

**Company Registration No. 02422874**

**Sony Europe Limited**

**Annual Report and Financial Statements**

**31 March 2015**

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# **Sony Europe Limited**

## **Contents**

## **Page**

<b>Directors' Report</b>	<b>2</b>
<b>Strategic Report</b>	<b>5</b>
<b>Independent Auditors' Report to the members of Sony Europe Limited</b>	<b>8</b>
<b>Profit and Loss Account</b>	<b>10</b>
<b>Statement of Total Recognised Gains and Losses</b>	<b>11</b>
<b>Balance Sheet</b>	<b>12</b>
<b>Notes to the financial statements</b>	<b>13</b>

# **Sony Europe Limited**

## **Year ended 31 March 2015**

### **Directors' Report**

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2015.

#### **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. The company discontinued sales of tablets, readers and mobile phones in March 2015, due to sister company Sony Mobile Communications' decision to directly manage the distribution of its products within Europe. In addition the company discontinued sales of PC (Vaio) products during 2015, following a global decision by Sony Corporation announced in 2014.

#### **Principal risks and uncertainties**

A description of the principal risks and uncertainties facing the company is included in the Strategic Report on pages 6 and 7.

#### **Dividends**

The directors do not recommend the payment of a dividend (2014: €nil).

#### **Future developments**

Despite difficult continuing trading conditions, turnover from continuing operations has improved this year, benefiting particularly from the World Cup event, with increased TV sales and gains in TV market share. Our market share has also shown significant gains in digital still cameras, where we are now market leader. This is the result of a new and enhanced product line up, effective marketing deployment and competitive pricing. In addition the company has improved profitability as a result of a significant reduction in costs, achieved through recent restructuring activity.

The EU consumer electronics market has been declining over recent years, due to low growth in the region placing constraints on domestic discretionary spending. The outlook shows little change, and trading conditions are therefore expected to continue to be challenging for the foreseeable future. In addition, the Euro exchange rate has weakened against both the US dollar and the Japanese Yen during the second half of this year, which has affected our gross profit percentage, and hence reduced our profitability.

The unfavourable impact of the weakened Euro exchange rates is expected to continue into next year. Despite this, the directors anticipate that the company's performance should further improve in the future, due to improved market share and our reduced cost base. In addition, measures have been taken to review our product positioning and the costs of getting our products to market. The directors also believe that because of the unique breadth and range of innovative products, and as a result of the positive actions taken this year, SEU is well placed to rapidly take advantage of growth opportunities as market conditions improve. SEU products, together with those offered by SEU's sister companies (including mobile, games, film and music), and coupled with an increasingly networked and connected customer offering, will be leveraged to drive continuing 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.

#### **Subsequent Events**

On 1<sup>st</sup> April 2015, SEU executed a business transfer agreement to purchase the net assets of Sony Supply-Chain Solutions (Europe) BV for the net book value of the assets. The preliminary purchase price is €8.3 million, which will be adjusted once the 2015 financial statements of Sony Supply-Chain Solutions (Europe) BV have been finalised.

On 1st July 2015, SEU purchased Memnon Archiving Services SA, a Brussels based company providing a world leading service in the field of digitisation and digital archive preservation. The initial consideration is €7.3 million, with contingent consideration payable based on results through to 2017.

# **Sony Europe Limited**

## **Year ended 31 March 2015**

### **Directors' Report (continued)**

#### **Directors' confirmation of the company as a going concern**

The company made a profit of €93.1 million in the financial year and the directors feel that the long-term financial position of SEU is satisfactory. A letter of comfort has been provided by Sony Corporation, providing support to SEU in settlement of its liabilities. The period of this support has been confirmed to run until 31 July 2016, 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:

A Kobayashi  
R Londema  
G Pellet (resigned 1<sup>st</sup> March 2015)  
M Tamagawa

#### **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 the UK.

#### **Research and development**

The company undertakes research into mobile communications, cameras, televisions and professional broadcast industries and investigates new innovations and techniques which can be incorporated in future product ranges. Research and development expenditure totalled €8.2 million (2014: €9.3 million), of which €4.2 million was recharged to other Sony global group companies (2014: €4.4 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 become 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.

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), held in August/September each year with results published in October. This gives all employees the opportunity to express

# **Sony Europe Limited**

## **Year ended 31 March 2015**

### **Directors' Report (continued)**

#### **Employee Involvement (continued)**

their views and opinions on the working environment, and to make suggestions on how it could be strengthened.

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 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.

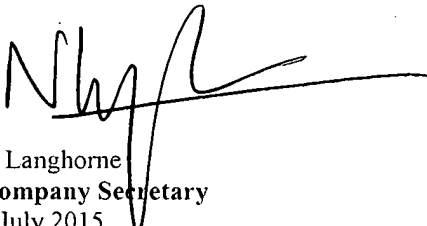
#### **Disclosure of information to auditors**

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



N Langhorne  
Company Secretary  
7 July 2015

# **Sony Europe Limited**

## **Year ended 31 March 2015**

### **Strategic Report**

#### **Strategy**

SEU is aligned with the strategic direction of Sony Corporation. In February 2015, Sony Corporation announced its mid-range plan for 2015 to 2017, which prioritises maximisation of group return on equity via profit generation and investment for growth. This will be achieved by classification of each of our business categories between growth drivers, stable profit generators and areas focussing on volatility management. Depending on the classification of each category, there is a specific strategy in place for sales growth, business development and profitability.

A number of key strategic objectives are in place:

- Amaze consumers, business and professional customers with Sony's unique 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, through superior products and services which fulfil consumer curiosity, in a way that our competitors cannot;
- Invest in best practice workforce support and training to maximise the alignment of employee activities and business objectives;
- Continue to implement planned restructuring activities, and control ongoing costs, in order to support profitability; and
- Continue existing commitment to environmental and health and safety best practice.

#### **Results**

The company's turnover for the financial year was €3,848.8 million (2014: €4,492.2 million). The company's profit for the financial year was €93.1 million (2014: loss of €329.9 million).

#### **Review of the business**

This year's performance has been delivered by building on the initiatives implemented last year, with continued focus on increasing in-store and on-line presence, effective marketing deployment of new model line-ups, enhancing product supply chain management, optimising commercial investment and improving productivity by embedding a simplified standardised way of working and control to ensure effective decision making. These initiatives have enabled us to gain market share in several key sectors such as TV, Home Video, Sound Bar and Digital Cameras. Despite the difficult market conditions, turnover from continuing operations has increased by 6.7% over 2014.

Other operating income includes €35.6 million (2014: €40.6 million) of income from insurance claims relating to business interruption insurance for the Thailand floods of 2011. Improvements in gross margin, and reductions in both variable and fixed costs, have resulted in an overall improvement of €270.2 million in Losses on Ordinary Activities before Interest & Taxation. Cost reductions are primarily as a result of recent restructuring activities, designed to improve efficiency and create a solid foundation for the future.

SEU incurred net restructuring costs this year of €49.9 million (2014: €132.5 million) - see note 16, most significantly €32.2 million incurred in Q4 2015, as a result of mid-range plan decisions affecting various teams, and €12.1 million incurred in Q1 2015, as a result of the 2014 decision by Sony Corporation to sell the PC (VAIO) business.

#### **Consumer categories**

In the consumer category, turnover from continuing operations increased by 10.9%, with outside television sales increasing by 26.9%, benefitting both from improved market share and incremental sales during the World Cup event. Digital Imaging outside sales increased by 4.6%, of which Digital Still Cameras achieved a 10.1% increase in outside sales and the market leading position, and Digital Single-Lens Reflex Cameras achieved outside sales growth of 9.0%.

#### **Professional categories**

Professional services outside sales increased by 0.8%, driven by growth in the areas of presentation & communication and live & stadium. This was however offset by a decline in sales by the Semiconductor & Electronic Solutions and Recording Media & Energy businesses, resulting in total professional sales achieving 92.4% of prior year.

# Sony Europe Limited

## Year ended 31 March 2015

### Strategic Report (continued)

#### Key performance indicators (KPIs)

The following KPIs are relevant in reviewing the performance of the company during the year ended 31 March 2015.

KPI	Definition and method of calculation	2015	2014
Growth in sales from continuing operations (%)	Year on year sales growth for continuing operations expressed as a percentage	6.7%	0.4%
Operating margin (%)	The ratio of operating loss on ordinary activities before interest to sales expressed as a percentage	(0.3%)	(6.2%)
Liquidity	Total current assets less stock expressed as a ratio of total current liabilities	0.37	0.48
Days sales outstanding	The accounts receivable balance (net of assigned accounts) compared to credit sales over the year, expressed in days	24	29
Inventory days supply	The inventory balance compared to the cost of sales over the year, expressed in days	37	34

#### 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' Report.
- The improvement in days sales outstanding (DSO) is the result of improvements in operational efficiency in this area, in order to improve cash flow and liquidity.
- Inventory days supply increased slightly in order to achieve optimal inventory levels according to customer demand.

#### 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.

##### *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. This is mitigated by a team of specialists who monitor and review any regulatory changes.

##### *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.

**Sony Europe Limited**  
**Year ended 31 March 2015**  
**Strategic Report (continued)**

*Liquidity risk*

The company's current liquidity position has been supported through a letter of support 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 2016, 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, 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



N Langhorne  
Company Secretary  
7 July 2015



**Sony Europe Limited**  
**Year ended 31 March 2015**  
**Independent Auditors' Report to the members of Sony Europe Limited**

**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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 2015;
- 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.

## **Sony Europe Limited**

**Year ended 31 March 2015**

### **Independent Auditors' Report to the members of Sony Europe Limited (continued)**

#### **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.

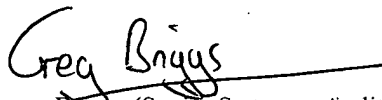
#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.



Gregory Briggs (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge  
7 July 2015

**Sony Europe Limited**  
**Profit and loss account**  
**Year ended 31 March 2015**

		2015	2015	2015	2014	2014	2014
	Notes	Continuing operations €m	Discontinued operations €m	Total €m	Continuing operations €m	Discontinued operations €m	Total €m
<b>Turnover</b>	2	3633.4	215.4	3848.8	3,404.2	1,088.0	4,492.2
<b>Other operating income</b>		65.3	0.2	65.5	67.3	13.8	81.1
		<u>3,698.7</u>	<u>215.6</u>	<u>3,914.3</u>	<u>3,471.5</u>	<u>1,101.8</u>	<u>4,573.3</u>
Change in stocks of finished goods and work in progress		(32.8)	(49.2)	(82.0)	36.9	(12.0)	24.9
Change in raw materials and consumables		47.2	-	47.2	35.7	(2.7)	33.0
Other external charges		(2,840.2)	(148.0)	(2,988.2)	(2,957.8)	(927.7)	(3,885.5)
Staff costs	3	(290.7)	(31.7)	(322.4)	(299.4)	(117.9)	(417.3)
Depreciation and other amounts written off tangible and intangible fixed assets		(23.4)	(2.6)	(26.0)	(23.0)	(5.1)	(28.1)
Other operating charges		<u>(498.5)</u>	<u>(54.4)</u>	<u>(552.9)</u>	<u>(463.1)</u>	<u>(117.4)</u>	<u>(580.5)</u>
<b>Profit/ (loss) on ordinary activities before interest and taxation</b>		60.3	(70.3)	(10.0)	(199.2)	(81.0)	(280.2)
Interest receivable and similar income	4			0.5			0.2
Interest payable and similar charges	5			(19.1)			(27.1)
Other finance (charges)/income	6			<u>(1.4)</u>			<u>2.2</u>
<b>Loss on ordinary activities before taxation</b>	7			(30.0)			(304.9)
Tax on loss on ordinary activities	8			<u>123.1</u>			<u>(25.0)</u>
<b>Profit/(Loss) for the financial year</b>	18			<u><u>93.1</u></u>			<u><u>(329.9)</u></u>

Discontinued operations relate to the Vaio (PC) business, which was discontinued in July 2014 and the mobile, tablet and reader businesses which were discontinued in March 2015. In addition, 2014 discontinued operations included the Alsace service repair business, which was disposed of in March 2014.

There is no material difference between the loss on ordinary activities before taxation and profit or 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 2015**


	Notes	2015 €m	2014 €m
Profit/(Loss) for the financial year		93.1	(329.9)
Actuarial loss on pension scheme	21	(90.7)	(16.0)
Currency translation gains on foreign currency net investments	18	11.2	0.9
<b>Total recognised gains and losses for the year</b>		<u>13.6</u>	<u>(345.0)</u>

**Sony Europe Limited**  
**Balance sheet**  
**As at 31 March 2015**

	Notes	2015 €m	2014 €m
<b>Fixed assets</b>			
Intangible assets	9	7.2	8.8
Tangible assets	10	86.2	100.1
Investments	11	27.4	20.6
		<u>120.8</u>	<u>129.5</u>
<b>Current assets</b>			
Stocks	12	197.2	273.0
Debtors	13	877.4	685.7
Cash at bank and in hand		14.2	49.8
		<u>1,088.8</u>	<u>1,008.5</u>
<b>Creditors: amounts falling due within one year</b>	14	(2,379.3)	(1,533.7)
<b>Net current liabilities</b>		<u>(1,290.5)</u>	<u>(525.2)</u>
<b>Total assets less current liabilities</b>		<u>(1,169.7)</u>	<u>(395.7)</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(9.6)	(821.6)
<b>Provision for liabilities</b>	16	(115.2)	(161.9)
<b>Net liabilities excluding pension liability</b>		<u>(1,294.5)</u>	<u>(1,379.2)</u>
<b>Pension liability</b>	21	(139.4)	(76.2)
<b>Net liabilities including pension liability</b>		<u>(1,433.9)</u>	<u>(1,455.4)</u>
<b>Capital and reserves</b>			
Called up share capital	17	56.6	56.6
Share premium account	18	1,523.2	1,515.7
Profit and loss account	18	(3,013.7)	(3,027.7)
<b>Total shareholders' deficit</b>	18	<u>(1,433.9)</u>	<u>(1,455.4)</u>

The financial statements on pages 10 to 35 of Sony Europe Limited, registered number 02422874, were approved by the Board of Directors on 7 July 2015.

Signed on behalf of the Board of Directors

  
A Kobayashi  
Director

# **Sony Europe Limited**

## **Notes to the financial statements**

### **Year ended 31 March 2015**

#### **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 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**

Despite making a profit during the year, the company has a net liabilities position due to trading losses incurred in previous years. However, the directors believe that the long term financial position of SEU is satisfactory, as a letter of support 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 2016, 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 substantially 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 the creditors note. Revenue is accrued when it is both supported by a contractual agreement and has been earned. Accrued revenue is included within the debtors note.

##### **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 account. Goodwill is amortised over 10 years, which represents the period 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.

# **Sony Europe Limited**

## **Notes to the financial statements (continued)**

### **Year ended 31 March 2015**

#### **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 a straight line basis over the periods set out below, on all assets other than land, to reduce the net book value of each asset to its estimated residual value by the end of its useful economic life. 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. 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.

##### **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.

##### **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.

A 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.

# **Sony Europe Limited**

## **Notes to the financial statements (continued)**

### **Year ended 31 March 2015**

#### **1. Accounting policies (continued)**

##### **Foreign currencies (continued)**

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 account.

##### **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 costs 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 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 expected return on the schemes' assets, the increase during the year in the present value of the schemes' liabilities arising from the passage of time and foreign exchange arising on translation of the non-Euro schemes are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Pension scheme 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.



**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**2. Turnover**

**Geographical analysis of turnover by destination:**

	<b>2015 €m</b>	<b>2014 €m</b>
UK and Ireland	645.4	561.6
Western Europe	2,336.8	2,696.9
Eastern Europe	796.9	1,102.1
Asia	26.3	55.7
North America	14.1	27.5
Middle East	16.2	26.0
Other	13.1	22.4
	<u>3,848.8</u>	<u>4,492.2</u>

**Geographical analysis by origin:**

	<b>Turnover</b>		<b>Net liabilities</b>		<b>Loss on ordinary activities before taxation</b>	
	<b>2015 €m</b>	<b>2014 €m</b>	<b>2015 €m</b>	<b>2014 €m</b>	<b>2015 €m</b>	<b>2014 €m</b>
UK and Ireland	604.2	1,362.6	(1,268.4)	(1,270.8)	(50.3)	(272.9)
Western Europe	2,880.5	2,738.3	(208.0)	(211.2)	18.2	(34.2)
Eastern Europe	364.1	391.3	42.5	26.6	2.1	2.2
	<u>3,848.8</u>	<u>4,492.2</u>	<u>(1,433.9)</u>	<u>(1,455.4)</u>	<u>(30.0)</u>	<u>(304.9)</u>

**Analysis by class of business:**

	<b>Turnover</b>		<b>Loss on ordinary activities before taxation</b>	
	<b>2015 €m</b>	<b>2014 €m</b>	<b>2015 €m</b>	<b>2014 €m</b>
Consumer Category	3,073.8	3,655.7	(89.4)	(280.3)
Professional Category	673.5	728.6	18.6	3.7
Other	101.5	107.9	40.8	(28.3)
	<u>3,848.8</u>	<u>4,492.2</u>	<u>(30.0)</u>	<u>(304.9)</u>

Full disclosure of segmental reporting in accordance with SSAP 25 has not been provided because the directors consider that this would not be meaningful for users of these financial statements, since net liabilities of the company cannot be reasonably allocated by either class of business, or between continuing and discontinuing operations.

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**3. Staff costs**

	<b>2015</b> <b>€m</b>	<b>2014</b> <b>€m</b>
Directors:		
Aggregate emoluments	<u>2.1</u>	<u>2.5</u>
Highest paid director:		
Aggregate emoluments	<u>0.6</u>	<u>0.6</u>

One director is accruing retirement benefits (2014: 1) under a defined benefit scheme. No director (2014: nil) is in a defined contribution scheme.

During the year no directors (2014: nil) exercised options in the ultimate parent company's shares.

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

	<b>2015</b> <b>No.</b>	<b>2014</b> <b>No.</b>
UK and Ireland	1,247	1,274
Western Europe	1,790	2,142
Eastern Europe	482	528
	<u>3,519</u>	<u>3,944</u>

	<b>2015</b> <b>No.</b>	<b>2014</b> <b>No.</b>
Consumer Sales	903	906
Consumer Marketing	358	418
Professional Solutions Europe	527	554
Business Support	594	835
Other	1,137	1,231
	<u>3,519</u>	<u>3,944</u>

Twenty five (2014: 38) employees who were transacted through the SEU payroll are excluded from the above figure for the year ended 31 March 2015, as they are fully recharged to other Sony entities and are not included in the figures below for staff costs.

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**3. Staff costs (continued)**

	2015 €m	2014 €m
Staff costs (including directors' remuneration):		
Wages and salaries	260.7	341.9
Social security costs	58.3	64.2
Other pension costs (note 21)	3.0	10.9
Equity-settled share based payments	0.4	0.3
	<u>322.4</u>	<u>417.3</u>

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 2014, Sony Corporation granted to employees of Sony Europe Limited 22,300 options for the Tokyo exchange plan (with an exercise price of 2,411 Yen (€16.25 equivalent at grant date)), and 74,800 options for the New York exchange plan (with an exercise price of 20.67 USD (€16.51 equivalent at grant date)).

Movements on both plans during the year are as follows:

	Tokyo exchange plan		New York exchange plan	
	Number of share options	Weighted Average Exercise Price (Yen)	Number of share options	Weighted Average Exercise Price (USD)
Outstanding at 1st April 2014	53,400	2,157	408,100	25.29
Granted during the year	22,300	2,411	74,800	20.67
Forfeited during the year	-	-	(9,800)	16.80
Exercised during the year	-	-	(23,900)	16.34
Expired during the year	(1,800)	3,782	(16,300)	33.71
Outstanding at 31 <sup>st</sup> March 2015	<u>73,900</u>	<u>2,286</u>	<u>432,900</u>	<u>24.87</u>
Exercisable at 31 <sup>st</sup> March 2015	<u>34,267</u>	<u>2,436</u>	<u>296,000</u>	<u>27.47</u>

During the year, employees exercised 23,900 options for the New York exchange plan with a weighted average share price of 24.87 USD. No options were exercised for the Tokyo exchange plan. The total charge for the year relating to employee share options was €0.4 million (2014: €0.3 million).

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**3. Staff costs (continued)**

Outstanding share options at 31<sup>st</sup> March 2015 are as follows:

<b>Tokyo exchange plan</b>			
<b>Range of exercise prices</b>	<b>Number of share options</b>	<b>Weighted Average Exercise Price (Yen)</b>	<b>Weighted average remaining contractual life (Years)</b>
0 – 2,000 Yen	14,600	1,175	7.3
2,001 – 3,000 Yen	53,600	2,324	8.4
4,001 – 6,000 Yen	5,700	4,779	1.6
	<u>73,900</u>	<u>2,286</u>	<u>7.6</u>

<b>New York exchange plan</b>			
<b>Range of exercise prices</b>	<b>Number of share options</b>	<b>Weighted Average Exercise Price (USD)</b>	<b>Weighted average remaining contractual life (Years)</b>
0 – 20 USD	121,100	15.39	7.2
20-30 USD	182,200	22.33	8.2
30-40 USD	95,200	33.37	4.8
40-50 USD	34,400	48.15	2.6
	<u>432,900</u>	<u>24.87</u>	<u>6.7</u>

STAR scheme options granted during the year ending 31 March 2015 have been fair valued using a Black-Scholes model. The inputs to that model are as follows:

	<b>Tokyo Exchange</b>	<b>New York Exchange</b>
Market Price	2,410.5 Yen	20.48 USD
Exercise price	2,410.5 Yen	20.67 USD
Expected volatility	0.535934625	0.500248253
Option life	10 years	10 years
Expected Dividends	0.010667615	0.013879422
Risk free rate	0.2693%	2.1283%
Expected Exercise period	7.39	7.32

The fair value of share options granted during the year, estimated at the date of grant, was 1,158 Yen (2014: 835 Yen) for options exercisable on the Tokyo exchange, and 9.49 USD (2014: 8.09 USD) for options exercisable on the New York exchange.

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**4. Interest receivable and similar income**

	<b>2015</b>	<b>2014</b>
	<b>€m</b>	<b>€m</b>
Interest receivable from group undertakings	0.2	0.1
Interest receivable from third party financial institutions	0.3	0.1
	<u>0.5</u>	<u>0.2</u>

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

**5. Interest payable and similar charges**

	<b>2015</b>	<b>2014</b>
	<b>€m</b>	<b>€m</b>
Interest payable to group undertakings	19.1	19.4
Other interest payable	-	7.6
Foreign exchange losses on financing activities	-	0.1
	<u>19.1</u>	<u>27.1</u>

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

**6. Other finance (charges)/income**

	<b>2015</b>	<b>2014</b>
	<b>€m</b>	<b>€m</b>
Interest on pension scheme liabilities (note 21)	(31.5)	(29.4)
Expected return on assets in the pension scheme (note 21)	35.5	31.6
Foreign exchange arising on translation of the pension deficit (note 21)	(5.4)	-
	<u>(1.4)</u>	<u>2.2</u>

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**7. Loss on ordinary activities before taxation**

	<b>2015</b>	<b>2014</b>
	<b>€m</b>	<b>€m</b>
This is stated after (crediting)/charging:		
Insurance compensation claims	(35.6)	(40.6)
Other operating income - other	(29.9)	(40.5)
Depreciation (note 10)	24.4	25.4
Amortisation of goodwill (note 9)	1.3	0.6
Impairment of goodwill (note 9)	0.3	2.1
Other operating lease rentals – plant and machinery	-	3.9
Other operating lease rentals – other	32.6	38.1
Restructuring expenses net (note 16)	49.9	132.5
Foreign exchange loss	8.9	2.3
Loss on disposal of tangible assets (note 10)	0.4	1.6
Research and development expenditure	4.0	9.3
Services provided by the company's auditors		
- fees payable for statutory audit	1.5	1.7
	<u>          </u>	<u>          </u>

In addition to the above the company incurred €4.2 million of research and development expenditure which is fully recharged to Sony global group entities other than SEU (2014: €4.4 million).

**8. Tax on loss on ordinary activities**

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

	<b>2015</b>	<b>2014</b>
	<b>€m</b>	<b>€m</b>
<b>Current taxation</b>		
UK corporation tax credit 21% (2014: 23%)	0.3	(5.7)
Adjustments in respect of previous years	(83.1)	30.8
<b>Foreign tax</b>		
Current tax on income for the year	2.4	12.1
Adjustments in respect of prior year	(7.9)	1.2
	<u>          </u>	<u>          </u>
<b>Total current tax (credit)/charge</b>	(88.3)	38.4
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(34.8)	(13.4)
	<u>          </u>	<u>          </u>
<b>Total deferred tax</b>	(34.8)	(13.4)
	<u>          </u>	<u>          </u>
<b>Tax (credit)/charge on loss on ordinary activities</b>	<u>(123.1)</u>	<u>25.0</u>

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**8. Tax on loss on ordinary activities (continued)**

**(b) Factors affecting tax for the year**

The tax assessed for the year is lower (2014: higher) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2015 €m	2014 €m
<b>Loss on ordinary activities before taxation</b>	(30.0)	(304.9)
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	(6.3)	(70.1)
Effects of:		
Expenses not deductible for tax purposes	1.6	14.7
Adjustments in respect of previous years	(91.0)	32.0
Impact of overseas taxes	2.4	12.1
Advanced Pricing Agreement adjustment (note A)	250.3	54.1
Deferred tax not recognised in year	(245.3)	(5.1)
Other	-	0.7
<b>Current tax (credit)/charge for the year</b>	<b>(88.3)</b>	<b>38.4</b>

**Note A**

This is a transfer pricing adjustment relating to the APA agreed between the UK and Japanese tax authorities for previous years.

**Factors which may affect future charges**

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

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**8. Tax on loss on ordinary activities (continued)**

**(c) Deferred taxation asset**

	2015 €m	2014 €m
The following deferred tax asset has been recognised:		
At 1 April	40.0	26.6
Amounts credited to the profit and loss account	34.8	13.4
At 31 March	<u>74.8</u>	<u>40.0</u>

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

	2015 €m	2014 €m
Tax losses carried forward	74.8	40.0
Deferred tax excluding that relating to pension liability (note 13)	74.8	40.0
Pension liability	-	-
Total deferred tax asset recognised	<u>74.8</u>	<u>40.0</u>

As at 31 March 2015, there are potential deferred tax assets of €117.9 million (2014: €204.7m), which are not being recognised due to insufficient certainty of recovery in line with UK GAAP principles. This consists of €82.3 million relating to losses (2014: €174.3m) and €35.6 million of other short term timing differences (2014: €30.4m)

**9. Intangible assets**

	Goodwill €m
<b>Cost</b>	
At 1 April 2014 and 31 March 2015	<u>19.9</u>
<b>Accumulated amortisation</b>	
At 1 April 2014	11.1
Charge for the year	1.3
Impairment	0.3
At 31 March 2015	<u>12.7</u>
<b>Net book value</b>	
At 31 March 2015	<u>7.2</u>
At 31 March 2014	<u>8.8</u>

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.



**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**9. Intangible assets (continued)**

The company recognised an impairment charge of €0.3 million during the year to write down the goodwill in Sony Europe (Belgium) NV to €0.5 million. The net realisable value is supported by a discounted cash flow analysis which applies a discount rate of 10.8% to projected cash flows for the period from 2015 to 2017, extrapolated using a growth rate of 1.5%.

**10. Tangible assets**

	<b>Freehold Land and buildings €m</b>	<b>Leasehold Land and buildings €m</b>	<b>Plant and machinery €m</b>	<b>Fixtures fittings tools and equipment €m</b>	<b>Total €m</b>
<b>Cost</b>					
At 1 April 2014	59.9	14.7	1.2	99.6	175.4
Additions	1.8	0.4	-	11.1	13.3
Disposals	(3.1)	(3.8)	(1.2)	(45.8)	(53.9)
Exchange difference	-	0.1	-	3.0	3.1
At 31 March 2015	58.6	11.4	-	67.9	137.9
<b>Accumulated depreciation</b>					
At 1 April 2014	8.8	10.2	0.5	55.8	75.3
Charge for the year	2.3	1.3	-	20.8	24.4
Disposals	(3.0)	(4.3)	(0.5)	(43.1)	(50.9)
Exchange difference	-	0.1	-	2.8	2.9
At 31 March 2015	8.1	7.3	-	36.3	51.7
<b>Net book value</b>					
At 31 March 2015	50.5	4.1	-	31.6	86.2
At 31 March 2014	51.1	4.5	0.7	43.8	100.1

Historical cost tangible assets of €53.9 million (2014: €36.6 million) with a net book value of €3.0 million (2014: €2.0 million) were written off or disposed of against proceeds of €2.6 million (2014: €0.4 million) resulting in a loss on disposal of €0.4 million (2014: €1.6 million).

**11. Investments**

	<b>Shares in subsidiary undertakings €m</b>
<b>Cost</b>	
At 1 April 2014	20.6
Additions	7.6
Disposals	(0.8)
At 31 March 2015	27.4

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

During the year the company acquired a 100% investment in Sony Supply-Chain Solutions (Europe) BV for €7.6m.

The carrying value of investments is supported either by the underlying net assets or by a discounted cash flow analysis.

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 Supply-Chain Solutions (Europe) BV	Trading	Netherlands	100%
Hawk-Eye (Holdings) Limited	Trading	England	100%
Pulse Innovations Limited	Trading	England	100%
Sony (U.K.) Pension Trust Limited	Non-trading	England	100%
<b>Other investments</b>			
Fundacion para la Gestion Medioambiental de Pilas	Trading	Spain	14%
Fundacion Innovacion Espana	Trading	Spain	14%
Foxconn Slovakia spols.r.o.	Trading	Slovakia	10%
Screlec SA	Trading	France	17%
Ecophihas Lda	Trading	Portugal	17%
Ecopar SA	Trading	France	0.4%

**12. Stocks**

	2015 €m	2014 €m
Raw materials and consumables	9.9	3.8
Work in progress	2.7	14.5
Finished goods and goods for resale	184.6	254.7
	<u>197.2</u>	<u>273.0</u>

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

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**13. Debtors**

	<b>2015</b>	<b>2014</b>
	<b>€m</b>	<b>€m</b>
Trade debtors	304.9	321.7
Amounts owed by group undertakings	310.0	181.6
Corporation tax receivable	5.8	1.0
Intercompany receivable (corporation tax group relief)	98.8	12.2
Other debtors	31.0	61.8
Deferred tax asset (excluding that related to pension liability) (note 8)	74.8	40.0
VAT receivable	22.7	22.6
Prepayments and accrued income	29.4	44.8
	<u>877.4</u>	<u>685.7</u>

Amounts owed by other Sony group undertakings includes €70.6 million of short term intercompany cash positions, on which interest is charged based on daily rates provided by Sony Global Treasury Services plc. The remaining balance is unsecured, interest free and predominantly on 60 day terms.

**14. Creditors: amounts falling due within one year**

	<b>2015</b>	<b>2014</b>
	<b>€m</b>	<b>€m</b>
Trade creditors	122.9	52.5
Amounts owed to group undertakings	1,809.8	958.0
Other creditors	74.6	113.1
Other taxation and social security	29.7	30.5
Corporation tax payable	-	6.8
Accruals and deferred income	342.3	372.8
	<u>2,379.3</u>	<u>1,533.7</u>

The amount owed to group undertakings includes a secured long term loan of €800 million from Sony Global Treasury Services plc, running for 2 years from 27 March 2014 with an interest rate of 1.595%. In 2014 this amount was reported as falling due after more than one year (see note 15). Also included is €667.1 million of short term intercompany cash positions, on which interest is incurred based on daily rates provided by Sony Global Treasury Services plc. The remaining balance is unsecured, interest free, and predominantly on 60 day payment terms.

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

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

	2015 €m	2014 €m
Amounts owed to group undertakings	-	800.0
Accruals and deferred income	9.6	21.6
	<u>9.6</u>	<u>821.6</u>

The 2014 amount owed to group undertakings related to a secured long term loan which now falls due within one year (see note 14).

**16. Provisions for liabilities**

	Restructuring Provision €m	Warranty Provision €m	Other €m	Total €m
At 1 April 2014	84.1	73.9	3.9	161.9
Charge for the year	54.3	43.7	10.5	108.5
Utilised during year	(66.9)	(65.6)	(9.3)	(141.8)
Released during year	(4.4)	(6.4)	(2.6)	(13.4)
At 31 March 2015	<u>67.1</u>	<u>45.6</u>	<u>2.5</u>	<u>115.2</u>

A provision of €67.1 million (2014: €84.1 million) has been recognised for the estimated liability arising on the restructuring of SEU. Included in this amount is a provision of €31.0 million relating to various restructuring announcements made during Q4 2015, and €13.2million for outgoing employees affected by the termination of the Vaio (PC) business, announced in 2014.

A provision of €45.6 million (2014: €73.9 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 2015 include a provision of €1.5 million (2014: €2.2 million) for the estimated liability relating to the Waste Electrical & Electronic Equipment (WEEE) directive and a provision for €1.0 million (2014: €1.7 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.

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**17. Called up share capital**

	2015 €m	2014 €m
<b>Authorised</b>		
60,000,000 (2014: 60,000,000) ordinary shares of €1.10 each (2014: €1.10 each)	66.0	66.0
<b>Issued and fully paid</b>		
51,451,202 (2014: 51,451,201) ordinary shares of €1.10 each (2014: €1.10 each)	56.6	56.6

**18. Reconciliation of movements in reserves and shareholders' deficit**

	Called up share capital €m	2015 Share premium account €m	Profit and loss account €m	Total shareholders' deficit	
				2015 €m	2014 €m
At 1 April 2014	56.6	1,515.7	(3,027.7)	(1,455.4)	(1,110.7)
Profit/(Loss) for the financial year			93.1	93.1	(329.9)
Actuarial loss on pension scheme			(90.7)	(90.7)	(16.0)
Contribution from parent share-based incentive scheme (note 3)			0.4	0.4	0.3
Currency translation gains on foreign currency net investments			11.2	11.2	0.9
Share contribution from parent		7.5	-	7.5	-
Net increase/(reduction) to shareholders' funds	-	7.5	14.0	21.5	(344.7)
At 31 March 2015	56.6	1,523.2	(3,013.7)	(1,433.9)	(1,455.4)
Pension liability (note 21)			139.4		
Profit and loss reserve excluding pension liability			(2,874.3)		

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**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	
	2015	2014	2015	2014	2015	2014
	€m	€m	€m	€m	€m	€m
Within 1 year	1.8	0.8	2.4	2.8	4.2	3.6
Between 1 - 5 years	4.7	6.7	6.3	8.3	11.0	15.0
After 5 years	8.4	15.0	-	-	8.4	15.0
	<u>14.9</u>	<u>22.5</u>	<u>8.7</u>	<u>11.1</u>	<u>23.6</u>	<u>33.6</u>

Not included in the above lease obligations at 31 March 2015 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 €2.3 million (2014: €2.8 million), which represents twelve months (2014: twelve months) leasing obligation under the agreement. The lease, whilst renewable, has an initial five year term.

**20. Capital commitments**

At 31 March 2015 the company did not have any capital expenditure contracted for but not provided in the financial statements (2014: 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 Retiring Allowances Scheme, the Sony Belgium Retirement Plan, the Sony Netherlands (Benelux) Retirement Plan, the Sony Netherlands Supplemental Pension Plan, the Sony Mobile Communications International AB Pension Plan (Netherlands), the Sony Switzerland Pension Plan and the Sony Norway Disability Benefits and Pension Plan. 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 Germany 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 Netherlands Retirement Plan is comprised of a defined benefit section which is a funded final salary scheme and is closed to new members. The Sony France Retiring Allowances Scheme and Sony German Pension scheme are unfunded and are open to new members.

All other plans are comprised of defined benefit sections based on funded final salary schemes that are active.

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**21. Pension fund commitments (continued)**

During the year the company contributed €24.0 million (2014: €20.0 million) to the defined benefit schemes. The contributions by the company during the year ending 31 March 2016 are expected to be €21.7 million.

The defined contribution scheme's pension costs are equal to the contributions paid by the company to the fund managers and amounted to €6.1 million (2014: €6.9 million). There were no outstanding or prepaid contributions (2014: none) to the defined contribution scheme at the balance sheet date.

Also included in staff costs are pension costs of €1.8 million (2014: €1.1 million) 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 the independent actuary for each plan, based on the most recent full actuarial valuation updated to 31 March 2015.

**Principal actuarial assumptions**

<b>Range of assumptions used to determine</b>	<b>2015 % pa</b>	<b>2014 % pa</b>
Discount rate	0.6 – 3.4	2.0 – 4.4
Salary growth	0.0 – 4.3	0.0 – 4.5
Pension increases	0.0 – 3.1	0.0 – 3.0
Social security increases	1.5 – 2.5	0.0 – 3.5
Inflation	1.5 – 3.1	1.5 – 3.4
Expected rate of return on plan assets	3.0 – 5.5	3.5 – 5.6
<b>Weighted average assumptions used to determine</b>	<b>2015 % pa</b>	<b>2014 % pa</b>
Discount rate	2.87	4.10
Salary growth	2.70	2.94
Pension increases	2.95	3.33
Social security increases	1.82	2.02
Expected rate of return on plan assets	5.05	5.18
<b>Inflation rate assumptions by country</b>	<b>2015 % pa</b>	<b>2014 % pa</b>
UK (RPI)	3.10	3.40
UK (CPI)	2.10	2.40
Norway	1.50	2.00
Switzerland	1.50	1.50
Belgium, France, Ireland, Netherlands, Germany	1.80	2.00

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**21. Pension fund commitments (continued)**

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

Base table: SAPS tables with future improvements

Future improvements CMI 2013 model with a long term rate of future improvement of 1.5%.

**Sony Ireland Pension and Life Assurance Scheme - post retirement mortality**

Base Table: S2PMA/S2PFA

Future improvements: CMI 2013 model with a long term rate of future improvement of 1.5%.

**Sony Netherlands - post retirement mortality**

Base Table: AG Prognose 2014 with correction tables

Correction tables: **Benelux and Supplemental:** H-age correction tables are applied.  
**Sony Mobile:** ES-P2 adjustments are applied.

**Sony Belgium Retirement Plan - post retirement mortality**

Base Table: MR/FR with age adjustment of -3 years

**Sony France Retiring Allowances Scheme - post retirement mortality**

Base Table: INSEE TD/TV 2010 - 2012

**Sony Norway Disability Benefits and Pension Plan - post retirement mortality**

Base Table: K2013BE

**Sony Switzerland Pension Plan - post retirement mortality**

Base Table: BVG 2010

**Sony Germany Pension Scheme**

Base Table: Richttafeln Heubeck 2005G

The overall expected return on assets assumption as at 31 March 2015 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.

<b>Actual return on scheme assets</b>	<b>2015</b>	<b>2014</b>
	<b>€m</b>	<b>€m</b>
Expected return on plan assets	35.5	31.6
Actuarial gain on assets	140.1	1.9
Actual return on plan assets	<u>175.6</u>	<u>33.5</u>



**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**21. Pension fund commitments (continued)**

<b>Composition of the total fair value of scheme assets</b>	<b>2015 €m</b>	<b>2014 €m</b>
Equities	261.8	259.9
Bonds	384.2	337.2
Property	34.2	27.0
Other assets	257.8	51.1
<b>Total</b>	<b>938.0</b>	<b>675.2</b>
<b>Reconciliation to the balance sheet</b>	<b>2015 €m</b>	<b>2014 €m</b>
Total fair value of scheme assets	938.0	675.2
Present value of scheme liabilities	(1,077.4)	(751.4)
Deficit in the scheme	(139.4)	(76.2)
Deferred tax on pension liability	-	-
<b>Pension liability recognised in the balance sheet</b>	<b>(139.4)</b>	<b>(76.2)</b>
<b>Reconciliation of scheme asset and liability balance movements</b>		
<b>Change in present value of scheme liabilities</b>	<b>2015 €m</b>	<b>2014 €m</b>
Defined benefit obligation at 1 April	751.4	694.8
Defined benefit obligation acquired	-	11.8
Employer service cost	2.2	3.3
Interest cost	31.5	29.4
Scheme participants' contributions	0.7	0.7
Curtailment gain	(5.3)	(0.4)
Settlements	(6.9)	-
Actuarial loss	230.8	19.3
Benefits paid from scheme assets	(18.2)	(18.2)
Adjustment for revision of foreign exchange impact on prior year actuarial gain	-	(11.6)
Exchange differences on foreign plans	91.2	22.3
<b>Defined benefit obligation unfunded</b>	<b>39.0</b>	<b>28.4</b>
<b>Defined benefit obligation funded</b>	<b>1,038.4</b>	<b>723.0</b>
<b>Defined benefit obligation at 31 March</b>	<b>1,077.4</b>	<b>751.4</b>

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**21. Pension fund commitments (continued)**

**Change in fair value of scheme assets**

	<b>2015 €m</b>	<b>2014 €m</b>
Fair value of assets at 1 April	675.2	613.0
Acquisitions	-	15.9
Settlements	(5.1)	-
Expected return on assets	35.5	31.6
Actuarial gain on assets	140.1	1.9
Employer contributions	24.0	20.0
Scheme participants' contributions	0.7	0.7
Benefits paid	(18.2)	(18.2)
Adjustment for revision of foreign exchange impact on prior year actuarial gain	-	(10.8)
Exchange differences on foreign plans	85.8	21.1
Fair value of assets at 31 March	<u>938.0</u>	<u>675.2</u>

The following amounts have been recognised in the financial statements for the years ending 31 March 2015 and 31 March 2014 respectively.

	<b>2015 €m</b>	<b>2014 €m</b>
Operating profit – staff costs		
Current service cost	4.3	4.2
Past service cost	(2.1)	(0.9)
Gain on curtailment	(5.3)	(0.4)
Gain on settlement	(1.8)	-
Total charged to operating profit	<u>(4.9)</u>	<u>2.9</u>

	<b>2015 €m</b>	<b>2014 €m</b>
Other finance (charges)/income		
Interest on pension scheme liabilities	(31.5)	(29.4)
Expected return on assets in the pension scheme	35.5	31.6
Foreign exchange arising on translation of the pension deficit	(5.4)	-
Net (charge)/credit	<u>(1.4)</u>	<u>2.2</u>

The total charged to operating profit in the current year includes a curtailment gain of €5.3million (2014: €0.4 million) recognised for the Sony Belgium and Sony France schemes, and a settlement gain of €1.8m recognised for the Sony Belgium scheme. These gains are the result of restructuring exercises that took place during the year.

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**21. Pension fund commitments (continued)**

**Statement of total recognised gains and losses (STRGL)**

	<b>2015 €m</b>	<b>2014 €m</b>
Actuarial gain on assets	(140.1)	(1.9)
Experience loss/(gain) arising on the scheme liabilities	24.4	(3.9)
Losses on change of assumptions (financial and demographic)	206.4	23.2
	<hr/>	<hr/>
Actuarial loss	90.7	17.4
Translation losses/(gains) on foreign plans	-	(1.4)
	<hr/>	<hr/>
Total loss recognised in STRGL	<u>90.7</u>	<u>16.0</u>
Cumulative actuarial loss recognised through the STRGL		
	<b>2015 €m</b>	<b>2014 €m</b>
Cumulative actuarial loss recognised through the STRGL since 31 March 2003	<u>296.1</u>	<u>205.4</u>

**History of amounts recognised for the current and previous four accounting years**

	<b>2015 €m</b>	<b>2014 €m</b>	<b>2013 €m</b>	<b>2012 €m</b>	<b>2011 €m</b>
Present value scheme liabilities	(1,077.4)	(751.4)	(694.8)	(554.7)	(548.1)
Fair value of scheme assets	938.0	675.2	613.0	551.8	516.9
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit in the scheme	<u>(139.4)</u>	<u>(76.2)</u>	<u>(81.8)</u>	<u>(2.9)</u>	<u>(31.2)</u>
Experience adjustments arising on:					
scheme assets	(140.1)	(1.9)	(32.3)	(2.5)	3.0
scheme liabilities	24.4	(3.9)	(2.1)	(1.1)	(19.7)

**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.

	<b>2015 €m</b>	<b>2014 €m</b>
Fair value of forward exchange contracts	<u>2.3</u>	<u>0.4</u>

**Sony Europe Limited**  
**Notes to the financial statements (continued)**  
**Year ended 31 March 2015**

**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 is Sony Corporation.

Consolidated financial statements for Sony Corporation are publicly available 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).