

Registered number: 02143888

**LG ELECTRONICS U.K. LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



# **LG ELECTRONICS U.K. LTD**

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## **LG ELECTRONICS U.K. LTD**

### **COMPANY INFORMATION**

<b>Directors</b>	J H Min B S Lee B Ban
<b>Company secretary</b>	J H Min
<b>Registered number</b>	02143888
<b>Registered office</b>	Velocity 2 Brooklands Drive Weybridge Surrey KT13 0SL
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present the Strategic Report for LG Electronics U.K. Ltd (the "Company") for the year ended 31 December 2018.

**Business review**

The Statement of Comprehensive Income for the year is set out on page 11.

Turnover and profit before taxation are two of the Company's main key performance indicators.

The results for the year show a profit before taxation of £6,125,000 (2017: £6,795,000) and sales of £519,780,000 (2017: £527,275,000).

Sales activity levels decreased by 1.4% during FY'18 and profit for the financial year has decreased from £5,411,000 to £4,924,000.

As at 31 December 2018 the Company had net assets of £57,455,000 (2017: £52,531,000).

**Financial key performance indicators**

The key financial performance indicators of the Company are discussed in the business review above.

**Principal risks and uncertainties**

Principal risks and uncertainties are considered to be related to the competitive market environment.

The Company operates in a highly competitive market particularly around price and the availability and quality of products. This results not only in downward pressure on our margins but also in the risk that we will not be able to meet our customer's expectations. In order to mitigate this risk our sales team monitor market prices on a daily basis and have been given full responsibility for pricing goods within their local region. Furthermore, we undertake routine market research to understand our customers' expectations and to ensure their needs are being met.

**Other key performance indicators**

*Sustainability*

Non-financial KPIs help measure the sustainability of our business and progress towards operational excellence. We strive to operate in a safe, efficient and ethical manner, and at the same time aim to be an employer of choice and make a positive impact on the environment and the communities in which we operate.

*Product and Service quality*

The Company endeavours to provide the best in class after sales support to our customers through high levels of customer satisfaction. This is measured by percentage of customer call answer time within 20 seconds and this was 86.1% in 2018. Furthermore, where a repair is necessary we have maintained the overall RTAT (Repair turnaround time for CE) at 5.5 days. In addition, as web self-service increases in popularity we have also begun to measure customer satisfaction on LGE website which is at 3.0/5.0 in 2018; together these aspects help to ensure that we take effective action to fulfil our customer needs and requests.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

*Eco friendly*

LG Electronics has been leading the industry when it comes to the eco-friendly green practices. The company is in full compliance with WEEE (Waste Electrical and Electronic Equipment) and other relevant directives on packaging and batteries. The company will continue to be socially responsible and will work closely with Trade associations both in the UK and Europe to lead innovations in product design and minimise packaging.

Being in the forefront of innovation has enabled the company to develop energy-efficient products. The LG Signature line-up was designed with environmental consciousness in mind. LG's products are suitable for those consumers who are looking to add eco-friendly appliance with maximum convenience in their household. LG's Instaview Door-in-Door refrigerators illuminate the inside compartment when knocked on twice. This reduces the loss of cold air inside and keeps food fresher for longer. LG's bottom-freezer refrigerators are frost free and rated A+++ in energy efficiency grading.

*Innovation*

LG dedicates itself to bringing innovative technology to consumer's home. 'Innovation for a Better Life' is the slogan of the company displaying its endless commitment and the company has proven itself in doing so by launching products with latest technology and innovation over the years. OLED and UHD television are the premium products where these commitments are shown at its best. During the IFA Tradeshaw 2018, LG OLED tunnel was installed at the entrance of LOs pavilion. Custom bent screens shows no loss or distortion in picture quality and provided immersive experience. Furthermore, LG Signature OLED W8 TV, the world's thinnest TV with only 2.75mm thickness was also displayed at the show. To couple with the TVs, LG Dolby Atmos Soundbars were installed in the "living room" environment where full 360 degree surround sound was to be experienced. In addition, LG PK Series Bluetooth speakers partnered with Meridian Audio company to support visually and acoustically an astonishing listening environment.

*Brand Value*

The company's has always strived to improve its brand value in the high-end product market. In the UK, refrigerators increased in market share from 4.6% in 2017 to 5.9% in 2018. Meanwhile in the TV category, consumers have given credit to the company for its enhancement in technology. Despite this, the overall TV market share decreased from 21.7% in 2017 to 21.3% in 2018. LG proved its strength particularly well in the premium TVs and maintained its number one position in TVs over £1,500 category for the entire 2018 with a downside in market share from 51.1% in 2017 to 46.9% in 2018. In terms of UHD, its market share decreased from 29.6% in 2017 to 25.8% in 2018. In the B2B section, hotel TV's market share has increased from 24.8% in 2017 to 34.3% in 2018.

*Equal Opportunity Policy*

LG Electronics is committed to providing equal opportunities in employment. This means that all job applicants and employees will receive equal treatment regardless of sex, colour, race, nationality, ethnic or national origin, sexual orientation, marital status, civil partnership status, disability, religion or belief or age.

All employees should be aware of the importance which the company attaches to its Equal Opportunity Policy Statement and should ensure that they do not, by their own actions, behaviour or attitudes, directly or indirectly (even unintentionally) discriminate against job applicants or fellow employees. Acts of discrimination will be treated as disciplinary offences. These will include, for example, discrimination in selection for recruitment, promotion and training, refusing to work with or for a person because of his or her race or sex or age and the harassment of any employee.

It is good business sense for the company to ensure that its most important resource, its staff, is used in a fair and effective way. The company takes all steps to avoid any discrimination against individuals either directly or indirectly in respect of their race, nationality, ethnic or national origin, colour, sex, marital status, civil partnership status, religion or belief, sexual orientation, disability or age.

From time to time, the company gives proper training and guidelines against harassment, where on grounds of race, ethnic or national origin, sex, marital status, civil partnership status, religious beliefs, sexual orientation, disability or age, someone engages in unwanted conduct which has the purpose or effect of violating a person's dignity or creating an intimidating or hostile working environment.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Company takes necessary steps against victimisation, where someone is treated less favourably than others because he or she has taken action against the company under one of the relevant discrimination Acts.

*Recruitment*

The Company will take steps to ensure that applications are attracted from candidates without regard to race, nationality, ethnic or national origin, colour, sex, marital status, civil partnership status, religion or belief, sexual orientation, disability or age and will ensure that there are equal opportunities in all stages of the recruitment process.

*Promotion*

Promotion is made without regard to race, nationality, ethnic or national origin, colour, sex, marital status, civil partnership status, religious beliefs, sexual orientation, disability or age and is based solely on merit. Monitoring and review.

*Monitoring and review*

The Equal Opportunity Policy Statement will be monitored periodically by the head of HR to judge its effectiveness.

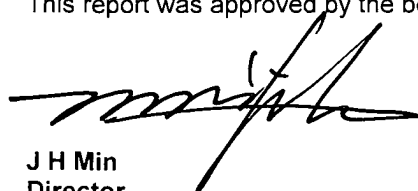
*Grievance*

The Company treats grievances seriously and will take action when any employee has a grievance as a result of discrimination on grounds of race, nationality, ethnic or national origin, colour, sex, marital status, civil partnership status, religious beliefs, sexual orientation, disability or age, whether this relates to treatment by staff, customers, suppliers or anyone else with whom staff members come into contact in the course of their work.

*Compliance Training*

The Company provides frequent training in various areas for the benefit of employees ongoing development and compliance.

This report was approved by the board and signed on its behalf by:



J H Min  
Director

Date: 12/09/2019

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their annual report and the audited financial statements of LG Electronics U.K. Ltd (the "Company") for the year ended 31 December 2018.

**Principal activities**

The Company's principal activity during the year was the import and distribution of electronic products and domestic electrical appliances.

**Results and dividends**

The profit for the financial year, amounted to £4,924,000 (2017: £5,411,000).

The directors do not recommend the payment of a dividend (2017: £Nil).

**Future developments**

Benefiting from the tariff-free access to the single market of EU and London being one of the greatest financial hubs in the EU has attracted many businesses to operate in the UK. The upcoming Brexit deadline of 31 October 2019 could pose a series of challenges for LGEUK's business. Potential higher import taxes on goods purchased and a weak pound would lead to a low purchasing power and a higher selling price to end consumers. Sell-out of LG's electronics products may be hindered due to a negative economic viewpoint of customers leading to a reduction in overall Turnover. Furthermore, a decrease in sales could result in a fall in LG's market share across various products. The company will need to re-strategise its action plans for all the likelihoods of the Brexit outcome, and develop coherent action plan to adapt to the new environment in order to be fully optimised in terms of its business cycles as well as profitability.

**Financial risk management**

The Company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk and liquidity risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

**Price risk**

The Company is exposed to commodity price risk as a result of its operations. The Company has a policy of passing on to its customer exposures to commodity price risks in negotiating terms of sale.

**Credit risk**

The Company's financial assets are bank balances and cash, trade and other debtors. Credit risk arises from the Company's trade and other debtors. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Sales are usually underwritten by credit insurance.

Where debt finance is utilised, this is subject to pre-approval by the board of directors.

**Liquidity risk**

The Company actively utilises short term debt finance as required that is designed to ensure the Company has sufficient funds for operations.

**Company's policy for payment of creditors**

The Company aims to settle supplier accounts in accordance with individual suppliers' terms of business. The Company's average number of days' purchases outstanding in respect of trade creditors at 31 December 2018 was 28 (2017: 27) days.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**Employee involvement**

Issues affecting employees are communicated via the management structure to enable employees to be aware of the Company's performance, etc. This same method is also used to communicate to employees issues which are likely to affect their interests and where possible a full explanation will be given as to the reasons for the actions that are planned and the likely affect on the employees.

**Disabled employees**

The Company has a recruitment policy in which equal consideration is given to disabled applicants. Full consideration will be afforded to disabled applicants and where applicable expert advice and guidance will be sought to enable a disabled applicant to take up a position within their capabilities.

**Directors**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

J H Min  
B N Chang (resigned 1 January 2019)  
S Woo (resigned 12 January 2019)  
J Lee (resigned 1 January 2019)  
B S Lee (appointed 1 January 2019)  
B Ban (appointed 1 January 2019)

**Qualifying third party indemnity provisions**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**Directors' responsibilities statement**

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 101 "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 101, 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.

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 to 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.

**Disclosure of information to auditors**

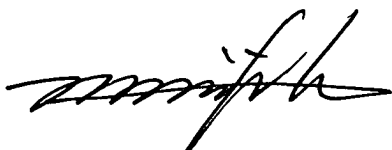
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

**Independent auditors**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by:



J H Min  
Director

Date: 12/09/2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LG ELECTRONICS U.K. LTD

## Report on the audit of the financial statements

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### Opinion

In our opinion, LG Electronics U.K. Ltd's financial statements:

- give a true and fair view of the state of the Company's affairs as 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 (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### Basis for opinion

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

### Independence

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

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### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy

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### Reporting on other information

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LG ELECTRONICS U.K. LTD  
(CONTINUED)**

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

*Strategic Report and Directors' Report*

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

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

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

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

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

*Use of this report*

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LG ELECTRONICS U.K. LTD  
(CONTINUED)**

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**Other required reporting**

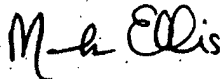
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**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Mark Ellis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff

Date: 12 September 2019

LG ELECTRONICS U.K. LTD

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

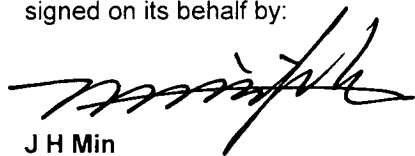
	Note	2018 £000	2017 £000
Turnover	4	519,780	527,275
Cost of sales		(438,655)	(445,730)
<b>Gross profit</b>		<b>81,125</b>	<b>81,545</b>
Net operating expenses	5	(75,492)	(74,881)
<b>Operating profit</b>	6	<b>5,633</b>	<b>6,664</b>
Interest receivable and similar income	10	1,210	422
Interest payable and similar expenses	11	(718)	(291)
<b>Profit before taxation</b>		<b>6,125</b>	<b>6,795</b>
Tax on profit	12	(1,201)	(1,384)
<b>Profit for the financial year</b>		<b>4,924</b>	<b>5,411</b>
<b>Total comprehensive income for the financial year</b>		<b>4,924</b>	<b>5,411</b>

The notes on pages 14 to 34 form part of these financial statements.

**BALANCE SHEET  
AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	13	178	98
Tangible assets	14	2,725	3,044
		<u>2,903</u>	<u>3,142</u>
<b>Current assets</b>			
Stocks	15	38,051	29,788
Debtors	16	235,100	284,581
Cash at bank and in hand	17	8,048	2,154
		<u>281,199</u>	<u>316,523</u>
Creditors: amounts falling due within one year	18	(217,098)	(254,702)
<b>Net current assets</b>		<u>64,101</u>	<u>61,821</u>
<b>Total assets less current liabilities</b>		<u>67,004</u>	<u>64,963</u>
<b>Provisions for liabilities</b>			
Deferred taxation	19	(48)	(48)
Other provisions	20	(9,501)	(12,384)
<b>Net assets</b>		<u>57,455</u>	<u>52,531</u>
<b>Capital and reserves</b>			
Called up share capital	21	19,200	19,200
Profit and loss account	22	38,255	33,331
<b>Total shareholders' funds</b>		<u>57,455</u>	<u>52,531</u>

The financial statements on pages 11 to 34 were approved and authorised for issue by the board and were signed on its behalf by:

  
J H Min  
Director

Date: 12/09/2019

The notes on pages 14 to 34 form part of these financial statements.

**LG ELECTRONICS U.K. LTD**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' funds £000</b>
<b>At 1 January 2017</b>	<b>19,200</b>	<b>27,920</b>	<b>47,120</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	5,411	5,411
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>5,411</b>	<b>5,411</b>
<b>At 31 December 2017 and 1 January 2018</b>	<b>19,200</b>	<b>33,331</b>	<b>52,531</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	4,924	4,924
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>4,924</b>	<b>4,924</b>
<b>At 31 December 2018</b>	<b>19,200</b>	<b>38,255</b>	<b>57,455</b>

The notes on pages 14 to 34 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1. General information**

LG Electronics U.K. Ltd (the "Company") is involved in the import and distribution of electronic products and domestic electrical appliances.

The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is Velocity 2 Brooklands Drive, Weybridge, Surrey, KT13 0SL.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared on going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.2 New standards and interpretations applied**

The following new International Accounting Standards ('IAS') and new IFRSs have been adopted in the current year:

		<b>Effective date*</b>
IFRS 9	Financial instruments	1 Jan 2018
IFRS 15	Financial with customer	1 Jan 2018
* periods commencing on or after		

The Amendments to the above Standards did not have a material impact on the LG Electronics UK Limited financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Company has not restated comparatives.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting

Applying the new requirements has not had a material impact on the Company's financial statements.

Applying the revised Expected Credit Losses (ECL) methodology did not result in any material change to the loss allowance recorded under IAS 39 since the Company's exposure to credit losses is limited through insurance.

IFRS 15 "Revenue from Contracts with Customers" was issued on 28 May, 2014 and provides a unified five step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognise revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. On 12 April, 2016, the IASB issued amendments to IFRS 15 which clarify how to identify a performance obligation and determine whether a company is a principal or an agent.

The Company's revenue is predominantly derived from the single performance obligation to transfer products under arrangements in which the transfer of risks and rewards of ownership and the fulfilment of the Company's performance obligation occur at the same time. As part of the adoption process, the Company assessed its performance obligations underlying the revenue recognition and assessed variable considerations including rebates, methods for estimating warranties, customised products and principal versus agent considerations. The adoption of this standard did not have a material impact on the financial statements of the Company.

The additional required disclosures are presented in Note 1.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.3 Financial reporting standard 101 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - 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 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.4 Revenue**

The Company's revenue is primarily derived from the single performance obligation to transfer products under arrangements in which the transfer of control of the products and the fulfilment of the Company's performance obligation occur at the same time. The Company assesses its performance obligations underlying the revenue recognition and assesses variable considerations including rebates, methods for estimating warranties, customised products and principal versus agent considerations.

Revenue from the sale of goods is recognised when the Company has transferred control of the goods to the buyer and the buyer obtains the benefits from the goods, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable that the Company will collect the consideration to which it is entitled to in exchange for the goods.

**(a) Sales of goods**

The Company manufactures and sells mobile communication, display, multimedia, home electronics products and their related core parts. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume discounts and customers have a right to return faulty goods. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 days, which is consistent with market practice. Any obligation to provide a refund is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

**2.5 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Membership	-	Not amortised
Software	-	20% straight line

Amortisation for intangible assets is included in administrative expenses.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.6 Tangible assets**

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Plant, machinery, tools and equipment	-	20%
Fixtures, fittings and office furniture	-	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**2.7 Operating leases**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**2.8 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each Balance Sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each Balance Sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**2.9 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.10 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.11 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.12 Financial instruments**

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

Financial assets and financial liabilities are initially measured at fair value. The detailed accounting treatment for such items can differ, as described in the following sections:

**(i) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. 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.

**Classification of financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

**(ii) Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. For all other financial instruments which includes intercompany receivables, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.12 Financial instruments (continued)**

significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

**(iii) Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

**2.13 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.14 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**2.15 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.16 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

**2.17 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.18 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.19 Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2. Accounting policies (continued)**

**2.20 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**2.21 Warranties**

The Company provides warranties on products sold for periods of between one and three years.

The Company has entered into arrangements with certain customers for bought out guarantees and extended warranties. Provision is made for the expected cost of meeting claims in respect of these arrangements on products sold.

**2.22 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

**Agent relationships**

The Company acts as an agent, on behalf of the LG Electronics Inc group, in relation to its vehicle component sales. Judgement is required in determining whether the arrangement constitutes an agent relationship. This includes consideration of inventory risk, whether the Company have discretion to establish prices for the specified goods or services and with whom the ultimate responsibility to provide the goods and services lies.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**4. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Sale of goods	<b>513,073</b>	520,492
Services	<b>1,468</b>	1,411
Commission	<b>5,160</b>	5,286
Rent	<b>79</b>	86
	<b>519,780</b>	527,275

Analysis of turnover by country of destination:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	<b>482,462</b>	487,193
Rest of Europe	<b>33,512</b>	29,777
Rest of the World	<b>3,806</b>	10,305
	<b>519,780</b>	527,275

The Company defrays costs on behalf of LG affiliated companies. Included within the segmental analysis of turnover is £5,159,196 (2017: £5,286,000) of contributions receivable from affiliated LG companies in respect of costs defrayed on their behalf.

**5. Net operating expenses**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Distribution costs	<b>60,001</b>	54,633
Administrative expenses	<b>15,491</b>	20,248
	<b>75,492</b>	74,881

Included within distribution and administrative expense are costs totaling £4,667,197 (2017: £5,738,000) defrayed on behalf of affiliated LG companies.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**6. Operating profit**

The operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Research & development charged as an expense	175	799
Depreciation of tangible assets	432	281
Amortisation of intangible assets	43	36
Impairment of stocks	(450)	(365)
Exchange differences	122	480
Operating lease rentals	1,802	1,939
Impairment of trade debtors	-	(10)
Stocks recognised as expense	498,712	469,801

**7. Auditors' remuneration**

	2018 £000	2017 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	106	103
<b>Fees payable to the Company's auditors in respect of:</b>		
Fees for non audit services	4	4

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>14,707</b>	14,758
Social security costs	<b>1,258</b>	1,181
Other pension costs	<b>503</b>	431
	<b>16,468</b>	16,370

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Selling and marketing (SAL-EHQ RBL)	<b>120</b>	129
Service (SVC)	<b>25</b>	27
Distribution (Logistic-Demand Planning)	<b>14</b>	12
Administration (AAZ, EHQ, REI, DAP)	<b>50</b>	50
JNT	<b>17</b>	11
	<b>226</b>	229

**9. Directors' remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Aggregate directors' remuneration	<b>845</b>	833

The highest paid director received remuneration of £473,469 (2017: £526,000).

**10. Interest receivable and similar income**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Other interest receivable	<b>1,210</b>	422

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. Interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Charges arising from the securitisation of debtors	<b>718</b>	<b>291</b>

**12. Tax on profit**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>1,201</b>	<b>1,302</b>
<b>Total current tax</b>	<b>1,201</b>	<b>1,302</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>-</b>	<b>82</b>
<b>Total deferred tax</b>	<b>-</b>	<b>82</b>
<b>Total tax</b>	<b>1,201</b>	<b>1,384</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**12. Tax on profit (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	6,125	6,795
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	1,164	1,308
<b>Effects of:</b>		
Expenses not deductible for tax purposes	88	107
Capital allowances for year in excess of depreciation	19	58
Capitalised revenue expenses allowable on account basis (dilapidation depreciation)	(20)	(24)
R&D Tax relief	(65)	(65)
Loss on sale of fixed assets	3	-
Other timing differences	12	-
<b>Total tax charge for the financial year</b>	<b>1,201</b>	<b>1,384</b>

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using these enacted tax rates and reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Intangible assets

	Refrigerant Emissions right £000	Software £000	Total £000
<b>Cost</b>			
At 1 January 2018	7	278	285
Additions	72	51	123
At 31 December 2018	<u>79</u>	<u>329</u>	<u>408</u>
<b>Accumulated amortisation</b>			
At 1 January 2018	-	187	187
Charge for the year	-	43	43
At 31 December 2018	<u>-</u>	<u>230</u>	<u>230</u>
<b>Net book value</b>			
At 31 December 2018	<u>79</u>	<u>99</u>	<u>178</u>
At 31 December 2017	<u>7</u>	<u>91</u>	<u>98</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Tangible assets

	Plant, machinery, tools and equipment £000	Fixtures, fittings and office furniture £000	Total £000
<b>Cost</b>			
At 1 January 2018	29	3,825	3,854
Additions	-	130	130
Disposals	(1)	(38)	(39)
At 31 December 2018	28	3,917	3,945
<b>Accumulated depreciation</b>			
At 1 January 2018	12	798	810
Charge for the year	5	427	432
Disposals	(1)	(21)	(22)
At 31 December 2018	16	1,204	1,220
<b>Net book value</b>			
At 31 December 2018	12	2,713	2,725
At 31 December 2017	17	3,027	3,044

15. Stocks

	2018 £000	2017 £000
Finished goods and goods for resale	38,051	29,788

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks are stated after provisions for impairment of £373,491 (2017: £823,000).



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**16. Debtors**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	88,672	127,447
Amounts owed by group undertakings	131,160	145,318
Other debtors	3,797	5,484
Prepayments and accrued income	6,067	6,332
Contract assets	5,404	-
	<b>235,100</b>	<b>284,581</b>

Trade debtors are stated after provisions for impairment of £13,000 (2017: £32,000).

**17. Cash at bank and in hand**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>8,048</b>	<b>2,154</b>

**18. Creditors: amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	7,046	9,577
Contract liabilities	8,565	-
Amounts owed to group undertakings	18,968	47,748
Corporation tax	1,414	671
Other taxation and social security	23,692	25,702
Other creditors	67,912	60,705
Accruals and deferred income	89,501	110,299
	<b>217,098</b>	<b>254,702</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**19. Deferred taxation**

	<b>2018 £000</b>
At beginning of year	<b>(48)</b>
Charged to profit or loss	-
<b>At end of year</b>	<b>(48)</b>

The deferred taxation balance is made up as follows:

	<b>2018 £000</b>	<b>2017 £000</b>
Accelerated capital allowances	<b>(84)</b>	<b>(72)</b>
Other timing differences	<b>24</b>	<b>13</b>
Pension provision	<b>12</b>	<b>11</b>
	<b>(48)</b>	<b>(48)</b>

The recognition of the deferred tax asset is supported by expected future profits.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**20. Provisions for liabilities**

	Warranty provision £000	Onerous contract provision £000	Returns provision £000	Restoration provision £000	Total £000
At 1 January 2018	7,818	99	2,617	1,850	12,384
Charged to profit or loss	(167)	(99)	545	-	279
Transferred to contract liabilities	-	-	(3,162)	-	(3,162)
<b>At 31 December 2018</b>	<b>7,651</b>	<b>-</b>	<b>-</b>	<b>1,850</b>	<b>9,501</b>

**Warranty provision**

The warranty provision relates to the expected cost of dealing with claims under bought out guarantees and extended warranties provided to certain customers.

**Onerous contract provision**

The onerous contract provision relates to the remaining lease period rent payable on the Slough building, which represents an onerous contract.

**Returns provision**

The returns provision relates to the estimated sales returns based on historical results.

**Restoration provision**

The restoration provision relates to the Company's requirement to restore its leased assets to their original state at the end of the lease-term, recognising the present value of the estimated cost of restoration as provision for restoration.

**21. Called up share capital**

	2018 £000	2017 £000
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
192,000 (2017: 192,000) Ordinary shares of £100 (2017: £100) each	19,200	19,200

**22. Profit and loss account**

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

**23. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £503,000 (2017: £431,000).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**24. Commitments under operating leases**

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2018</b>	2017
	<b>£000</b>	£000
Not later than 1 year	<b>1,619</b>	1,885
Later than 1 year and not later than 5 years	<b>5,679</b>	6,217
Later than 5 years	<b>7,925</b>	8,665
	<b>15,223</b>	16,767

**25. Related party transactions**

The Company is ultimately owned by LG Electronics Inc and is included in the consolidated financial statements of LG Electronics Inc which are publicly available. Consequently, the Company has taken advantage of the exemptions of FRS 101 and has not disclosed details of transactions with other group companies. Details of the availability of the consolidated financial statements are set out in note 26.

**26. Ultimate parent undertaking and controlling party**

The intermediate parent undertaking is LG Electronics European Holding BV.

The ultimate parent undertaking and controlling party is LG Electronics Inc, which is incorporated in the Republic of Korea.

LG Electronics Inc is the parent undertaking of the smallest and the largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of LG Electronics Inc are available from: LG Electronics Inc, 20 Yeouido-dong, Yeongdeungpo-ku, Seoul150-721, South Korea.