Company Registration No. 02422874

Sony Europe Limited

Annual Report and Financial Statements

31 March 2014

Sony Europe Limited
Year ended 31 March 2014
Directors' Report

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2014.

Principal activities

Sony Europe Limited ("SEU") is the distributor in Europe of Sony branded products, which are principally electronic goods for the domestic, leisure, business and professional markets. The company distributes Sony branded TV, video, cameras, audio, computer systems and media peripheral products, including semiconductor products for commercial and professional use, throughout Europe. The company also distributes broadcast camera and digital cinema equipment, for the domestic and export markets. During the year, the company also provided repair services at its facility in Alsace, France, which was disposed of on 31st March 2014. Under the terms of the agreement, 49% of the business transferred in September 2013 and the remaining 51% transferred in March 2014, for a consideration of €1. As a result, SEU incurred total restructuring costs of €51.5m relating to the write off of net assets and the cost of termination benefits payable to former employees. The company will also discontinue sales of PC (Vaio) products in 2015, following a global decision by Sony Corporation.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the company is included in the Strategic Report on pages 5 and 6.

Dividends

The directors do not recommend the payment of a dividend (2013: €nil).

Future developments

Despite difficult trading conditions experienced during the first half of the year we have seen a consistent improvement in the second half. SEU's retail environment has seen positive signs with the strengthening of the Euro against both the US dollar and Japanese Yen. There has also been an improvement in market share, although the ongoing decline in the consumer electronics market continues, largely due to constraints on domestic discretionary spending.

The economic outlook remains challenging, but the directors believe SEU is well placed to rapidly take advantage of growth opportunities as market conditions improve, and anticipate that the company's profitability will continue to recover in the future.

The unique breadth of the range of innovative products and content available within the Sony brand, including those offered by SEU's sister companies (including mobile, games, film and music), coupled with an increasingly networked and connected customer offering, will be leveraged by SEU to drive future sales growth.

SEU will also continue to differentiate itself from its competitors through highly effective advertising and promotion of the unique features of the Sony brand and product range as well as its high quality pre and post sales service support.

Directors' confirmation of the company as a going concern

The company made a significant loss in the financial year. However, the directors feel that the long-term financial position of SEU is satisfactory, as a letter of comfort has been provided by Sony Corporation, providing support to SEU in the settlement of its liabilities. The period of this support has been confirmed to run until 31 July 2015, at which time the position will be re-assessed.

Directors

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

K Takeda (resigned 1 October 2013)
S Foucher (resigned 17 March 2014)
G Pelliet
R Londema
M Tamagawa
A Kobayashi (appointed 30 October 2013)

Sony Europe Limited
Year ended 31 March 2014
Directors' Report (continued)

Directors' indemnities

During the year and up to the date of signing the financial statements, the company has maintained liability insurance for its directors and officers through a third party insurer. In addition, as set out in the company's Articles of Association, the company also provides indemnity for its directors, secretary and officers through a qualifying third party indemnity provision as defined in the Companies Act 2006.

Existence of Branches

SEU has branches in the following EU countries: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland and UK.

Research and development

The company undertakes research in the semiconductor and professional broadcast industries and investigates new innovations and techniques for television product improvement and functionality increase in preparation for future designs. Research and development expenditure totalled €9.3million (2013: €16.1 million), of which €4.4m was recharged to other Sony global group companies (2013: €13.2 million).

Employees

The company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Where people became disabled during the course of their employment, every effort is made to retain their services and to provide retraining if necessary. All employees are eligible for consideration for appropriate training, career development and promotional opportunities. Disabled persons are not treated differently in this respect.

Employee Involvement

The values of our company are built on the foundation of the innovation, commitment and loyalty of our workforce. Therefore as a Company, we are focussed on engaging our people behind the visions and values; creating a high performance culture that delivers best service to customers and rewarding success.

The company's policy is to consult with employees and their representatives and to provide them with information via the internal website and email regarding business performance and other matters affecting them. This policy is carried out through line management channels and through regular meetings with representatives of employees (through local Workers Council or Representative Councils, as well as our pan-European EICC which meets monthly). Quarterly communications are provided by senior management on the business performance, either in writing or all-employee webcasts. In addition, many functions hold annual conference meetings to share management strategy and share best practice (e.g. Sales & Marketing annual conference), or regular online virtual meetings to provide monthly management updates. The company also encourages the involvement of employees in the performance of Sony, by offering voluntary participation in a European employee share option scheme, which offers subsidised shares in Sony Corporation to employees.

Where the company announces plans for a proposed restructure with any potential job losses, the correct consultation procedure is carried out with affected employees.

The Company participates in the annual Sony Corporation Global Employee Survey (GES), this is held in August/September each year, with results published in October.

The remuneration packages to attract and retain the highest calibre workforce are tied to a measured program of performance review, company objectives, and individual excellence. This is combined further with a package of flexible benefits that can be tailored to suit individual employees' preferences.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not

Statement of directors' responsibilities (continued)

approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

Disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The director has taken all steps that he/she ought to have taken as a director in order to make himself/herself 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.

Approved by the Board of Directors and signed by order of the Board

K Bromley
Company Secretary
18 July 2014

Sony Europe Limited
Year ended 31 March 2014
Strategic Report

Strategy

SEU is aligned with the strategic direction of the global Sony Corporation, in striving to become the leading network entertainment and business solutions company.

A number of key strategic objectives are in place:

- Amaze consumers, business and professional customers with Sony's outstanding range of innovative products and services, uniting hardware, content and network services;
- Advertise and promote these products and services using the globally consistent "BE MOVED" communication message. To emphasise our significant strengths in providing consumers with emotional experiences through our product, content and services in a way that our competitors cannot;
- Invest in best practice workforce support and training to maximise the alignment of employee activities towards the business objectives;
- On-going cost containment and rationalisation of operations to support profit margins; and
- Continue commitment to environmental and health and safety best practice.

Results

The company's turnover for the financial year was €4,492.2 million (2013: €4,541.2 million). The company's loss for the financial year was €329.9 million (2013: €318.3 million), which will be deducted from reserves.

Review of the business

This year's performance has been delivered by focus on increased in-store and on-line presence, together with effective marketing deployment for a new (enhanced) model line-up, and improvements in product supply. This has enabled us to gain market share in several key sectors, and maintain turnover at 99% of prior year, despite difficult market conditions.

Improvements in gross margin, and reductions in both variable and fixed costs, have resulted in an overall improvement of €53.3m in Losses on Ordinary Activities before Interest & Tax. Gross margin improvement includes €40.6m of other operating income from insurance claims relating to business interruption insurance for the Thailand floods of 2011.The cost reductions are primarily as a result of recent restructuring activities, designed to improve efficiency and create a solid foundation for the future.

As a result of these activities, SEU incurred total restructuring costs this year of €132.5m (see note 16). We continued implementing the "Shaping Our Future," restructuring programme which was commenced in 2013, which has resulted in a 10% reduction in fixed costs. In addition, the loss-making repair service facility in Alsace, France has been sold to Cordon Electronics on 31st March 2014, resulting in a €51.5m restructuring charge. Further restructuring is planned during the first half of next year, following the decision by Sony Corporation to sell the PC (VAIO) business. Sales of VAIO equipment by SEU will cease during the first half of 2015. The VAIO restructuring activity is expected to cost SEU €75million, of which €54million has been expensed in 2014.

Consumer categories

SEU sales increased in LCD television and personal audio areas, driven by improved market share, and achieved despite difficult market conditions due to consumer spending constraints. At the same time, we have increased our market share for compact digital camera and maintained share for camcorder, although sales of both have decreased as consumers move focus away from these products and toward smart phones with cameras. For personal computer (PC) products, we maintained market share, although experiencing a decline in volume terms in line with the market. SEU will discontinue the PC business in 2015.

Professional categories

Semiconductor & Electronic Solutions sales have increased, driven by strong demand from the automotive business, particularly from China. In addition there were strong energy sales, driven by increasing demand from the third party mobile sector. Overall Professional Services sales declined, driven by a decline in the AV Media & Solutions category.

Key performance indicators (KPIs)

The following KPIs are relevant in reviewing the performance of the company during the year ended 31 March 2014.

KPI	Definition and method of calculation	2014	2013
Growth in sales (%)	Year on year sales growth expressed as a percentage	(1.1%)	(22.6%)
Operating margin (%)	The ratio of operating loss on ordinary activities before interest to sales expressed as a percentage	(6.1%)	(7.3%)
Liquidity	Total current assets less stock expressed as a ratio of total current liabilities	0.48	0.38
Days Sales Outstanding	The Accounts Receivable balance compared to credit sales over the period, expressed in days	29	56
Inventory Days Supply	The Inventory balance compared to the cost of sales over the period, expressed in days	34	37

Supporting analysis

- For supporting detail regarding the movement in sales and operating margin, please refer to the Review of the Business section above.
- The low liquidity position for SEU is mitigated through a letter of comfort as explained in the Directors' confirmation of the company as a going concern. Liquidity is improved as a result of improvements in Days Sales Outstanding and Inventory Turnover
- Improvements in Days Sales Outstanding (DSO) and Inventory Days Supply are the result of improvements in operational efficiency in each of these areas, in order to improve cashflow and liquidity. DSO has also been improved by the accounts receivable assignment programme operated in conjunction with Sony Corporation (Sony Accounts Receivable Fund, 'SARF').

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks:

Competition risk

The electronics market is subject to the continuing threats of new entrants and price erosion, as well as the ever increasing sophistication of consumers. SEU works to mitigate this risk through differentiating itself using informative advertising and promotion material to leverage the power of the Sony brand, highlighting the innovative networked features of Sony products and services, differentiating its technologies and also through providing high quality pre and post sales service support. SEU also undertakes regular market research and detailed analysis of market activity.

Employee risk

The attraction, retention and development of staff forms a key pillar in managing risks associated with staff turnover, under-performance, capability and open vacancies. SEU has a number of schemes designed to attract and retain key members of staff, as discussed within the Directors' Report under Employees Involvement.

Regulatory risk

SEU is subject to a wide range of regulations related to social responsibility, such as environmental, occupational health and safety, and certain human rights regulations that can increase the costs of operations, limit its activities or affect its reputation.

Price risk

Price risk is managed within a framework of continuous monitoring of market conditions to enable a rapid response to adverse developments. Costs are regularly reviewed and efficiency programmes undertaken to support product margins.

Liquidity risk

The company's current liquidity position has been supported through a letter of comfort provided by Sony Corporation, providing support to SEU in the settlement of its liabilities. The period of this support has been confirmed to run until 31 July 2015, at which time the position will be re-assessed.

Credit risk

The company's trade receivables are largely covered by credit insurance policies taken out through third party insurance providers. Where uninsured risk is taken it is subject to a rigorous authorisation process. Credit limits are regularly reviewed.

Credit risk relating to cash and deposits with financial institutions is managed through Sony Global Treasury Services plc.

Credit risk has been greatly reduced during the year by the significant reduction in Days Sales Outstanding (see table above), and an improvement in customer account ageing.

Business continuity

There is a risk of disruption to business activities from external physical events such as natural disasters, a major epidemic or loss or theft of sensitive information. SEU has implemented and fully communicated a business continuity planning framework to enable rapid recovery were such an event to occur. Instructions outlining the steps that should be followed immediately after a major incident have been circulated to employees, and information channels put in place.

SEU has also established a pandemic planning and response team, and has prepared contingency plans for business recovery in the specific event of a major pandemic.

Approved by the Board of Directors and signed by order of the Board

K Bromley
Company Secretary
18 July 2014

Sony Europe Limited
Year ended 31 March 2014
Independent Auditors' Report

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Sony Europe Limited, comprise:

- balance sheet as at 31 March 2014;
- profit and loss account and statement of total recognised gains and losses for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Greg Briggs

Gregory Briggs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
18 July 2014

Sony Europe Limited
Profit and loss account
Year ended 31 March 2014

	Notes	2014 Continuing operations €m	2014 Discontinued operations €m	2014 Total €m	2013 Total €m
Turnover	2	3,641.7	850.5	4,492.2	4,541.2
Other operating income		67.3	13.8	81.1	24.7
		3,709.0	864.3	4,573.3	4,565.9
Change in stocks of finished goods and work in progress		45.2	(20.3)	24.9	(89.1)
Raw materials and consumables		35.7	(2.7)	33.0	32.4
Other external charges		(3,176.4)	(709.1)	(3,885.5)	(3,780.2)
Staff costs	3	(308.9)	(108.4)	(417.3)	(431.9)
Depreciation and other amounts written off tangible and intangible fixed assets		(24.0)	(4.1)	(28.1)	(29.3)
Other operating charges		(476.0)	(104.5)	(580.5)	(601.3)
Loss on ordinary activities before interest and taxation		(195.4)	(84.8)	(280.2)	(333.5)
Interest receivable and similar income	4			0.2	4.7
Interest payable and similar charges	5			(27.1)	(19.3)
Other finance income	6			2.2	1.4
Loss on ordinary activities before taxation	7			(304.9)	(346.7)
Taxation on loss on ordinary activities	8			(25.0)	28.4
Loss for the financial year	18			(329.9)	(318.3)

Discontinued operations relate to the Vaio (PC) business, which will be discontinued in July 2014, and the Alsace service repair business, which has been disposed of during the year.

There is no material difference between the loss on ordinary activities before taxation and loss for the financial year stated above, and their historical cost equivalents.

Sony Europe Limited
Statement of total recognised gains and losses
Year ended 31 March 2014

	Notes	2014 €m	2013 €m
Loss for the financial year		(329.9)	(318.3)
Actuarial loss on pension scheme	21	(16.0)	(100.9)
Currency translation gains on foreign currency net investments	18	0.9	-
Total recognised gains and losses for the year		(345.0)	(419.2)

Sony Europe Limited
Balance sheet
As at 31 March 2014

	Notes	2014 €m	2013 €m
Fixed assets			
Intangible assets	9	8.8	11.2
Tangible assets	10	100.1	106.4
Investments	11	20.6	20.7
		129.5	138.3
Current assets			
Stocks	12	273.0	251.6
Debtors	13	685.7	733.5
Cash at bank and in hand		49.8	32.7
		1,008.5	1,017.8
Creditors: amounts falling due within one year	14	(1,533.7)	(2,029.5)
Net current liabilities		(525.2)	(1,011.7)
Total assets less current liabilities		(395.7)	(873.4)
Creditors: amounts falling due after more than one year	15	(821.6)	(4.0)
Provision for liabilities	16	(161.9)	(151.5)
Net liabilities excluding pension liability		(1,379.2)	(1,028.9)
Pension liability	21	(76.2)	(81.8)
Net liabilities including pension liability		(1,455.4)	(1,110.7)
Capital and reserves			
Called up share capital	17	56.6	56.6
Share premium account	18	1,515.7	1,515.7
Profit and loss account	18	(3,027.7)	(2,683.0)
Total shareholders' deficit	18	(1,455.4)	(1,110.7)

The financial statements on pages 9 to 34 of Sony Europe Limited, registered number 02422874, were approved by the Board of Directors on 18 July 2014.

Signed on behalf of the Board of Directors

A Kobayashi
Director

1. Accounting policies

Basis of accounting

These financial statements have been prepared on the 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 principal accounting policies set out below have been applied consistently throughout the year and preceding year.

Consolidation

The financial statements contain information about SEU as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Sony Corporation. The consolidated financial statements of Sony Corporation are publicly available (see note 23).

Going concern

The company made a significant loss during the year ended 31 March 2014. However the directors believe that the long term financial position of SEU is satisfactory, as a letter of comfort has been provided by Sony Corporation, providing support to Sony Europe Limited in the settlement of its liabilities. The letter of comfort currently extends to July 2015, at which time it will be re-assessed.

Turnover

Turnover for the year represents the invoiced value of goods sold and services supplied to third party and intercompany customers, exclusive of value added tax and net of trade discounts, sales incentives and anticipated returns. Turnover from product sales is recognised upon delivery, which is considered to have occurred when the customer has taken title to the product and the risk and rewards of ownership have been substantively transferred. Turnover from service contracts is recognised when the service has been provided. Turnover on long term fixed price contracts is recognised on a percentage of completion basis. Revenue is deferred when it has been invoiced but the goods/services have not yet been delivered. This deferral is included within creditors balances. Revenue is accrued when it is both supported by a contractual agreement and has been earned. Accrued revenue is included within debtors balances.

Other operating income

Included in other operating income are insurance receipts, commissions received for internet services and for extended warranties, digital cinema virtual print fees received, rebates received for the sale of energy efficient products and intercompany commissions received on the generation of sales of semiconductors and devices to manufacturing customers. Income from services provided is recognised in line with the timing of the provision of the service. Income from commissions is recognised in relation to the sales generated for the period.

Business combinations and goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life. In the year of acquisition a full year amortisation is charged to the profit and loss account. Goodwill is reviewed for impairment at the end of the first full financial year after acquisition. Subsequently, goodwill is reviewed for impairment indicators by management on an annual basis during the fourth financial quarter, and between annual tests whenever an impairment indicator is noted. Provision is made for any impairment and the expense is recognised through the profit and loss. Goodwill is amortised over 10 years, which represent the periods over which the directors believe that the company will benefit from the use of the asset.

Where the company has acquired the right to use the assets and employees through a lease agreement, the on-going lease payments are recorded as operating lease commitments.

1. **Accounting policies (continued)**

Tangible assets and depreciation

Tangible assets are stated at historic purchase cost including incidental expenses, less accumulated depreciation. 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. Depreciation is charged on tangible assets, other than land, over the periods set out below, calculated on a straight line basis on cost to write them off over their estimated useful economic lives less residual value. The cost of minor capital expenditure (individual items under £500 excluding laptops) is written off as it is incurred.

Freehold land and buildings	30 – 50 years
Leasehold land and buildings	Depreciated over the life of the lease
Plant and machinery	3 – 10 years
Fixtures, fittings tools and equipment	3 – 10 years

Investments

Investments in subsidiary undertakings are shown at historic cost, less provision for impairment. Other investments are shown at historic cost adjusted for the impact of any profit or loss arising from the performance of the investment for the year, less provision for impairment. Senior management review investments for impairment indicators annually.

Leased assets

Operating lease rentals are charged to the profit and loss account over the period of each lease on a straight line basis.

Stock, work in progress and long term contracts

Stock is stated at the lower of cost and net realisable value, and is valued using a moving weighted average. Cost includes all attributable expenses of importation and delivery to the company's premises. Work in progress manufactured by the company includes labour and appropriate overhead costs. Slow moving, obsolete and defective stocks are devalued and provision is made using set rules based on future sales forecast information and management judgement.

Long term contract balances are stated at cost less amounts taken to cost of sales, provisions for foreseeable losses and progress payments received on account. Turnover is assessed in a manner appropriate to the stage of completion of the long term contracts and attributable profit is taken at that time.

Research and development

Expenditure on research and development, to the extent it is not fully recharged to other Sony global group companies, is charged to the profit and loss account in the year in which it is incurred.

1. Accounting policies (continued)

Deferred tax

Full provision for deferred taxation is made on all timing differences. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rate that is expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities recognised have not been discounted.

Foreign currencies

Foreign currency transactions are translated into the local currencies at the rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are converted to Euros at the relevant rates at the balance sheet date, with resulting gains and losses being charged to the profit and loss account.

Profits and losses of SEU divisions who keep their books of accounts denominated in local currencies other than Euro are translated from the local currency into Euro at the average rates prevailing at month end throughout the year. Assets and liabilities are translated into Euro at the rates ruling at the year end. Due to the local currency of some divisions and overseas branches of the company being the currencies other than Euro, the closing rate method has been used to translate the results of these divisions. Under this method, resulting exchange differences are dealt with in reserves.

Foreign currency hedging is carried out by Sony Global Treasury Services plc on behalf of SEU. Natural hedging is applied which matches off all currency assets against the liabilities where the net (positive or negative) value is smaller than €0.250 million equivalent. Any over or under exposures will be matched with loans or deposits with Sony Global Treasury Services plc. SEU enters into derivative contracts (forward exchange contracts) solely with Sony Global Treasury Services plc in order to reduce foreign currency risk. The derivatives relate primarily to sales and purchase transactions with other Sony companies, and are accounted for on an accruals basis whereby the underlying payables and receivables associated with the forward exchange contract are recorded at the forward rate, with any difference recorded in the profit and loss.

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 future economic outflows.

Pensions

The company operates voluntary pension schemes, which have defined benefit and defined contribution sections. The assets of these schemes are held in separate independently administered funds. The pension cost charge relating to the defined contribution schemes are disclosed in note 21 and represent contributions payable by the group to the funds in respect of the accounting period.

Defined benefit pension sections assets are measured using current bid price. The pension schemes liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

The increase in the present value of the liabilities of the company's defined benefit pension schemes expected to arise from employee service in the year is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses and foreign exchange arising on translation of the non-Euro schemes are recognised in the statement of total recognised gains and losses.

1. Accounting policies (continued)

Pensions (continued)

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Share based payments

Share options are granted directly from the ultimate parent undertaking (Sony Corporation) to selected key employees of SEU for the purposes of incentivisation and retention. These transactions are recorded as equity-settled share based payments to employees and are measured at the fair value of the share options granted at the date of the grant. The fair value of the options granted is determined using a Black-Scholes pricing model and is expensed on a straight line basis over the vesting period subject to the company's estimation of the proportion of the options that will eventually vest. The increase in equity resulting from the transaction is recorded as a contribution from the parent undertaking.

2. Segmental information

Geographical analysis of turnover by destination:

	2014 €m	2013 €m
UK and Ireland	561.6	599.8
Western Europe	2,696.9	2,712.0
Eastern Europe	1,102.1	1,093.5
Asia	55.7	61.2
North America	27.5	28.2
Middle East	26.0	29.4
Africa	2.4	7.6
Other	20.0	9.5
	4,492.2	4,541.2

Geographical analysis of turnover by origin:

	2014 €m	2013 €m
UK and Ireland	1,362.6	1,252.3
Western Europe	2,738.3	2,921.8
Eastern Europe	391.3	367.1
	4,492.2	4,541.2

Geographical analysis of net liabilities by origin:

	2014 €m	2013 €m
UK and Ireland	(1,270.8)	(1,051.8)
Western Europe	(211.2)	(75.0)
Eastern Europe	26.6	16.1
	(1,455.4)	(1,110.7)

3. Staff costs

	2014 €m	2013 €m
Directors:		
Aggregate emoluments	2.5	2.8
	2.5	2.8

Highest paid director:		
Aggregate emoluments	0.6	0.7
	0.6	0.7

No director is accruing retirement benefits (2013: nil) under a defined benefit scheme. No director (2013: nil) is in a defined contribution scheme.

During the year no directors (2013: nil) exercised options in the ultimate parent company's shares.

Average monthly number of persons employed by the company during the year (including directors):

	2014 No.	2013 No.
UK and Ireland	1,274	1,350
Western Europe	2,142	2,876
Eastern Europe	528	367
	3,944	4,593

	2014 No.	2013 No.
Consumer Sales	906	1,001
Consumer Marketing	418	439
Professional Solutions Europe	554	640
Business Support	835	924
Other	1,231	1,589
	3,944	4,593

38 (2013: 6) employees who were transacted through the SEU payroll are excluded from the above figure for the year ended 31 March 2014 as they are fully recharged to other Sony entities and are not included in the figures below for staff costs.

3. Staff costs (continued)

	2014 €m	2013 €m
Staff costs (including directors' remuneration):		
Wages and salaries	341.9	343.8
Social security costs	64.2	76.3
Other pension costs (note 21)	10.9	11.4
Equity-settled share based payments	0.3	0.4
	417.3	431.9

Since 1 April 2002, the 'Stock Acquisition Rights' (STAR) scheme has been in operation. STAR provides selected key employees with the right to buy specified amounts of shares in the ultimate parent undertaking (Sony Corporation). The right extends for 10 years from the date of grant, and the shares vest over three years with approximately one third vesting each year on the anniversary of the grant date. There are no other vesting conditions. Options may be exercised at any point after the vesting date as long as the market price exceeds the granted option price. Upon exercise the shares are purchased at the option grant price and automatically sold the next day at market price. No recharges for the costs of the scheme are made to SEU by Sony Corporation.

Since November 2007 a proportion of options are granted using American Depositary Receipts, which enable shares in Sony Corporation (listed on the Tokyo stock exchange) to be traded via the New York Stock exchange.

On 20 November 2013, Sony Corporation granted to employees of Sony Europe Limited 21,700 options for the Tokyo exchange plan (with an exercise price of 2,007 Yen (€14.89 equivalent at grant date)), and 84,000 options for the New York exchange plan (with an exercise price of 20.01 USD (€14.81 equivalent at grant date)). No options have been exercised during the year for either plan.

STAR scheme options granted during the year ending 31 March 2014 have been fair valued using a Black-Scholes model. The fair value of share options granted during the year, as estimated at the date of grant, was 835 Yen (2013: 193 Yen) for options exercisable on the Tokyo exchange, and 8.09 USD (2013: 2.28 USD) for options exercisable on the New York exchange.

4. Interest receivable and similar income

	2014 €m	2013 €m
Interest receivable from group undertakings	0.1	1.3
Interest receivable from third party financial institutions	0.1	2.5
Foreign exchange gains on financing activities	-	0.9
	0.2	4.7

Group undertakings refer primarily to transactions with Sony Global Treasury Services plc.

5. Interest payable and similar charges

	2014 €m	2013 €m
Interest payable to group undertakings	19.4	15.7
Other interest payable	7.6	3.6
Foreign exchange losses on financing activities	0.1	-
	27.1	19.3

Group undertakings refers primarily to transactions with Sony Global Treasury Services plc.

6. Other finance income

	2014 €m	2013 €m
Interest on pension scheme liabilities (note 21)	(29.4)	(29.7)
Expected return on assets in the pension scheme (note 21)	31.6	31.1
	2.2	1.4

7. Loss on ordinary activities before taxation

	2014 €m	2013 €m
This is stated after charging/(crediting):		
Other operating income	(81.1)	(24.7)
Depreciation (note 10)	25.4	27.5
Amortisation of goodwill (note 9)	0.6	1.8
Impairment of goodwill (note 9)	2.1	-
Other operating lease rentals – plant and machinery	3.9	4.5
Other operating lease rentals – other	38.1	40.8
Restructuring expenses (note 16)	132.5	104.5
Foreign exchange loss	2.3	9.9
Loss on disposal of tangible assets (note 10)	1.6	0.7
Research and development expenditure	9.3	16.1
Services provided by the company's auditors		
- fees payable for statutory audit	1.7	1.6

€4.4m of research and development expenditure (2013: €13.2 million) is 100% funded by and recharged to Sony global group entities other than SEU.

8. Taxation on loss on ordinary activities

(a) Analysis of tax (credit)/charge in the year

	2014 €m	2013 €m
Current taxation		
UK corporation tax credit 23% (2013: 24%)	(5.7)	(29.1)
Adjustment in respect of previous year	30.8	(1.1)
Foreign tax		
Current tax on income for the year	12.1	7.6
Adjustment in respect of prior year	1.2	2.6
Total current tax (credit)/charge	38.4	(20.0)
Deferred taxation		
Origination and reversal of timing differences	(13.4)	(8.4)
Total deferred tax	(13.4)	(8.4)
Tax charge/(credit) on loss on ordinary activities	25.0	(28.4)

8. Taxation on loss on ordinary activities (continued)

(b) Factors affecting tax for the year

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2014 €m	2013 €m
Loss on ordinary activities before taxation	(304.9)	(346.7)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 23% (2013 :24%)	(70.1)	(83.3)
Effects of:		
Expenses not deductible for tax purposes	14.7	1.6
Adjustments in respect of previous periods	32.0	1.5
Impact of overseas taxes	12.1	7.6
Advanced Pricing Agreement adjustment (note A)	54.1	61.1
Deferred tax not recognised in year	(5.1)	(12.1)
Other	0.7	3.6
Current tax (credit)/charge for the year	38.4	(20.0)

Note A

This is a transfer pricing adjustment being negotiated between the UK and Japanese tax authorities.

Factors which may affect future charges

On 17 July 2013, Finance Act 2013 received Royal Assent, thereby reducing the corporation tax rate from 23% to 21% from 1 April 2014, and 20% from 1 April 2015.

8. Taxation on loss on ordinary activities (continued)

(c) Deferred taxation asset

	2014 €m	2013 €m
The following deferred tax asset has been recognised:		
At 1 April	26.6	18.2
Amounts credited to the profit and loss account	13.4	8.4
At 31 March	40.0	26.6

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

	2014 €m	2013 €m
Tax losses carried forward	40.0	26.6
Deferred tax excluding that relating to pension liability (note 13)	40.0	26.6
Pension liability	-	-
Total deferred tax asset recognised	40.0	26.6

As at 31 March 2014, there are potential deferred tax assets of €204.7 million (2013: €196.5m), which are not being recognised due to insufficient certainty of recovery in line with UK GAAP principles. This consists of €174.3 million relating to losses (2013:€164.6m) and €30.4 million of other short term timing differences (2013: €31.9m)

9. Intangible fixed assets

	Goodwill €m
Cost	
At 1 April 2013	21.8
Addition	0.3
Disposal	(2.2)
At 31 March 2014	19.9
Accumulated amortisation	
At 1 April 2013	10.6
Charge for the year	0.6
Impairment	2.1
Disposal	(2.2)
At 31 March 2014	11.1
Net book value	
At 31 March 2014	8.8
At 31 March 2013	11.2

Goodwill is being amortised on a straight line basis over an expected useful life of 10 years, which is the period over which the company expects to benefit from the additional strategic value of the activities to which the goodwill relates.

The company recognised an impairment charge of €2.1 million during the year to write down the goodwill in Sony Europe (Belgium) NV to €1.0 million. The net realisable value is supported by a discounted cashflow analysis which applies a discount rate of 16% to projected cashflows for the period from 2015 to 2017, extrapolated using a growth rate of 1.5%.

During the year the company disposed of goodwill with zero net book value in Solus Electronics Ltd and Sony Precision Technology Europe, following closure of these businesses.

10. Tangible fixed assets

	Freehold Land and buildings €m	Leasehold Land and buildings €m	Plant and machinery €m	Fixtures fittings tools and equipment €m	Total €m
Cost					
At 1 April 2013	80.2	11.4	13.6	128.5	233.7
Additions	-	3.9	1.8	17.1	22.8
Disposals	(0.1)	(0.6)	-	(35.9)	(36.6)
Disposal of business	(20.2)	-	(14.6)	(10.1)	(44.9)
Exchange difference	-	-	0.4	-	0.4
At 31 March 2014	59.9	14.7	1.2	99.6	175.4
Accumulated depreciation					
At 1 April 2013	24.6	10.7	11.8	80.2	127.3
Charge for the year	3.6	0.1	2.2	19.5	25.4
Disposals	-	(0.6)	-	(34.0)	(34.6)
Disposal of business	(19.4)	-	(13.9)	(9.9)	(43.2)
Exchange difference	-	-	0.4	-	0.4
At 31 March 2014	8.8	10.2	0.5	55.8	75.3
Net book value					
At 31 March 2014	51.1	4.5	0.7	43.8	100.1
At 31 March 2013	55.6	0.7	1.8	48.3	106.4

Historical cost of €36.6 million (2013: €25.1 million) of tangible assets with a net book value of €2 million (2013: €1.8 million) were written off or disposed of against proceeds of €0.4m (2013: 1.1 million) resulting in a loss on disposal of €1.6 million (2013: €0.7 million).

11. Investments

	Shares in subsidiary undertakings €m
Cost	
At 1 April 2013	20.7
Disposals during the year	(0.1)
At 31 March 2014	20.6

The disposals during the year result from the closure of subsidiary companies HiFi Corner Ltd and Solus Electronics Ltd.

The directors believe that the carrying value of investments is supported either by their underlying net assets or by discounted cashflow.

The company has shares in the following companies:

Subsidiary undertakings	Business	Country of registration and operation	Proportion of nominal value of ordinary shares and voting rights held
Sony Professional Solutions Middle East (Jordan) L.L.C FZ	Dormant	Jordan	100%
Sony Austria GmbH	Dormant	Austria	100%
Hawk-Eye (Holdings) Limited	Trading	England	100%
Pulse Innovations Limited	Trading	England	100%
Sony (U.K.) Pension Trust Limited	Non-trading	England	100%
Other investments			
Fundacion para la Gestion Medioambiental de Pilas	Trading	Spain	14%
Fundacion Innovacion Espana	Trading	Spain	14%
Foxconn Slovakia spols.r.o.	Trading	Slovakia	10%
Asekols.r.o.	Trading	Czech Republic	9%
Screlec SA	Trading	France	17%
Ecophihas Lda	Trading	Portugal	17%
ERP Poland Sp.z.o.o	Trading	Poland	25%
Ecopar SA	Trading	France	0.4%

12. Stocks

	2014 €m	2013 €m
Raw materials and consumables	3.8	7.2
Work in progress	14.5	11.1
Finished goods and goods for resale	254.7	233.3
	273.0	251.6

The directors believe that the carrying value of stocks is not materially different from replacement cost.

13. Debtors

	2014 €m	2013 €m
Trade debtors	321.7	447.1
Amounts owed by group undertakings	181.6	98.8
Corporation tax receivable	1.0	0.3
Intercompany receivable (corporation tax group relief)	12.2	37.3
Other debtors	61.8	56.6
Deferred tax asset (excluding that related to pension liability) (note 8)	40.0	26.6
Prepayments and accrued income	44.8	43.9
VAT receivable	22.6	22.9
	685.7	733.5

Amounts owed by other Sony global group undertakings are unsecured, interest free and are predominantly on 60 day terms.

14. Creditors: amounts falling due within one year

	2014 €m	2013 €m
Trade creditors	52.5	167.8
Amounts owed to group undertakings	958.0	1,401.7
Other creditors	113.1	125.4
Other taxation and social security	30.5	18.8
Accruals and deferred income	372.8	310.9
Corporation tax payable	6.8	4.9
	1,533.7	2,029.5

The 2013 amount owed to group undertakings included a secured long term loan of €800 million. This loan has been renewed during 2014 and is now falling due after more than one year (see note 15). The remainder of amounts owed to group undertakings are unsecured, interest free and are predominantly on 60 day terms.

15. Creditors: amounts falling due after more than one year

	2014 €m	2013 €m
Amounts owed to group undertakings	800.0	-
Accruals and deferred income	21.6	4.0
	821.6	4.0

The amount owed to group undertakings is a secured long term loan, from SGTS, for 2 years from 27 March 2014, with an interest rate of 1.595%. In 2013 an equivalent loan amount was reported as falling due within one year (see note 14).

16. Provisions for liabilities

	Restructuring Provision €m	Warranty Provision €m	Royalty Provision €m	Other €m	Total €m
At 1 April 2013	54.4	84.2	7.8	5.1	151.5
Charge for the year	132.5	60.9	-	11.3	204.7
Utilised during year	(102.8)	(53.2)	-	(9.0)	(165.0)
Released during year	-	(18.0)	(7.8)	(3.5)	(29.3)
At 31 March 2014	84.1	73.9	-	3.9	161.9

A provision of €84.1million (2013: €54.4 million) has been recognised for the estimated liability arising on the restructuring of SEU. Included in this amount is a provision of €52.7million for outgoing employees affected by the termination of the Vaio (PC) business, announced during the year, and a remaining provision of €22.7m for outgoing employees as a result of other restructuring plans.

A provision of €73.9million (2013: €84.2 million) has been recognised for expected warranty claims on products sold during the last three financial years. It is expected that most of this expenditure will be incurred in the next financial year, and all will be incurred within three years of the balance sheet date. The warranty provision is calculated with reference to latest average repair costs, historical fault rates by key product category and actual product sales made. Allowance is made for the time lag between SEU sale and the purchase by the end customer, and where applicable a weighting is applied for the expected phasing of fault identification. The estimates used in the calculation are based on historical experience and averages by product groupings, and the actual cost and timing may vary as product failure patterns and repair costs evolve.

The other provisions held by the company at 31 March 2014 include a provision of €2.2million (2013: €2.2 million) for the estimated liability relating to the Waste Electrical Equipment (WEEE) directive and a provision for €1.7million (2013: €2.9 million) recognised in respect of the probable payment of costs to other manufacturing companies for the value of product and materials held by them relating to end of life ("EOL") television models. The provision has been calculated based on the EOL on hand stock value as well as related claims and expected future claims from suppliers, and applying a best estimate percentage claim risk. The full value of the EOL product may not be recharged to SEU, depending on the other company's ability to utilise the materials elsewhere.

17. Called up share capital

	2014 €m	2013 €m
Authorised		
60,000,000 (2013: 60,000,000) ordinary shares of €1.10 each (2013: €1.10 each)	66.0	66.0
Issued and fully paid		
51,451,201 (2013: 51,451,201) ordinary shares of €1.10 each (2013: €1.10 each)	56.6	56.6

18. Reconciliation of movements in reserves and shareholders' deficit

	2014 Called up share capital €m	Share premium account €m	Profit and loss account €m	Total shareholders' deficit 2014 €m	Total shareholders' deficit 2013 €m
At 1 April 2013	56.6	1,515.7	(2,683.0)	(1,110.7)	(691.9)
Loss for the financial year			(329.9)	(329.9)	(318.3)
Reserves acquired on reorganisation					
Actuarial loss on pension scheme			(16.0)	(16.0)	(100.9)
Contribution from parent share-based incentive scheme (notes 1 and 3)			0.3	0.3	0.4
Currency translation gains on foreign currency net investments			0.9	0.9	-
Net reduction to shareholders' funds	-	-	(344.7)	(344.7)	(418.8)
At 31 March 2014	56.6	1,515.7	(3,027.7)	(1,455.4)	(1,110.7)
Pension liability (note 21)			76.2		
Profit and loss reserve excluding pension liability			(2,951.5)		

19. Lease obligations

Obligations under non-cancellable operating leases payable within the following 12 months relate to leases expiring as follows:

	Land and buildings		Other		Total	
	2014	2013	2014	2013	2014	2013
	€m	€m	€m	€m	€m	€m
Within 1 year	0.8	1.1	2.8	3.3	3.6	4.4
Between 1 - 5 years	6.7	14.4	8.3	10.2	15.0	24.6
After 5 years	15.0	11.2	-	-	15.0	11.2
	22.5	26.7	11.1	13.5	33.6	40.2

Not included in the above lease obligations at 31 March 2014 is the lease obligation relating to an operating business lease effective 1 February 2011 between Sony Deutschland GmbH and the company. Under the terms of the agreement, the company will make an annual lease payment totalling 0.4% of prior calendar year net sales for the right to operate the German sales and marketing business previously conducted by Sony Deutschland GmbH. For the current year, the company has included a leasing expense of €2.8 million (2013: €3.3 million), which represents twelve months (2013: twelve months) leasing obligation under the agreement. The lease, whilst renewable, has an initial five year term.

20. Capital commitments

At 31 March 2014 the company did not have any capital expenditure contracted for but not provided in the financial statements (2013: nil).

21. Pension fund commitments

The company operates the following voluntary pension schemes, namely the Sony United Kingdom Limited Pension Scheme (formed from the merging of the Sony UK Pension and Life Assurance Scheme and the Sony (Basingstoke) Pension Plan on 6 April 2001), the Sony Ireland Pension and Life Assurance Scheme, the Sony UK Pension and Life Assurance Scheme (Supplemental), the Sony France Pension Scheme, the Sony Benelux Pension Scheme, the Sony Dutch Pension Scheme, the Sony Swiss Pension Scheme, and the Sony Norway Pension Scheme. The assets of the schemes are held separately from those of the group in separate trustee administered funds. The company also has responsibility for the Sony German Pension Scheme during the term of the business lease agreement with Sony Deutschland GmbH.

The Sony United Kingdom Limited Pension Scheme and the Sony Ireland Pension and Life Assurance Schemes are each comprised of a defined benefit section, being funded final salary pension schemes closed to new members, and a defined contribution section. During the year ended 31 March 2011, the Sony United Kingdom Limited Pension Scheme plan was closed to future accruals as ratified by the plan trustees.

The Sony UK Pension and Life Assurance Scheme (Supplemental) is comprised of a defined benefit section which is a funded final salary scheme and is closed to new members.

The Sony Benelux Pension Scheme is comprised of a defined benefit section which is a funded final salary scheme and is open to new members. The Sony France Pension scheme and Sony German Pension scheme are unfunded and are open to new members.

All other plans are comprised of a defined benefit section which is funded final salary schemes that are active.

21. Pension fund commitments (continued)

During the year the company contributed €20.0 million (2013: €21.5 million) to the defined benefit schemes. The contributions by the company during the year ending 31 March 2014 are expected to be €20.1 million.

The defined contribution scheme's pension costs are equal to the contributions paid by the company to the fund managers and amounted to €6.9 million (2013: €10.6 million). There were no outstanding or prepaid contributions (2013: none) to the defined contribution scheme at the balance sheet date.

Also included in staff costs are pension costs of €1.1m relating to incoming expatriate employees' membership of schemes operated by other Sony global group companies.

The disclosures required under Financial Reporting Standard 17 'Retirement Benefits' have been calculated by an independent actuary based on the most recent full actuarial valuation updated to 31 March 2014.

The results of their calculations and the assumptions they have adopted are outlined in this note.

Principal actuarial assumptions

	2014 % pa	**2013 % pa**
Discount rate	2.0 – 4.4	1.9 – 4.5
Salary growth	0.0 – 4.5	1.5 – 4.5
Pension increases	0.0 – 3.0	0.0 – 3.3
Social security increases	0.0 – 3.5	1.5 – 3.3
Inflation	0.0 – 3.4	1.5 – 3.4
Expected rate of return on plan assets	3.0 – 5.5	3.5 – 5.6

Sony United Kingdom Limited Pension Scheme and Sony UK Pension and Life Assurance Scheme (Supplemental) - post retirement mortality:

Base table:	SAPS Pensioners with Long Cohort improvements for the period from 2002 to 2006 and Medium Cohort improvements for the period from 2006 to 2010. Various "multipliers" have been applied to different categories and sections of members, based on any analysis of members' post codes. SAPS Pensioners Male is used for the Supplemental Scheme with Long Cohort improvements from 2002 to 2010 and a multiplier of 0.92 applied.
Future improvements	Core CMI (2009) projections with a long-term rate of 1.5% per annum.

Sony Ireland Pension and Life Assurance Scheme - post retirement mortality

Base Table:	00 lives table with CSO improvements with a 1 year age rating and a multiplier of 108% to the underlying mortality rates. No further allowance for future improvements has been made

Sony Benelux Pension Scheme and Sony Dutch Pension Scheme - post retirement mortality

Base Table:	AG Prognosetafel 2010-2060 with H age correction tables

21. Pension fund commitments (continued)

Sony Swiss Pension Scheme - post retirement mortality

Base Table: BVG 2000 plus a 5.0% adjustment to reflect future increase in longevity

Sony United Kingdom Limited Pension Scheme and Sony UK Pension and Life Assurance Scheme (Supplemental) - commutation allowance

Allowance for 20% of members' pension at retirement to be taken as cash

The overall expected return on assets assumption as at 31 March 2014 has been determined with the aim of reflecting the average rate of growth expected on the funds invested having regard to the weighted average of the expected return from each of the main asset classes. The expected return for each asset class reflects a combination of historical performance analysis and the forward looking views of the financial markets (as suggested by the yields available). The company pension scheme does not hold any of the company's own financial instruments, or any property occupied by, or other assets used by the company.

Actual return on scheme assets	**2014 €m**	**2013 €m**
Expected return on plan assets	31.6	31.1
Asset gain	1.9	32.3
Actual return on plan assets	33.5	63.4

Composition of the total fair value of scheme assets	**2014 €m**	**2013 €m**
Equities	259.9	234.8
Bonds	337.2	319.9
Property	27.0	13.6
Other assets	51.1	44.7
Total	675.2	613.0

Reconciliation to the balance sheet	**2014 €m**	**2013 €m**
Total fair value of scheme assets	675.2	613.0
Present value of scheme liabilities	(751.4)	(694.8)
Deficit in the scheme	(76.2)	(81.8)
Deferred tax on pension liability	-	-
Pension liability recognised in the balance sheet	(76.2)	(81.8)

21. Pension fund commitments (continued)

Reconciliation of Scheme asset and liability balance movements

Change in present value of Scheme liabilities

	2014 €m	2013 €m
Defined benefit obligation at 1 April	694.8	554.7
Defined benefit obligation acquired	11.8	-
Employer service cost	3.3	3.6
Interest cost	29.4	29.7
Scheme participants' contributions	0.7	0.8
Curtailment gain	(0.4)	(2.8)
Settlements	-	(1.2)
Actuarial loss	19.3	111.8
Benefits paid from scheme assets	(18.2)	(16.9)
Adjustment for revision of foreign exchange impact on prior year actuarial gain	(11.6)	22.3
Exchange differences on foreign plans	22.3	(7.2)
Defined benefit obligation unfunded	28.4	30.4
Defined benefit obligation funded	723.0	664.4
Defined benefit obligation at 31 March	751.4	694.8

Change in fair value of Scheme assets

	2014 €m	2013 €m
Fair value of assets at 1 April	613.0	551.8
Acquisitions	15.9	
Settlements	-	(1.2)
Expected return on assets	31.6	31.1
Actuarial gain on assets	1.9	32.3
Employer contributions	20.0	21.5
Scheme participants' contributions	0.7	0.8
Benefits paid	(18.2)	(16.9)
Adjustment for revision of foreign exchange impact on prior year actuarial gain	(10.8)	-
Exchange differences on foreign plans	21.1	(6.4)
Fair value of assets at 31 March	675.2	613.0

21. Pension fund commitments (continued)

The following amounts have been recognised in the performance statements for the year ending 31 March 2014, and comparatives shown for the year ending 31 March 2013.

	2014 €m	2013 €m
Operating profit – staff costs		
Current service cost	4.2	3.6
Past service cost	(0.9)	-
Gain on curtailment	(0.4)	(2.8)
Total charged to operating profit (staff costs)	2.9	0.8

	2014 €m	2013 €m
Other finance income		
Interest on pension scheme liabilities	(29.4)	(29.7)
Expected return on assets in the pension scheme	31.6	31.1
Net credit to other finance income	2.2	1.4

The total charged to operating profit in the current year includes a curtailment gain of €0.4 million recognised in the current year for the Sony France Pension Scheme. These gains are the result of restructuring exercises that took place during the year.

The total charged to operating profit in the prior year includes a curtailment gain of €2.8 million recognised for the Belgium, France and Netherlands defined benefit plans. These gains were the result of restructuring exercises that took place during the prior year in these countries.

Statement of total recognised gains and losses (STRGL)

	2014 €m	2013 €m
Gain on asset	(1.9)	(32.3)
Experience gain arising on the scheme liabilities	(3.9)	(2.1)
Losses on change of assumptions (financial and demographic)	23.2	113.8
Actuarial loss	17.4	79.4
Exchange (gains)/losses on foreign plans - currency translation	(1.4)	21.5
Total loss recognised in STRGL	16.0	100.9

Cumulative actuarial loss recognised through the STRGL

	2014 €m	2013 €m
Cumulative actuarial loss recognised through the STRGL since 31 March 2003	205.4	189.4

21. Pension fund commitments (continued)

History of amounts recognised for the current and previous four accounting periods

	2014 €m	2013 €m	2012 €m	2011 €m	2010 €m
Present value scheme liabilities	(751.4)	(694.8)	(554.7)	(548.1)	(440.0)
Fair value of scheme assets	675.2	613.0	551.8	516.9	352.2
Deficit in the scheme	(76.2)	(81.8)	(2.9)	(31.2)	(87.8)
Experience adjustments arising on:					
scheme assets	(1.9)	(32.3)	(2.5)	3.0	(66.8)
scheme liabilities	(3.9)	(2.1)	(1.1)	(19.7)	1.1

22. Derivative financial instruments

SEU's functional currency is Euro, but it also transacts significant amounts of sales and purchases in other currencies. In order to reduce the resulting foreign exchange risk Sony Europe Limited enters into forward exchange contracts solely with Sony Global Treasury Services plc.

Group and company	2014 €m	2013 €m
Fair value of forward exchange contracts	0.4	0.8

23. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and ultimate controlling party is Sony Corporation which is incorporated in Japan. The company's immediate parent undertaking is Sony Overseas Holding BV, incorporated in the Netherlands, which is itself a wholly owned subsidiary of Sony Corporation. The smallest and largest group to consolidate the financial statements of SEU would be Sony Corporation.

Consolidated financial statements for Sony Corporation are publicly obtainable from The Heights, Brooklands, Weybridge, Surrey, KT13 0XW.

24. Cash flow statements

The company has taken advantage of the dispensation under FRS1 not to prepare its own cash flow statement as it is a 100% owned subsidiary, and the Sony Corporation consolidated financial statements in which it is consolidated are publicly available (note 23).

25. Related party transactions

In accordance with FRS8, the company is exempt from the requirement to disclose related party transactions as they are all made within the group in which the company is a 100% owned subsidiary, and the consolidated financial statements of the parent, Sony Corporation, are publicly available (note 23).