Registered number: 00291612

Signify Commercial UK Limited

Annual report and financial statements

for the year ended 31 December 2019

Signify Commercial UK Limited

Contents

Signify Commercial UK Limited

Company Information

Directors	B Lumsden L Millns S Rouatt (appointed 2 November 2020) M Denny (appointed 5 August 2020)
Company secretary	L Millns
Registered number	00291612
Registered office	Philips Centre Guildford Business Park Guildford Surrey GU2 8XG
Auditor	Ernst & Young LLP Grosvenor House Grosvenor Square Southampton SO15 2BE

Signify Commercial UK Limited

Strategic Report
for the year ended 31 December 2019

The Directors of Signify Commercial UK Limited (the "company") present their Strategic Report and audited financial statements, for the year ended 31 December 2019.

Principal activities

The company's principal activity is the manufacturing, sale and marketing of innovative, energy-efficient lighting products, systems and services in the United Kingdom. Our manufacturing activities have ceased with effect from November 2019.

Change of name

On 25 January 2019, the Company changed its name to Signify Commercial UK Limited from Philips Lighting UK Limited by ordinary resolution.

Strategy

The company is part of a group of companies that consists of Signify N.V. and its subsidiaries (the 'group').

The company's strategic direction is driven by the group's mission and vision and is shaped by the group's strategic priorities. These priorities include: optimising cash from conventional products to fund growth, leading the innovation in LED products, leading the shift to systems and services, extending customer relations and distribution networks and implementing programs aimed at minimising waste and increasing the efficiency of the value chain.

Business review

The company remained focused on executing against strategic priorities, continuously shaping the transformation of the industry. While the decline in conventional lamps is ongoing, the company strives to continue its increase of market share and profitability. Lamps decline is lower than the overall decline of conventional lamps in the market. This performance reflected the successful implementation of the company's "last man standing" strategy, which focused on optimising cash flow by winning market share.

Together with Philips Hue's in connected home lighting and Professional connected lighting under our Interact brand, the company is market leader in connecting lighting. The launch of the Interact Pro system for Small, medium enterprises and helping customers expand Hue to their outdoor areas demonstrate the company's responsiveness to customer needs.

Fierce competition in LED from low-cost manufacturers and competitors is ongoing. Challenging market conditions resulted in the company missing its sales guidance for the year. Nonetheless, our cost plan yielded positive results, contributing to a continuously improving bottom line and solid free cash flow.

At 31 December 2019, the company had net assets of £8.8m (2018: £14.4m), with healthy net current assets of £29.6m (2018: £23.2m).

The operating loss of £4.2m (2018: profit £1.7m) was due to costs related to closure of our Sox HID Lamp manufacturing plant in Hamilton of £10.6M offset partially by a profit due to transfer pricing arrangements on core operations across the business, as the business benefited from shared services and admin support by the group. The continuing operations show a profit of £2.9m.

Key financial performance indicators

The company measures its performance on a number of key performance indicators, including turnover, sales growth and current ratio.

Principal risks and uncertainties

The company operates a coordinated set of risk management and control systems to help anticipate, monitor and manage its exposure to risk. The company's risk management and control systems are aligned and integrated with the systems of the group.

The company's risk management focuses on the following risk categories: Strategic, Operational, Compliance and Financial risks. Risk management forms an integral part of the business planning and review cycle. The company's risk and control policy is designed to provide reasonable assurance that objectives are met by integrating management control into the daily operations, by ensuring compliance with legal requirements and by safeguarding the integrity of the company's financial reporting and its related disclosures. It makes management responsible for identifying critical business risks and for the implementation of appropriate risk responses.

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As of now, COVID-19 has since spread to over 100 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the UK and global economy and financial markets and has created widespread business continuity issues in general of an as yet unknown magnitude and duration. Many countries, including UK, have reacted by instituting quarantines, mandating business and restricting travel. This outbreak triggers a period of global economic slowdown or a global recession.

We are closely monitoring the potential impact of COVID-19 on our 2020-2021 financial results and cashflows and have prepared a detailed risk assessment and revised projections for the business. Included in this risk assessment we have prepared a reverse stress test including four different risk scenarios. The most significant potential impact on our financial results and cashflows resulting from COVID-19 is in relation to Supply Chain, Customer Orders and Order Fulfilment. While strong results in our consumer business, the professional project business have been more challenged, partly as a result of governmental restrictions. However, due to the transfer pricing agreement with its parent, the company remains cash positive at the operating level. Under the more extreme scenarios, parental support may be required to fund the costs associated with the closure of the Hamilton factory. This parental support has been confirmed for a period of a minimum of 12 months from the date of signing the financial statements. Our top priority remains the health and safety of our staff and clients.

Based on information provided by the Government, the HSE, the WHO and also available publicly, we are taking a number of measures to reduce any potential impact, including adjusting capacity to current demand environment, introducing a hiring freeze and launch of unpaid leave of absence program, and negotiating new payment terms with partners to preserve cash. Measures have also been taken to ensure Operations adhere to current HSE guidelines.

The company has been making solid preparations for the various outcomes of the Brexit prepare for the uncertainty and disruption that Brexit might bring and may also provide a competitive advantage in the market. The activities undertaken in the run up to Brexit are the following:

Supply Chain: Planning for business continuity in UK and reducing any adverse impact on its customers. This has involved making changes to the movement of goods to and from the UK to ensure that goods movement can be maintained through a transition period and allow options to change supply routes to mitigate cost impacts post Brexit.

Principal risks and uncertainties (continued)
Employees: The company is ensuring employees who are EU Nationals on our UK payroll and who may be affected by Brexit are informed of any changes impacting them, with a view to continuing to retain them within Signify. The company will support, educate and prepare these employees who will be affected by these changes.

Tax and Finance: The company will ensure that the necessary adjustments are made when these are known.

Through making strong preparations for Brexit, the company identified market opportunities which could secure a competitive advantage for Signify in the market.

The company's risk management approach is embedded in the areas of corporate governance, Signify Business Control Framework and Signify General Business Principles. These are described in further detail in the Annual Report included in the Consolidated accounts of the ultimate parent company on pages 63-70.

Future developments

The company will continue to be actively involved in delivering the group's mission and vision in future periods. The Directors expect future developments and activities that are consistent with group's strategic focus as set out in the Annual Report included in the Consolidated accounts of the ultimate parent company on pages 12-37 available on company's website www.signify.com.

The company's objective over the coming years is to consolidate its leading position in the UK lighting market while continuing to develop growth initiatives, driving operational excellence and investing in innovation and sales development. It is expected that turnover will grow as the company progresses through the transition to LED and from a business model which is predominantly product-based to one focused on systems and solutions.

S172 statement

Stakeholders

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, recognises that the long-term sustainable success of the company is dependent on the way it interacts with a large number of stakeholders.

Our values provide our people with a common understanding of what matters to us and how we work:

- Customer first
- Greater together
- Game changer
- Passion for results
- Always act with integrity

Our responsibilities extend to our customers, employees, suppliers, the local community, and the environment around us.

We engage with our stakeholders in a variety of ways, including:

Our customers

We provide our customers with high-quality, energy-efficient lighting products, systems and services. Customer satisfaction is one of our four company values, and at the core of our Road to Excellence, a company-wide journey to streamline our business processes and allow for better cooperation. Our customer engagement processes include: Joint (research) projects, business development, lean value chain projects, consumer panels, Net Promoter Scores, training centers, social media, customer surveys, key account management (several times per week), sustainability exchanges with customers.

Signify Commercial UK Limited

Strategic Report (continued)
for the year ended 31 December 2019

S172 statement (continued)

Our employees

We attract, inspire and develop exceptional people who share our passion to improve people's lives through meaningful innovation. They demonstrate this by living our values: customer first; greater together; game changer, passion for results - while always acting with integrity. Our people reflect our customers and markets. We develop our people to become outstanding leaders, to drive operational excellence, and to provide world-class competencies in our priority areas.

Our suppliers

Our supplier engagement includes supplier development and quality activities including topical training sessions (4 times per year), supplier forums, industry working groups such as EPRM and RBA, and the commodity management, supplier quality and procurement engineering functions.

Our communities

The company supports employee volunteering schemes that give back to local charities and good causes. Additionally, employees raise money to help provide for community groups and charities.

Our environment

At Signify, we are taking a leading role to bring better light to the world and to help provide a more sustainable future. We do this by delivering light which is energy efficient, saves resources, and improves lives. At Signify, we also 'walk the talk' and achieved carbon neutrality in 2020. We are driving our zero waste to landfill program, striving for a zero injury workplace, and are engaging suppliers for a sustainable supply chain.

By order of the Board

M Denny
Director

10 February 2021

Registered office:

Philips Centre
Guildford Business Park
Guildford
Surrey
GU2 8XG

Directors' Report
for the year ended 31 December 2019

The Directors present their Directors' Report and the audited financial statements of the company for the year ended 31 December 2019.

Results and dividends

The company's results for the financial year are set out in the Statement of Comprehensive Income on page 12. During the year the Directors approved a dividend payment of £1.2m (2018: £4.3m). The dividend was paid during the year to the immediate parent undertaking and only shareholder of the company.

Future developments

An indication of the likely future developments of the company are provided in the Strategic Report.

Directors

The Directors who held office during the year and to the date of signing the financial statements, unless otherwise indicated, are as follows:

B Lumsden	
L Millns	
S Rouatt	(appointed 2 November 2020)
J Pola	(resigned 2 November 2020)
M Denny	(appointed 5 August 2020)
R de Weert	(resigned 21 January 2020)

Employee involvement

Signify Commercial UK Limited values the contribution of all employees. The company has been working to increase organisational effectiveness and to simplify its structure in order to become even more market-driven and people-centric. Signify Commercial UK Limited believes it is important that employees are engaged i.e. that they feel part of a team, know their ideas and suggestions count, trust their manager, and value diverse perspectives. The company continues to provide employees at all locations with information related to their particular business. It is considered crucial that employees communicate properly and that everyone is given full opportunity to use their individual talents. Information such as production targets and achievements is communicated at departmental and establishment levels. Leaders who do well in connecting employees with the long-term ambitions of Signify Commercial UK Limited are highly recognised. Employees have the opportunity to participate in the success of the company through the Signify Share Incentive Plan.

The company is committed to equal opportunities for all, free from discrimination and harassment. The company's policy is to consider disabled workers for all suitable vacancies and to continue to employ and assist wherever possible workers who become disabled, giving appropriate training assistance necessary and to develop their skills and capabilities.

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 group throughout the financial year.

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), comprising Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 the steps that ought to have been 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.

Going concern

The Directors are closely monitoring the potential impact of COVID-19 on the 2020-2021 financial results and cashflows and have prepared a detailed risk assessment and revised projections for the business for a period of 12 months from the date of approving these financial statements. Included in this risk assessment they have prepared a reverse stress test including four different risk scenarios. One of the scenario's included in the stress test, was related to Brexit. In addition, a review has been performed on all flows that are expected to be impacted by Brexit (such as delays at the UK borders, impact on product prices etc).
The most significant potential impact on the financial results and cashflows resulting from COVID-19 is in relation to Supply Chain, Customer Orders and Order Fulfilment. While we have strong results in our consumer business, the professional project business has been more challenged, partly as a result of governmental restrictions. However, due to the transfer pricing agreement with its parent, the company remains cash positive at the operating level.

Signify Commercial UK Limited

Directors' Report (continued)
for the year ended 31 December 2019

Going concern (continued)
Under the more extreme scenarios, parental support may be required to fund the costs associated with the closure of the Hamilton factory. This parental support has been confirmed for a period of a minimum of 12 months from the date of signing the financial statements. On the basis of their assessment of the company's financial position, the company's Directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Post balance sheet events

Besides COVID-19 which is described above, on January 20, 2020, the Company announced its intent to adapt its business structure to enable a stronger customer focus and enhanced specialization to further increase execution speed. The company will move from its current four business groups (BG) to three divisions: Digital Solutions, formerly known as BG Professional, Digital Products, which combines BG LED and BG Home, and Conventional Products, which is the current BG Lamps. As a consequence, Signify intends to adapt its segment reporting accordingly.
Finally, per 1 January 2021, the Brexit transition period has ended. Signify supply chain has gone live as according to the new trading deal between EU and UK. Tariffs have been kept at the same level as before the trading deal, new customs declarations procedures have been implemented. We don't expect any issues following the Brexit.

Auditor

Pursuant to 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.

By order of the Board

M Denny
Director

10 February 2021

Registered office:

Philips Centre
Guildford Business Park
Guildford
Surrey
GU2 8XG

Independent Auditor's Report to the members of Signify Commercial UK Limited

Opinion

We have audited the financial statements of Signify Commercial UK Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 26, 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 FRS 102 "The Financial Reporting Standard applicable in the UK" (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 2019 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 below. 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

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

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

Independent Auditor's Report to the members of Signify Commercial UK Limited (continued)

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.

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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 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.

Independent Auditor's Report to the members of Signify Commercial UK Limited (continued)

Responsibilities of Directors

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 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.

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.

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.

David Hales

David Hales (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
Date: 10 February 2021

Signify Commercial UK Limited

Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 £000 Continuing operations	2019 £000 Discontinued operations	2019 £000 Total	2018 £000 Continuing operations	2018 £000 Discontinued operations	2018 £000 Total
Turnover	6	**146,583**	**9,068**	**155,651**	148,069	8,168	156,237
Cost of sales		**(119,018)**	**(6,354)**	**(125,372)**	(117,961)	(7,866)	(125,827)
Gross profit		**27,565**	**2,714**	**30,279**	30,108	302	30,410
Distribution costs		**(1,873)**	**-**	**(1,873)**	(2,095)	-	(2,095)
Administrative expenses		**(22,038)**	**-**	**(22,038)**	(26,584)	(23)	(26,607)
Exceptional items		**-**	**(10,592)**	**(10,592)**	-	-	-
Operating (loss)/profit	7	**3,654**	**(7,878)**	**(4,224)**	1,429	279	1,708
Interest receivable and similar income	10	**58**	**-**	**58**	80	-	80
Interest payable and similar expenses	11	**-**	**(10)**	**(10)**	(304)	-	(304)
(Loss)/profit before taxation		**3,712**	**(7,888)**	**(4,176)**	1,205	279	1,484
Tax on loss/profit	12	**(768)**	**615**	**(153)**	(325)	(88)	(413)
(Loss)/profit for the financial year		**2,944**	**(7,273)**	**(4,329)**	880	191	1,071
Total comprehensive (expense)/income for the financial year		**2,944**	**(7,273)**	**(4,329)**	880	191	1,071

The notes on pages 15 to 37 are an integral part of these financial statements.

The company's results are derived from both discontinued and continuing activities.

Signify Commercial UK Limited

Balance Sheet
as at 31 December 2019

	Note	2019 £000	2019 £000	Restated 2018 £000	Restated 2018 £000
Fixed assets					
Intangible assets	13		**3,712**		4,818
Tangible assets	14		**1,603**		2,576
			5,315		7,394
Current assets					
Stocks	15	**15,595**		12,115	
Debtors	16	**30,021**		46,528	
Cash at bank and in hand		**74**		41	
		45,690		58,684	
Creditors: amounts falling due within one year	17	**(16,138)**		(35,393)	
Net current assets			**29,552**		23,291
Total assets less current liabilities			**34,867**		30,685
Creditors: amounts falling due after one year	18	**(16,736)**		(11,286)	
Provisions for liabilities					
Other provisions	20	**(9,290)**		(5,045)	
			(26,026)		(16,331)
Net assets			**8,841**		14,354
Capital and reserves					
Called up share capital	21		**401**		401
Share premium account	22		**12,769**		12,769
Retained earnings			**(4,329)**		1,184
Total equity			**8,841**		14,354

The notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements on pages 12 to 37 were approved by the board of Directors on 10 February 2021 and were signed on its behalf by:

M Denny
Director

00291612

Signify Commercial UK Limited

Statement of Changes in Equity for the year ended 31 December 2019

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2019	401	12,769	1,184	14,354
Total comprehensive expense for the financial year	-	-	(4,329)	(4,329)
Dividend paid	-	-	(1,184)	(1,184)
At 31 December 2019	401	12,769	(4,329)	8,841

Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 1 January 2018	401	12,769	4,397	17,567
Total comprehensive income for the financial year	-	-	1,071	1,071
Dividend paid	-	-	(4,284)	(4,284)
At 31 December 2018	401	12,769	1,184	14,354

The notes on pages 15 to 37 are an integral part of these financial statements.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

1. General information

The principal activity of Signify Commercial UK Limited ("the company") is the manufacturing, sale and marketing of innovative, energy–efficient lighting products, systems and services in the UK.

The company is a private company limited by shares and is incorporated, domiciled and registered in England and Wales. The address of its registered office is Philips Centre, Guildford Business Park, Guildford, Surrey, GU2 8XG and the registered number is 00291612.

2. Statement of compliance

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

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

3.1 Basis of preparation

These 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 Discontinued operations

Discontinued operations are components of the company that have been disposed of at the reporting date and previously represented a separate major line of business.

They are included in the statement of comprehensive income in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

3. Summary of significant accounting policies (continued)

3.3 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 5.

The Directors are closely monitoring the potential impact of COVID-19 on the 2020-2021 financial results and cashflows and have prepared a detailed risk assessment and revised projections for the business for a period of 12 months from the date of approving these financial statements. Included in this risk assessment they have prepared a reverse stress test including four different risk scenarios. One of the scenario's included in the stress test, was related to Brexit. In addition, a review has been performed on all flows that are expected to be impacted by Brexit (such as delays at the UK borders, impact on product prices etc). The most significant potential impact on the financial results and cashflows resulting from COVID-19 is in relation to Supply Chain, Customer Orders and Order Fulfilment. While we have strong results in our consumer business, the professional project business has been more challenged, partly as a result of governmental restrictions. However, due to the transfer pricing agreement with its parent, the company remains cash positive at the operating level. Under the more extreme scenarios, parental support may be required to fund the costs associated with the closure of the Hamilton factory. This parental support has been confirmed for a period of a minimum of 12 months from the date of signing the financial statements.

On the basis of their assessment of the company's financial position, the company's Directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3.4 Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- preparing a statement of cash flows;
- disclosure of key management personnel compensation;
- preparing certain financial instrument disclosures.

The company has taken advantage of these exemptions on the basis that it meets the definition of a qualifying entity and its ultimate parent undertaking includes the related disclosures in its own consolidated financial statements. Details of where those financial statements may be obtained can be found in note 25.

Other than the exemptions taken above, the company has applied the recognition, measurement and disclosure requirements of FRS 102.

3.5 Foreign currency

(i) Functional and presentational currency
The company's functional and presentational currency is the pound sterling.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

3. Summary of significant accounting policies (continued)

3.5 Foreign currency (continued)

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non–monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, and net of value added taxes.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, there is no continuing involvement or control over the goods, the associated costs and possible return of the goods can be estimated reliably, recovery of the consideration is probable and the amount of revenue can be estimated reliably.

Revenue from services is recognised when the amount of revenue and the associated costs related to the stage of completion of a contract or transaction can be measured reliably and the recovery of the consideration is considered probable.

3.7 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, share–based compensation and long-term service awards.

(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) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the statement of comprehensive income 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 can be made.

(iii) Share–based compensation

The share–based compensation plans for the company's employees are granted by the ultimate parent company and settled with equity instruments issued by ultimate parent company. Share–based compensation is treated as equity settled share-based payments as allowed under Section 26 of FRS 102.

3. Summary of significant accounting policies (continued)

3.7 Employee benefits (continued)

The cost of granting share–based payment awards to employees is recognised in the profit and loss account at their fair value at grant date and over the vesting period of the awards. The Black Scholes pricing model and Monte Carlo sampling are used to determine the fair value of the awards.
The cost of the awards is recharged by the ultimate parent undertaking to the company so that the equity contribution resulting from the scheme is presented as a liability.

(iv) Long-term service awards
The costs for long-term service awards are recognized at fair value and recognized in the period in which the benefit is earned by the employees.

(v) Defined contribution pension scheme

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

3.8 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, 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. Summary of significant accounting policies (continued)

3.9 Intangible fixed assets

Goodwill recognised represents the excess of the fair value (and directly attributable costs) of the purchase consideration over the fair values to the company's interest in the identifiable net assets, liabilities and contingent liabilities arising on business combinations.

Goodwill is amortised by using the straight-line method over its expected useful economic life of 10 years.

3.10 Tangible fixed assets

Tangible fixed 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, dismantling and restoration costs and borrowing costs capitalised.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible assets are impaired.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	2%
Plant and machinery:	
Computers	33%
Plant	10% - 25%
Furniture, fixtures and fittings	5% - 20%

Leasehold properties are depreciated on a straight-line basis over the lease period. Land is not depreciated.

No depreciation is provided on assets in the course of construction.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

3. Summary of significant accounting policies (continued)

3.11 Operating leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Payments under operating leases are charged to the statement of comprehensive income on a straight–line basis over the period of the lease

Benefits received and receivable as an incentive to sign an operating lease in existence at the date of transition to FRS 102 are recognised on a straight–line basis over the term of the lease.

3.12. Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

3.13 Impairment of non-financial assets

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

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

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

3. Summary of significant accounting policies (continued)

3.14 Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value less progress payments. Cost is based on the first–in first–out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

At the end of each reporting period, stocks are assessed for impairment. If an impairment is identified, it is charged to the statement of comprehensive income.

3.15 Cash and cash equivalents

Cash and cash equivalents includes deposits held with banks and bank overdrafts.

Bank overdrafts are shown within current liabilities.

3.16 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.

(i) Warranty and returns provision
The warranty and returns provision relates to the anticipated cost of product returns and to replacements or free of charge service costs associated with product guarantees. The provision is recognized for probable, future costs and match the cost of warranty within the same period sales is recognized. In determining the probable, future costs, historic warranty and returns costs are used in combination with our standard warranty period calculated per product type. Cost incurred are offset against the warranty provision.

(ii) Property related provision
The property related provision relates to dismantling obligations at our Hamilton factory site (demolition of the existing building and structures at the property, including the removal of any asbestos) and decommissioning regarding our office space. This obligation has been recognized after the initial recognition of the related asset as that is the moment that the obligation to dismantle the factory and restore the office space started. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected costs to dismantle and remove the plant from the site and the expected timing of those costs. These assumptions and estimates are based on recent investigations, inspections, surveys and quotations from experts. The demolition work started in 2020 and is expected to be finished in 2021.

3. Summary of significant accounting policies (continued)

3.16 Provisions (continued)

(iii) Environmental provision

The environmental provision relates to the legal requirement for decontaminate the land from our factory, including soil and groundwater remediation. This provision is measured at the best estimate of the future clean-up costs taking into account the discount rates. It reflects the amount that the entity would be required to pay to settle the obligation at the reporting date. These assumptions and estimates are based on recent investigations, inspections, surveys and quotations from experts. The work started in 2020 and is expected to be finished in 2021.

3.17 Basic financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

3. Summary of significant accounting policies (continued)

3.17 Basic financial instruments (continued)

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Basic debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non–current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.18 Share capital

Ordinary shares are classified as equity.

3.19 Distributions to equity holders

Dividends and other distributions to the 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.

3.20 Related party transactions

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

4. Prior year restatement

The Directors have identified that long term deferred income has been incorrectly classified as short term in the previous financial statements. Therefore, the Directors have applied retrospective restatement of the comparative amounts for the prior period presented in which the incorrect classification occurred.

The following prior year restatements were made to the comparative accounts prepared under FRS 102 on the face of the balance sheet, including the impact of the correction on the opening balance of the comparative amounts.

Balance sheet impact

As at 31 December 2018	Restated 2018 £000	Adjustments £000	2018 £000
Creditors: amounts falling due within one year	(35,393)	11,286	(46,679)
Creditors: amounts falling due after one year	(11,286)	(11,286)	-

As at 1 January 2018	Restated 2018 £000	Adjustments £000	As previously reported £000
Creditors: amounts falling due within one year	(50,897)	9,375	(60,272)
Creditors: amounts falling due after one year	(9,375)	(9,375)	-

5. 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.

(a) Critical judgements in applying the company's accounting policies

At 31 December 2019, the company did not make any critical judgements in applying its accounting policies.

(b) Critical accounting estimates and assumptions

The areas where the most significant judgements and estimates are made are as follows:

i) Impairment of non–financial assets

Non–financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is assessed by comparing the carrying amount of an asset with the greater of its value in use and fair value less costs to sell. The fair value less costs to sell calculation is based on available data from arm's length transactions on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is measured as the present value of future cash flows expected to be generated by the asset. If the carrying amount of an asset is deemed not to be recoverable, an impairment charge is recognised in the amount by which the carrying amount of the asset exceeds the recoverable amount. The review for impairment is carried out at the level where cash flows occur that are independent of other cash flows.

ii) Deferred tax recoverability

The evaluation of the recoverability of deferred tax assets requires judgement about the future taxable profitability of the company. A lack of future taxable profits or taxable profits below the level of current estimates may cause deferred tax assets to be impaired.

iii) Provisions

In order to recognise a provision, it is necessary to reliably estimate the present obligation. Further judgement is required to determine the likelihood of an outflow of economic benefits and to assess the value and timing of the probable outflow. The selection of a suitable discount rate forms part of this judgement.

iv) Rebates

Accumulated experience is used to estimate and provide for the rebates, using the expected value method. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

6. Turnover

The company's activities fall into the following sectors:

	2019 £000	2018 £000
Lamps	**27,687**	33,625
LED	**36,815**	31,794
Professional	**61,605**	67,331
Home	**29,544**	23,433
Other	**-**	54
	155,651	156,237

Turnover, all of which is of United Kingdom origin, is analysed by geographical destination as follows:

	2019 £000	2018 £000
United Kingdom	**135,611**	137,944
Europe	**20,040**	18,293
	155,651	156,237

7. Operating profit

Operating profit is stated after charging/(crediting):

	2019 £000	2018 £000
Operating lease rentals:		
- land and buildings	**617**	493
- other	**850**	299
Depreciation of tangible fixed assets:		
- owned by the company	**914**	407
- under leasing	**54**	46
Amortisation of intangible fixed assets	**610**	681
Foreign exchange gain	**631**	14
Fees payable to the company's auditor for the audit of the company's annual financial statements	**68**	72
Exceptional items	**10,592**	-
Stocks recognised as an expense	**112,858**	114,748

Notes to the financial statements (continued) for the year ended 31 December 2019

Exceptional items include costs directly related to the restructuring in Hamilton.

	2019 £000
Changes in termination benefits	4,185
Changes in environmental provision	2,482
Changes in property related provision	1,655
Write-down inventory	982
Impairment of goodwill	495
Accelerated depreciation of machinery	450
Changes in onerous contracts provision	343
	10,592

8. Employees

The average monthly number of persons employed by the company (including Directors) during the year was as follows:

	2019 No.	2018 No.
Manufacturing	65	71
Commercial	93	110
General and administration	130	150
	288	331

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	13,522	15,980
Social security costs	1,782	1,839
Defined contribution pension costs	2,125	2,249
Termination benefits	4,421	805
Share–based compensation	63	74
	21,913	20,947

9. Directors' remuneration

The aggregate emoluments paid to the Directors for the year ended 31 December 2019 amounted to £438,419 (2018: £460,970).

The highest paid director received aggregate emoluments, including a pension contribution for the year ended 31 December 2019 amounting to £196,515 (2018: £206,312).

Pension contributions paid to defined contribution schemes for serving Directors amounted to £78,825 (2018: £76,189).

During the year, shares were receivable or received under long term incentive schemes by 1 Director (2018: 2).

10. Interest receivable and similar income

	2019	2018
	£000	£000
Interest receivable from group undertakings	**58**	80

11. Interest payable and similar expenses

	2019	2018
	£000	£000
Interest payable to group undertakings	**-**	302
Other interest payable	**10**	2
	10	304

12. Tax on profit

	2019 £000	2018 £000
Corporation tax		
UK corporation tax	**267**	495
Adjustment in respect of prior years	**1**	(108)
Total current tax charge	**268**	387
Deferred tax		
Origination and reversal of timing differences	**(115)**	(44)
Effect of changes in tax rates	**-**	-
Adjustment in respect of prior years	**-**	70
Total deferred tax (credit)/charge	**(115)**	26
Tax on profit	**153**	413

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit before taxation	**(4,176)**	1,484
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**(793)**	282
Effects of:		
Fixed asset differences	**243**	209
Expenses not deductible	**695**	(45)
Effect of changes in tax rates	**14**	5
Other permanent differences	**(7)**	-
Adjustments to tax charge in respect of prior years	**1**	(38)
Total tax charge for the year	**153**	413

12. Tax on profit (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £68,383.

13. Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2019	**6,801**
At 31 December 2019	**6,801**
Amortisation and impairment	
At 1 January 2019	**1,984**
Amortization charge for the year	**610**
Impairment charge for the year	**495**
At 31 December 2019	**3,089**
Net book value	
At 31 December 2019	**3,712**
At 31 December 2018	**4,818**

At 31 December 2019, an impairment review was carried out by the Directors in respect of the goodwill. Following the review, the goodwill related to our Sox HID Lamp manufacturing plant in Hamilton has been impaired as the factory is closed per November 2019.
The carrying amount of the remaining goodwill related to our commercial organization, is concluded to be less than the recoverable amount and as a result no impairment to the carrying value is required.

14. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Assets in course of construction £000	Total £000
Cost				
At 1 January 2019	2,854	1,080	5	3,939
Disposals	-	-	(5)	(5)
At 31 December 2019	2,854	1,080	-	3,934
Depreciation				
At 1 January 2019	1,008	355	-	1,363
Depreciation charge for the year	320	648	-	968
At 31 December 2019	1,328	1,003	-	2,331
Net book value				
At 31 December 2019	1,526	77	-	1,603
At 31 December 2018	1,846	725	5	2,576

The net book value of land and buildings comprises:

	2019 £000	2018 £000
Freehold buildings	1,281	1,304
Leasehold buildings	245	542
	1,526	1,846

Included within the cost of land and buildings amounting to £2,854,490 (2018: £2,854,490) are depreciable assets amounting to £2,854,490 (2018: £2,854,490).

15. Stocks

	2019 £000	2018 £000
Raw materials and consumables	**5**	1,379
Work in progress	**408**	793
Finished goods and goods for resale	**15,182**	9,943
	15,595	12,115

Stocks recognised as an expense in the year were £112,858,000 (2018: £114,748,000).

The amounts recorded above are net of allowances for obsolescence. The write–down of inventory to net realisable value amounted to £875,525 (2018: £102,110) which was mainly related to the closure of our Hamilton factory.

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

16. Debtors

	2019 £000	2018 £000
Trade debtors	**27,794**	31,774
Trading amounts owed by group undertakings	**1,129**	13,968
Loans to group undertakings	**-**	3
Other debtors	**87**	87
Prepayments and accrued income	**138**	230
Corporation tax receivable	**292**	-
Deferred tax asset (see note 19)	**581**	466
	30,021	46,528

Trade debtors are stated after provisions for impairment of £741,662 (2018: £645,250).

Trading amounts owed by group undertakings include cash pooling of £1,037,046 (2018: £ 13,568,118).

All debtors are due within one year, unsecured and interest free.

Signify Commercial UK Limited

Notes to the financial statements (continued)
for the year ended 31 December 2019

17. Creditors: amounts falling due within one year

	2019 £000	Restated 2018 £000
Trade creditors	**6,428**	8,466
Trading amounts owed to group undertakings	**184**	14,492
Corporation tax payable	**-**	101
Other taxation and social security	**2,347**	2,576
Other creditors	**427**	1,166
Accruals and deferred income	**6,752**	8,592
	16,138	35,393

Trading amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

18. Creditors: amounts falling due after one year

	2019 £000	Restated 2018 £000
Accruals and deferred income	**16,736**	11,286
	16,736	11,286

Accruals are comprised of all expenses incurred for which no invoice has been received yet at reporting date.

Deferred income relates to the long-term service contracts we have with our customers.

19. Deferred tax

	2019 £000
At 1 January 2019	466
Charge to the statement of comprehensive income	115
At 31 December 2019	**581**

The deferred tax asset included in the balance sheet (note 15) is as follows:

	2019 £000	2018 £000
Decelerated capital allowances	143	147
Short term timing differences	438	319
	581	466

The deferred tax expected to reverse in 2020 is £580,916.

20. Other provisions

	At 1 January 2019 £000	Utilised £000	Additional provision £000	At 31 December 2019 £000
Long service awards	471	(544)	245	172
Warranty and returns provision	2,673	(1,337)	827	2,163
Termination benefits	98	(3,741)	4,445	802
Share–based compensation	(513)	(19)	72	(460)
Property related provision	736	-	1,655	2,391
Environmental provision	1,305	(380)	2,482	3,407
Onerous provision	-	(291)	343	52
Other provisions	275	(176)	664	763
	5,045	(6,488)	10,732	9,290

The provision for long service awards is based on the anticipated service lives of existing employees. The provision will be utilised when employees satisfy the long service award criteria.

20. Other provisions (continued)

The warranty and returns provision relates to the anticipated cost of product returns and to replacements or free of charge service costs associated with product guarantees. The provision is utilised as the warranty or right–of–return periods for individual products expire, usually no later than 5 years after purchase.

The majority of the provision for termination benefits relates to the redundancy costs of our Hamilton factory which are expected to be settled within one year.

The share–based compensation provision represents the cost of share–based payment awards recharged by the group to the company as per the company's accounting policy and will be utilised when the awards are settled.

The property related provision relates to dismantle obligations at our Hamilton factory site (demolition of the existing building and structures at the property, including the removal of any asbestos) and decommissioning regarding our office space in Guildford. The part of provision related to our Hamilton factory we expect to be utilised within 2 years.

Environmental provisions relate to remediation works required to remove environmental contamination at our closed Hamilton factory site. The provision is utilised as the decontamination work progresses. This work is expected to be complete by 2021.

The onerous contracts provision related to contracted services for our factory which closed in 2019.

The other provisions relate to the anticipated cost of settling two ongoing disputes with trade partners which are expected to settle within one year.

21. Called up share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
401,000 (2018 401,000) ordinary shares of £1 each	**401**	401

22. Share premium account

The share premium account records the amount above the nominal value receivable for shares issued, less transaction costs.

23. Pensions

Contributions charged to the Statement of Comprehensive Income for the year ended 31 December 2019 in respect of amounts paid to the defined contribution pension scheme amounted to £2,125,213.

Contributions amounting to £nil (2018: £180,549) were payable to the scheme at the year end.

24. Operating leases

At 31 December 2019, the company had future minimum lease payments under non–cancellable operating leases as follows:

	2019	2018
	£000	£000
Not later than one year	**482**	372
Later than one year and not later than five years	**1,771**	568
	2,253	940

The lease later than one year is mainly related to our office in Guildford.

25. Immediate parent undertaking and ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of Signify Holding B.V., a company incorporated in the Netherlands.

The company's ultimate parent undertaking and the smallest and largest company to consolidate these financial statements is Signify N.V., which is incorporated in the Netherlands. Copies of these group financial statements are publicly available at www.signify.com.

26. Subsequent events

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As of now, COVID-19 has since spread to over 100 countries worldwide and on March 11, 2020 the World Health Organization ('WHO') declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the UK and global economy and financial markets and has created widespread business continuity issues in general of an as yet unknown magnitude and duration. Many countries, including UK, have reacted by instituting quarantines, mandating business and restricting travel.

The Health and Safety of our employees is our highest priority, therefore offices are closed when government advices to do so. We have Signify's Employee Assistance Program and mental health resources available for employees. We continue the remote field work (engineering) when required, utilising the Dynamic Risk Assessments we have set up internally.

We are closely monitoring the potential impact of COVID-19 on our 2020-2021 financial results and cashflows and have prepared a detailed risk assessment and revised projections for the business. Included in this risk assessment we have prepared a reverse stress test including four different risk scenarios. The most significant potential impact on our financial results and cashflows resulting from COVID-19 is in relation to Supply Chain, Customer Orders and Order Fulfilment. While strong results in our consumer business, the professional project business have been more challenged, partly as a result of governmental restrictions.

Signify Commercial UK Limited

Notes to the financial statements (continued) for the year ended 31 December 2019

26. Subsequent events (continued)

On January 20, 2020, the Company announced its intent to adapt its business structure to enable a stronger customer focus and enhanced specialization to further increase execution speed. The company will move from its current four business groups (BG) to three divisions: Digital Solutions, formerly known as BG Professional, Digital Products, which combines BG LED and BG Home, and Conventional Products, which is the current BG Lamps. As a consequence, Signify intends to adapt its segment reporting accordingly.

From 1 January 2021, the Brexit transition period has ended. Signify supply chain has gone live as according to the new trading deal between EU and UK. Tariffs have been kept at the same level as before the trading deal, new customs declarations procedures have been implemented. We don't expect any issues following the finalisation of the new trade arrangements.