributable reserves. The distributable reserves were then used to settle the receivable balance with Sony Entertainment Holding Europe Limited.

#### 19 Provisions for liabilities

	Site closure provision £'000	Reinstatement provision £'000	Total £'000
At 1 April 2019	-	616	616
Additions	11,176	397	11,573
Utilisation	(4,937)		(4,937)
At 31 March 2020	<b>6,239</b>	<b>1,013</b>	<b>7,252</b>

##### Reinstatement provision

The reinstatement provision for the site leased by the company was £1,013k (2019: £616k) in the financial statements in accordance with section 21 of FRS 102 'Provision, Contingent Liabilities and Contingent Assets'. The amounts represent the estimated cost of returning the leasehold property to the condition prescribed in the lease. The payment dates of the expected future reinstatement costs are uncertain.

In determining the provision needed to restore the leasehold property, the provision has been discounted on a pre-tax basis using the appropriate discount rate.

The site closure provision represents the forecast costs related to close down the Enfield site not otherwise included in the Asset Retirement Obligation previously built up. It includes redundancy costs, legal and other professional costs, expected costs to transition the remaining customers to their new distribution partners and any other expected costs.

## Notes to the financial statements (continued)

For the year ended 31 March 2020

### 20 Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
<b>Current</b>		
Trade payables	5,361	21,523
Amounts owed to group undertakings	27,526	28,689
Corporation tax payable	1,318	2,718
Other taxation and social security	1,257	2,024
Accruals and deferred income	57,962	59,049
Restructuring provision	-	3,838
	<b>93,424</b>	<b>117,841</b>

Amounts owed to group undertakings comprise trade balances of £27,517k (2019: £28,689k), these are unsecured and interest free. The Accruals and deferred income includes a severance pay liability for Austrian staff employed before 2001 of £8,067k (2019: £8,224k).

### 21 Pensions

The pension cost represents total pension costs for the financial year, payable by the company into defined contribution personal pension plans of its employees, and amounted to £912k (2019: £1,133k). Contributions of £54k (2019: £64k) were payable at the year end.

### 22 Operating lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases as follows:

Operating leases which expire:	Land and buildings		Plant and machinery	
	At £'000	At £'000	At £'000	At £'000
Not later than one year	744	2,218	116	236
Later than one year and not later than five years	191	853	53	224
Later than five years	-	-	-	-
	<b>935</b>	<b>3,071</b>	<b>169</b>	<b>460</b>

### 23 Ultimate parent company and controlling party

The immediate parent undertaking is Sony Entertainment Holdings Europe Limited, a company incorporated in England.

The ultimate parent undertaking and controlling party is Sony Corporation, incorporated in Japan, which is the largest and only group to consolidate these financial statements. Copies of the consolidated financial statements can be obtained from Baker & McKenzie, 100 New Bridge Street, London EC4V 6JA. <https://www.sony.net/SonyInfo/CorporateInfo/data/>

### 24 Post balance sheet events

In order to mitigate operational and legal risks of a hard Brexit, the directors decided to establish a 100% owned subsidiary in Austria named Sony DADC Europe GmbH which was established on 6 November 2020. On 27 November 2020, both companies signed an agreement that contributes assets and liabilities of Sony DADC Europe Limited's Austrian Branch into Sony DADC Europe GmbH. This became effective under tax law as of 31 October 2020.