

SAMSUNG

Registered Number 03086621

Samsung Electronics (UK) Limited

Annual Report and Financial Statements

for the year ended 31 December 2020

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Samsung Electronics (UK) Limited

Contents of the Annual Report and Financial Statements for the year ended 31 December 2020

	Page(s)
Directors and Advisers	1
Strategic Report	2 – 8
Directors' Report	9 – 17
Independent auditor's Report to the members of Samsung Electronics (UK) Limited	18 – 21
Income Statement	22
Statement of Comprehensive Income	23
Statement of Financial Position	24 – 25
Statement of Changes in Equity	26
Notes to the financial statements	27 – 70

Samsung Electronics (UK) Limited

Directors and Advisers for the year ended 31 December 2020

Directors and Advisers

Directors

B J Chun
T J Lee (appointed 19 February 2021)
K H Kim (appointed 19 February 2021)
S W Lee (appointed 3 March 2021)

Company secretary

T J Lee (appointed 19 February 2021)

Independent auditor

Deloitte LLP
1 New Street Square
London, EC4A 3HQ
United Kingdom

Registered office

Samsung House
2000 Hillswood Drive
Chertsey
Surrey
KT16 0RS

Samsung Electronics (UK) Limited

Strategic Report for the year ended 31 December 2020

The directors present their Strategic Report for the year ended 31 December 2020.

Principal activities

During the year the company's (the 'company', being Samsung Electronics (UK) Limited, or 'SEUK'), principal activities were as follows:

- Importer, distributor and lessor of electronic and electrical goods
- European Head Office
- Purchase and sale of components and capital equipment
- Provision of research and development services to the ultimate parent company (as defined in note 26)
- Importers and distributors of telecommunication systems

All of the above operations are UK based with the exception of a small research and development facility in Israel and a branch office in Ireland.

Risks

Review of principal risks and uncertainties facing the company

The directors believe that the company's principal risks and uncertainties are intrinsically linked to the parent company; their performance continues to be strong and there is not considered to be a significant risk to the company's continuing profitability:

- Risk of product obsolescence - The main risk facing the trade of the company is the continued need for its products to be desirable to consumers. In the company's markets the product range must continue to improve over time in performance and functionality otherwise consumers will prefer the products of competitors who continue to innovate their own products.
- Risk of technological change - The directors believe that the company has exposure to the risk of not being able to adapt to changes in technology requirements of its customers and to stock obsolescence. To mitigate this risk, the ultimate parent company has a policy of being a market leader in technology through investment in research and development.
- Brexit – During the year, through its Brexit Steering Committee, the Company prepared for all potential outcomes, including the worst case No Deal scenario. Risks to the company largely centred around impacts to stock supply – with the Company utilising different supply chain routes and increased stock holding to manage these. Following the EU-UK Trade Agreement, these risks have been removed. The Company continues to monitor impacts from this agreement and will implement new plans if deemed necessary.
- Covid-19 – The Company's first and foremost priority was to ensure colleagues' and customers' safety and well-being. Through a Covid-19 Taskforce decisions have been made focusing on this priority. From a business perspective, the Company has focused on securing supply of its products, especially where these have been required for front line use in the fight against Covid-19. The Company continues to support colleagues and customers in multiple ways through these challenging times.

Samsung Electronics (UK) Limited

Strategic Report for the year ended 31 December 2020

Risks (continued)

- **Financial risk** – The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The company has in place a programme that seeks to limit the adverse effects on financial performance by monitoring levels of debt finance and the related financial costs.

The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage foreign exchange risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made or finance leases instigated. Where debt finance is utilised, this is subject to pre-approval by the board of directors. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually. The company also recognises it is exposed to the risk of financial institutions becoming insolvent. To reduce this risk deposits are only made with financial institutions which have been credit scored and whose global rating is appropriate.

Liquidity risk

The company actively maintains access to short term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has both short term interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at fixed and variable rates. As such assets and liabilities are only held short term, the directors consider that interest rate cash flow risk is minimal at the current time. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Foreign currency risk

The company transacts in a number of different foreign currencies. To mitigate its exposure to the risk of foreign currency exchange rate fluctuation, the company periodically enters into forward contracts to buy or sell foreign currency.

Samsung Electronics (UK) Limited

Strategic Report for the year ended 31 December 2020

Section 172(1) Statement

Introduction

Section 414CZA of the Companies Act 2006 requires the company to include a "section 172(1) statement" in its Strategic Report. This statement is required to describe how the directors of the company have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duty under section 172(1).

s172(1) requirements

s172(1) of the Companies Act 2006 places a duty on the directors of the company to promote the success of the company for the benefit of its members (shareholders) and, in doing so, they must have regard (amongst other matters) to the following:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

Compliance with s172(1)

Whenever new directors are appointed, the directors are made aware of the requirements of s172(1) and agree to consider them when making business decisions and determining the company's strategy.

The company comprises a large number of management functions (Divisions), each of which has their own unique stakeholders. Except for matters reserved to the directors as a Board, the directors have formally delegated day-to-day management and decision making between themselves and then further to the various Divisions within the company.

A key document used to delegate powers of the directors is the Contracts Signing Authority Policy. This Policy delegates the power of the directors to sign contracts on behalf of the company to different signatories within the company, depending on the type and value of the contract. The Policy specifically requires all company signatories to have regard for the matters in s172(1) when deciding whether or not to sign (and therefore proceed with) a contract.

The first requirement of s172 is that the success of the company is promoted for the benefit of its shareholders. The company has a single shareholder, Samsung Electronics Co. Ltd. As a result of the measures and controls of the shareholder over the company, the standard approach of all decision makers will be to align the long term and short term strategies of the company to those of the Samsung Electronics Group (and therefore its shareholder).

Both the Core Values and Business Principles of the Samsung Electronics Group drive business decisions and strategy within the company. These are:

<u>Core Values:</u>	<u>Business Principles</u>
<ul style="list-style-type: none">• <u>People</u>• <u>Excellence</u>• <u>Change</u>• <u>Integrity</u>• <u>Co-Prosperity</u>	<ul style="list-style-type: none">• <u>We comply with laws and ethical standards.</u>• <u>We maintain a clean organizational culture.</u>• <u>We respect customers, shareholders and employees.</u>• <u>We care for the environment, safety and health.</u>• <u>We are a socially responsible corporate citizen.</u>

Samsung Electronics (UK) Limited

Strategic Report for the year ended 31 December 2020

Compliance with s172(1) (continued)

These values and principles are explained further on the company's website (<https://www.samsung.com/uk/sustainability/overview>) and are fully aligned with s172(1). The directors and other decision makers within the company are therefore able to have regard for the requirements of s172(1) when determining strategy and making decisions, without there being any conflict with the wider values and principles of the Samsung Electronics Group.

In respect of the matters in s172(1) that are considered when decisions are taken:

(a) the likely consequences of any decision in the long term

The various Divisions within the company engage in long term strategic planning which drives the direction of the decisions taken by those Divisions. In respect of specific decisions that could have long term consequences, internal approval processes relating to budget and contract approval ensure these are considered by key stakeholders within the business, and in many cases the wider Samsung Electronics Group, before they are taken.

(b) the interests of the company's employees

Samsung Electronics' first Core Value is "People", and it is widely recognised within the company that its people are key to its success. The Directors Report on page 11 provides information about how the company engages with, listens to, and considers its employees. Employees share in the success of the company through reward schemes offered, which in many cases recognise the success of individual Divisions within the company also.

(c) the need to foster the company's business relationships with suppliers, customers and others

The company's largest suppliers are other members of the Samsung Electronics Group. The company works to build mutually beneficial, long term and stable relationships with its other suppliers, and recognises the importance of doing so. Regular meetings are held with key suppliers to discuss the relationship and future services.

The company has different types of customer, from large companies that resell its products, to end-consumers who purchase direct from the company. The company engages with all types of customer to understand their needs and to ensure the company can best serve them. All decision makers within the company understand that the ongoing success of the company requires it to have a good and long-standing relationship with each of its customers.

The company engages in long and short term planning with many of its large customers in the form of joint business planning. This allows for long term strategic alignment which enables the customer and the company to share the benefit of increased sales and profitability when selling Samsung products.

The relationship between consumers and the company is formed indirectly, when the company's products are demonstrated by and purchased from retailers, mobile networks and resellers, and also directly via the company's own website, in-store concessions and the company's flagship destination store in Kings Cross, London. Consumers also engage with the company via numerous communication channels, including its contact centre operations, through social media, and online chat facility.

Samsung Electronics (UK) Limited

Strategic Report for the year ended 31 December 2020

Compliance with s172(1) (continued)

(d) the impact of the company's operations on the community and the environment

The Directors Report on page 13 provides information about how the company considers its impact on the environment.

Many of the company's products significantly benefit the community, in particular because they increase opportunities for communication and engagement for individuals. This became increasingly important during the COVID 19 pandemic and, recognising this, the company made donations and offered special pricing to the NHS and for public procurement for school use during 2020.

As well as supporting the Global social and community engagement of the wider Samsung Electronics Group, the company engages in its own activities in the UK and Ireland. The company prioritises investing in the education of children and young people using technology, with a particular focus on supporting the social mobility of young people from disadvantaged backgrounds. The company does this across three areas: facilitating connections to networks, organisations and institutions, building capabilities and skills needed to succeed, and nurturing confidence, motivation and self-belief. The company's Solve for Tomorrow and Not a School programmes exemplify these efforts by engaging harder-to-reach young people in alternative educational courses, providing mentoring and instilling confidence.

The company's ongoing partnership with The British Museum to deliver virtual visits to the museum's Samsung Digital Discovery Centre during the COVID 19 pandemic has successfully democratized access to the museum, with the majority of online visits booked by schools from outside of London. The company's employee volunteering campaigns support, among other things, the work of several social mobility charities, an accessibility charity and engage with multiple care-homes and community groups for the elderly.

(e) the desirability of the company maintaining a reputation for high standards of business conduct

The Samsung Electronics Group's business principles referred to above, which are explained in more detail on the company's website (<https://www.samsung.com/uk/sustainability/overview>), provide a clear commitment from Samsung Electronics to maintain high legal and ethical standards of business conduct.

The company operates a local compliance programme that ensures all employees and other representatives of the company are fully aware of their legal and ethical obligations when taking business decisions. The compliance programme includes the use of company policies to direct and regulate behaviour, and regular training for all employees and other representatives on their legal and ethical responsibilities.

The company operates a whistleblowing programme which enables employees, other representatives, suppliers and business customers to whistleblow if they have concerns about the activities or conduct of the company. Links to a third party online whistleblowing portal, which allows fully anonymous reports to be submitted if that is preferred, are provided on company invoices and in the company's procurement system, and also in the whistleblowing policy that is made available to all employees and representatives.

(f) the need to act fairly as between members of the company

The company has one shareholder, which is Samsung Electronics Co. Ltd in Korea. This requirement is therefore not currently relevant to the operation of the company.

Samsung Electronics (UK) Limited

Strategic Report for the year ended 31 December 2020

Review of the business and future developments

KPI	Definition and method of calculation	2020	Restated* 2019
Growth in revenue (%)	Year on year total revenue growth (decline) expressed as a percentage (1)	4.4%	(0.9%)*
Operating margin (%)	The ratio of total operating profit to total revenue expressed as a percentage (2)	3.8%	2.8%*
Net profit margin (%)	Profit for the financial year expressed as a percentage of revenue (3)	3.1%	2.4%*
Liquidity	Total current assets less stock expressed as a ratio of total current liabilities (4)	1.3	1.3

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23.

Supporting analysis:

- 1) See review of the business below.
- 2) The operating margin has increased year on year, see below.
- 3) The net profit margin has increased year on year, see below.
- 4) The company's liquidity still remains strong, consistent with prior years.

The company has considered non-financial KPIs and concludes that there are none that require disclosure here.

Revenue for the year saw an increase of 4.4% (2019: decrease of 0.9%) on that generated in 2019 (2019: £3,185,150,000).

2020 has been an unprecedented year due to Covid-19. Despite the many challenges faced within the year, the Company has ensured Samsung products availability to its Customers and consumers during this time. Continued focus on Premium devices has led to increased revenues and continued strong market share performance.

The operating margin and net profit margin have both increased slightly, mainly due to lower operating expenditure in certain areas as a result of Covid-19. Spend on domestic and overseas business travel decreased significantly during the year. Marketing spend was redirected to online promotions and the overall spend was reduced within the year, specifically as no large external events (e.g. CES Show in Las Vegas) went ahead as planned.

Developing the company's corporate strategy requires strong mutually beneficial relationships with suppliers and customers. In the case of purchases, most supplies by value are from fellow subsidiaries of the ultimate parent company. The ultimate parent operates a structure which integrates and co-ordinates the manufacture of products and their shipment to overseas subsidiaries which include the company.

The company continually works with our customers to understand how to best deliver their requirements. The directors make principal decisions to deliver the company's strategy whilst taking into account these inputs.

Samsung Electronics (UK) Limited

Strategic Report for the year ended 31 December 2020

Review of the business and future developments (continued)

In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world implemented measures to reduce the spread of COVID-19. At the time of signing, some of these are still in place. Please refer to the Directors' Report where the Company's response is covered in more detail.

The directors consider that the financial position of the company remains satisfactory and are confident that the company will continue to trade effectively in 2021.

Approved by the board and signed on its behalf by



T J Lee
Director
22 December 2021

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

The directors present their Annual Report and audited Financial Statements of Samsung Electronics (UK) Limited, for the year ended 31 December 2020.

Certain disclosures required to be presented in the Directors' Report have been included in the Strategic Report and are incorporated by reference. Events after the reporting period are referred to in note 28.

Dividends

On 14 May 2021, the directors declared an interim dividend of £171,000,000 (2019: £nil), see note 12. This was paid on 19 May 2021. No further dividends have been declared.

Charitable Donations

The company made charitable donations of £38,000 during the year. (2019: £nil).

Political Donations

The company made no political donations during the year (2019: £nil).

Risks and uncertainties

The principal risks and uncertainties are detailed in the Strategic Report.

Covid-19

During the year the Company was impacted by the Covid-19 outbreak, which was declared a global pandemic by the World Health Organisation in March 2020.

The Company responded to the challenges presented; minimising the impact of the pandemic by optimising costs, in particular marketing costs, and strengthening online sales channels.

The Company's first and foremost priority was to ensure colleagues' and customers' safety and well-being. Through a Covid-19 Taskforce decisions were made focusing on this priority. All Company office premises were initially closed in line with UK government guidance, and employees worked from home. Offices re-opened with limited capacity, under Covid-safe guidance, to allow access for those employees unable to work remotely.

Domestic and overseas business travel was initially paused in line with government guidance. The company smoothly transitioned to online meetings for both internal and external stakeholders and the parent company rolled out a video conferencing platform. Sector-wide conferences were transformed to online events. When business travel did resume, this was a much lower level than prior years, with Covid-safe guidance in place for all employees.

UK retail and support premises, including Samsung KX, Harrods and Selfridges (operated by the company), and Samsung Experience Stores and Samsung Support Centres (operated by third party franchisees) all operated within the UK governmental guidelines throughout the year, with regards to opening.

Samsung representatives employed by third party service providers, including in-store promoters and colleagues, and store staff employed by franchisee store operators, were furloughed and government funding was sought under the Coronavirus Job Retention Scheme for a percentage of their salaries.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

Covid-19 (continued)

None of the company's direct employees were furloughed throughout the year.

Operational disruption was limited and during the year the company did not experience any issues with its supply chain or from its customers. All new product launches went ahead as previously planned.

Work continued on the refurbishment and fit out of the new Head Office premises, 2000 Hillswood Drive, with the plans amended to cater for a more balanced split between office and remote working e.g. more space for pods for conference calls, fewer physical desks.

With the exception of Business rate holidays (taken in respect of Samsung KX, and via PRS for Samsung Experience Stores), the business has not taken Government Covid related support or funding, and is not reliant on such funding.

The Company has put the safety of its customers and its employees at the forefront of everything it has done. Samsung has looked to support this battle against Covid-19 at every opportunity – from providing devices to NHS Nightingale to offering discounted products to NHS employees.

Going concern

The company's business activities, together with factors likely to affect its future development and performance are set out in the principal activities, risks, and review of the business sections of the strategic report. The directors believe that the company is well placed to manage its business risks successfully.

The company has continued to make sales, an operating profit in 2020 and has net current assets, net assets and substantial cash at the year end. Revenue for the year saw an increase on that generated in 2019 and from a liquidity perspective, the company is still in a strong position, consistent with prior years.

The company's forecasts for the period ending 31 December 2022 have been prepared, based on an assessment of expected revenue under existing customer orders and expected future orders from existing and new customers, in line with the 2021 management plan. Taking into consideration the interim dividend of £171,000,000 declared and paid in May 2021, the company is still showing a very strong position financially.

In preparing the company's forecasts for the going concern assessment, it is assumed that cash is equal to profit (except for discrete adjustments regarding pension contributions and capital expenditure) and that the current transfer pricing agreement with the parent company Samsung Electronics Co. Limited, will continue. The forecasts prepared make use of market industry data, for example to ascertain market size and market share. Sensitivity scenarios showing the effects of a potential 10% or 20% downturn were also prepared, neither of which gave cause for management concern.

The company has various product launches planned throughout the year and this continued even during the pandemic in 2020. This leads to supply being spread across all periods and it is therefore assumed that the product pipeline will remain unaffected by uncertain events. Some mobile supply disruption was experienced in early 2021, however, improvements in supply allocation mean that for the second half of the year the impact is not anticipated to be significant.

The company has significant financial resources and its forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current cash reserves for the foreseeable future. This is taking into account the ongoing Covid-19 pandemic and resulting uncertainties in the economy.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, this being a period of 12 months from signing the financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

Defined Benefit Pension Scheme

Following the closure of the Samsung Electronics Pension Scheme to future accrual in 2014, the company will continue to make contributions in line with the recovery plan.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

B J Chun

Other changes to directors holding office are as follows:

S W Kang (resigned 25 January 2020)
T K Kim (resigned 1 December 2020)
C W Ryu (resigned 19 February 2021)
J H Won (resigned 3 March 2021)
T J Lee (appointed 19 February 2021)
K H Kim (appointed 19 February 2021)
S W Lee (appointed 3 March 2021)

Employee Engagement Statement

The company's policy is to consult and discuss with employees at meetings, matters likely to affect their interests.

Information on the company's performance factors is made available to its employees through the normal channels where appropriate.

The company's policy on recruitment is based on the ability of a candidate to perform the job. Full and fair consideration is given to applications for employment from disabled people where they have the appropriate skills and abilities to perform the job.

All necessary training and assistance is given to enable disabled employees to perform their duties. If employees become disabled during the course of their employment, consideration will be given to retraining and redeployment. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole.

The company has a designated employee Engagement team that manages the flow of information between the Leadership team (various management functions within the company acting on behalf of the board – see Section 172(1) Statement) and its employees. During the financial year they have maintained engagement with all employees by utilising a variety of online and offline channels. These include but are not limited to, mass emails, office posters, office screens, team & departmental meetings, physical office events, and webinars. Due to the complexity of the business and different office locations within the company, some engagement methods are business area specific.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

Employee Engagement Statement (continued)

All non-R&D employees have access to an employee intranet "The Hub", which contains regular news, team, policy and business updates. This is updated daily for colleagues to have social interaction, find resources and useful info. There is also an innovation section where any colleague can share an idea that is visible to all colleagues and can be tracked from start to completion.

R&D business area employees are kept abreast of information of concern to them via monthly MD emails to all employees, in addition to manager, team and group level meetings.

With the outbreak of Covid-19, the subsequent lockdowns and employees working from home, all communications moved online from March 2020. A designated Covid-19 Task Force was set up to ensure employee safety, especially when the office premises began to reopen. Online surveys were introduced to gather employee opinions on key matters, for example Covid-19 and returning to the office.

Structured feedback is sought formally in an annual 'Samsung Culture Index' survey. The results of the SCI survey are provided to the Leadership Team and cascaded down throughout the company. These highlight strengths, weaknesses and areas of concern, and initiate a subsequent 9 month iterative process of clarification, action setting and change delivery. All employees are represented by local committees, comprising colleagues from across all areas of the business.

Employee-related issues and concerns are elevated to the board by the Engagement team, via monthly Leadership meetings. An element of judgement is applied as to which issues are escalated, as not all topics require board-level discussion. Those of high concern or common interest are raised for action, examples within the year being Covid-19 and Equality, Diversity & Inclusion.

The Wellbeing @ Samsung initiative was established to inspire wellbeing through body, mind and life, and has been supporting employees throughout the year. A partnership with the Global Diversity Practice helped create the company's action plan for Equality, Diversity & Inclusion.

Throughout the year, decisions and feedback relating to the direction of the company were communicated to the employees by the Engagement team in two main mediums. Firstly, by weekly "Engage" emails, which have developed into a formal way of pulling together all topics of interest for colleagues in general, including Covid-19 related updates. Secondly, by the quarterly Town Hall Meetings, which from the second quarter of 2020 have been held virtually. This is where business results and future strategies are presented by each division, including Finance and HR.

Culture 2020 is a local committee made up of colleagues from all parts of the non-R&D business. It exists to bring new ideas and challenges from their respective departments to drive positive change. The directors also use Culture 2020 as a sound board when considering new policy or process, to ensure that they get the tone and positioning right, and so they can help to embed new launches or remind colleagues of existing actions and processes.

Within the Samsung Group there are Global Task Forces. These are made up of teams of nominated colleagues that represent different subsidiaries, collaborating in global projects to consider alternative perspectives, ensure business alignment and to learn from others. The company's Head of Engagement is part of a Global Diversity & Inclusion Task Force.

Involvement by employees in the company's performance is encouraged, primarily by communicating a shared vision for success and then with individual employees developing performance targets that feed into and help realise that vision. Our performance-related incentive scheme then provides clear and significant financial incentives relating to these targets.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

Employee Engagement Statement (continued)

Employees are encouraged to progress within the company, to enlarge their role / impact and be promoted within our global job structure, whether as an individual contributor or as a manager of people: hierarchical seniority is encouraged in both paths. Employees are also encouraged in their performance by our peer-to-peer and management recognition voucher schemes.

Information relating to the financial performance of the company is shared with employees on a quarterly basis, via email and links to the Global Intranet, which all SEUK employees can access.

Streamlined Energy and Carbon Reporting

The UK Government introduced the Streamlined Energy and Carbon reporting scheme for financial years beginning on or after 1st April 2019, this is the Company's first year of disclosing our energy and carbon emissions

UK Greenhouse gas emissions and energy data for the period 1st January 2020 – 31st December 2020.

	2020
Total Energy Consumption (kwh)	7,698,954
Electricity (kwh)	4,584,255
Gas (kwh)	1,638,534
Fuel (kwh)	1,476,165
Emissions (tCO₂e)	
Scope 1	
Emissions from combustion of gas	335
Scope 2	
Emissions from purchased electricity (location-based)	1,069
Scope 3	
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	363
Total gross emissions (Scopes 1, 2 and 3)	1,767
Intensity ratio: tCO₂e gross/1000 m²	52

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

Streamlined Energy and Carbon Reporting (continued)

Energy Efficiency Action

In the financial year 2020 (1st January – 31st December inclusive), the company began the process of refurbishing our new UK headquarters. Some of the energy efficiency improvements implemented in our new UK headquarters include more energy-efficient LED lighting, new fan coil units throughout the building and installation of a new more efficient commercial plant equipment.

In the period covered by the report the company switched two new sites to 100% renewable energy tariffs. SEUK has a policy to consume renewable energy where electricity is directly supplied. Where renewable energy tariffs could not be secured the company purchased Renewable Energy Certificates.

Due to Covid-19 restrictions throughout the year, the company's energy consumption has been impacted, however, the full extent of this is not yet realised.

SECR Methodology Statement

The SECR report has been compiled in accordance with the 2019 Environmental Reporting Guidelines.

The GHG Reporting Protocol – Corporate Standard is used to group our greenhouse gas emissions.

The following data sources have been used to compile the report:

- Energy data – electricity half hour data, manual meter readings and energy service providers billing data
- Transport data – company mileage and expenses records

Where verifiable data was not available, reasonable estimations have been made in accordance with the 2019 Environmental Reporting Guidelines.

Emissions have been calculated using the 2020 Government conversion factors for company reporting of greenhouse gas emissions.

Research and development

Research and development activities during the year have been focused around development of mobile handset software and next generation mobile telecommunications, as well as digital television software development and finally AI research in Cambridge. The charge to the income statement in respect of research and development costs amounted to £69,518,000 (2019: £74,031,000), and all relates to current year expenditure. The costs are incurred by the company and recharged to the ultimate parent company (see note 26).

Existence of branches outside the UK

The company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows: a small research and development facility in Israel and a branch office in Ireland.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

Disclosure of information to auditors

As far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. The directors have taken all of the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Tax Strategy

Business and cultural overview

Samsung Electronics (UK) Limited's (SEUK) principal function is to import, sell and distribute electronic goods in the UK and Irish marketplace. SEUK also provides procurement, quality assurance, research and development and European headquarter services to its Korean ultimate parent company, Samsung Electronics Corporation ("SEC").

The Korean business environment has a very strong focus on hierarchy, centralised decision making and strictly enforced controls and approvals.

SEUK's approach to tax risk management and tax planning

SEUK is committed to complying with tax laws applicable in the UK in a responsible manner. Transactions are conducted with Samsung group companies at an arm's length in accordance with OECD principles.

SEUK operates a robust control framework and compliance processes for tax reporting which utilises professional tax advisers and significant investments made in a comprehensive enterprise reporting planning system and a bespoke VAT system.

Where the application of tax legislation is complex or uncertain, SEUK engages with professional tax advisors and HMRC in order to reduce the level of tax risk and uncertainty to a low level.

SEUK does not engage in tax planning activities that are considered to be artificial, contrary to the intention of the law or against the commercial purpose of a transaction.

Tax governance

SEUK's tax strategy and approach to risk management is approved by SEUK's Board Director responsible for tax affairs.

Samsung has developed numerous systems to provide business information, including tax matters, to the European CFO (an SEUK Board Member) and to document required approvals on business decisions. UK tax returns are reviewed and approved by SEUK's Financial Director (who reports to SEUK's Board Members responsible for financial matters).

Government relations and Corporate Social Responsibility

SEUK is open and transparent with HMRC in respect of UK tax matters. We maintain regular communications with our HMRC customer compliance manager and highly value our low risk business rating assigned by HMRC.

HMRC has acknowledged SEUK's commitment to supporting their efforts in challenging unlawful activity in the telecommunications UK marketplace.

SEUK's Government Relations team has a constructive and positive relationship with Government departments and regularly contributes to Government information requests using its industry specialists.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

Tax Strategy (continued)

SEUK's CSR vision is "Together for Tomorrow! Enabling People," and the company is committed to ensuring the next generation are prepared to flourish in a technology-driven future. SEUK operates a range of digital education programmes around the world to create more inclusive, quality learning experiences for young people. Its educational initiatives with schools and partners such as the British Museum, Science Museum and the Royal Shakespeare Company have benefitted over 43,000 people across the UK. SEUK is also passionate about using Samsung technology for good and continues to work closely with partners such as Neighbourly, In-Kind Direct and the British Red Cross to support the local communities in which it operates.

Statement on engagement with suppliers, customers and others in a business relationship with the company

Developing the company's corporate strategy requires strong mutually beneficial relationships with suppliers and customers. In the case of purchases, most supplies by value are from fellow subsidiaries of the ultimate parent company. The ultimate parent operates a structure which integrates and co-ordinates the manufacture of products and their shipment to overseas subsidiaries which include the company.

The company continually works with our customers to understand how to best deliver their requirements. The directors make principal decisions to deliver the company's strategy whilst taking into account these inputs.

Directors' responsibilities statement in respect of the financial statements

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for 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.

Samsung Electronics (UK) Limited

Directors' Report for the year ended 31 December 2020

Independent Auditors

Deloitte LLP were appointed as auditor to the Company in 2020. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the board and signed on its behalf by



**T J Lee
Director
22 December 2021**

Independent auditors' report to the members of Samsung Electronics (UK) Limited

for the year ended 31 December 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Samsung Electronics (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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 of at least twelve months from when the financial statements are authorised for issue.

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

Independent auditors' report to the members of Samsung Electronics (UK) Limited

for the year ended 31 December 2020

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 our report, we do not express any form of assurance conclusion thereon.

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 this gives rise to 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Independent auditors' report to the members of Samsung Electronics (UK) Limited

for the year ended 31 December 2020

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the valuation of the sales deduction accrual, with significant complexity and estimation involved in calculating the appropriate accrual, particularly where the amount of the deduction is dependent on the value of future sales made by the Company's customers. Our specific procedures performed to address it are described below:

- substantive procedures to test a sample of the closing accrual, tracing inputs in management's calculations to evidence (including agreements with the Company's customers, and where the accrual is dependent on future sales to be made by the Company's customers, to evidence of communication with the customer to support the sales estimate used) and recalculating the accrual;
- substantive procedures to test the utilisation of a sample of the opening accrual, to evaluate historical accuracy of the accrual; and
- evaluation of aged accruals, including whether future utilisation is probable.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Independent auditors' report to the members of Samsung Electronics (UK) Limited

for the year ended 31 December 2020

Matters on which we are required to report by exception

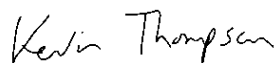
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



Kevin Thompson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 December 2021

Samsung Electronics (UK) Limited

Income Statement for the year ended 31 December 2020

	Note	2020 £'000	Restated* 2019 £'000
Revenue	5	3,324,725	3,185,150*
Cost of sales		(2,670,456)	(2,573,935)
Gross profit		654,269	611,215*
Distribution costs		(32,525)	(26,382)
Administrative expenses		(497,626)	(504,365)
Impairment of trade receivables		(3,091)	-
Other income		3,700	9,840
Operating profit	6	124,727	90,308*
Finance income	7	7,502	12,171
Finance cost	8	(6,487)	(3,151)
Profit before taxation		125,742	99,328*
Tax on profit	11	(21,648)	(22,993)*
Profit for the financial year		104,094	76,335*

All amounts are derived from continuing operations. There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above, and their historical cost equivalents.

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23.

Samsung Electronics (UK) Limited

Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020 £'000	Restated* 2019 £'000
Profit for the financial year		104,094	76,335*
Other Comprehensive income: items that will not be reclassified to profit or loss			
Actuarial net gain on pension schemes	23	337	1,409
Movement on deferred tax relating to pension deficit	22	<u>(500)</u>	<u>(565)</u>
Other comprehensive (expenses) / income for the year; net of tax		(163)	844
Total comprehensive income for the year		<u>103,931</u>	<u>77,179*</u>

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23.

Samsung Electronics (UK) Limited
Registered number 3086621
Statement of Financial Position
as at 31 December 2020


		2020	Restated*
	Note	£'000	2019 £'000
Non-Current Assets			
Intangible assets	13	898	739
Property, plant and equipment	14	39,288	30,767
Right-of-use assets	15	101,586	89,641
Investments	16	18,000	18,000
Long term trade receivables	18	4,130	32,453*
Receivables from finance leases	20	12,827	14,551*
Deferred tax asset	18, 22	2,902	1,726*
Defined benefit pension scheme asset	18	95	-*
		<u>179,726</u>	<u>187,877*</u>
Current Assets			
Inventories	17	181,932	112,099
Receivables from finance leases	20	81,885	30,264*
Corporation tax recoverable		214	635*
Trade and other receivables	18	940,327	1,060,103*
Other investments		-	50,000
Cash and cash equivalents		486,030	344,379*
		<u>1,690,388</u>	<u>1,597,480*</u>
Current liabilities			
Trade and other payables	19	(1,072,565)	(1,081,808)*
Warranty allowance	21	(22,102)	(33,290)*
Lease liabilities	15	(12,968)	(12,779)*
Corporation tax payable		(15,851)	(15,468)*
Net Current Assets		<u>566,902</u>	<u>454,135*</u>
Total assets less current liabilities		<u>746,628</u>	<u>642,012*</u>
Non-Current Liabilities			
Defined benefit pension scheme liability		-	(2,833)*
Lease liabilities	15	(84,705)	(76,462)*
Provisions	21	(9,280)	(14,005)*
Net assets		<u>652,643</u>	<u>548,712</u>

Samsung Electronics (UK) Limited
Registered number 3086621
Statement of Financial Position
as at 31 December 2020

	Note	2020 £'000	Restated* 2019 £'000
Capital and reserves			
Called up share capital	27	109,546	109,546
Retained Earnings		543,097	439,166*
Total shareholders' funds		652,643	548,712*

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23.

The financial statements on pages 22 to 70 were approved by the board of directors on 22 December 2021 and were signed on its behalf by:


T.J. Lee
Director

Samsung Electronics (UK) Limited

Statement of Changes in Equity for the year ended 31 December 2020

	Called up share capital	Retained earnings	Restated* Total
	£'000	£'000	£'000
At 1 January 2019 as previously stated	109,546	323,861	433,407
Impact of restatement	-	38,126*	38,126*
At 1 January 2019 as restated	109,546	361,987*	471,533*
Profit for the year	-	76,335*	76,335*
Other comprehensive income:			
Actuarial gain / (loss) on pension	-	1,409	1,409
Deferred tax on pension deficit	-	(565)	(565)
Total comprehensive income for the year	-	77,179*	77,179*
Proceed from shares issues	-	-	-
Dividends	-	-	-
Total transactions with owners	-	-	-
At 31 December 2019	109,546	439,166*	548,712*
	Called up share capital	Retained earnings	Total
	£'000	£'000	£'000
At 1 January 2020 as previously stated	109,546	395,136	504,682
Impact of restatement	-	44,030*	44,030*
At 1 January 2020 as restated	109,546	439,166*	548,712*
Profit for the year	-	104,094	104,094
Other comprehensive income:			
Actuarial gain / (loss) on pension	-	(163)	(163)
Deferred tax on pension deficit	-	-	-
Total comprehensive income for the year	-	103,931	103,931
Proceed from shares issues	-	-	-
Dividends	-	-	-
Total transactions with owners	-	-	-
At 31 December 2020	109,546	543,097	652,643

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23.

Samsung Electronics (UK) Limited

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

1 General information

The company's (the 'company', being Samsung Electronics (UK) Limited) principal activities during the year were those of import, distribution and lessor of electronic and electrical goods, the purchase and sale of components and capital equipment, the provision of research and development services to the ultimate parent company, the import and distribution of telecommunications systems and European head office.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Samsung House, 2000 Hillswood Drive, Chertsey, Surrey, KT16 0RS (relocated from 1000 Hillswood Drive, Chertsey, Surrey, KT16 0PS on 27 May 2021).

2 Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention, with the exception of forward contracts which are measured at fair value, and in accordance with the Companies Act 2006 and with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020,

The following amended standards and interpretations have not, or are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Amendments to IFRS 3 (Definition of a business)
- Amendments to IAS 1 and IAS 8 (Definition of material)
- Amendments to IFRS9, IAS39 and IFRS7 (Interest Rate Benchmark Reform)
- Amendment to IFRS 16 (Covid-19-Related Rent Concessions) - during the year no practical expedients were taken in regards to IFRS 16 Covid-19 Related Rent Concessions.

2.2 Going concern

The company's business activities, together with factors likely to affect its future development and performance are set out in the principal activities, risks, and review of the business sections of the strategic report. The directors believe that the company is well placed to manage its business risks successfully.

The company has continued to make sales, an operating profit in 2020 and has net current assets, net assets and substantial cash at year end. Revenue for the year saw an increase on that generated in 2019 and from a liquidity perspective, the company is still in a strong position, consistent with prior years.

Samsung Electronics (UK) Limited

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

2.2 Going concern (continued)

The company's forecasts for the period ending 31 December 2022 have been prepared, based on an assessment of expected revenue under existing customer orders and expected future orders from existing and new customers, in line with the 2021 management plan. Taking into consideration the interim dividend of £171,000,000 declared and paid in May 2021, the company is still showing a very strong position financially.

In preparing the company forecasts for the going concern assessment, it is assumed that cash is equal to profit (except for discrete adjustments regarding pension contributions and capital expenditure) and that the current transfer pricing agreement with the parent company Samsung Electronics Co. Limited, will continue. The forecasts prepared make use of market industry data, for example to ascertain market size and market share. Sensitivity scenarios showing the effects of a potential 10% or 20% downturn were also prepared, neither of which gave cause for management concern.

The company has various product launches planned throughout the year and this continued even during the pandemic in 2020. This leads to supply being spread across all periods and it is therefore assumed that the product pipeline will remain unaffected by uncertain events. Some mobile supply disruption was experienced in early 2021, however, improvements in supply allocation mean that for the second half of the year the impact is not anticipated to be significant.

The company has significant financial resources and its forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the level of its current cash reserves for the foreseeable future. This is taking into account the ongoing Covid-19 pandemic and resulting uncertainties in the economy.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, this being a period of 12 months from signing the financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Financial reporting standard 101 – reduced disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*.
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1, 'Presentation of financial statements'.
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective). Paragraph 42 of IAS 'exemption from preparing third column of balance sheet for restatements'.

Samsung Electronics (UK) Limited

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

2.3 Financial reporting standard 101 – reduced disclosure exemptions(continued)

- Paragraphs 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Where relevant, equivalent disclosures have been given in the group accounts of Samsung Electronics Co., Limited. These are publically available as per note 2.4.

2.4 Consolidation

The financial statements contain information about Samsung Electronics (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Samsung Electronics Co., Limited, which are publicly available:

<https://www.samsung.com/global/ir/financial-information/audited-financial-statements/>

2.5 Cash flow statement and related party disclosures

In accordance with FRS 101 the company has not prepared a statement of cash flows for the current year as it is a wholly owned subsidiary of Samsung Electronics Co., Limited, a company incorporated in Korea whose financial statements are publicly available and is included in the consolidated financial statements, see note 2.2. The company is also exempt under the terms of FRS 101 from disclosing related party transactions with wholly owned entities that are part of the Samsung Electronics Co., Limited group. For details of other related party transactions see note 24.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and includes transport and handling costs. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

Provision is made where necessary for obsolete, slow moving and defective inventories. Goods in transit are valued at actual cost.

2.7 After sales warranty

The company estimates its warranty costs based on historical warranty claim experience. The warranty provision includes costs for limited warranties. Future costs for warranties applicable to revenue recognised in the current period are charged to administrative expenses which comprise administrative costs and the cost of service or replacement parts to the extent not recoverable from suppliers.

The warranty provision is reviewed quarterly to verify that it properly reflects the remaining obligation based on the anticipated expenditures over the balance of the obligation period. Adjustments are made when actual warranty claim experience differs from estimates.

The company offers extended warranties on a range of products, to provide additional cover for a set period after the standard warranty has expired. These are a separate performance obligation and therefore the revenue for these is recognised over time, commencing after the standard warranty has expired.

Samsung Electronics (UK) Limited

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

2.8 Cash management

The company participates in an agreement with an affiliated company, Samsung Electronics Europe Holdings B.V. Short term cash balances are transferred to this entity on a daily basis. Cash balances are effectively reclassified into loans receivable from affiliated companies and are recognised within Trade and other receivables in the Statement of Financial Position. As part of the agreement funds may also be borrowed from this entity.

The company has previously had funds on fixed term deposits, ranging from 3-12 months. These were classified as Other Investments.

2.9 Revenue recognition

Revenue represents the satisfaction of performance obligations of goods and services supplied, including trade discounts, expected returns and rebates, and excludes value added tax.

The Company recognises revenue in accordance with IFRS 15, by applying the following 5 steps: 1. Identifying the contracts with the customers, 2. Identifying the separate performance obligations, 3. Determining the transaction price of the contract, 4. Allocating the transaction price to each of the separate performance obligations, and 5. Recognising the revenue as each performance obligation is satisfied.

For the majority of the business, the performance obligations are satisfied at the point of delivery. For the exceptions – long term contracts (note 2.10) and extended after sales warranty contracts (note 2.7) – services are delivered over a period of time, and revenue is recognised accordingly.

Expected returns are calculated per product based on rolling 12 month actual returns data.

Goods can be sold with volume-related allowances or other customer sales incentives. These are estimated based on judgment and accumulated experience and in the case of volume-related allowances, are assessed based on historical and forecast performance, including giving consideration to the variable consideration constraint. Revenue is recognised based on the price specified in the sales contract, net of estimated discount or other customer incentives. Marketing or promotional incentives (not directly related to revenue) are charged to administrative expenses.

The company only reflects the sales deduction accrual against Receivables when it is final and certain. All other sales deductions accruals where these have been estimated or there is still some uncertainty over customer achievement and therefore estimated liability, are included in Creditors.

See note 3 for further information regarding these policies.

For certain activities the company is deemed to be acting as an agent rather than as a principal in accordance with criteria set out in IFRS 15. These activities include the company's role in procuring materials to order on behalf of other Samsung companies, for which the agent commission is recognised within revenue. The total value of materials purchased and resold in the year was £750,669,000 (2019 £689,135,000). The total value of materials sold has not been recognised as revenue in the income statement but just the net margin on the arrangement as noted above.

Samsung Electronics (UK) Limited

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

2.10 Long term contracts

Revenue is recognised on contracts with customers as or when performance obligations are satisfied which is the point in time or where control of goods or services transfer to the customer. Judgement is applied to determine first whether control passes over time and if not, then the point in time at which control passes.

The company delivers products to customers, installs and maintains them in accordance with the 4G LTE mobile network contracts in place. As these are customer controlled assets, the company recognises revenue over time as it creates or enhances an asset (for example, work in progress). Maintenance services are identified as a separate performance obligation and this revenue is recognised over the full length of the contract.

No margin is recognised until the outcome of the contract can be estimated with reasonable certainty. Provision is made for all known or expected losses on individual contracts once such losses are foreseen.

2.11 Contract assets

The company undertakes a number of projects and European based operations on behalf of the ultimate parent company, Samsung Electronics Co., Limited, and fellow affiliates. Charges incurred in their regard are recharged to the beneficiary entities on a cost plus mark-up basis, either monthly or quarterly in arrears. Between being recognised and recharged these amounts are recorded as contract assets.

Contract assets are also recognised on long term contracts prior to invoicing the customer.

2.12 Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions: deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

2.13 Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Samsung Electronics (UK) Limited

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

2.14 Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

2.15 Tangible fixed assets and depreciation

Tangible fixed assets – Property, plant and equipment - are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. Depreciation is recognised in administrative expenses.

The principal annual rates used for this purpose are:

Freehold land	n/a
Buildings	0-2%
Leasehold improvements	10-25%
Fixtures & fittings	20-25%
Motor vehicles	20%
Plant & machinery	20-33%

2.16 Intangible fixed assets and amortisation

Intangible fixed assets are stated at historic purchase cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Intangible assets are amortised on a straight line basis over the expected economic useful lives. Amortisation is recognised in administrative expenses.

Amortisation rates for categories of intangible assets are:

Externally purchased software	20-25%
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2.17 Impairment

The carrying values of fixed assets are reviewed at each reporting date for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2.18 Foreign currencies

Transactions during the year have been converted at the daily rate of exchange. Monetary assets and liabilities together with goods in transit are converted at the closing rate of exchange. Differences on exchange are taken directly to the income statement, within Finance income and cost.

Samsung Electronics (UK) Limited

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

2.19 Leases

The company leases various offices, retail stores, equipment, housing and vehicles. Rental contracts are typically made for fixed periods of 1 to 20 years, but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using our incremental borrowing rate (being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions) and a portfolio approach is applied.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the lease term on a straight-line basis. Depreciation is recognised in administrative expenses.

During the year no practical expedients were taken in regards to IFRS 16 Covid-19 Related Rent Concessions.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. The threshold for low value assets is less than USD 5,000.

2.20 Research and development costs

Research and development costs incurred by the company's R&D division are recharged to the ultimate parent company (see note 26). Other research costs are charged to the income statement in the year in which they are incurred.

Samsung Electronics (UK) Limited

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

2.21 Pensions

Defined benefit

Pension costs are assessed in accordance with the advice of qualified independent actuaries using the projected unit method, with actuarial valuations being carried out at each balance sheet date. Current service cost is recognised in operating costs in the period in which the defined benefit obligation increases as a result of employee services. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Comprehensive Income. The retirement benefit obligations recognised in the Statement of Financial Position represent the present value of the defined benefit obligations, as reduced by the fair value of scheme assets. The expected return on scheme assets and the unwinding of the discount on defined benefit obligations are recognised within other finance costs.

The company is the principal employer of the schemes and has the overwhelming majority of scheme members. As a result, the company recognises and discloses the entire scheme assets and liabilities information as it is most likely to benefit or suffer any surplus or deficit in the scheme as a whole.

Defined contribution

The company also participates in defined contribution schemes. The employer contributions under these schemes are charged to the income statement as they are incurred (note 6).

2.22 Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (expenses)/income together with foreign exchange gains and losses.

Samsung Electronics (UK) Limited

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

2.22 Financial Instruments (continued)

Impairment of financial assets

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

Financial liabilities

The company's financial liabilities include trade and other payables, and loans and borrowings including bank overdrafts, which are classified as such, at initial recognition. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

They are subsequently measured at amortised cost.

Financial instruments measured fair value through profit or loss

The company periodically entered into forward rate agreements to reduce its exposure in currencies other than its financial currency (sterling). Forward contracts with positive fair value are reported as financial assets and forward contracts with negative fair value are reported as financial liabilities.

The forward foreign exchange contracts are used in a fair value hedge to translate the foreign currency monetary liability at the spot (closing rate) at the balance sheet date, with exchange differences recognised immediately within the income statement.

2.23 Restatements to the prior year accounts

- Sales warranty provision

The total warranty provision was previously disclosed as a non-current liability. In line with the current / non-current nature of this provision, the provision has now been split 71% current and 29% non-current, based on an assessment of the periods in which the cash outflow will arise. The current portion is disclosed separately on the face of the Statement of Financial Position, within Current liabilities. The non-current portion remains in Non-current liabilities.

As no Company ratio was available for 2019, the figures have been restated using the 2020 ratio to allow for comparison. This is reflected in note 21.

Samsung Electronics (UK) Limited

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

2.23 Restatements to the prior year accounts (continued)

- Sales deductions

During the year the company identified that some provisions for retrospective customer rebates and sales discounts – which are recognised within the Trade and other payables balance in the Statement of Financial Position - had been incorrectly recognised at the year end, as not all information available to the company was correctly reflected.

The company undertook a full reassessment of the accuracy of these, and has concluded that the FY2019 amounts for retrospective customer rebates and sales discounts were overstated by £54,358,000 and FY2018 amounts for retrospective customer rebates and sales discounts were overstated by £47,069,000.

Management has assessed the financial impact and has decided to restate the prior year. The adjustments are detailed as follows, and have the effect of increasing revenue and decreasing trade and other payables:

Income statement	£'000
Revenue	7,289
Tax on profit	(1,385)
Profit for the financial year	5,904

Statement of Financial Position	£'000
Trade and other payables	54,358
Corporation tax payable	(10,328)
Retained Earnings	44,030

Statement of Comprehensive Income	£'000
Total comprehensive income for the year	5,904

Statement of Changes in Equity	£'000
Total shareholders' funds as at 1 January 2019	38,126
Total shareholders' funds as at 31 December 2019	44,030

Samsung Electronics (UK) Limited

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

2.23 Restatements to the prior year accounts (continued)

- Other presentational changes

Presentational restatements to the prior year have been made to allow for more transparency within the financial statements – these are shown with a * in the Statement of Financial Position and notes 18, 19 and 21. Not all such items are material but are represented for presentational transparency

Long term trade receivables, Receivables from finance leases, Deferred tax asset and Other non-current assets were previously included in Trade and other receivables, and detailed within note 18. From 2020 they have been presented in the Statement of Financial Position within Non-current assets and Current assets. 2019 figures have been restated and reflected within the Non-current and Current asset totals.

Lease liabilities and Corporate tax recoverable were previously disclosed within Trade and other payables and detailed within note 19. From 2020 they have been presented in the Statement of Financial Position within Non-current liabilities and Current liabilities. 2019 figures have been restated and reflected within the Non-current and Current liability totals.

The 2019 pension liability has been reclassified from Provisions and disclosed separately within Non-current liabilities on the face of the Statement of Financial Position. There is no corresponding figure for 2020.

Amounts owed by / to group undertakings have been further split out between the parent company and other group undertakings within notes 18 & 19 and the prior year figures have been restated to allow for comparison.

3 Critical accounting judgements and key sources of 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.

Critical accounting judgements

The Company has no critical accounting judgements.

Keys sources of estimation uncertainty

The Company has no keys sources of estimation uncertainty.

Samsung Electronics (UK) Limited

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

4 Financial Instruments

Derivative financial instruments

The company enters into forward currency contracts to mitigate the exchange rate risk for foreign currency receivables. As at 31 December 2020, the outstanding contracts all mature within 6 months (2019: 6 months) of the year end. The company is committed to buy USD 8,516,000 and buy EUR 21,454,000 and receive a fixed sterling amount of GBP 25,472,000.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. As at 31 December 2020, the carrying value on the balance sheet amounted to (£302,000) (assets £423,000 & liabilities (£725,000)).

The key assumption used in valuing the derivatives are the Bloomberg exchange rates for GBP:USD and GBP:EUR. The amounts recognised in net foreign exchange losses within finance costs in the income statement in respect of currency forward contracts for 2020 amounted to a loss of £2,518,000 (2019: net foreign exchange gain within finance income of £3,756,000).

5 Revenue

All revenue, profits and net assets of the company originate in the United Kingdom and Ireland and result from the principal activities listed in the Directors' Report.

The geographical analysis of company revenue by destination is:

	2020	Restated*
	£'000	2019 £'000
UK and Ireland	3,215,207	3,090,061*
Continental Europe	23,724	7,452
Rest of world	85,794	87,637
	<u>3,324,725</u>	<u>3,185,150*</u>

The company has branches outside the United Kingdom in Ireland and Israel.

Samsung Electronics (UK) Limited

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

5 Revenue (continued)

Analysis of company revenue by category:

	2020	Restated*
	£'000	2019
		£'000
Goods and services	3,253,826	3,108,894*
Research and development	70,899	76,256
	<u>3,324,725</u>	<u>3,185,150*</u>

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23

6 Operating Profit

Operating profit is stated after charging / (crediting):

	2020	2019
	£'000	£'000
Staff costs:		
Wages and salaries	130,651	130,091
Social security costs	14,330	14,054
Other pension costs	6,853	6,692
	<u>151,834</u>	<u>150,837</u>
Loss on disposal of fixed assets	32	131
Depreciation charge for the year:		
- Tangible fixed assets (included in 'administrative expenses')	7,552	3,913
- Right-of-use assets (included in 'administrative expenses')	15,072	11,454
Amortisation charge for the year:		
- Intangible fixed assets (included in 'administrative expenses')	321	218
Operating lease charges relating to short-term and low value leases:		
- Vehicles, plant and machinery	154	103
- Land and buildings	39	90

6 Operating profit (continued)

Samsung Electronics (UK) Limited

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

FX (gains) losses on operating activities	(2,415)	2,413
Costs of inventory	2,613,547	2,546,686
Impairment of inventory (included in 'cost of sales')	12,696	10,183
Research and development expenditure contracted for	69,518	74,031

Cost of inventory excludes inventory costs related to revenue where the company acts as an agent.

Services provided by the company's auditors

The company changed auditors to Deloitte LLP for the financial year 2020 and the current year figures stated relate to them. The 2019 comparatives are PricewaterhouseCoopers LLP.

During the year the company obtained the following services from the company's auditors at costs as detailed below:

	2020 £'000	2019 £'000
Fees payable to the company's auditors for the audit of the financial statements	359	224
Fees payable to the company's auditors for other services:		
- Other audit related services	75	99
- Taxation compliance services	46	-
- Other taxation advisory services	55	3
- Other services	-	139
	<u>435</u>	<u>465</u>

Samsung Electronics (UK) Limited

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

7 Finance income

	2020 £'000	2019 £'000
On funds provided to fellow subsidiaries	364	1,283
On bank and other deposits	5,757	6,561
On financing activities	1,381	1,207
Net foreign exchange gains	-	3,120
	<u>7,502</u>	<u>12,171</u>

Finance income on funds provided to fellow subsidiaries relates to the interest bearing loans receivable from affiliated companies, as part of the agreement with Samsung Electronics Europe Holdings B.V. (see note 2.8).

Interest on financing activities relates to interest earned on the provision of extended credit terms to customers and finance leasing arrangements.

Net foreign exchange gains include those relating to forward contracts in note 4.

8 Finance cost

	2020 £'000	2019 £'000
On bank and other borrowings:		
Interest on bank loans and overdrafts	3,100	2,025
Other interest	19	28
Net foreign exchange losses	1,487	-
Interest on leases (note 15)	1,851	941
Interest on defined benefit scheme (note 23)	30	157
	<u>6,487</u>	<u>3,151</u>

During the year there were no interest charges on amounts to other group companies (2019: none).

Net foreign exchange losses include those relating to forward contracts in note 4.

Samsung Electronics (UK) Limited

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

9 Directors' emoluments

Particulars of directors' emoluments are as follows:

	2020 £'000	2019 £'000
Directors' remuneration		
Aggregate emoluments	1,828	1,597
Highest paid director		
Aggregate emoluments	744	650

None of the directors are accruing retirement benefits from the company (2019: none). The company does not provide or fund long term incentive schemes in operation and none of the directors own any shares or share options in it (2019: none).

10 Employee information

The monthly average number of persons (including executive directors) employed during the year was:

	2020 Number	2019 Number
Administration	300	286
Sales and distribution	626	659
Research, development & quality assurance	312	340
	<u>1,238</u>	<u>1,285</u>

Samsung Electronics (UK) Limited

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

11 Tax on profit

a) Analysis of charge in year

	2020 £'000	Restated* 2019 £'000
<i>Current tax:</i>		
UK Corporation tax on profits for the year	24,559	20,227*
Adjustments in respect to prior periods	(1,290)	2,440
Double tax relief	(575)	391
Foreign tax – current tax on income for the period	630	(653)
Tax on profit before deferred tax charge	23,324	22,405*
<i>Deferred tax:</i>		
Deferred tax charge / (credit)	(645)	317
Adjustments in respect to prior periods	(880)	271
Impact of change in tax rate	(151)	-
Tax on profit	21,648	22,993*

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2019: higher) than the standard rate of corporation in the UK of 19.00% (2019: 19.00%)

	2020 £'000	Restated* 2019 £'000
Profit before tax	125,742	99,328*
Corporation tax at the standard UK tax of 19.00% (2019: 19.00%)	23,891	18,872*
<i>Effects of:</i>		
Expenses not deductible for tax purposes	22	1,447
Higher tax rates on overseas earnings	55	-
Other differences	-	(37)
Impact of change in tax rate	(151)	-
Adjustments in respect to prior periods	(2,169)	2,711
Total tax charge for the year	21,648	22,993*

c) Factors that may affect future tax charges

The main rate of UK corporation tax is 19%. A change to increase this rate to 25% from 1 April 2023 was substantially enacted after the balance sheet date. Therefore, this change has not been reflected in these financial statements.

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23

Samsung Electronics (UK) Limited

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

12 Dividends

	2020 £'000	2019 £'000
Ordinary Dividends	-	-

As stated in the Directors' Report, the directors declared an interim dividend on 14 May 2021 of £171,000,000 which was paid in May 2021. (Dividend per share £1.56)

13 Intangible assets

	Externally purchased software £'000	Total £'000
Cost		
At 1 January 2020	1,685	1,685
Additions	479	479
Disposals	(56)	(56)
At 31 December 2020	2,108	2,108
Accumulated amortisation		
At 1 January 2020	(946)	(946)
Charge for year	(320)	(320)
Disposals	56	56
At 31 December 2020	(1,210)	(1,210)
Net Book Value		
At 31 December 200	898	898
Net Book Value		
At 31 December 2019	739	739

Amortisation of externally purchased software to the value of £321,000 (2019: £218,000) is included in Administrative Expenses in the income statement.

Samsung Electronics (UK) Limited

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

14 Property, plant and equipment

	Freehold land & buildings £'000	Leasehold improvements £'000	Fixtures & fittings £'000	Motor vehicles £'000	Plant & machinery £'000	Asset Under Construction - Leasehold Improvement £'000	Total £'000
Cost							
At 1 January 2020	4,060	18,126	5,434	51	17,732	2,203	47,606
Additions	-	2,269	219	-	3,924	9,727	16,139
Transfers	-	2,819	123	-	18	(2,987)	(27)
Disposals	-	-	(11)	-	(403)	-	(414)
At 31 December 2020	4,060	23,214	5,765	51	21,271	8,943	63,304
Accumulated depreciation							
At 1 January 2020	(1,530)	(3,011)	(4,600)	(51)	(7,647)	-	(16,839)
Charge for year	(87)	(3,901)	(291)	-	(3,273)	-	(7,552)
Transfers	18	(18)	-	-	-	-	-
Disposals	-	-	10	-	365	-	375
At 31 December 2020	(1,599)	(6,930)	(4,881)	(51)	(10,555)	-	(24,016)
Net Book Value							
At 31 December 2020	2,461	16,284	884	-	10,716	8,943	39,288
Net Book Value							
At 31 December 2019	2,530	15,115	834	-	10,085	2,203	30,767

The cost of freehold land included within land and buildings is £585,000 (2019: £585,000). Depreciation is recognised in administrative expenses in the Income Statement.

Samsung Electronics (UK) Limited

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

15 Leases

The company leases various offices, houses, retail stores, equipment and vehicles. At the year end the leases have remaining lease terms of 1 year to 19 years.

Prior to recognition, every lease is reviewed on an individual basis by management with regards to the decision on extension and termination options. These options mainly apply to the office leases, as their lease terms are generally longer.

Currently the company has one office lease recognised to a break clause.

Right-of-use assets

	Buildings	Fixture & Fittings	Motor Vehicles	Other	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2020	97,192	1,198	2,545	160	101,095
Additions	26,757	842	1,226	62	28,887
Transfers	(939)	-	939	-	-
Disposals	(7,524)	(45)	(1,174)	(29)	(8,772)
At 31 December 2020	115,486	1,995	3,536	193	121,210
Accumulated depreciation					
At 1 January 2020	(10,636)	(240)	(546)	(32)	(11,454)
Charge for year	(13,499)	(647)	(887)	(39)	(15,072)
Disposals	6,589	38	267	8	6,902
At 31 December 2020	(17,546)	(849)	(1,166)	(63)	(19,624)
Net Book Value					
At 31 December 2020	97,940	1,146	2,370	130	101,586
Net Book Value					
At 31 December 2019	86,556	958	1,999	128	89,641

Samsung Electronics (UK) Limited

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

15 Leases (continued)

Lease liabilities

	2020 £'000	2019 £'000
Current (note 19)	12,968	12,779
Non-current (note 19)	84,705	76,462
	<hr/>	
	97,673	89,241

Amounts recognised in the income statement:

	2020 £'000	2019 £'000
Interest expense (included in finance cost note 8)	(1,851)	(941)
Expense relating to short-term leases (included in administrative expenses)	(143)	(184)
Expense relating to leases of low value assets that are not shown above as short-term leases (included in administrative expenses)	(50)	(9)

The financial commitments for short-term leases is similar to the cost recognised in the year.

Samsung Electronics (UK) Limited

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

15 Leases (continued)

Future *minimum* lease payments as at 31 December 2020 are as follows:

	2020 £'000	2019 £'000
Not later than one year	14,556	14,438
Later than one year and not later than five years	34,887	33,579
Later than five years	60,034	53,970
Total gross payments	109,477	101,987
Impact of finance expenses	(11,804)	(12,746)
Carrying amount of liability	97,673	89,241

The total cash outflow for leases in 2020 was £13,622,000 (2019: £13,346,000).

Samsung Electronics (UK) Limited

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

16 Investments

Investment in subsidiaries:

<u>Name of undertaking</u>	<u>Country of incorporation and principal place of business</u>	<u>Proportion of nominal value of issued ordinary shares and voting rights directly held at 31 December 2020 and 2019 :</u>	
Samsung Semiconductor Europe Limited	England and Wales	100%	
1st Floor No 5, The Heights Brooklands, Weybridge, Surrey KT13 0NY			
		2020 £'000	2019 £'000
Cost and net book value at 1 January and 31 December		18,000	18,000

The directors believe that the carrying value of the investments is supported by their underlying net assets. As at 31 January 2015 Samsung Semiconductor Europe Limited ceased to trade and the business was transferred to a fellow affiliate based in Germany. The distributable reserves, which would be due to the company on a winding up is greater than the net book value of the investment. Prior to the cessation of its trade, the principal business activity of Samsung Semiconductor Europe Limited was the import and distribution of semiconductor and TFT and LCD panels.

17 Inventories

	2020 £'000	2019 £'000
Finished goods	116,000	89,507
Goods in transit	65,932	22,592
	181,932	112,099

The directors do not consider that there is a material difference between the value of the stock included in the financial statements and the value of stock at replacement cost.

Included within the inventory balance is a provision for stock obsolescence for the company of £2,844,000 (2019: £4,069,000).

Samsung Electronics (UK) Limited

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

18 Trade and other receivables

	2020 £'000	Restated* 2019 £'000
Amounts falling due within one year:		
Trade receivables	789,099	739,883
Amounts owed by parent	18,634	17,308*
Amounts owed by other group undertakings	70,522	220,658*
Amounts owed by related parties	207	212
Other receivables	6,310	17,069*
Prepayments	20,820	22,805
Contract assets	34,735	42,168
	<hr/> 940,327	<hr/> 1,060,103

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23.

Trade receivables are stated after provisions for impairment of £4,389,000 (2019: £1,624,000).

The company is part of a cash management agreement with an affiliated company, Samsung Electronics Europe Holdings B.V. Under this arrangement substantially all of the company's cash balance is transferred to this entity on a daily basis. Consequently, the company's cash balances are effectively reclassified into loans receivable from affiliated companies, which are interest bearing (see note 7). The balance receivable as 31 December 2020 amounted to £15,581,000 (2019: £181,353,000) and is recognised in Amounts owed by other group undertakings.

All other amounts owed by ultimate parent, fellow affiliates, subsidiary undertakings and related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Samsung Electronics (UK) Limited

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

19 Trade and other payables

	2020 £'000	Restated* 2019 £'000
Bank loans and overdrafts	20	9
Trade payables	81,341	57,176
Amounts owed to parent	168,572	53,819*
Amounts owed to other group undertakings	126,251	332,662*
Amounts owed to related parties	6,020	3,337
Other taxes and social security	27,709	22,203
Accruals	628,530	587,299*
Contract liabilities	19,007	18,698*
Other payables	15,115	6,605
	<u>1,072,565</u>	<u>1,081,808*</u>

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23.

All bank loans and overdrafts are repayable in one year or less, or on demand. A summary of the interest rates applicable to bank loans and overdrafts held is given below:

	2020 £'000	2019 £'000
Amounts borrowed at 4.6%	20	-
Amounts borrowed at 3.25%	-	9
	<u>20</u>	<u>9</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Samsung Electronics (UK) Limited

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

20 Finance Leases

Receivables from finance leases:

2020

	Lease	IPA / Loan	Total
	£ '000	£ '000	£ '000
Receivables from finance leases < 1yr	11,912	69,973	81,885
Receivables from finance leases within 1 to 2 years	5,459	4,133	9,592
Receivables from finance leases within 2 to 3 years	2,371	401	2,772
Receivables from finance leases within 3 to 4 years	298	-	298
Receivables from finance leases within 4 to 5 years	115	-	115
Receivables from finance leases > 5 years	50	-	50
	<hr/> 20,205	<hr/> 74,507	<hr/> 94,712
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2019

	Lease	IPA / Loan	Total
	£ '000	£ '000	£ '000
Receivables from finance leases < 1yr	11,068	19,196	30,264
Receivables from finance leases within 1 to 2 years	7,155	2,721	9,876
Receivables from finance leases within 2 to 3 years	3,004	50	3,054
Receivables from finance leases within 3 to 4 years	1,181	-	1,181
Receivables from finance leases within 4 to 5 years	275	-	275
Receivables from finance leases > 5 years	165	-	165
	<hr/> 22,848	<hr/> 21,967	<hr/> 44,815
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Samsung Electronics (UK) Limited

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

20 Finance Leases (continued)

Minimum future lease payments to be received (gross investment):

2020

	Lease	IPA / Loan	Total
	£ '000	£ '000	£ '000
Within 1 year	12,631	70,331	82,962
Within 1 to 2 years	5,495	4,529	10,024
Within 2 to 3 years	2,434	414	2,848
Within 3 to 4 years	312	-	312
Within 4 to 5 years	121	-	121
After 5 years	50	-	50
	<hr/>	<hr/>	<hr/>
	21,043	75,274	96,317
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2019

	Lease	IPA / Loan	Total
	£ '000	£ '000	£ '000
Within 1 year	11,110	19,235	30,345
Within 1 to 2 years	7,303	2,894	10,197
Within 2 to 3 years	3,370	78	3,448
Within 3 to 4 years	1,488	-	1,488
Within 4 to 5 years	415	-	415
After 5 years	289	-	289
	<hr/>	<hr/>	<hr/>
	23,975	22,207	46,182
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Samsung Electronics (UK) Limited

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

20 Finance Leases (continued)

Reconciliation of minimum future lease payments to the gross and net investment in lease payments receivable:

2020

	Lease	IPA / Loan	Total
	£ '000	£ '000	£ '000
Gross Investment in the lease / IPA loan	21,043	75,274	96,317
Less: Unearned income / IPA loan	(839)	(766)	(1,605)
Net investment in leases	<u>20,204</u>	<u>74,508</u>	<u>94,712</u>

2019

	Lease	IPA / Loan	Total
	£ '000	£ '000	£ '000
Gross Investment in the lease / IPA loan	23,975	22,207	46,182
Less: Unearned income / IPA loan	(1,127)	(240)	(1,367)
Net investment in leases	<u>22,848</u>	<u>21,967</u>	<u>44,815</u>

Samsung Electronics (UK) Limited

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

20 Finance Leases (continued)

The Company is a lessor in connection with finance leases. The underlying leases relate primarily to the Mobile and Display product groups.

Corporations (B2B customers) acquiring products through approved intermediaries (i.e. an authorised distributor or reseller) can opt to finance their purchase via non-regulated leasing agreements with the Company subject to satisfactory credit vetting and affordability checks.

The Company retains legal ownership of the products until the end of contract, although risk and reward passes immediately, following which the customer either purchases the products or agrees to return them to the authorised reseller – legal title is guaranteed to pass from Samsung. The purchase price at the end of the lease is set at the commencement of the lease and is equal to the estimated residual value of the product or a nominal amount.

Certain leasing agreements with customers also contain residual value guarantees that are guaranteed by approved unrelated third party guarantors. This transfers the residual value risk of the associated returned products to the approved guarantors.

The leasing agreements do not contain variable lease payments, restrictions or covenants.

Samsung Electronics (UK) Limited

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

21 Provisions for liabilities

	Restated* At 1 January 2020	Additions to the income statement	Utilised during the year	Unused amounts reversed	At 31 December 2020
	£'000	£'000	£'000	£'000	£'000
Sales warranty*					
Current	33,290*	7,249	(16,018)	(2,419)	22,102
Non-current	13,598*	2,961	(6,543)	(988)	9,028
Provision for the cost of electronic equipment under the European Commission's WEEE** directive	407	5,652	(5,807)	-	252
	47,295	15,862	(28,368)	(3,407)	31,382

*Restatements to the prior year have been made to the financial statements, some of which are for presentational purposes only. Please refer to note 2.23.

** "Waste Electrical and Electronic Equipment"

Sales warranty provision

The sales warranty provision relates to the estimated cost of repairing products sold by the company that require repair due to a manufacturing fault within the warranty period. They have the potential to be utilised within the next 12 months and are based upon on historical warranty claim experience, as stated in note 2.5.

Provision for the cost of electronic equipment disposal under the European Commission's WEEE directive

The European Commission issued the WEEE directive in February 2003 and this came into force in the UK on 1 July 2007. This requires electronics producers to be responsible for organising a scheme for collection, treatment, recovery and safe disposal of note 9 products. The amount is uncertain at year-end; however the provision is expected to be utilised by the 31 August the following year.

Samsung Electronics (UK) Limited

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

22 Deferred taxation

Provision for deferred tax has been included in the financial statements in accordance with FRS 101. The aggregate temporary differences result in a net deferred tax asset which has been recognised by the company. There are no unrecognised temporary differences, losses or credits.

The company expects there to be sufficient future taxable profits against which the deferred tax assets can reverse. There were no tax losses in 2019 or the period preceding that.

Year ended 31 December	2020 Asset/(liability) £'000	2019 Asset/(liability) £'000
Accelerated depreciation for tax purposes	2,181	1,040
Short term temporary differences	739	204
Retirement benefit obligations	(18)	482
	2,902	1,726

Reconciliation of movements in deferred tax

	01 January 2020	Recognised in income statement	Recognised in other comprehensive income	Recognised in equity	31 December 2020
	£'000	£'000	£'000	£'000	£'000
Accelerated depreciation for tax purposes	1,040	1,141	-	-	2,181
Short term temporary differences	204	535	-	-	739
Retirement benefit obligations	482		(500)	-	(18)
Net deferred tax asset	1,726	1,676	(500)	-	2,902

In 2020 the deferred tax rate changed from 17% to 19% leading to a credit of £151,000 (2019: £nil) being recognised in the income statement (see note 11).

Samsung Electronics (UK) Limited

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

23 Pension Commitments

The defined contribution pension charge in the year was £6,853,000 (2019: £6,692,000) as stated in note 6.

Samsung Pension Scheme

Participating members of the Samsung Pension Scheme are Samsung Electronics (UK) Limited, Samsung Semiconductor Europe Limited and Samsung SDS Europe Limited. The full actuarial accounting disclosure of the scheme is included within this company's accounts, as there is no formal policy for allocation.

The employer sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 618 past employees as at 28 February 2018. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The scheme is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 28 February 2018 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the employers and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a deficit of £8,991,000. The employer has agreed with the trustees that it will aim to eliminate the deficit over a period of 3 years and 10 months from 30 April 2019 by the payment of annual contributions of £2,069,000 which increases at the rate of 3% p.a. (first increase on 1 March 2020).

For the purposes of FRS 101 the actuarial valuation as at 28 February 2018 has been updated on an approximate basis to 31 December 2020 by a qualified independent actuary. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Samsung Electronics (UK) Limited

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

23 Pension Commitments (continued)

SEMUK Pension and Life Assurance Scheme

With effect from 30 November 2004, Samsung Electronics Manufacturing (UK) Limited ceased to be the principal employer of its own defined benefit pension scheme when a deed of substitution of principal employer was executed with the new principal employer being Samsung Electronics (UK) Limited. The future commitments and operating costs of the scheme will be met by the principal employer.

The employer sponsors the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 806 past employees as at 5 April 2018. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the scheme's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 5 April 2018 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the employer and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a deficit of £3,023,000. The employer has agreed with the trustees that it will aim to eliminate the deficit over a period of 4 years from 5 April 2019 by the payment of annual contributions of £701,000 increasing at 3% each year in respect of the deficit. In addition, the employer meets all scheme expenses.

For the purposes of FRS 101 the actuarial valuation as at 5 April 2018 which was carried out by a qualified independent actuary has been updated on an approximate basis to 31 December 2020. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Samsung Electronics (UK) Limited

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

23 Pension Commitments (continued)

Amounts included in the Statement of Financial Position

	Samsung Pension Scheme 2020	Samsung Pension Scheme 2019	Samsung Pension Scheme 2018	SEMUK Pension and Life Assurance Scheme 2020	SEMUK Pension and Life Assurance Scheme 2019	SEMUK Pension and Life Assurance Scheme 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets	112,222	95,912	84,322	39,537	34,382	29,871
Present value of plan liabilities	(112,336)	(98,537)	(91,566)	(39,328)	(34,590)	(28,784)
(Deficit)/Surplus	(114)	(2,625)	(7,244)	209	(208)	1,087
Related deferred tax asset/ (liability)	22	446	1,231	(40)	35	(185)
Net pension (liability)/ asset	(92)	(2,179)	(6,013)	169	(173)	902

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method. The value calculated in this way is reflected in the net liability in the Statement of Financial Position as shown above.

In assessing this figure for the purpose of these disclosures, the accumulated benefit obligation measure has been used with allowance for future revaluation of benefits up to retirement for deferred pensioners.

All actuarial gains and losses will be recognised in the year in which they occur in Other Comprehensive Income (OCI).

Reconciliation of the impact of the asset ceiling

The employers have reviewed implications of the guidance provided by FRS 101 and have concluded that it is not necessary to make any adjustments to the figures in respect of an asset ceiling or Minimum Funding Requirement as at 31 December 2020.

Samsung Electronics (UK) Limited

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

23 Pension Commitments (continued)

Reconciliation of opening and closing present value of defined benefit obligation:

	Samsung Pension Scheme	Samsung Pension Scheme	SEMUK Pension and Life Assurance Scheme	SEMUK Pension and Life Assurance Scheme
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 January	(98,537)	(91,566)	(34,590)	(28,784)
Interest cost	(1,947)	(2,806)	(687)	(886)
Experience (loss) / gain	169	7,604	98	(569)
(Loss) on change in assumptions	(14,462)	(13,999)	(4,624)	(4,765)
Benefits paid and expenses	2,459	2,230	553	414
Past service costs	(18)	-	(78)	-
At 31 December	(112,336)	(98,537)	(39,328)	(34,590)

The defined benefit cost for the fiscal year ending on the 31 December 2020 includes a past service cost due to a plan amendment of £18,000 for the Samsung Pension Scheme and £78,000 for the SEMUK Scheme. This has arisen following a High Court case on 20 November 2020 which ruled that transfers out of the Plans, between 17 May 1990 and 28 October 2018, need to be revisited and equalised for GMP.

Reconciliation of opening and closing values of the fair value of plan assets:

	Samsung Pension Scheme	Samsung Pension Scheme	SEMUK Pension and Life Assurance Scheme	SEMUK Pension and Life Assurance Scheme
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 January	95,912	84,322	34,382	29,871
Interest Income	1,915	2,610	689	925
Return on plan assets (excluding amounts included in interest income)	14,733	9,370	4,318	3,677
Contributions by the employers	2,121	1,840	701	323
Benefits paid and expenses	(2,459)	(2,230)	(553)	(414)
At 31 December	112,222	95,912	39,537	34,382

The actual return on plan assets over the year ended 31 December 2020 for the Samsung Pension Scheme was £16,648,000 (2019: (£11,980,000)) and for the SEMUK scheme was £5,007,000 (2019: (£4,602,000)).

Samsung Electronics (UK) Limited

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

23 Pension Commitments (continued)

Defined benefit costs recognised in the Income Statement:

	Samsung Pension Scheme 2020 £'000	Samsung Pension Scheme 2019 £'000	SEMUK Pension and Life Assurance Scheme 2020 £'000	SEMUK Pension and Life Assurance Scheme 2019 £'000
Past service cost	18	-	78	-
Interest (income)	(1,915)	(2,610)	(689)	(925)
Interest expense	1,947	2,806	687	886
Recognised in Income Statement	50	196	76	(39)

Defined benefit costs recognised in Other Comprehensive Income:

	Samsung Pension Scheme 2020 £'000	Samsung Pension Scheme 2019 £'000	SEMUK Pension and Life Assurance Scheme 2020 £'000	SEMUK Pension and Life Assurance Scheme 2019 £'000
Return on plan assets (excluding amounts included in net interest cost)	14,733	9,370	4,318	3,677
Experience gains and losses arising on the scheme liabilities	169	7,604	98	(569)
Changes in assumptions underlying the present value of scheme liabilities	(14,462)	(13,999)	(4,624)	(4,765)
Payments made by other scheme members	105	91	-	-
Actuarial (loss)/gain recognised in Other Comprehensive Income	545	3,066	(208)	(1,657)

The amount recognised in the Samsung Pension Scheme Statement of Comprehensive Income above includes amounts in respect of Samsung Semiconductor Europe Limited and Samsung SDS Europe Limited, a recharge for which is not made by the company.

Samsung Electronics (UK) Limited

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

23 Pension Commitments (continued)

Assets in the Schemes

	Samsung Pension Scheme	Samsung Pension Scheme	Samsung Pension Scheme	SEMUK Pension and Life Assurance Scheme	SEMUK Pension and Life Assurance Scheme	SEMUK Pension and Life Assurance Scheme
	2020	2019	2018	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	55,885	49,121	41,878	17,652	15,940	12,726
Property	2,931	2,330	1,974	984	908	716
Fixed interest bonds	5,554	4,998	4,095	1,049	1,020	783
Corporate bonds	5,208	4,512	3,634	5,726	4,940	3,589
Cash / Other	3,544	3,008	2,425	514	388	336
Insured pensioners	2,157	2,071	1,920	-	-	-
LDI	20,794	15,626	18,288	9,098	6,938	8,604
Absolute Return	13,425	11,867	8,044	4,514	4,248	3,117
Overseas Bonds	2,724	2,379	2,064	-	-	-
Total assets	112,222	95,912	84,322	39,537	34,382	29,871

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer. All of the scheme assets have a quoted market price in an active market with the exception of the Trustees' bank account balance and the insured pensioners. The value placed on the insured pensioner asset is consistent with the value placed on the insured pensioner obligation.

It is the policy of the trustees and the employer to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles.

The plan currently uses Liability Driven Investments to hedge interest rate and inflation risks. It also holds fixed interest investments which partly match the defined benefit obligation.

Samsung Electronics (UK) Limited

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

23 Pension Commitments (continued)

Significant actuarial assumptions at 31 December: percentage per annum

	Samsung Pension Scheme 2020	Samsung Pension Scheme 2019	Samsung Pension Scheme 2018	SEMUK Pension and Life Assurance Scheme 2020	SEMUK Pension and Life Assurance Scheme 2019	SEMUK Pension and Life Assurance Scheme 2018
Discount rate	1.60%	2.00%	3.10%	1.6%	2.00%	3.10%
Inflation (RPI)	3.00%	2.80%	3.40%	3.0%	2.80%	3.40%
Inflation (CPI)	2.40%	2.00%	2.40%	-	-	-
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less or 2.5% p.a. if less	2.40%	2.00%	2.40%	-	-	-
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	-	-	-	3.0%	2.80%	3.40%
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.90%	2.70%	3.20%	2.9%	2.70%	3.20%
Allowance for pension in payment increases of CPI or 5% p.a. if less	2.40%	2.10%	-	-	-	-
Allowance for pension in payment increases of RPI or 3% p.a. if less	2.00%	1.80%	-	2.3%	2.20%	2.50%
Allowance for commutation of pension for cash at retirement	100% of Post A Day	100% of Post A Day	100% of Post A Day	100% of Post A Day	100% of Post A Day	100% of Post A Day

The mortality assumptions adopted at 31 December 2020 for the Samsung Pension Scheme are 95% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2019 converging to 1.25% p.a.

The mortality assumptions adopted at 31 December 2020 for the SEMUK Pension and Life Assurance Scheme are 107% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2019 converging to 1.25% p.a.

These imply the life expectancies below.

Samsung Electronics (UK) Limited

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

23 Pension Commitments (continued)

The mortality assumptions used were as follows:

	Samsung Pension Scheme 2020 Years	Samsung Pension Scheme 2019 Years	SEMUK Pension and Life Assurance Scheme 2020 Years	SEMUK Pension and Life Assurance Scheme 2019 Years
Longevity at age 60 for current pensioners:				
- Male	26.8	26.8	25.8	25.8
- Female	28.9	28.8	27.9	27.9
Longevity at age 60 for future pensioners currently aged 40:				
- Male	28.3	28.3	27.4	27.4
- Female	30.5	30.4	29.5	29.5

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Samsung Pension Scheme 2020 Change in assumption	Samsung Pension Scheme 2020 Change in Liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 5.2%
Rate of inflation	Increase of 0.25% p.a.	Increase by 3.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.7%

The Samsung Pension Scheme includes Samsung Electronics (UK) Limited, Samsung Semiconductor Europe Limited and Samsung SDS Europe Limited.

	SEMUK Pension and Life Assurance Scheme 2020 Change in assumption	SEMUK Pension and Life Assurance Scheme 2020 Change in Liabilities
Discount rate	Decrease of 0.25% p.a.	Increase by 6.2%
Rate of inflation	Increase of 0.25% p.a.	Increase by 3.7%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.7%

Samsung Electronics (UK) Limited

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

23 Pension Commitments (continued)

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ended 31 December 2020 is approx. 22 years for the Samsung Pension Scheme and 23 years for the SEMUK Pension and Life Assurance Scheme.

The plan typically exposes the Employer to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future income statement accounts. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the employer to the plans for the period commencing 1 January 2021 is £2,184,000 for the Samsung Pension Scheme (Samsung Electronics (UK) Limited £1,845,000; Samsung Semiconductor Europe Limited £221,000; Samsung SDS Europe Limited £118,000) and £724,000 for the SEMUK Pension and Life Assurance Scheme.

Samsung Electronics (UK) Limited

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

24 Related party transactions

In accordance with FRS 101 the company is exempt from disclosing transactions with entities that are part of the group, or investees of the group qualifying as related parties, as it is a wholly owned subsidiary of a parent (see note 26) publishing consolidated financial statements.

During the year the company had transactions with the below related parties. These companies are deemed a related party due to common influence, but not included within the Samsung Electronics Co., Limited consolidation.

- Cheil Benelux B.V
- Cheil Europe Limited
- Hotel Shilla Co., Ltd
- Iris London Limited
- Samsung Fire & Marine Insurance Co.
- Samsung Heavy Industries Co., Ltd.
- Samsung Hospitality U.K. Limited
- Samsung SDS Co., Ltd.
- Samsung SDS Europe Ltd.
- Samsung Venture Investment Co., Ltd.
- Samsung Vina JV Insurance Co., Ltd.

Related party	Year-end debtor balance £'000	Product sales £'000	Recharges for support services £'000
Samsung Fire & Marine Insurance Co.	(0)	49	(1)
Samsung Heavy Industries Co., Ltd.	-	-	6
Samsung Hospitality U.K. Limited	3	3	-
Samsung SDS Co., Ltd.	58	-	354
Samsung SDS Europe Ltd.	24	225	-
Samsung Venture Investment Co., Ltd.	122	-	1,432
Samsung Vina JV Insurance Co., Ltd.	-	1	-
	207	278	1,791

Samsung Electronics (UK) Limited

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

24 Related party transactions (continued)

Related party	Year-end creditor balance	Purchase of IT services and fixed assets	Purchase of logistics services	Purchase of marketing services	Purchase of other services
	£'000	£'000	£'000	£'000	£'000
Cheil Benelux B.V	-	-	-	-	(15)
Cheil Europe Limited	(8)	-	-	(43,541)	(2,435)
Hotel Shilla Co., Ltd	(0)	-	-	-	(2)
Iris London Limited	-	-	-	(9,699)	(443)
Samsung Fire & Marine Insurance Co.	-	-	(649)	-	-
Samsung Hospitality U.K. Limited	-	(5)	-	-	(614)
Samsung SDS Europe Ltd.	(6,012)	(19,980)	(42,151)	(6,863)	-
	(6,020)	(19,985)	(42,800)	(60,103)	(3,509)

25 Contingent liabilities

In 2015, the company was served with a 'follow-on claim for damages' from several iiyama group companies which attempted to rely on the LCD Decision to claim follow-on damages from the company, the ultimate parent undertaking, and other companies. The claim was settled in January 2020 by the ultimate parent undertaking, with no financial impact to Samsung Electronics (UK) Limited.

There are no further claims involving the company and as such, no provisions have been recorded or contingent liabilities disclosed.

Samsung Electronics (UK) Limited

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

26 Parent and ultimate parent undertaking

The immediate parent undertaking is Samsung Electronics Co., Limited.

The ultimate parent undertaking and controlling party is Samsung Electronics Co., Limited, a company incorporated in the Republic of Korea.

Samsung Electronics Co., Limited, is the parent undertaking of the smallest and the largest group of undertakings to consolidate these financial statements, and is the only undertaking to consolidate the financial statements of the company.

The consolidated financial statements of Samsung Electronics Co., Limited, are available from their registered office: Samsung Electronics, Samsung Digital City, 129, Samsung-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, South Korea and online: <https://www.samsung.com/global/ir/financial-information/audited-financial-statements/>

27 Called up share capital

	2020 £'000	2019 £'000
Authorised		
150,000,000 (2019: 150,000,000) Ordinary shares at £1 each	<u>150,000</u>	<u>150,000</u>
Allotted, issued and fully paid		
109,546,000 (2019: 109,546,000) Ordinary shares of £1 each	<u>109,546</u>	<u>109,546</u>

Samsung Electronics (UK) Limited

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

28 Non-adjusting events after the end of the reporting period

Covid-19

The effects of Covid-19 were still evident within the first half of 2021, with governmental restrictions remaining in place across the country. A second country-wide lockdown occurred in the early stages of the year.

UK retail and support premises, including Samsung KX, Harrods and Selfridges (operated by the company), and Samsung Experience Stores and Samsung Support Centres (operated by third party franchisees) all operated within the UK governmental guidelines throughout the first half of the year.

Samsung representatives employed by third party service providers, including in-store promoters and colleagues, and store staff employed by franchisee store operators, were again furloughed.

Offices operated at limited capacity, under Covid-safe guidance, with majority of employees working remotely. A phased return plan is in place, and capacity increased from 19 July 2021 in line with the removal of government restrictions. The move to the new Head Office went ahead, and the return to office will be to the new location.

There is currently no indication that the company's ability to continue as a going concern will be affected, or the need to make a change in key judgements or estimations made at 31 December 2020.

Dividend

On 14 May 2021, the directors declared an interim dividend of £171,000,000 (2019: £nil), see note 12. This was paid on 19 May 2021.