

Registration number: 00713086

# STMicroelectronics Limited

Annual report and financial statements

For the year ended 31 December 2018



# **STMicroelectronics Limited**

## **Annual report and financial statements**

For the year ended 31 December 2018

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# **STMicroelectronics Limited**

## **Annual report and financial statements**

For the year ended 31 December 2018

### **Company Information**

#### **Directors**

I Currie

P Morris

G Notarnicola (resigned 1 December 2018)

A Talpo (appointed 1 December 2018)

#### **Company secretary**

S Qureshi (resigned 19 March 2018)

Abogado Nominees Limited (appointed 30 October 2018)

#### **Registered office**

Atlas House

Third Avenue

Globe Park

Marlow

Buckinghamshire

SL7 1EY

#### **Company Registration Number**

00713086 (England & Wales)

#### **Independent auditors**

Ernst & Young LLP

Apex Plaza

Forbury Road

Reading

Berkshire

RG1 1YE

# STMicroelectronics Limited

## Strategic Report

For the year ended 31 December 2018

The Directors present the Strategic Report for the year ended 31 December 2018.

### Principal activities

The principal activities of the Company are the marketing and selling of semiconductor components and microsystems, and sale of a range of high performance large-scale integrated semiconductor devices, using advanced process technology.

The Company acts as a sales agent of the Swiss branch of STMicroelectronics International NV (STI), a company incorporated in the Netherlands.

### Business review

The Company's income consists of commission, at a rate of 6%, received from STI, and recharging, using a 0% uplift, corporate costs to the parent company, STMicroelectronics NV. The commission income is based upon the annual turnover invoiced by STMicroelectronics International NV to UK and Ireland customers supported by STMicroelectronics Limited. The net assets at year end increased from £13,327,000 to £17,316,000. The Company's profit for the financial year increased from £1,423,000 in 2017 to £3,491,000.

### Principal risks and uncertainties

The key business risks affecting the Company are those faced by the group headed by ST Microelectronics NV, the ultimate parent company. The key risk is:

#### *Competition risk*

The semiconductor industry is intensely competitive and the group headed by ST Microelectronics NV faces significant competition in each of its product lines. There is a risk that customer product lines become obsolete and it is therefore important that STMicroelectronics remains up to date with changing technology needs.

The STMicroelectronics group has historically competed successfully and grown market share by developing close partnerships with its largest clients and investing in research and development.

### Key performance indicators

Key performance indicators reviewed by the STMicroelectronics group are:

#### *Turnover*

The increase in turnover is due to the higher sales realised in the UK as a result of design wins with customers.

#### *Gross margins*

STMicroelectronics Limited's gross margins increased to 69% during 2018 (2017: 52%).

#### *Employee Retention*

The Company places value on the involvement of its employees and has continued its previous practice of keeping them informed through regular consultation, both on matters affecting them as employees and on the various factors affecting the performance of the Company.

### Strategy and future outlook

ST's management is continuously monitoring the evolution of the different market segments the group participates in and ensuring its strategy is aligned accordingly.

We expect to maintain our current level of performance in the future.

Approved by the Board on 26 September 2019 and signed on its behalf by:



I. Currie  
**Director**

STMicroelectronics Limited  
Company registration number: 00713086

# STMicroelectronics Limited

## Directors' Report

For the year ended 31 December 2018

The Directors present the Directors' Report and the audited Financial Statements for the year ended 31 December 2018.

### Financial results

The Company's profit for the financial year is £3,491,000 (2017: £1,423,000), which will be transferred to reserves.

### Dividends

The directors do not recommend the payment of a dividend for the year (2018: payment in relation to previous year profit distribution of £1,800,000; 2017: payment in relation to previous year profit distribution of £nil).

### Directors

The Directors who held office during the year and up to the date of signing the Financial Statements are as follows:

I Currie  
P Morris  
G Notarnicola (resigned 1 December 2018)  
A Talpo (appointed 1 December 2018)

### Going concern

The Financial Statements have been prepared under the going concern basis. At 31 December 2018, the Company had net assets of £17,316,000 (2017: £13,327,000). The Company has continued to act as a sales agent of the Swiss branch of STMicroelectronics International NV (STI) post year-end receiving commission at a rate of 6% from STI. No changes are anticipated to this agreement, which will continue for at least 12 months following the date of signing these financial statements.

### Employees

The Company is committed to providing equal opportunities for everyone who works at the Company, including anyone who applies to work for the Company or has worked for the Company.

All applications from disabled persons are fully considered. Should an employee become disabled, it is the Company's practice to continue their current employment where possible or offer suitable alternatives. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Future developments

The Company intends to continue to operate in the marketing and selling of semiconductor components and microsystems and the sale of a range of high performance large-scale integrated semiconductor devices, using advanced process technology.

### Financial risk management

As the Company operates as a sales agent of STMicroelectronics International NV (STI), its own operations are not directly exposed to credit risks, changes in market prices, liquidity risks, and interest rate risks, as these are borne by STI.

### Statement of directors' responsibilities 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 regulation.

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

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## **STMicroelectronics Limited**

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

For the year ended 31 December 2018

#### **Statement of directors' responsibilities in respect of the financial statements (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

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

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

#### **Independent Auditors**

Ernst & Young LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the Board on 26 September 2019 and signed on its behalf by:



**I. Currie**  
**Director**

STMicroelectronics Limited  
Company registration number: 00713086

## **STMicroelectronics Limited**

### **Independent auditor's report to the members of STMicroelectronics Limited**

We have audited the financial statements of STMicroelectronics Limited for the year ended 31 December 2018 which comprise the Income Statement, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

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

#### **Conclusions relating to going concern**

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

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

#### **Other information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## STMicroelectronics Limited

### Independent auditor's report to the members of STMicroelectronics Limited (continued)

#### Matters on which we are required to report by exception

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

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

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

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 3 and 4, 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 intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

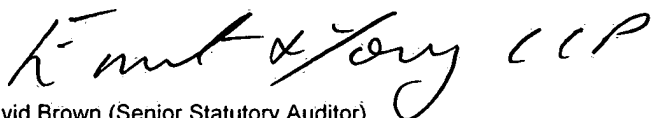
#### Auditor's responsibilities for the audit of the financial statements

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

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

#### Use of our report

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



David Brown (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Reading

27 September 2019



# STMicroelectronics Limited

## Income Statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	2	7,436	5,947
Cost of sales		(2,278)	(2,854)
<b>Gross profit</b>		<b>5,158</b>	<b>3,093</b>
Administrative expenses		(1,461)	(1,704)
<b>Operating profit</b>	3	<b>3,697</b>	<b>1,389</b>
Interest receivable and similar income	7	151	76
Interest payable and similar expenses	8	(49)	(56)
<b>Profit on ordinary activities before taxation</b>		<b>3,799</b>	<b>1,409</b>
Tax (charge)/credit on profit on ordinary activities	9	(308)	14
<b>Profit for the financial year</b>		<b>3,491</b>	<b>1,423</b>

The above results were derived from continuing operations.

## Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Profit for the financial year</b>		<b>3,491</b>	<b>1,423</b>
<b>Other comprehensive income:</b>			
(Losses)/gains relating to defined benefit pension scheme	15	(11)	263
Movement on deferred tax relating to pension liability	9	4	(43)
Dividend in specie received from Inmos Limited	11	2,338	-
<b>Total other comprehensive income</b>		<b>2,331</b>	<b>220</b>
<b>Total comprehensive income for the year</b>		<b>5,822</b>	<b>1,643</b>

## STMicroelectronics Limited

### Statement of Changes in Equity

For the year ended 31 December 2018

	Called up share capital £'000	Capital redemption reserve £'000	Retained earnings £'000	Total shareholder's funds £'000
<b>At 1 January 2018</b>	<b>1,000</b>	<b>8,900</b>	<b>3,427</b>	<b>13,327</b>
Profit for the financial year	-	-	3,491	3,491
Other comprehensive income	-	-	2,331	2,331
Total comprehensive income for the year	-	-	5,822	5,822
Share-based payment expense	-	-	118	118
Reimbursement to parent company for share-based payments	-	-	(151)	(151)
Dividend payment	-	-	(1,800)	(1,800)
<b>At 31 December 2018</b>	<b>1,000</b>	<b>8,900</b>	<b>7,416</b>	<b>17,316</b>
<b>At 1 January 2017</b>	<b>1,000</b>	<b>8,900</b>	<b>1,784</b>	<b>11,684</b>
Profit for the financial year	-	-	1,423	1,423
Other comprehensive income	-	-	220	220
Total comprehensive income for the year	-	-	1,643	1,643
Share-based payment expense	-	-	122	122
Reimbursement to parent company for share-based payments	-	-	(122)	(122)
<b>At 31 December 2017</b>	<b>1,000</b>	<b>8,900</b>	<b>3,427</b>	<b>13,327</b>

The capital redemption reserve is a non-distributable reserve and represents paid up share capital.

# STMicroelectronics Limited

## Balance Sheet

At 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible assets	10	105	172
Subsidiary undertakings	11	-	-
		<b>105</b>	<b>172</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	18,146	16,420
Debtors: amounts falling due after more than one year	12	127	176
Cash at bank and in hand		207	219
		<b>18,480</b>	<b>16,815</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(774)</b>	<b>(3,083)</b>
<b>Net current assets</b>		<b>17,706</b>	<b>13,732</b>
<b>Total assets less current liabilities</b>		<b>17,811</b>	<b>13,904</b>
<b>Provisions for liabilities</b>			
Provisions for liabilities and charges	14	(80)	(80)
Net pension deficit	15	(415)	(497)
		<b>(495)</b>	<b>(577)</b>
<b>Net assets</b>		<b>17,316</b>	<b>13,327</b>
<b>Capital and reserves</b>			
Called up share capital	16	1,000	1,000
Capital redemption reserve		8,900	8,900
Retained earnings		7,416	3,427
<b>Total shareholder's funds</b>		<b>17,316</b>	<b>13,327</b>

The financial statements on pages 7 to 22 were approved by the Board of Directors on 26 September 2019 and signed on its behalf by:



I. Currie  
**Director**  
 STMicroelectronics Limited  
 Company registration number: 00713086

# STMicroelectronics Limited

## Notes to the Financial Statements

For the year ended 31 December 2018

### 1 Accounting policies and presentation

#### General information

STMicroelectronics Limited ("the Company") is a private company limited by share capital and is incorporated in England and Wales and domiciled in the United Kingdom. The Company's registered office is Atlas House, Third Avenue, Globe Park, Marlow, Buckinghamshire, SL7 1EY.

The principal activity of the Company during the reporting period are the marketing and selling of semiconductor components and microsystems, and sale of a range of high performance large scale integrated semiconductor devices, using advanced process technology.

#### Statement of compliance

The Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards under Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and with the Companies Act 2006.

#### Preparation of consolidated financial statements

The financial statements contain information about STMicroelectronics Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, STMicroelectronics NV, a company incorporated in the Netherlands.

#### Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with United Kingdom Accounting Standards under FRS 102 and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1 'Critical accounting judgements and key sources of estimation uncertainty' included within this note.

These financial statements are presented in pounds sterling and are rounded to the nearest thousand pounds (£'000). The Company's functional and presentation currency is pounds sterling.

These financial statements have been prepared using all standards and interpretations required for financial periods beginning 1 January 2018. No standards or interpretations have been adopted before the required implementation date.

#### Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of STMicroelectronics NV which are publicly available.

As a qualifying entity, the Company has taken advantage of the following disclosure exemptions in FRS 102:

- The requirements of Section 4 'Statement of Financial Positions' paragraph 4.12(a)(iv);
- The requirements of Section 7 'Statement of Cash Flows' and Section 3 'Financial Statement Presentation' paragraph 3.17(d);
- The requirements of Section 11 'Basic Financial Instruments' paragraph 11.39 to 11.48A;
- The requirements of Section 26 Share-based Payments paragraphs 26.18(b) to 26.23; and
- The requirements of Section 33 'Related Party Disclosure' paragraphs 33.1A and 33.7.

#### Going concern

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 1 Accounting policies and presentation (continued)

#### Turnover

Turnover is stated net of value added tax and represents commission of 6% received by the Company in respect of amounts invoiced as a sales agent to STMicroelectronics International NV and recharging, using a 0% uplift, sales and marketing costs to STMicroelectronics NV. Revenue is recognised at the point that the services are provided

#### Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans and shared-based payments.

##### i) Short term benefits

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

##### ii) Defined contribution pension scheme

A defined contribution plan offers employees individual funds which are converted into pension benefits on retirement. For defined contribution plans, the Company pays contributions to privately administered pension insurance plans on a contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The assets are held independently of the Company's finances.

##### iii) Defined benefit pension plan

A defined benefit plan generally provides pensions based on the employee's length of service and their final pensionable salary. The assets of all schemes are held independently of the Company's finances.

For the defined benefit plan, the liability recognised in the balance sheet is the present value of the scheme's liabilities at the balance sheet date less the fair value of plan assets.

The defined benefit obligation is calculated using the projected unit credit method. The Company engages independent actuaries in every three years to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

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

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

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

- a) the increase in pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as interest cost.

##### iv) Share-based payments

The parent company operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement. The credit entry is recognised within reserves.

The Company has taken advantage of the exemption under paragraph 35.10(b) of FRS 102 in respect of share-based payment transactions on the date of transition to FRS 102 (1 January 2014) and have elected not to apply Section 26 Share-based payments to equity instruments granted before the date of transition to FRS 102. The previous framework has been applied to instruments granted prior to the date of transition.

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 1 Accounting policies and presentation (continued)

#### Foreign currencies

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet or at the date of transaction. All differences on exchange are taken to the income statement.

#### Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### i) Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals under operating leases are charged to the income statement on a straight line basis over the term of the lease.

##### ii) Lease incentives

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

#### Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

##### i) Current tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

##### ii) Deferred tax

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

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

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

#### Tangible fixed assets and depreciation

Fixed assets are included at historic purchase cost less accumulated depreciation and accumulated impairment losses so as to write each asset down to its estimated net realisable value in equal instalments over their expected useful economic lives as follows:

Leasehold improvements	3 to 25 years
Furniture & Fittings	3 to 10 years
Computer equipment	3 to 10 years

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.

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

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

#### Investments

Investments in subsidiary undertakings are accounted for at historic purchase cost less any impairment in value.

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 1 Accounting policies and presentation (continued)

#### Financial instruments

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

##### i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances and loans to fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

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

##### ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

The Company does not hold or issue derivative financial instruments.

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

##### iii) Offsetting

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

#### Provisions and contingencies

##### i) 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.

##### ii) Contingencies

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

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2018

**1 Accounting policies and presentation (continued)**

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts.

**Impairment of non-financial assets**

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

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

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

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

**Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- **Defined benefit pension scheme**

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 15 for the disclosures relating to the defined benefit pension scheme.

**2 Turnover**

An analysis of sales by geographical location by destination is given below:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	<b>7,436</b>	<b>5,947</b>



# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 3 Operating profit

Operating profit on ordinary activities before taxation is stated after charging:

	2018 £'000	2017 £'000
Depreciation of owned tangible assets (note 10)	67	21
Operating lease rentals – land and buildings	142	143
Auditor's remuneration – audit services	12	12

### 4 Employees information

	2018 £'000	2017 £'000
Wages and salaries	1,906	2,074
Social security costs	254	286
Other pension costs (note 15)	422	551
Share-based payments (note 6)	118	122
	2,700	3,033

#### Number of employees

The average monthly number of employees (including Executive Directors) employed by the Company was:

	2018 Number	2017 Number
Selling and distribution	22	23
Research and development	-	3
Administration	5	5
	27	31

### 5 Directors' remuneration

	2018 £'000	2017 £'000
Aggregate remuneration	124	108
Company contributions to defined contribution pension scheme	35	32
	159	140

Retirement benefits are accruing to 1 director (2017: 1) under a defined contribution scheme.

No directors exercised share options during 2018 (2017: nil).

Only one director is paid directly by STMicroelectronics Limited. The remuneration of the other directors is borne by the parent company, STMicroelectronics NV or its affiliates.

The other directors of the Company are also directors of other STM group companies and their services to the Company do not occupy a significant amount of their time. As such, these directors do not consider that they have received any remuneration for their incidental services to the Company for the years ended 31 December 2017 and 31 December 2018.

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 6 Share-based payments

#### Unvested stock awards

Part of ST's compensation strategy is to reward and retain key high-potential and high-performing employees through direct ownership in ST. The Unvested Stock Awards (USAs) program is an important part of this strategy.

Direct ownership of ST shares creates a stronger link to the Company and personal interest in the Company's performance through stock value appreciation. An unvested stock award is an ordinary ST share granted to eligible employees for which the employee will get the full market value of the shares granted when they vest and become owned by the employee. The vesting period is three years of continued service with ST.

The general plan is formally known as the Unvested Stock Award (USA) plan. At the 20 June 2017 Annual General Shareholders meeting, the shareholders approved a new four-year Unvested Stock Award Plan for the Management and Key Employees.

Under this plan, unvested shares (USAs) are granted to employees subject to the three-year service period, either with or without three performance conditions, at no cost. Whether the performance conditions apply is based on the employees level within the Company.

The Company recognises an equity-settled share-based payment expense based on actual number of shares allocated to the employees of the Company.

During the year £151,000 (2017: £122,000) was re-charged from the parent company.

### 7 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from group undertakings	151	76

### 8 Interest payable and similar expenses

	2018 £'000	2017 £'000
Defined benefit pension scheme interest and related costs (note 15)	49	56

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 9 Taxation

#### (a) Analysis of tax in year

	2018 £'000	2017 £'000
<b>Current tax</b>		
UK corporation tax	255	-
<b>Total current tax charge</b>	<b>255</b>	<b>-</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	53	(14)
<b>Total deferred tax charge/(credit)</b>	<b>53</b>	<b>(14)</b>
<b>Taxation charge/(credit) on profit on ordinary activities</b>	<b>308</b>	<b>(14)</b>

#### (b) Tax included in other comprehensive income

	2018 £'000	2017 £'000
Deferred tax	(4)	43
<b>Total tax (income)/expense in other comprehensive income</b>	<b>(4)</b>	<b>43</b>

#### (c) Factors affecting the tax assessment in the year

The tax assessed for the year is lower (2017: lower) than the standard effective rate of corporation tax in the UK of 19.0% (2017: 19.25%).

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	3,799	1,409
Profit on ordinary activities multiplied by the standard UK corporation rate of 19.0% (2017: 19.25%)	722	271
Expenses not deductible for tax purposes	23	7
Effect of change in corporation tax rate on deferred tax recognition	22	3
Group relief claimed	(461)	(391)
Deduction for share-based payments	1	(39)
Other adjustments	1	135
<b>Total tax charge/(credit) for the year</b>	<b>308</b>	<b>(14)</b>

The main rate of UK corporation tax reduced to 19% with effect from 1 April 2017 and will further reduce to 17% with effect from 1 April 2020. These tax rate reductions were substantially enacted at the balance sheet date and have therefore been reflected in the financial statements.

The future effective tax rate is expected to be reduced by the availability of UK group tax losses resulting from the expected availability of Research and Development tax credits in the UK group.

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 9 Taxation (continued)

#### (d) Deferred tax recognition

	Recognised		Not recognised	
	2018	2017	2018	2017
£'000	£'000	£'000	£'000	£'000
Unclaimed capital allowances	30	36	-	-
Other timing differences	6	6	-	-
Deferred tax asset on:				
- share-based payments	20	50	-	-
- pension liabilities	71	84	-	-
<b>At 31 December</b>	<b>127</b>	<b>176</b>	<b>-</b>	<b>-</b>

Deferred tax has been recognised on the basis that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax has not been recognised on share-based payments for which the current exercise price exceeds the market value of the shares at the balance sheet date.

#### (e) Deferred tax asset

	2018	2017
	£'000	£'000
At 1 January	176	205
Included in income statement	(53)	14
Included in other comprehensive income	4	(43)
<b>At 31 December (note 12)</b>	<b>127</b>	<b>176</b>

### 10 Tangible assets

	Leasehold improvements	Furniture and Fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2018	265	229	11	505
Additions	-	2	-	2
Disposals	-	-	(4)	(4)
<b>At 31 December 2018</b>	<b>265</b>	<b>231</b>	<b>7</b>	<b>503</b>
<b>Accumulated depreciation</b>				
At 1 January 2018	96	228	9	333
Charge for the year	65	2	-	67
Disposals	-	-	(2)	(2)
<b>At 31 December 2018</b>	<b>161</b>	<b>230</b>	<b>7</b>	<b>398</b>
<b>Net book amount</b>				
<b>At 31 December 2018</b>	<b>104</b>	<b>1</b>	<b>-</b>	<b>105</b>
At 31 December 2017	169	1	2	172

### 11 Subsidiary undertakings

Cost and net book value	£
At 1 January 2018	101
Dissolution: Inmos Limited	(1)
<b>At 31 December 2018</b>	<b>100</b>

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 11 Subsidiary undertakings (continued)

Details of the Company's investments in subsidiaries and related entities are as follows:

Name	Registered address	Country of incorporation	Principal activity	Interest
STMicroelectronics (Bristol) Pension Trust Limited	Atlas House, Third Avenue, Globe Park, Marlow, SL7 1EY	England & Wales	Dormant entity	100% ordinary shares

#### Inmos Limited

Inmos Limited was a dormant company registered in England & Wales. STMicroelectronics had an investment of £1 in 100% of the ordinary shares of Inmos Limited from its acquisition on 24 October 1994 until Inmos Limited was dissolved on 15 May 2018.

On 4 November 1994 Inmos Limited ceased trading and became dormant, at which point the amount owed by STMicroelectronics Limited to Inmos Limited was £2,337,649, as reflected in both entities financial statements. Prior to its being dissolved this intercompany balance was settled through Inmos Limited granting STMicroelectronics Limited a dividend in specie of £2,337,649 and assigning to STMicroelectronics Limited all rights, title and interest in the intercompany balance in satisfaction of the dividend in specie.

#### STMicroelectronics (Bristol) Pension Trust Limited

An investment of £100 in 100% of the ordinary shares of the dormant company STMicroelectronics (Bristol) Pension Trust Limited was transferred from Inmos Limited to STMicroelectronics Limited on 4 December 2017.

### 12 Debtors

	2018 £'000	2017 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	17,995	16,261
Prepayments and accrued income	125	134
Indirect taxes recoverable	15	25
Other debtors	11	-
	<b>18,146</b>	<b>16,420</b>

Amounts owed by group undertakings include intercompany loans of £17,034,000 (2017: £13,000,000) that are interest bearing at a rate of LIBOR 3Months + 0.25% and repayable on 13 December 2019.

All other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

	2018 £'000	2017 £'000
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset	127	176

### 13 Creditors

	2018 £'000	2017 £'000
<b>Amounts falling due within one year:</b>		
Trade creditors	67	91
Amounts owed to group undertakings	33	2,455
Accruals and deferred income	403	520
Corporation tax liability	255	-
Other taxes and social security	16	17
	<b>774</b>	<b>3,083</b>

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

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 14 Provisions for liabilities and charges

	Dilapidations provision £'000
At 1 January 2018	80
Additions	-
At 31 December 2018	80

### 15 Pensions

The Company's pension arrangements comprise a defined benefit and defined contribution scheme.

#### 15.1 Defined contribution scheme

The Company operates a defined contribution pension scheme for some of its employees. The assets of the scheme are held in separate trustee administered funds.

The pension charge includes contributions payable by the Company to the funds and amounted to £422,000 (2017: £551,000). At the year-end there was an accrual of £37,000 (2017: £36,000) relating to unpaid contributions.

#### 15.2 Defined benefit scheme

The Company operates a funded defined benefit pension scheme for some of its employees. The assets of the scheme are held in a separate trustee administered fund. The following disclosures relate to the defined benefit section of the scheme alone. Contributions to this section of the Scheme are assessed in accordance with the advice of a qualified actuary. The scheme is closed to new joiners and future accrual.

The contributions to this scheme are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was carried out at 31 May 2016 by JLT, independent qualified actuaries. The most significant assumptions used in that valuation were a discount rate (pre-retirement) of 2.65% per annum, a discount rate (post retirement) of 2.65% per annum, and a price inflation rate of 2.80% per annum.

At the valuation date the scheme was 88% funded. The total pension contribution for the year was £142,000 (2017: £142,000). There is no prepaid or outstanding contribution at the balance sheet date.

#### (a) Post-employment obligations

	2018 £'000	2017 £'000
Post-employment obligations at the year-end comprise:		
Pensions – funded	(415)	(497)

#### (b) Key assumptions

	2018 %	2017 %
Discount rate	2.80	2.45
Rate of increase in pensions in payment	2.95	3.15
Inflation assumption	3.15	2.15
Longevity at age 65 (years) - male	21.9	22.0
- female	23.8	23.8

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 15 Pensions (continued)

#### 15.2 Defined benefit scheme (continued)

##### (c) Reporting (continued)

Amounts charged/(credited) to the income statement:	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Scheme administrative expenses	13	53
Past service cost	25	-
Net interest payable	11	21
Net settlement income	-	(18)
	<b>49</b>	<b>56</b>
Amounts charged/(credited) to the statement of comprehensive income:	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Actuarial losses	(288)	59
Return on the schemes' assets	299	(322)
	<b>11</b>	<b>(263)</b>

The cumulative remeasurement of defined benefit plan scheme assets and unfunded liabilities recognised in the statement of comprehensive income is a loss of £2,153,000 (2017: loss of £2,142,000).

Amounts recognised in the balance sheet:	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit obligations	(5,082)	(5,349)
Fair value of scheme assets	4,667	4,852
Net obligations recognised in the balance sheet	<b>(415)</b>	<b>(497)</b>

#### Movement in schemes' assets and unfunded liabilities during the year:

	<b>2018</b>			<b>2017</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 January</b>	<b>4,852</b>	<b>(5,349)</b>	<b>(497)</b>	<b>4,766</b>	<b>(5,612)</b>	<b>(846)</b>
Interest	119	(130)	(11)	124	(145)	(21)
Remeasurement of defined benefit plans	(300)	289	(11)	322	(59)	263
Contributions by Company	142	-	142	142	-	142
Benefits paid	(133)	133	-	(180)	180	-
Settlements	-	-	-	(269)	287	18
Past service cost	-	(25)	(25)	-	-	-
Scheme administrative expenses	(13)	-	(13)	(53)	-	(53)
<b>At 31 December</b>	<b>4,667</b>	<b>(5,082)</b>	<b>(415)</b>	<b>4,852</b>	<b>(5,349)</b>	<b>(497)</b>

Scheme assets do not include any of the Company's own financial instruments, or any property occupied by the Company. The expected return on scheme assets is determined by considering the expected returns on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The Company expects to contribute £142,000 to its defined benefit pension plans in 2019.

# STMicroelectronics Limited

## Notes to the Financial Statements (continued)

For the year ended 31 December 2018

### 15 Pensions (continued)

#### 15.2 Defined benefit scheme (continued)

##### (c) Reporting (continued)

Remeasurement gains and losses in relation to the scheme's obligations are as follows

	2018 £'000	2017 £'000
Experience gains and losses	(29)	44
Changes in financial assumptions	284	(202)
Change in demographic assumptions	34	99
	<b>289</b>	<b>(59)</b>

The fair values of the assets in the scheme were:

	2018 £'000	2017 £'000
UK equities	2,094	2,208
UK bonds	1,210	1,216
Other assets	1,363	1,428
<b>At 31 December</b>	<b>4,667</b>	<b>4,852</b>

### 16 Share capital

	2018		2017	
	Number	£'000	Number	£'000
<b>Authorised</b>				
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000
<b>Allotted, issued and fully paid</b>				
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000

There is a single class of ordinary shares having one vote per share. There are no restrictions on the distribution of dividends and the repayment of capital. The shares are not redeemable nor liable to be redeemed at the option of the Company or the holder.

### 17 Operating lease commitments

The minimum lease payments which the Company is committed to make under non-cancellable operating leases at 31 December are:

	2018 Property £'000	2017 Property £'000
<b>Payments falling due:</b>		
Not later than one year	142	142
Later than one year and not later than five years	424	566
Later than five years	-	-
	<b>566</b>	<b>708</b>

### 18 Contingent liabilities

The Company's bankers have agreed to continue to provide an indemnity to H.M Customs & Excise, which amounted to £20,000 at 31 December 2018 (2017: £20,000).

### 19 Ultimate parent undertaking

The Company is wholly-owned by its immediate parent undertaking STMicroelectronics NV, a company incorporated in the Netherlands.

STMicroelectronics NV is also the ultimate parent undertaking and controlling party. Consolidated financial statements of STMicroelectronics NV are publicly available.