Company Registration No. 02422874

Sony Europe Limited

Annual Report and Financial Statements

31 March 2018

Sony Europe Limited

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Sony Europe Limited
Strategic Report
Year ended 31 March 2018

The directors present their strategic report on the company for the year ended 31st March 2018.

Strategy

Sony Europe Limited ("SEU" or "the company") is aligned with the strategic direction of Sony Corporation. The Corporation has specified three key objectives for sustainable growth over the mid-to long-term: Through our relationship with consumers, remain the "Last one inch" that delivers *kando*, a sense of "wow", to our customers; By maintaining a relationship with each of our customers, enhance our recurring revenue business models which grows stable profit; Be a diverse company that pursues new businesses.

The following are the key strategic objectives of Sony Europe Limited:

- Achieve profitable growth through enhancing sales of high value added products, and operational excellence through ongoing improvement in daily operations.
- Adopt new challenges by strengthening the recurring revenue business, such as the area of professional photography in the digital imaging business, and enhancement of our on-line presence through selected business partners.

Results

The company's turnover for the financial year was €3,914.7 million (2017: €3,622.5 million). The company's profit for the financial year was €4.6 million (2017: €40.5 million). At 31st March 2018 the company has total equity of -€682.6 million (2017: -€696.2 million). Details of the movement during the year can be found in the Statement of changes in equity on page 13.

Review of the business

SEU experienced a successful year, meeting its targeted turnover and year on year growth targets, but incurred an operating loss due to the severe business environment, particularly price competition due to appreciation of the Euro since the beginning of 2017. The top line performance continues to demonstrate the success of initiatives by SEU management, to focus on increasing in-store and on-line presence, ensuring effective marketing of new model line-ups and enhancing product supply chain management. These initiatives have enabled us be market leader for high value Digital Cameras and to gain market share in several key sectors, such as premium TV and headsets.

Although turnover from continuing operations has increased by 10.1% since 2017, reductions in gross profit have resulted in an overall decrease of €91.4 million in profit before interest & taxation. The gross profit reduction is a consequence of competitive sales pricing in the market.

SEU incurred net restructuring costs this year of €5.0 million (2017: €22.3 million, including a €12.5 million impairment charge), most significantly €2.3 million in the professional solution business. Details regarding the outstanding provisions for restructuring are provided in note 18.

On 1st September 2017, Sony Corporation completed the transfer of the group's battery business to the Murata Group. Under the agreement, SEU transferred net liabilities and a cash consideration of €17.5 million to Murata Europe.

Consumer categories

In the consumer category, turnover increased by 13.5% from 2017, most significantly in television sales, which increased by 13% through an increase in average sales price by improving product mix. Digital imaging sales increased by 12.1% compared to 2017, as sales recovered from the impact of the 2017 Kumamoto earthquake. Video and sound sales increased by 13.7%, with strong market expansion in headsets.

Professional categories

In the professional category, turnover reduced by 9.5%. This was primarily driven by the semiconductor & electronic solutions categories, where turnover decreased by 17.2% following transfer of the energy business to Murata Europe.

Key performance indicators (KPIs)

The following KPIs are relevant in reviewing the performance of the company during the year ended 31 March 2018.

KPI	Definition and method of calculation	2018	2017
Growth of turnover from continuing operations (%)	Year on year turnover growth for continuing operations, expressed as a percentage	10.1%	(4.8%)
Operating margin (%)	The ratio of operating profit before interest and taxation to turnover, expressed as a percentage	(0.3%)	2.1%
Liquidity	Total current assets less inventory, expressed as a ratio of total current liabilities	0.56	0.55
Days sales outstanding	The trade debtors balance compared to turnover for the year, expressed in days	51	49
Inventory days supply	The inventory balance compared to cost of sales, expressed in days	24	29

Comments on KPI achievement

- For supporting detail regarding the movement in sales and operating margin, please refer to the Review of the business section in the Strategic report, above.
- The low liquidity position for SEU is mitigated through a letter of support. Please refer to Directors' assessment of the company as a going concern in the Directors' Report on page 5.
- Days sales outstanding (DSO) and Inventory days supply are at targeted levels to meet operational efficiency and cash flow objectives.

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 increased pricing transparency. 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.

Liquidity risk

A letter of support 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 for 12 months after the date of signing of these financial statements, at which time the position will be re-assessed.

Principal risks and uncertainties (continued)

Exchange rate risk

The company's functional currency is the Euro. Sales and purchases are also transacted various other currencies, most significantly in USD, JPY and in other European currencies, and this risk is mitigated by the company entering into forward foreign exchange contracts with Sony Global Treasury Services plc. Details of the impact of these derivatives can be found in note 15.

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.

Through strong credit control and debt recovery procedures, we have been able to minimise any losses during the year. The improved quality of our trade receivables have also enabled us to negotiate and obtain improved conditions from third party insurance providers.

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
27 June 2018

Sony Europe Limited
Directors' Report
Year ended 31 March 2018

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2018.

Principal activities

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 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.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks, the most material of which are price risk, liquidity risk, exchange rate risk and credit risk. Descriptions of these risks and the Company's related risk management objectives and policies are included in the Strategic Report on pages 3 and 4.

Dividends

The directors do not recommend the payment of a dividend (2017: €nil).

Future developments

The EU electronics market remains extremely competitive, and is expected to be so for the foreseeable future.

This year we have consolidated our position and achieved total targeted annual sales. Our objectives for 2019 will be to achieve profitable growth and to enhance productivity. These objectives will be achieved by continuing our focus on the premium sectors, ensuring customer engagements at all points deliver beyond expectation, and by building on our standardised way of working. The impressive new product line up, combined with our attention to product quality, effective marketing deployment and continued competitive pricing strategy is expected to ensure a successful year.

We will continue to apply our proven business management formula and continuously review our product positioning and the costs of getting our products to market. The directors believe that because of the unique breadth and range of innovative products, and as a result of the positive actions taken in this and previous years, SEU is well placed to rapidly take advantage of future growth opportunities. SEU's products, together with 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 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.

The longer term impact of the decision on 23 June 2016 by the United Kingdom to exit the European Union ("Brexit") is uncertain. The Directors' and shareholder continue to assess the impact of Brexit as the position becomes more certain and have planned for various forms of mitigating actions should these be required to ensure that Sony can continue to serve customers effectively across the European Union and United Kingdom.

Events after the end of the reporting period

On 1st April 2018, SEU acquired 100% of the shares in Sony New Media Solutions (U.K.) Limited, a UK based company providing post-production and distribution services for television and video. The book value of the net liabilities acquired by SEU totalled €4.8 million and the consideration paid was €1

On 1st April 2018, SEU executed a business to transfer agreement with Sony Mobile Communications AM, to transfer the Nimway business to SEU. Net liabilities of SEK 1.9 million were acquired by SEU in exchange for consideration received of SEK 1.9m.

Directors' assessment of the company as a going concern

The directors are satisfied that the long-term financial position of SEU is under control, and a letter of support 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 for 12 months after the date of signing of these financial statements, 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, unless otherwise indicated, are given below:

A Kobayashi (resigned 1 June 2017)
S Kumekawa
M Kurebayashi (appointed 1 June 2017)
R Londema

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 televisions and professional broadcast industries and investigates new innovations and technologies which can be incorporated in future product ranges. Research and development expenditure totalled €39.9 million (2017: €30.0 million), of which €37.2 million was recharged to other Sony global group companies (2017: €28.6 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 SEU 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 Europe Information and Consultation Committee 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 ("BE Heard"), held in August/September each year with results published in October. This gives all employees the opportunity to express 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 programme 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.

Sony Europe Limited
Directors' Report (continued)
Year ended 31 March 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

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

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

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.

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

N Langhorne
Company Secretary
27 June 2018

Independent auditors' report to the members of Sony Europe Limited
Year ended 31 March 2018

Report on the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Sony Europe Limited (continued)
Year ended 31 March 2018

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Greg Briggs

Gregory Briggs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
28 June 2018

Sony Europe Limited
Income statement
For the year ended 31 March 2018

	Note	2018 Continuing operations €m	2018 Discontinued operations €m	2018 Total €m	2017 Continuing operations €m	2017 Discontinued operations €m	2017 Total €m
Turnover	4	3,850.6	64.1	3,914.7	3,498.7	123.8	3,622.5
Cost of sales		(3,215.1)	(58.6)	(3,273.7)	(2,793.0)	(111.1)	(2,904.1)
Gross profit		635.5	5.5	641.0	705.7	12.7	718.4
Distribution costs		(63.9)	(1.1)	(65.0)	(61.7)	(2.5)	(64.2)
Administrative expenses		(610.5)	(0.6)	(611.1)	(592.7)	(11.2)	(603.9)
Other operating income		22.4	0.3	22.7	25.8	0.7	26.5
Operating (loss)/profit		(16.5)	4.1	(12.4)	77.1	(0.3)	76.8
Income from shares in group undertakings		-	-	-	2.2	-	2.2
(Loss)/profit before interest and taxation	5	(16.5)	4.1	(12.4)	79.3	(0.3)	79.0
Interest receivable and similar income	8	0.4	-	0.4	0.2	-	0.2
Interest payable and similar expenses	8	(6.5)	(0.2)	(6.7)	(7.0)	(0.6)	(7.6)
(Loss)/profit before taxation		(22.6)	3.9	(18.7)	72.5	(0.9)	71.6
Tax on (loss)/profit	9	23.3	-	23.3	(31.1)	-	(31.1)
Profit/(loss) for the financial year		0.7	3.9	4.6	41.4	(0.9)	40.5

2018 discontinued operations are the Energy business, transferred to Murata in September 2017, and some remaining activities from the Visual Security, Vaio (PC), mobile, tablet and reader businesses which were discontinued in previous years.

Sony Europe Limited
Statement of comprehensive income
For the year ended 31 March 2018

	Note	2018 €m	2017 €m
Profit for the financial year		4.6	40.5
Remeasurement of net defined benefit liability	17	8.5	(32.8)
Currency translation losses on foreign currency net investments		(1.8)	(7.5)
Deferred tax movement on net defined benefit liability		0.1	0.3
Other comprehensive income/(expense) for the year, net of tax		6.8	(40.0)
Total comprehensive income for the year		11.4	0.5

Sony Europe Limited
Statement of financial position
As at 31 March 2018

	Notes	2018 €m	2017 €m
Fixed assets			
Intangible assets	10	26.8	35.0
Tangible assets	11	101.7	59.4
Investments	12	16.6	29.7
		145.1	124.1
Current assets			
Inventory	13	217.8	234.2
Debtors:	14		
-amounts falling due within one year		789.5	728.8
-amounts falling due after more than one year		88.8	68.9
		878.3	797.7
Cash at bank and in hand		3.3	6.5
		1,099.4	1,038.4
Creditors: amounts falling due within one year	15	(1,576.9)	(1,466.9)
Net current liabilities		(477.5)	(428.5)
Total assets less current liabilities		(332.4)	(304.4)
Creditors: amounts falling due after more than one year	16	(36.0)	(37.9)
Post- employment benefits	17	(204.8)	(236.2)
Provisions for liabilities	18	(109.4)	(117.7)
Net liabilities		(682.6)	(696.2)
Capital and reserves			
Called up share capital	19	56.6	56.6
Share premium account		2,258.3	2,258.3
Profit and loss account		(2,997.5)	(3,011.1)
Total shareholder deficit		(682.6)	(696.2)

The notes on pages 14 to 38 are an integral part of these financial statements.

The financial statements on pages 10 to 38 of Sony Europe Limited, registered number 02422874, were approved by the Board of Directors on 27 June 2018.

Signed on behalf of the Board of Directors

M Kurebayashi
Director

Sony Europe Limited
Statement of changes in equity
For the year ended 31 March 2018

	Called up share capital €m	Share premium account €m	Profit and loss account €m	Total shareholder deficit €m
At 1 April 2016	56.6	2,258.3	(3,013.5)	(698.6)
Profit for the financial year	-	-	40.5	40.5
Other comprehensive expense for the year	-	-	(40.0)	(40.0)
Total comprehensive income for the year	-	-	0.5	0.5
Contribution from parent share-based incentive scheme	-	-	1.9	1.9
At 31 March 2017	56.6	2,258.3	(3,011.1)	(696.2)
Profit for the financial year	-	-	4.6	4.6
Other comprehensive income for the year	-	-	6.8	6.8
Total comprehensive income for the year	-	-	11.4	11.4
Contribution from parent share-based incentive scheme	-	-	2.2	2.2
At 31 March 2018	56.6	2,258.3	(2,997.5)	(682.6)

Sony Europe Limited
Notes to the financial statements
Year ended 31 March 2018

Sony Europe Limited is the distributor in Europe of Sony branded products, which are principally electronic goods for domestic, leisure, business and professional use. The company is a private company limited by shares, and is incorporated in the United Kingdom. The address of the registered office is Sony Europe Limited, c/o Legal Department, The Heights, Brooklands, Weybridge, Surrey, KT13 0XW.

1. Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'') and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through the income statement.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Going concern

The company has a net liabilities position due to cumulative trading losses incurred. 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 period of this support has been confirmed to run for 12 months after the date of signing of these financial statements, at which time the position will be re-assessed. The company therefore continues to adopt the going concern basis in preparing these financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS102 allows a qualifying entity certain disclosure exemptions:

- The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Sony Corporation, includes the company's cash flows in its own consolidated financial statements.
- The company has taken advantage of the exemption, under FRS 102 paragraphs 26.18(b), 26.19 – 26.21 and 26.23, for certain disclosure requirements in respect of share based payments, where the share based payment concerns equity instruments of Sony Corporation and the equivalent disclosures are included in the consolidated financial statements of ultimate parent company.
- The company has taken advantage of the exemption, under FRS 102 paragraph 33.7 from disclosing total compensation of key management personnel.
- The company has taken advantage of the exemption, under FRS 102 paragraphs 11.39 – 11.48A and 12.26 – 12.29, from certain financial instrument disclosures, on the basis that the equivalent disclosures are included in the consolidated financial statements of ultimate parent company.
- The company has taken advantage of the exemption, under FRS 102 paragraph 33.1 (a), from disclosing related party transactions as they are all with other companies that are wholly owned by Sony Corporation.

2. Accounting policies (continued)

(d) Consolidation

These 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 subsidiaries are included in the consolidated financial statements of its parent, Sony Corporation. The consolidated financial statements of Sony Corporation are publicly available (see note 22).

(e) Foreign currencies

(i) Functional and presentation currency

The company's functional and presentation currency is the Euro.

(ii) Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

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 some divisions and overseas branches of the company having a functional currency other than Euro, the closing rate method has been used to translate the results of those divisions. Under this method, resulting exchange differences are processed through other comprehensive income.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of anticipated returns, trade discounts, sales incentives and value added taxes. The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

Revenue is deferred when it has been invoiced but the goods/services have not yet been delivered. This deferral is included within creditors (note 15). Revenue is accrued when it is both supported by a contractual agreement and has been earned. Accrued revenue is included within debtors (note 14).

The company recognises revenue when

(i) the significant risks and rewards of ownership have been transferred to the buyer;

(ii) the company retains no continuing involvement or control over the goods;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that future economic benefits will flow to the entity and

2. Accounting policies (continued)

(f) Revenue recognition (continued)

(v) when the specific criteria relating to the each of company's sales channels have been met, as described below:

Standard sales of consumer goods

The company sells a range of consumer electronics to retail outlets in many countries throughout Europe. Sales of goods are recognised on delivery to the customer, providing the risks and rewards of ownership have been transferred and any acceptance criteria have been fulfilled.

Goods are often sold with volume rebates or other incentives, and also with the provision for the customer to return faulty goods. Sales are measured at the prices specified in the sale contract, net of estimated rebates, incentives and returns. Accumulated experience is used to estimate and provide for the discounts and returns.

Occasionally other sales incentives such as cashback schemes and trade in options are offered to customers, and the sales value recognised would be net of the estimated value allocated to any undelivered elements of the contract.

Credit terms vary by country and by type of customer. For significant customers they range between 30 and 85 days. The element of financing is deemed immaterial and is disregarded in the measurement of revenue.

Provision is made for an expected level of returns based on historical experience.

Sales of services

The company earns revenue from the sale of extended product warranties, service and repair charges, and charges for the cost of freight and insurance. Extended warranty revenue is recognised straight line over the term of the contract. All other service revenue is recognised when the service is rendered.

Professional sales under long term contracts

In the professional category, long term contracts are those which exceed three months duration, and may include a combination of both goods and services. Contracts typically relate to the design, development, manufacture, or modification of electronic equipment, or to arrangements to deliver software or a software system, requiring significant production, modification, or customization of software. Contracts often consist of instalment payments being made on completion of performance milestones.

Revenue on long term fixed price contracts is recognised on a percentage of completion basis over the contract term, providing the company is able to make reasonably dependable estimates of the extent of progress toward completion, contract revenues, and contract costs. Where such estimates are not reliable, the revenue is recognised only at completion of the contract. Any anticipated loss on a contract is recognised immediately in cost of sales. Percentage of completion for a particular contract is measured by applying the input measure approach, where revenue and costs are recognised according to the amount of costs incurred to date, expressed as a percentage of the total estimated contract costs.

The net amount due from/to customers for contract work is included in debtors or creditors falling due within one year.

Multiple element arrangements

The company sometimes sells a combination of various goods and services within a single sales agreement. In this case, the total revenue is allocated to the separate deliverables within the contract based on the relative fair value, or expected selling price, of each. Revenue for each deliverable is recognised only when the criteria i) to iv) above, required for recognition, have been achieved.

2. Accounting policies (continued)

(g) Other operating income

Included in other operating income are insurance receipts, digital cinema virtual print fees, operating lease rentals, intercompany commissions received for sales of semiconductors and devices to manufacturing customers and other commissions received for internet services. 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.

(h) Dividend income

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

(i) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

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

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

(iii) Defined benefit pension plans
The company operates a number of defined benefit plans for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in the scheme currency, and that have terms approximating the estimated period of the future payments.

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability' in the Statement of comprehensive income.

The cost of the defined benefit plan, recognised in the income statement as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

2. Accounting policies (continued)

(i) Employee benefits (continued)

(iii) Defined benefit pension plans (continued)
The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Income Statement within 'Interest Payable and similar charges'. Also included in that amount is the impact of foreign currency translation on defined benefit plans not denominated in Euro.

(iv) Annual bonus plan
The company operates an annual bonus plan for employees. An expense is recognised in the income statement when the company has a legal or constructive obligation to make payments under the plan as a result of past events, and a reliable estimate of the obligation can be made.

(v) Share-based payments
Share options are granted directly from the ultimate parent undertaking (Sony Corporation) to selected key employees of SEU. These transactions represent 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 options that will eventually vest. The increase in equity resulting from the transaction is recorded as a contribution from the parent undertaking.

(vi) Termination Benefits
For termination benefits where there is a statutory or contractual obligation, or a constructive obligation formed by prior agreement with local employee representatives, these are recorded once a detailed termination plan has been approved by management. Any other termination benefits are recorded on the date of notification to affected employees.

(j) Taxation

Taxation expense for the period is recognised in the income statement and comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

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

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

2. Accounting policies (continued)

(k) Intangible Assets

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 income statement. Goodwill is reviewed by management for impairment indicators on an annual basis during the fourth financial quarter, and between annual tests whenever an impairment indicator is noted. Provision is made for any identified impairment, and the expense is recognised through the income statement. 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.

Software is stated at cost less accumulated depreciation and accumulated impairment losses. Software assets are reviewed for impairment at each reporting date, and are being amortised on a straight line basis over 3 to 5 years, being the period in which the company expects to utilise the relevant software.

Other intangibles acquired on the acquisition of businesses are capitalised at fair value and written off on a straight line basis over their estimated useful economic life. In the year of acquisition a full year amortisation is charged to the income statement. Other intangibles are reviewed by management for impairment indicators on an annual basis during the fourth financial quarter, and between annual tests whenever an impairment indicator is noted. Provision is made for any identified impairment, and the expense is recognised through the income statement. The customer relationships intangible is amortised over 5 years, which represents the period over which the directors believe that the company will benefit from the existing contracts.

(l) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and any dismantling and restoration costs. Tangible assets are reviewed for impairment at each reporting date.

(i) Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, on an ongoing basis. The effect of any change is accounted for prospectively. The cost of minor capital expenditure (individual items under €500, excluding laptops), is written off as it is incurred.

(ii) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(iii) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until available for use.

2. Accounting policies (continued)

(m) Impairment of non-financial assets

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

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

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

(n) Investments

Investments in subsidiary and associated companies are held at historical cost, less accumulated impairment losses. Investments are reviewed by management for impairment indicators on an annual basis during the fourth financial quarter, and any impairment is recorded through the income statement.

(o) Inventory and work in progress

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised. Cost is determined using a moving weighted average, and includes all attributable expenses of importation and delivery to the company's premises, including the purchase price, taxes, duties, transport and handling directly attributable the product.

At the end of each reporting period inventories are assessed for impairment using set rules based on future sales forecast information and management judgement. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Work in Progress on long term contracts is stated at cost less the amount booked to cost of sales, including any provision for foreseeable losses on the contract.

(p) Cash and cash equivalents

Cash and cash equivalents represents the total deposits held in bank accounts.

(q) Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

2. Accounting policies (continued)

(q) Provisions and contingencies (continued)

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(r) Financial Instruments

Basic financial instruments, including trade and other receivables and payables, and cash and bank balances, are initially recognised at transaction price. Long term receivables and payables are recorded at the present value of future receipts or payments, discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. Derivative assets and liabilities are recorded at fair value, with changes in the fair value of derivatives being recognised in the income statement in finance costs or income, as appropriate.

At the end of each reporting period, financial assets are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is recognised immediately in the income statement. Where a reversal of the impairment is recognised, the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

(s) Share capital

Called up share capital consists of ordinary shares and is classified within equity.

3. Critical accounting judgements and estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 2(l) for the useful economic lives for each class of assets.

(ii) Useful economic lives of intangible assets and goodwill

The useful economic lives of intangible assets and goodwill are re-assessed annually as described in note 2 (k). These lives may be amended to reflect changes to the estimated period over which the directors expect to benefit from use of the asset.

(iii) Impairment of intangible assets and goodwill

Intangible assets and goodwill are reviewed annually for impairment as described in note 2 (k). This review includes estimating the future cash flows generated by the asset and estimating an appropriate discount rate to apply to those cash flows.

3. Critical Accounting judgements and estimation uncertainty (continued)

(iv) Inventory provisioning

The inventory balance consists of electronic equipment which is subject to changing consumer demand. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory and associated provision.

(v) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers various factors, including the current credit rating of the debtor, the ageing profile of the debtor, and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

(vi) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increase rates, asset valuations and returns and rates of inflation. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures relating to the defined benefit pension scheme.

(vii) Warranty provision

The company makes an estimate of the expected cost of providing warranty on product sales during the last three years. 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.

(viii) Customer incentives accrual

The company provides several incentive programs to customers, both tactical and sell-through support and periodic volume rebates, which are normally accrued as a reduction in revenue. At each reporting period, the estimated cost of such incentives is recorded against revenue at the later of (i) the date at which the related revenue is recognized by Sony, or (ii) the date at which the sales incentive is offered. Estimates are subject to management judgement and are based on previous experience.

(ix) Long term contract accounting

Turnover on long term fixed price contracts is recognised on a percentage of completion basis over the contract term, providing the company is able to make reasonably dependable estimates of the extent of progress toward completion, contract revenues, and contract costs. These estimates reflect historical experience and are reviewed by management on a regular basis.

4. Turnover

Geographical analysis of turnover by destination:

	2018 €m	2017 €m
UK and Ireland	651.7	633.2
Western Europe	2,328.7	2,174.0
Eastern Europe	829.3	695.1
Asia	25.7	42.2
North America	50.7	51.4
Middle East	16.6	14.7
Rest of the world	12.0	11.9
	3,914.7	3,622.5

Analysis by category:

	2018 €m	2017 €m
Consumer category	2,948.4	2,597.8
Professional category	774.9	856.6
Other	191.4	168.1
	3,914.7	3,622.5

Analysis by class of revenue:

	2018 €m	2017 €m
Sale of goods	3,897.2	3,598.0
Provision of services	30.8	34.0
Long term contracts	13.5	14.0
Payment discounts	(28.0)	(25.8)
Other	1.2	2.3
	3,914.7	3,622.5

5. (Loss)/profit before interest and taxation

	Note	2018 €m	2017 €m
(Loss)/profit before interest and taxation is stated after charging/(crediting):			
Wages and salaries		217.4	208.2
Social security costs		47.1	50.1
Other pension costs	17	9.0	8.6
Equity-settled share based payments	7	2.2	1.9
Staff costs		275.7	268.8
Inventory recognised as an expense		3,212.6	2,821.0
Impairment of inventory (included in 'cost of sales')		(3.4)	2.3
Impairment of trade receivables (included in 'administrative expenses')		0.4	0.4
Amortisation of intangible assets	10	5.4	5.8
Depreciation of tangible fixed assets	11	14.4	12.1
Impairment of intangible assets	10	3.1	-
Loss/(profit) on disposal of tangible assets	11	0.2	(2.5)
Impairment of investments	12	13.0	7.3
Operating lease charges		2.4	19.7
Foreign exchange loss		4.1	8.2
Fees payable the company's auditor for audit of the statutory financial statements		1.0	1.3
Impairment of tangible assets	11	-	12.5
Restructuring expenses (net of impairment)		5.0	9.8
Restructuring expenses		5.0	22.3

6. Employees and directors

Employees

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

By location:	2018 No.	2017 No.
UK and Ireland	1,136	1,081
Western Europe	1,229	1,154
Eastern Europe	365	334
	2,730	2,569

6. Employees and directors (continued)

Employees (continued)

By functional role:	**2018 No.**	**2017 No.**
Consumer Sales	661	634
Consumer Marketing	355	341
Professional Solutions Europe	394	386
Business Support	663	615
Other	657	593
	2,730	2,569

448 employees (2017:434) who were transacted through the SEU payroll are excluded from the above figures as they are fully recharged to other Sony entities, so are not included in the SEU staff costs.

Directors

	2018 €m	**2017 €m**
Aggregate emoluments	2.0	1.6
Highest paid director's emoluments	1.0	0.8

One director is accruing retirement benefits under a defined benefit scheme (2017:1). The benefits accrued at 31st March 2018 are €2.5 million (2017:€2.0 million). No director is participating in a defined contribution scheme (2017: none). No director has exercised share options, or received any shares under long term incentive scheme (2017: none).

7. Share based payments

Selected key employees of the company are granted options over the shares in Sony Corporation, the ultimate parent company. Options are granted annually with a fixed exercise price, and are valid for 10 years from the date of the grant. The options vest over three years, with approximately one third vesting on each anniversary of the grant date. Options may be exercised at any point after the vesting date, once the market price exceeds the exercise price. No charges for the cost of the scheme are made to SEU by Sony Corporation.

The company has recognised an equity-settled share based payment expense of €2.2 million, (2017: €1.9 million). The allocation is based on the total charge for the group, prorated for the number of participating employees in SEU compared to the total number of participating group employees.

8. Net Interest Expense

a) Interest receivable and similar income

	2018 €m	2017 €m
Interest receivable on amounts owed by group undertakings	0.4	0.2
Total interest income on financial assets not measured at fair value through the income statement.	0.4	0.2

b) Interest payable and similar expenses

	Note	2018 €m	2017 €m
Interest payable on amounts owed to group undertakings		3.7	4.9
Interest payable on local tax assessments		0.2	1.3
Total interest expense on financial liabilities not measured at fair value through the income statement.		3.9	6.2
Net interest expense on post-employment benefits	17	2.8	1.4
		6.7	7.6

9. Tax on (loss)/profit

(a) Tax expense included in the income statement

	2018 €m	2017 €m
Current taxation		
UK corporation tax (credit)/charge 19% (2017: 20%)	(9.4)	0.1
Adjustments in respect of previous years	2.8	1.6
Foreign tax		
Current tax on (loss)/profit for the year	4.9	3.4
Adjustments in respect of previous years	0.3	(0.5)
Total current tax (credit)/ charge	(1.4)	4.6
Deferred taxation		
Origination and reversal of timing differences	(22.5)	25.4
Adjustments in respect of previous years	0.6	1.1
Total deferred tax (credit)/ charge	(21.9)	26.5
Tax (credit)/charge on (loss)/profit	(23.3)	31.1

9. Tax on (loss)/profit (continued)

	2018 €m	2017 €m
(b) Tax expense included in other comprehensive income		
Deferred taxation		
Deferred tax movement on net defined benefit liability	(0.1)	(0.3)
Tax credit included in other comprehensive income	(0.1)	(0.3)

(c) Factors affecting tax for the year

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2018 €m	2017 €m
(Loss)/profit before taxation	(18.7)	71.6
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	(3.5)	14.3
Effects of:		
Expenses not deductible for tax purposes	8.3	7.1
Income not allowable for tax purposes	(0.9)	(4.5)
Adjustments in respect of previous years	3.7	2.2
Impact of overseas taxes	(22.4)	28.8
Deferred tax not recognised in year	(8.5)	(16.8)
Tax (credit)/charge for the year	(23.3)	31.1

Factors which may affect future charges

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

9. Tax on (loss)/profit (continued)

(d) Deferred taxation asset

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

	2018 €m	2017 €m
Tax losses carried forward	42.2	20.8
Deferred tax excluding that relating to pension liability and other timing differences	42.2	20.8
Pension liability	34.0	33.6
Other timing differences	4.5	4.6
Total deferred tax asset recognised	80.7	59.0

The movement in deferred tax assets are as follows:

	2018 €m	2017 €m
At 1st April 2017	59.0	85.2
Credited/(charged) to income statement	21.9	(26.5)
Credited to other comprehensive income	0.1	0.3
Other movements	(0.3)	-
At 31st March 2018	80.7	59.0

Of the above deferred tax assets, an amount of €1.8 million (2017: €0.7 million) relating to short term timing differences is expected to reverse within one year of the balance sheet date. The total amount of the deferred tax asset recognised above has an unlimited life and is not subject to an expiration date.

As at 31 March 2018, there are potential deferred tax assets of €44.2 million (2017: €80.5 million), which are not being recognised due to insufficient certainty of recovery in line with FRS102 principles. This consists of €32.1 million relating to losses (2017:€39.6 million) and €12.1 million of other short term timing differences (2017: €40.9 million).

10. Intangible assets

	Goodwill €m	Software €m	Other Intangibles €m	Total €m
Cost				
At 1 April 2017	45.7	18.3	4.0	68.0
Additions	-	0.3	-	0.3
Disposals	-	(0.7)	-	(0.7)
At 31 March 2018	45.7	17.9	4.0	67.6
Accumulated amortisation				
At 1 April 2017	13.6	17.8	1.6	33.0
Charge for the year	4.3	0.3	0.8	5.4
Disposals	-	(0.7)	-	(0.7)
Impairment	3.1	-	-	3.1
At 31 March 2018	21.0	17.4	2.4	40.8
Net book value				
At 31 March 2018	24.7	0.5	1.6	26.8
At 31 March 2017	32.1	0.5	2.4	35.0

During the year the company has recorded an impairment charge of €3.1 million against the purchased goodwill in Sony Supply-Chain Solutions (Europe) BV.

Software assets of €0.7 million (2017: €59.6 million) with a zero book value (2017: €11.3 million) were written off against zero proceeds (2017:€11.3 million), resulting in a zero loss on disposal (2017: €nil).

11. Tangible assets

	Freehold Land and buildings €m	Leasehold Land and buildings €m	Fixtures fittings tools and equipment €m	Total €m
Cost				
At 1 April 2017	90.4	20.3	79.0	189.7
Additions	-	0.9	57.6	58.5
Transfer of category	-	3.4	(3.4)	-
Disposals	(0.1)	(0.2)	(6.4)	(6.7)
Exchange difference	-	-	(0.5)	(0.5)
At 31 March 2018	90.3	24.4	126.3	241.0
Accumulated depreciation				
At 1 April 2017	56.4	12.3	61.6	130.3
Charge for the year	0.7	3.2	10.5	14.4
Disposals	(0.1)	-	(6.4)	(6.5)
Exchange difference	-	-	1.1	1.1
At 31 March 2018	57.0	15.5	66.8	139.3
Net book value				
At 31 March 2018	33.3	8.9	59.5	101.7
At 31 March 2017	34.0	8.0	17.4	59.4

Historical cost tangible assets of €6.7 million (2017: €6.4 million) with a net book value of €0.2 million (2017: €1.4 million) were written off or disposed of against proceeds of €0 million (2017: €3.9 million), resulting in a loss on disposal of €0.2 million (2017: profit of €2.5 million).

12. Investments

	€m
Cost	
At 1 April 2017	37.0
Disposals	(0.1)
At 31 March 2018	36.9
Impairment	
At 1 April 2017	7.3
Charge for the year	13.0
At 31 March 2018	20.3
Net book value	
At 31 March 2018	16.6
At 31 March 2017	29.7

The carrying value of investments is their cost less impairment. The value is supported by either the underlying net assets, or by a discounted cash flow analysis.
During the year the company has recorded an impairment of €13.0 million against its investment in E-Saturnus SA/NV.

The company has shares in the following companies:

Subsidiary undertakings	Nature of Business	Address of registered office	Proportion held
Sony Supply-Chain Solutions (Europe) BV	License holder (Non trading)	Dongenseweg 200 5047 SH TILBURG, Netherlands	100%
Hawk-Eye Innovations Limited	Leisure & Entertainment software solutions (Trading)	The Heights, Brooklands, Weybridge, Surrey KT13 OXW	100%
Pulse Innovations Limited	Leisure & Entertainment software solutions (Trading)	The Heights, Brooklands, Weybridge, Surrey KT13 OXW	100%
Memnon Archiving Services SA	Archiving Services (Trading)	3b Avenue du Four à Briques, 1140 Brussels, Belgium	100%
E-Saturnus SA/NV	Medical Technology (Trading)	Romeinse Straat 12, 3001 Leuven, Belgium	100%
Sony (U.K.) Pension Trust Limited	Pension Trust (Non-trading)	The Heights, Brooklands, Weybridge, Surrey KT13 OXW	100%

12. Investments (continued)

Other investments	Nature of Business	Address of registered office	Proportion held
Screlec SA	Waste recycling (Trading)	8 rue Edouard Naud 92130 Issy-les-Moulineaux France	17.02%
Ecopilhas Lda	Waste recycling (Trading)	Rua Padre Américo, 19 D - Escritório D 1600-548 Lisboa Portugal	16.66%
IGR GmbH	Waste recycling (Trading)	Hohenzollernstraße 11-13 40211 Düsseldorf Germany	13.98%
InfoTip Service GmbH	Service software (Trading)	Konrad-Zuse-Straße 16 44801 Bochum Germany	8.32%
gfu consumer & home electronics GmbH	Marketing and events (Trading)	c/o Dr. Alexander Pett Lyoner Strasse 9 60528 Frankfurt/Main Germany	1.826%
ERP Italia SCARL	Waste recycling (Trading)	Viale Assunta n. 101 20063 Cernusco sul Naviglio (MI) Italy	1.00%
Ecopar SA	Eco-packaging (Trading)	50 Boulevard Haussmann 75009 Paris France	0.435%

13. Inventories

	2018 €m	2017 €m
Raw materials and consumables	19.0	13.3
Work in progress	11.9	5.8
Finished goods and goods for resale	186.9	215.1
	217.8	234.2

The directors believe that the carrying value of inventory is not materially different from the replacement cost. Finished goods are stated net of a provision for impairment loss of €19.8 million (2017: €24.9 million).

14. Debtors

Amounts falling due within one year	2018 €m	2017 €m
Trade debtors	547.7	490.5
Amounts owed by group undertakings	166.4	157.7
Corporation tax receivable	4.4	-
Intercompany receivable (corporation tax group relief)	15.8	13.2
Deferred tax asset	1.8	0.7
VAT receivable	23.5	33.9
Other debtors	2.5	5.2
Prepayments and accrued income	27.4	27.6
	789.5	728.8
Amounts falling due after more than one year		
Other debtors	9.9	10.6
Deferred tax asset	78.9	58.3
	88.8	68.9
	878.3	797.7

Amounts owed by other Sony group undertakings includes €64.6 million (2017 €59.8 million) of unsecured 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.

Trade debtors are stated net of a provision for impairment loss of €17.0 million (2017: €16.4 million).

15. Creditors: amounts falling due within one year

	2018 €m	2017 €m
Trade creditors	21.2	23.0
Amounts owed to group undertakings	1,038.0	986.7
Net amount due to customers for contract work	6.1	1.1
Finance lease obligation	17.1	-
Taxation and social security	52.6	43.2
Other creditors	84.0	74.0
Derivative financial instruments	0.5	0.4
Accruals and deferred income	357.4	338.5
	1,576.9	1,466.9

The amount owed to group undertakings includes a secured loan of €513.0 million from Sony Global Treasury Services plc, running from 3 July 2017 to 29 June 2018 with an interest rate of 0.45% (2017:€616.5 million at 0.42%). Also included is €108.3 million (2017:offset by €46.0 million) of unsecured 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.

The finance lease obligations represent future payables on a lease agreement signed in December 2017 and expiring in December 2020. The lease includes a purchase option which may be executed by SEU giving 30 days' notice to the lessor.

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

	2018 €m	2017 €m
Accruals and deferred income		
Between 1 - 5 years	4.1	33.8
After 5 years	3.6	4.1
	7.7	37.9
Finance lease obligations		
Between 1 - 5 years	28.3	-
	28.3	-
	36.0	37.9

17. Post-employment benefits

The company operates the following voluntary defined benefit pension schemes: 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 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 Supply Chain Solutions (Europe) plan, the Sony Switzerland Pension Plan and the Sony Germany Pension Scheme. The assets of the schemes are held separately from those of the group in separate trustee administered funds.

Under the terms of the business transfer agreements executed during 2016, the company acquired the pension liabilities of the active members of Sony Deutschland GmbH (SDL). Pension liabilities relating to inactive members of the SDL pension scheme (retired or terminated members with vested interests) remain the responsibility of SDL, but are fully indemnified by SEU. In order to ensure a true and fair representation of the pension fund commitments of SEU, the liabilities relating to inactive members of the SDL pension scheme are reported within the SEU pension liabilities. At 31 March 2018 the value included within pension liabilities relating to the indemnification of the SDL pension commitments is €133.7 million (2017: €137.7 million).

The Sony United Kingdom Limited Pension Scheme and the Sony Ireland Pension and Life Assurance Scheme are each comprised of a defined benefit section, being funded final salary pension schemes closed to new members, and a defined contribution section. The defined benefits sections of both plans are closed to future accrual.

The Sony Belgium and Sony Netherlands (Benelux) Retirement Plans are comprised of defined benefit sections which are funded final salary schemes closed to new members, and a defined contribution section.

The Sony France Retiring Allowances Scheme and Sony Germany Pension scheme are both unfunded. The Sony France Retiring Allowances Scheme is active whilst the Sony Germany Pension scheme is closed to new members.

The Sony Switzerland Pension Plan consists of a funded final salary scheme that is active.

During the year the company contributed €25.5 million (2017: €25.0 million) to the defined benefit schemes. The contributions by the company during the year ending 31 March 2019 are expected to be €25.7 million.

The disclosures required under FRS102 have been calculated by the company's independent actuary, based on the most recent full actuarial valuation updated to 31 March 2018.

17. Post-employment benefits (continued)

Principal actuarial assumptions

Range of assumptions used to determine	**2018 % pa**	**2017 % pa**
Discount rate	0.8 - 2.4	0.7 - 2.7
Salary growth	2.0 - 2.7	0.0 - 3.0
Pension increases	0.0 - 3.1	0.0 - 3.4
Social security increases	0.0 - 2.0	0.0 - 2.5
Inflation	1.5 - 3.1	1.5 - 3.4

Weighted average assumptions used to determine	**2018 % pa**	**2017 % pa**
Discount rate	2.18	2.27
Salary growth	2.48	2.78
Pension increases	2.39	2.64
Social security increases	2.00	2.14
Expected rate of return on plan assets	3.74	3.95

Inflation rate assumptions by country	**2018 % pa**	**2017 % pa**
UK (RPI)	3.1	3.4
Switzerland	1.5	1.5
Belgium	1.8	1.8
Ireland	2.0	1.8
Netherlands	1.9	1.9
Germany	1.8	1.9
France	1.7	2.0

Post retirement mortality criteria by country

Country	**Base table**
UK	SAPS 2 tables with CMI 2015 future improvements
Ireland	S2PMA/S2PFA with CMI 2013 [1.5%]
Netherlands	AG Prognosetafel 2016 with experience adjustments ES-P2A
Belgium	MR/FR with age adjustment of -3 years
France	INSEE TD/TV 2011 - 2013
Switzerland	BVG 2015
Germany	Richttafeln Heubeck 2005G

The overall expected return on assets assumption as at 31 March 2018 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.

17. Post-employment benefits (continued)

Reconciliation of scheme asset and liabilities

	Assets €m	Liabilities €m	Totals €m
At 1 April 2017	969.6	(1,205.8)	(236.2)
Settlements & curtailments	-	0.3	0.3
Benefits paid	(40.7)	45.7	5.0
Employer contributions	25.5	-	25.5
Employer service cost	-	(5.1)	(5.1)
Scheme participants' contributions	0.8	(0.8)	-
Interest income/(expense)	22.1	(26.1)	(4.0)
Remeasurement gains			
Actuarial gains	-	8.3	8.3
Return on plan assets excluding interest income	0.2	-	0.2
Exchange differences on foreign plans	(11.8)	13.0	1.2
At 31 March 2018	965.7	(1,170.5)	(204.8)

Total cost recognised as an expense

Operating profit – staff costs	Note	2018 €m	2017 €m
Defined contribution scheme		7.2	7.7
Defined benefit scheme			
-Current service cost		4.2	4.6
-Prior service cost		0.9	-
-Gain on settlements and curtailments		-	(1.1)
Pension costs recharged to other group companies		(3.3)	(2.6)
Total charged to operating profit	5	9.0	8.6

Net interest expense	Note	2018 €m	2017 €m
Interest cost		4.0	4.0
Foreign exchange arising on translation of the pension deficit		(1.2)	(2.6)
Net interest expense	8	2.8	1.4

There is no impact to operating profit as a result of settlements or curtailments during the year (2017: restructuring gain of €1.1 million).

17. Post-employment benefits (continued)

Fair value of plan assets

	2018 €m	2017 €m
Equities	229.3	205.8
Bonds	389.8	411.0
Insurance contracts	128.8	42.8
Property	44.8	33.9
Other assets	173.0	276.1
Total	965.7	969.6

Return on plan assets

	2018 €m	2017 €m
Interest Income	22.1	26.3
Return on plan assets less interest income	0.2	95.0
Total	22.3	121.3

18. Provisions for liabilities

	Restructuring Provision €m	Warranty Provision €m	Pending litigation €m	Other €m	Total €m
At 1 April 2017	37.6	41.7	37.3	1.1	117.7
Charge for the year	5.0	45.2	2.6	9.5	62.3
Utilised during year	(17.0)	(42.9)	(0.4)	(9.4)	(69.7)
Released during year	-	-	(0.6)	(0.3)	(0.9)
At 31 March 2018	25.6	44.0	38.9	0.9	109.4

A provision of €25.6 million (2017: €37.6 million) has been recognised for the estimated liability arising on the restructuring of the company. There have been ongoing restructuring activities during recent years, and this balance represents the remaining estimated liability for those activities.

A provision of €44.0 million (2017: €41.7 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. Details of how this provision is calculated are provided in note 3.

A provision of €38.9 million (2017: €37.3 million) has been recognised for the estimated liability resulting from pending litigation claims. This amount includes €37.3 million (2017: €34.9 million) for German copyright levies, where the litigation case between the trade association and the collecting society in Germany has been ongoing since 2008.

The other provisions held by the company at 31 March 2018 include a provision of €0.9 million (2017: €0.9 million) for the estimated liability relating to the Waste Electrical & Electronic Equipment (WEEE) directive.

19. Called up Share capital

	2018 €m	2017 €m
Authorised		
60,000,000 (2017: 60,000,000) ordinary shares of €1.10 each (2017: €1.10 each)	66.0	66.0
Issued and fully paid		
51,451,202 (2017: 51,451,202) ordinary shares of €1.10 each (2017: €1.10 each)	56.6	56.6

20. Contingent Liabilities

The company is the subject of several litigation cases by customers and ex-employees which, according to recent legal advice, are considered improbable to result in a loss. As a result, no expense has been recorded for these items and the possible loss is expected to be less than €0.4 million (2017: €2.1 million).

21. Capital and other commitments

At 31 March 2018 the company did not have any capital expenditure contracted for but not provided in the financial statements (2017: nil).

Total minimum future lease payments under non-cancellable operating leases are as follows:

	2018 €m	2017 €m
Within 1 year	24.5	22.5
Between 1 - 5 years	42.6	47.9
After 5 years	54.8	54.5
	121.9	124.9

22. Controlling parties

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 the company is Sony Corporation.

Consolidated financial statements for Sony Corporation are publicly available from our Investor Relations website at <https://www.sony.net/SonyInfo/IR/index.html>