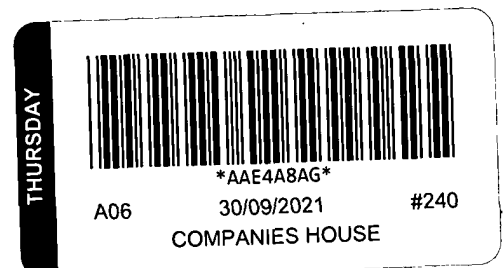


Registered number: 01927665

Philips U.K. Limited

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



Philips U.K. Limited

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Philips U.K. Limited

Company information

Directors G Tranter (resigned 15 September 2020)
N Mesher
L Best (appointed 15 September 2020)

Company secretary L Best

Registered number 01927665

Registered office Ascent 1
Aerospace Boulevard
Farnborough
GU14 6XW
United Kingdom

Auditor Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

Philips U.K. Limited

Strategic report for the year ended 31 December 2020

The directors present their strategic report on the company for the year ended 31 December 2020.

Strategy

The company is a wholly owned subsidiary of Koninklijke Philips N.V. ("KPNV") and the company's strategic direction is driven by the Philips group ("the group") purpose.

The group's purpose is to improve people's health and well-being through meaningful innovation. We aim to improve the lives of 2 billion people a year by 2025, including 300 million in underserved communities, rising to 2.5 billion and 400 million respectively by 2030. It is the group's strategy to lead with innovative solutions that combine systems, smart devices, informatics and services, and leverage big data – helping our customers deliver on the Quadruple Aim (better health outcomes, improved patient experience, improved staff experience, lower cost of care) and helping people to take better care of their health at every stage of life. We strive to deliver superior, long-term value to our customers and shareholders, while acting responsibly towards our planet and society in partnership with our stakeholders.

The group's roadmap with its three strategic imperatives, (better serve customers and improve quality, boost growth in core business and win with solutions), is our guide as we continue our transformation journey to attain HealthTech industry leadership and drive value creation.

As the Group drives the transformation to become a solutions provider to our customers and consumers we have adopted a single standard operating model that defines how we work together effectively to achieve our company objectives – the Philips Business System (PBS). The PBS integrates key aspects of how we operate. Having a single business system increases speed and agility, and enhances standardisation, quality and productivity, while driving a better, more consistent experience for our customers.

The Philips group strategy is detailed further in the KPNV Annual Report 2020 available at www.results.philips.com.

Review of business

The company is domiciled in the United Kingdom and acts as a holding company for the Philips group in the United Kingdom. Its only business is in respect of intra-group financing transactions. The company's subsidiary undertaking, Philips Electronics UK Limited, conducts business in the main activities of the worldwide Philips group and the business environment in which the subsidiary operates is disclosed in that company's financial statements.

Philips U.K. Limited

Strategic report (*continued*) for the year ended 31 December 2020

Review of business (*continued*)

The company did not undertake any significant trading transactions in 2020. However, as at 31 December 2020 the directors assessed the carrying value of the investment in Philips Electronics UK Limited (PEUK) given the requirement that investments are tested for impairment annually or where there is an indication that investments might be impaired. During the year there were a number of changes impacting PEUK including the closure of the Avent Glemsford factory and other group restructuring. Assessments of the recoverable amount of the investment were made which indicated values lower than the £977.5m carrying value, accordingly the carrying value of the investment was written down. The recoverable value of £535.3m was determined using an Enterprise Value/EBITDA multiplier model which was taken to represent fair value less cost of disposal. This value was higher than that determined using discounted cash flows which represented value in use. The impairment charge of £442.2m has been presented as an exceptional expense within the loss for the year.

During 2020, COVID-19 affected the results of the Philips Group. However, as Philips UK Limited is a non-trading holding company the impact of COVID-19 on the company is limited to that on the trade of the company's trading subsidiary undertaking and its impact on the recoverability of the investment in that subsidiary.

The impact of COVID-19 from a Philips Group perspective in 2020 saw comparable sales decline in the Diagnosis & Treatment businesses (due to the postponement of installations and elective procedures) and in the Personal Health businesses (due to lockdowns in several countries) however, the Connected Care businesses recorded comparable sales growth, as our innovations in both Monitoring & Analytics and Sleep & Respiratory Care were able to help our customers combat the pandemic. Within the UK specifically, the impact was more positive with order intake for equipment up significantly as a direct response to COVID-19 (particularly within the connected care business) which translated to stronger sales performance than expected. Personal Health sales also performed ahead of expectations delivering a strong year for the market.

Looking ahead, the Philip's group continues to see uncertainty related to the impact of COVID-19 across the world. For 2021, the Group plans to deliver low-single-digit comparable sales growth, driven by solid growth in Diagnosis & Treatment and Personal Health, partly offset by lower Connected Care sales, and an Adjusted EBITA margin improvement of 60-80 basis points. The UK specific view for 2021 is positive with indications of strong order intake translating into top line sales. This is despite a voluntary recall and product issues in the Sleep and Respiratory Care business.

Key performance indicators

The company's only business is to provide intra-group financing on an ad-hoc basis. The directors' are of the opinion that there are no key performance indicators that are used in managing the company that would add any value to the understanding of the company's financial statements.

Philips U.K. Limited

Strategic report (*continued*) for the year ended 31 December 2020

Principal risks and uncertainties

Due to the nature of the company's activities, the principal risks to the company arise from the risks and uncertainties facing its trading subsidiary undertaking, Philips Electronics UK Limited. These risks are disclosed in the financial statements of Philips Electronics UK Limited.

Future developments

The company will continue to provide intra-group financing arrangements within the Philips group on an ad-hoc basis, when a need for such transactions arise in future.

By order of the Board

A handwritten signature in black ink, appearing to be 'B Menghnani', with a horizontal line extending to the right.

B Menghnani
Director

29 September 2021

Philips U.K. Limited

Directors' report for the year ended 31 December 2020

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

Results and dividends

The company's results for the financial year are set out in the statement of comprehensive income on page 13.

The directors do not recommend the payment of a dividend (2019: £nil).

Future developments

An indication of the likely future developments of the company are provided in the strategic report.

Research and development activities

The company does not invest in any research and development. The company's wholly owned subsidiary undertaking, Philips Electronics UK Limited, undertakes research and development.

Going concern

Philips UK Limited is a non-trading holding company with net assets of £535m which represents the value of the company's investment in its main trading subsidiary, Philips Electronics UK Limited. As a result the going concern of Philips UK Limited is predicated on the going concern and continued trade of this subsidiary undertaking.

During 2020, COVID-19 affected the results of the company's subsidiary undertakings. From a Philips Group perspective comparable sales declined in the Diagnosis & Treatment businesses (due to the postponement of installations and elective procedures) and in the Personal Health businesses (due to lockdowns in several countries) however, the Connected Care businesses recorded comparable sales growth, as our innovations in both Monitoring & Analytics and Sleep & Respiratory Care were able to help our customers combat the pandemic. Within the UK specifically, the impact was more positive with order intake for equipment up significantly as a direct response to COVID-19 (particularly within the connected care business) which translated to stronger sales performance than expected. Personal Health sales also performed ahead of expectations delivering a strong year for the market.

Looking ahead, the Philip's group continues to see uncertainty related to the impact of COVID-19 across the world. For 2021, the Group plans to deliver low-single-digit comparable sales growth, driven by solid growth in Diagnosis & Treatment and Personal Health, partly offset by lower Connected Care sales, and an Adjusted EBITA margin improvement of 60-80 basis points. The UK specific view for 2021 is positive with indications of strong order intake translating into top line sales. This is despite a voluntary recall and product issues in the Sleep and Respiratory Care business.

Philips U.K. Limited

Directors' report (*continued*) for the year ended 31 December 2020

Going concern (*continued*)

The directors have assessed the risks for Philips UK Limited, and concluded that in its capacity as a holding company the recoverability of investments in subsidiaries remains the principal risk. The subsidiary in question has been assessed for impairment as at 31 December 2020 at which point an impairment loss of £442m has been recognised. The impairment was triggered by changes to that business including the closure of the Avent Glemsford factory during the year and other group restructuring and not as a result of COVID-19. The investment has a recoverable value equal to the carrying value of the investment and this entity is ultimately backed by a letter of support from the ultimate parent provided to both this company and the related subsidiary company. No financial impact for the company is expected from COVID-19.

Koninklijke Philips N.V., the ultimate parent company has also provided a formal letter of support indicating its willingness to provide financial support to assist the Company in meeting its liabilities as and when they fall due, to the extent that funds are not otherwise available to meet such liabilities. The directors have conducted a going concern assessment for the period up until 31 December 2022. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and meet their liabilities as they fall due in the next 12 months based on the aforementioned support provided by the ultimate parent till 31 December 2022, which is the Going Concern assessment period. Based on enquiries performed the directors are confident that the ultimate parent can provide such support. On this basis, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Important events since the financial year end

On 24 December 2020, a Brexit deal was secured by the UK government. The UK compromised on fisheries and the EU secured non-regression of labour and environmental protections. On subsidy controls, both sides similarly committed to enforcement in domestic law. A rebalancing mechanism is in place in the event of diversion from the free trade agreement. The Brexit deal became effective on 1 January 2021. As a holding company the main impact of Brexit for Philips UK Limited is limited to the impact on the company's investment in its trading subsidiary undertaking Philips Electronics UK Limited (PEUK), as a result no financial impact for the company is expected. Within PEUK the directors assessed that the key topics of the agreement were in respect of customs/duties, regulatory and data protection alongside some other smaller issues on VAT and professional qualifications. Analysis was conducted on each of these areas during 2020 and responses put in place to ensure preparedness for the effective date.

Philips U.K. Limited

Directors' report (*continued*) for the year ended 31 December 2020

Directors

The directors who held office during the year, and to the date of signing the financial statements, are as follows:

G Tranter (resigned 15 September 2020)
N Mesher
L Best (appointed 15 September 2020)

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors and the company secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained by the Philips group throughout the financial year.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

Philips U.K. Limited

Directors' report (*continued*) for the year ended 31 December 2020

Statement of directors' responsibilities (*continued*)

Under company law the directors must not approve the financial statements unless 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 United Kingdom Accounting Standards, including FRS 102 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 appropriate 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.

Auditor

In accordance with section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

This report was approved by the Board and signed on its behalf.

By order of the Board



B Menghnani
Director

29 September 2021

Independent auditor's report to the members of Philips U.K. Limited

Opinion

We have audited the financial statements of Philips U.K. Limited for the year ended 31 December 2020 which comprise Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 31 December 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Philips U.K. Limited (continued)

Other information (continued)

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Independent auditor's report to the members of Philips U.K. Limited (continued)

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice, FRS 102), the Companies Act 2006, and the relevant direct and indirect tax compliance regulations in the United Kingdom.
- We understood how Philips UK Limited is complying with those frameworks by having regular discussions with management to understand how the company maintains and communicates its policies and procedures, and corroborated this through our review of Board Minutes, inspection of the legal documentation log and review of the Code of Conduct Handbook.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and the risk that the carrying value of investments at year end value is overstated. We have assessed the recoverability of the carrying value of the investments by assessing the forecasts and models used.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
 - Enquiry of management and those charged with governance as to any fraud identified or suspected in the period, any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the Company.
 - Auditing the risk of management override of controls, through testing of a sample of journal entries and other adjustments for appropriateness.
 - Enquiry of management, coupled with testing of journal entries, in order to identify and understand any significant transactions outside of the normal course of business.
 - Challenging the judgements made by management through corroborating the basis for those judgments and considering contradicting evidence.
 - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

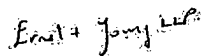
Independent auditor's report to the members of Philips U.K. Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James Harris (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
Date 29 September 2021

Philips U.K. Limited

Registered number: 01927665

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses	6	(1)	-
Exceptional expenses	7	(442,243)	-
Operating loss		(442,244)	-
Interest receivable and similar income		-	-
Interest payable and similar income		-	-
Loss on ordinary activities before tax		(442,244)	-
Tax on ordinary activities	9	-	-
Loss for the financial year		(442,244)	-
Other comprehensive income/expense		-	-
Total comprehensive loss for the year		(442,244)	-

Philips U.K. Limited

Registered number: 01927665

Balance sheet as at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Investments	10	535,257	977,500
Creditors: amounts falling due within one year	11	(1)	-
Net current liabilities		(1)	-
Total assets less current liabilities		535,256	977,500
Net assets		535,256	977,500
Capital and reserves			
Called up share capital	12	500,000	500,000
Retained earnings		35,256	477,500
Total equity		535,256	977,500

The notes on pages 16 to 24 are an integral part of these financial statements.

The financial statements on pages 13 to 24 were approved by the board of directors on 29 September 2021 and were signed on its behalf by:



B Menghnani
Director

Philips U.K. Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2020	500,000	477,500	977,500
Loss for the financial year	-	(442,244)	(442,244)
At 31 December 2020	500,000	35,256	535,256

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2019	500,000	477,500	977,500
Profit for the financial year	-	-	-
At 31 December 2019	500,000	477,500	977,500

The notes on pages 16 to 24 are an integral part of these financial statements.

Philips U.K. Limited

Notes to the financial statements for the year ended 31 December 2020

1. General information

The principal activity of Philips U.K. Limited ('the company') is to act as a holding company for the Philips group in the United Kingdom.

The company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is Ascent 1, Aerospace Boulevard, Farnborough, GU14 6XW.

2. Statement of compliance

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

3. Summary of significant accounting policies

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

3.1 Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention.

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 4.

3.2 Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report on pages 2 to 4.

Philips UK Limited is a non-trading holding company with net assets of £535m which represents the value of the company's investment in its main trading subsidiary, Philips Electronics UK Limited. As a result the going concern of Philips UK Limited is predicated on the going concern and continued trade of this subsidiary undertaking.

During 2020, COVID-19 affected the results of the company's subsidiary undertakings. From a Philips Group perspective comparable sales declined in the Diagnosis & Treatment businesses (due to the postponement of installations and elective procedures) and in the Personal Health businesses (due to lockdowns in several countries) however, the Connected Care businesses recorded comparable sales growth, as our innovations in both Monitoring & Analytics and Sleep &

Philips U.K. Limited

Notes to the financial statements (*continued*) for the year ended 31 December 2020

3. Summary of significant accounting policies (*continued*)

3.2 Going concern (*continued*)

Respiratory Care were able to help our customers combat the pandemic. Within the UK specifically, the impact was more positive with order intake for equipment up significantly as a direct response to COVID-19 (particularly within the connected care business) which translated to stronger sales performance than expected. Personal Health sales also performed ahead of expectations delivering a strong year for the market.

Looking ahead, the Philip's group continues to see uncertainty related to the impact of COVID-19 across the world. For 2021, the Group plans to deliver low-single-digit comparable sales growth, driven by solid growth in Diagnosis & Treatment and Personal Health, partly offset by lower Connected Care sales, and an Adjusted EBITA margin improvement of 60-80 basis points. The UK specific view for 2021 is positive with indications of strong order intake translating into top line sales. This is despite a voluntary recall and product issues in the Sleep and Respiratory Care business.

The directors have assessed the risks for Philips UK Limited, and concluded that in its capacity as a holding company the recoverability of investments in subsidiaries remains the principal risk. The subsidiary in question has been assessed for impairment as at 31 December 2020 at which point an impairment loss of £442m has been recognised. The impairment was triggered by changes to that business including the closure of the Avent Glemsford factory during the year and other group restructuring and not as a result of COVID-19. The investment has a recoverable value equal to the carrying value of the investment and this entity is ultimately backed by a letter of support from the ultimate parent provided to both this company and the related subsidiary company. No financial impact for the company is expected from COVID-19.

Koninklijke Philips N.V., the ultimate parent company has also provided a formal letter of support indicating its willingness to provide financial support to assist the Company in meeting its liabilities as and when they fall due, to the extent that funds are not otherwise available to meet such liabilities. The directors have conducted a going concern assessment for the period up until 31 December 2022. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and meet their liabilities as they fall due in the next 12 months based on the aforementioned support provided by the ultimate parent till 31 December 2022, which is the Going Concern assessment period. Based on enquiries performed the directors are confident that the ultimate parent can provide such support. On this basis, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Philips U.K. Limited

Notes to the financial statements (*continued*) for the year ended 31 December 2020

3. Summary of significant accounting policies (*continued*)

3.3 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the exemption to prepare a statement of cash flows in preparing these financial statements, as permitted by FRS 102.

The company has taken advantage of this exemption on the basis that it meets the definition of a qualifying entity and its ultimate parent undertaking KPNV, includes the related disclosure in its own consolidated financial statements. Details of where those financial statements may be obtained can be found in note 13.

Other than this exemption noted above, the company applied the recognition, measurement and disclosure requirements of FRS 102.

3.4 Consolidated financial statements

The company is a wholly owned subsidiary of KPNV, a company incorporated in the Netherlands. It is included in the consolidated financial statements of KPNV which are publicly available. Therefore the company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

3.5 Functional and presentational currency

The company's functional and presentational currency is the pound sterling.

3.6 Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Philips U.K. Limited

Notes to the financial statements (*continued*) for the year ended 31 December 2020

3. Summary of significant accounting policies (*continued*)

3.7 Taxation

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

Current or deferred tax 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 year end.

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

(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 the tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

3.8 Investments

Fixed asset investments in subsidiary undertakings are held at cost less accumulated impairment.

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Philips U.K. Limited

Notes to the financial statements (*continued*) for the year ended 31 December 2020

3. Summary of significant accounting policies (*continued*)

3.9 Share capital

Ordinary shares are classified as equity.

3.10 Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

3.11 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the Philips group. It does not disclose transactions with members of the Philips group that are wholly owned.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As at 31 December the company made the following critical judgements and used the following critical estimates and assumption in applying its accounting policies:

Impairment of investments

As at 31 December 2020 the company's investment in its subsidiary undertaking was tested to determine whether the carrying value was greater than the recoverable value. The recoverable value calculation was determined using an Enterprise Value/EBITDA multiplier model based on observable market data which was taken to represent fair value less cost of disposal and was deemed to be higher than the recoverable value determined using a value in use calculation. The value in use calculation relies on estimates of future cash flows and the determination of suitable discount rates. The impairment test indicated that the recoverable value was lower than the £977.5m carrying value and accordingly the carrying value was written down by £442.2m resulting in a revised carrying value of £535.3m. Further detail is provided in note 10.

5. Auditors remuneration

Auditors remuneration in respect of the audit of the company's financial statements amounting to £3,200 (2019: £3,200) will be borne by Philips Electronics UK Limited, a subsidiary undertaking. There were no fees paid to the auditor in relation to non-audit services (2019: £nil).

Philips U.K. Limited

Notes to the financial statements *(continued)* for the year ended 31 December 2020

6. Administrative expenses

	2020 £000	2019 £000
Intercompany charges	1	-
	<u>1</u>	<u>-</u>

7. Exceptional expenses

	2020 £000	2019 £000
Impairment of investments	442,243	-
	<u>442,243</u>	<u>-</u>

At 31 December 2020 the directors assessed the carrying value of its investment in Philips Electronics UK Limited as a result of changes to that business including the closure of the Avent Glemsford factory during the year and other group restructuring. As a result of this, the directors assessed that the carrying value of the investment should be written down by £442m resulting in a net book value of £535m (see note 10).

8. Employees and directors

The company had no employees other than directors during the year ended 31 December 2020 (2019: none).

9. Taxation

No liability to taxation arises for the year ended 31 December 2020 (2019: £nil).

Factors affecting future tax charges

As at 31 December 2019, changes to reduce the UK corporation tax rate from 19% to 17% from 1 April 2020 had been substantively enacted. However, during 2020 it was announced that the corporation tax main rate would remain at 19% for the financial year beginning 1 April 2020 rather than reducing it to 17% and that the main rate would also be set at 19% for the financial year beginning 1 April 2021. These changes were substantively enacted in July 2020 and have been reflected in these financial statements.

Philips U.K. Limited

Notes to the financial statements *(continued)* for the year ended 31 December 2020

9. Taxation (continued)

Factors affecting future tax charges (continued)

Subsequently in 2021, it has been announced that the main rate of corporation tax will remain at 19% for the financial years beginning 1 April 2021 and 1 April 2022. From 1 April 2023 the main rate of Corporation tax will increase to 25% where chargeable profits are over £250,000. Companies with chargeable profits of £50,000 or less will be liable to tax at the small profits rate of 19%. Companies with chargeable profits of between £50,000 and £250,000 will pay tax at 25% but will have the benefit of marginal relief. The impact of these changes have not been included in these financial statements as they are not substantively enacted at the balance sheet date.

At 31 December 2020, the company has a potential deferred tax asset of £13,000 (2019: £12,000) from capital losses carried forward. In view of the fact that the availability of future income to utilise these losses is uncertain, this asset has not been recognised in these financial statements.

10. Fixed asset investments

	Subsidiary undertakings £000
Cost	
At 1 January 2020	977,500
At 31 December 2020	<u>977,500</u>
Impairment	
At 1 January 2020	-
Charge in the year	(442,243)
At 31 December 2020	<u>(442,243)</u>
Net book value	
At 31 December 2020	<u>535,257</u>
At 31 December 2019	<u>977,500</u>

Philips U.K. Limited

Notes to the financial statements *(continued)* for the year ended 31 December 2020

10. Fixed asset investments *(continued)*

At 31 December 2020, the company directly or indirectly held the equity of the following subsidiary undertakings. In all cases, the proportion of ordinary shares held in subsidiary undertakings was 100%.

Company name	County of incorporation	Principal activity
Philips Electronics UK Limited	England	Supply of electrical, electronics, and medical equipment
Philips Domestic Appliances UK Limited	England	Non-trading
Avent Limited	England	Dormant
Invivo UK Limited	England	Dormant
Philips DCP (Belfast) Limited (formerly PathXL Limited)	Northern Ireland	Dormant
Philips Components Limited	England	Dormant
Philips Consumer Communications UK Limited	England	Dormant
Philips Trustee Company Limited	England	Dormant
PYE (Electronic Products) Limited	England	Dormant
Pyecam Company Limited	England	Dormant
Respironics (UK) Limited	England	Dormant
Respironics Limited	England	Holding company
Respironics Respiratory Drug Delivery (UK) Limited	England	Dormant
Respironics UK Holding Company Limited	England	Holding company

As at 31 December 2020 the directors assessed the carrying value of the investment in Philips Electronics UK Limited (PEUK) given the requirement that investments are tested for impairment annually or where there is an indication that investments might be impaired. During the year there were a number of changes impacting PEUK including the closure of the Avent Glemsford factory and other group restructuring. Assessments of the recoverable amount of the investment were made which indicated values lower than the £977.5m carrying value, accordingly the carrying value of the investment was written down. The recoverable value of £535.3m was determined using an Enterprise Value/EBITDA multiplier model which was taken to represent fair value less cost of disposal. This value was higher than that determined using discounted cash flows which represented value in use. The impairment charge of £442.2m has been presented as an exceptional expense within the loss for the year.

11. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Amounts owed to group undertakings	1	-

Philips U.K. Limited

Notes to the financial statements (*continued*) for the year ended 31 December 2020

12. Called up share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
500,000,000 (2019: 500,000,000) ordinary shares of £1 each	500,000	500,000

13. Immediate parent undertaking and ultimate parent undertaking

The immediate and ultimate parent undertaking and controlling party is KPNV, a company incorporated in the Netherlands. KPNV is the parent undertaking of the smallest and largest group to consolidate these financial statements and copies of its consolidated financial statements can be obtained at www.results.philips.com or from the Company Secretary, Philips Electronics UK Limited, Ascent 1, Aerospace Boulevard, Farnborough, GU14 6XW.

14. Post balance sheet events

On 24 December 2020, a Brexit deal was secured by the UK government. The UK compromised on fisheries and the EU secured non-regression of labour and environmental protections. On subsidy controls, both sides similarly committed to enforcement in domestic law. A rebalancing mechanism is in place in the event of diversion from the free trade agreement. The Brexit deal became effective on 1 January 2021. As a holding company the main impact of Brexit for Philips UK Limited is in respect of the company's investment in its subsidiary undertaking, as a result no financial impact for the company is expected. Within Philips Electronics UK Limited the directors assessed that the key topics of the agreement were in respect of customs/duties, regulatory and data protection alongside some other smaller issues on VAT and professional qualifications. Analysis was conducted on each of these areas during 2020 and responses put in place to ensure preparedness for the effective date.