Registered number: 02143888

LG ELECTRONICS U.K. LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

LG ELECTRONICS U.K. LTD

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LG ELECTRONICS U.K. LTD

COMPANY INFORMATION

Directors	J H Min (appointed 12 January 2018) B N Chang S Woo J Lee
Company secretary	J H Min (appointed 12 January 2018)
Registered number	02143888
Registered office	Velocity 2 Brooklands Drive Weybridge Surrey KT13 0SL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the Strategic Report for LG Electronics U.K. Ltd (the "Company") for the year ended 31 December 2017.

Business review

The Statement of Comprehensive Income for the year is set out on page 10.

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 £6,795,000 (2016: £8,143,000) and sales of £527,275,000 (2016: £482,444,000).

Sales activity levels increased by 9.29% during FY'17, however profit for the financial year has decreased from £6,485,000 to £5,411,000.

As at 31 December 2017 the Company had net assets of £52,531,000 (2016: £47,120,000).

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 meet our customer's expectations. In order to mitigate this risk our sales team monitor market prices on an ongoing 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 whether 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 to high levels of customer satisfaction. This is measured by the customer call answer time respond to as 20 seconds and this being 83.4% in 2017, compared to an answer rate of 99%. Furthermore, where a repair is necessary we have maintained the overall RTAT (Repair turnaround time for CE) at 5.7 days. In addition, as web self service increases in popularity we have also begun to measure customer satisfaction on the website too and we have 2.9/5.0 in 2017; together these aspects help to ensure that we took effective action to fulfil our customer needs and requests.

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 cohort closely with Trade associations both in the UK and Europe to lead innovations in product design and minimised packaging.

Being in the forefront of innovation 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 kitchen. 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 Tradeshow 2017, LG OLED tunnel was installed at the entrance of LG's pavilion. Custom bent screens shows no loss or distortion in picture quality and provided immersive experience. Furthermore, LG Signature OLED W7 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, the levitating LG PJ9 Bluetooth 360 degree supported visually and acoustically astonishing listening environment.

Brand Value

The company's brand value in the high-end product market improved continuously. In the UK, despite refrigerators only maintained its market share at 4.6% between 2016 and 2017, and washing machines slightly dropping its market share from 4.4% in 2016 to 3.8% to 2017, consumers have given credit to the company for its enhancement in technology in the TV category. It has increased its overall TV market share from 16.7% in 2016 to 21.7% in 2017. LG proved its strength particularly well in the premium TVs and maintained its number 1 position in TVs over £1,500 category for the entire 4Q whilst seeing huge leap in market share from 30.7% in 2016 to 39.1% in 2017. Smart TVs also expanded its share from 18.3% in 2016 to 23.5% in 2017 while UHD TVs increased its market share from 21.3% in 2016 to 26.8% in 2017. In B2B area, hotel TV's market share has also increased from 9.6% in 2016 to 24.8% in 2017.

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.

Equal Opportunity Policy (continued)

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

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:

JAE HO MIN

Date: 20 September 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

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 year, after taxation, amounted to £5,411,000 (2016: £6,485,000).

The directors do not recommend the payment of a dividend (2016: £Nil).

Future developments

Benefitting from the tariff-free access to the single market of EU and having London as one of the greatest financial hubs in the EU attracted many businesses to operate in the UK. However, since the 2016 referendum, it is certain that UK is facing huge changes and challenges in its business environment. While the effect of Brexit is deemed to have adverse influence, it's yet unclear of how and its scale. Currency was where the immediate impact was discovered as it plummeted to its 31-year low, dropping 10% against the USD. It has been fluctuating since then, but failed to regain as much. In effect, it has instigated the inflation and affected the imported products in particular. It also resulted in lesser disposable income per household. However, what is concerning businesses more than any other is lack of clarities. Until there is a clear blueprint on how Brexit will take place and the relationship between the UK and EU would be reorganised, it will be difficult to make decisions with heavy emphasis on. Investor uncertainty and softening demand have prompted many industry figures to predict a significant shift in tendering practices, and this pattern is expected to continue. With cost inflation frequently exceeding tender price rises, many companies have to trim their margins. The company have had reviewed its overall strategy in many different areas in order to reconstitute itself to be more flexible and responsive for better adaptation to the new environment.

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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 was 27 days (2016: 61 days).

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.

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

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

B N Chang
S Woo
J Lee
J H Min (appointed 12 January 2018)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, 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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

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

Disclosure of information to 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:

Director: JAE HO MIN

Date: 20 September 2018

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

Report on the audit of the financial statements

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 2017 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 2017; 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

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.

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.

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.

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

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 2017 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 6, 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. 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.

Other required reporting

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

Mark Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
20 September 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Turnover	4	**527,275**	482,444
Cost of sales		**(445,730)**	(395,410)
Gross profit		**81,545**	87,034
Net operating expenses	5	**(74,881)**	(79,291)
Operating profit	6	**6,664**	7,743
Interest receivable and similar income	10	**422**	400
Interest payable and similar expenses	11	**(291)**	-
Profit before taxation		**6,795**	8,143
Tax on profit	12	**(1,384)**	(1,658)
Profit for the financial year		**5,411**	6,485
Total comprehensive income for the financial year		**5,411**	6,485

The notes on pages 13 to 29 form part of these financial statements.

LG ELECTRONICS U.K. LTD
REGISTERED NUMBER: 02143888

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note		2017 £000		2016 £000
Fixed assets					
Intangible assets	13		**98**		103
Tangible assets	14		**3,044**		2,587
			3,142		2,690
Current assets					
Stocks	15	**29,788**		25,645	
Debtors	16	**284,581**		192,358	
Cash at bank and in hand	17	**2,154**		2,923	
		316,523		220,926	
Creditors: amounts Falling Due Within One Year	18	**(254,702)**		(165,514)	
Net current assets			**61,821**		55,412
Total assets less current liabilities			**64,963**		58,102
Provisions for liabilities					
Deferred taxation	19		**(48)**		-
Other provisions	20		**(12,384)**		(10,982)
Net assets			**52,531**		47,120
Capital and reserves					
Called up share capital	21		**19,200**		19,200
Profit and loss account	22		**33,331**		27,920
Total shareholders' funds			**52,531**		47,120

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

Director : JAE HO MIN

Date: 20 September 2018

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Total shareholders' funds
	£000	£000	£000
At 1 January 2016	19,200	21,435	40,635
Comprehensive income for the financial year			
Profit for the financial year	-	6,485	6,485
Total comprehensive income for the financial year	-	6,485	6,485
At 31 December 2016	19,200	27,920	47,120
Comprehensive income for the financial year			
Profit for the financial year	-	5,411	5,411
Total comprehensive income for the financial year	-	5,411	5,411
At 31 December 2017	19,200	33,331	52,531

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 a 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:

2.2 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 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2. Accounting policies (continued)

2.3 Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Turnover is shown net of value-added tax, returns, rebates and discounts.

The company recognises turnover when the amount of turnover can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below. The turnover can be reliably measured only when any contingency relating to sales is resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

The company manufactures and sells mobile communication, display, multimedia, home electronics products and their related core parts. Sales of goods are recognized when the company has delivered products to the customer. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, 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 products. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. The company recognizes provisions for product warranties and sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically. The discount accrual is offset against the trade debtor to which it relates.

(b) Sales of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with such a transaction is recognized by reference to the percentage of completion of the services. Any changes in expected revenue, cost or the amount of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue or cost which is recognized in the statement of income in the period in which the management recognizes the changes in circumstances.

2.4 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.

Amortisation is provided on the following bases:

Membership	-	Not amortised
Software	-	20% straight line

Amortisation for intangible assets is included in administrative expenses.

2. Accounting policies (continued)

2.5 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, using the straight-line method.

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.

2.6 Operating leases

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

2.7 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.

2.8 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.

2.9 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. Accounting policies (continued)

2.10 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables. Financial assets are derecognised when the contractual rights to receive cash from the investments have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership or when the risk and rewards of ownership of transferred assets have not been substantially retained or transferred and the Company has not retained control over these assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

2.11 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.

2. Accounting policies (continued)

2.12 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'.

2.13 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.

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 Interest income

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

2.17 Borrowing costs

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

2. Accounting policies (continued)

2.18 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.

2.19 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.

2.20 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

Provisions for liabilities

The amount recognised as provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Uncertainties surrounding the amounts to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision involves a large population of items, the obligation is estimated by weighing all possible outcomes by their associated probabilities.

The Company recognises provisions for product warranties, sales return in accordance with the accounting policy stated in note 2 as of the reporting date. The amounts are estimated based on historical data.

4. Turnover

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

	2017 £000	2016 £000
Sale of goods	**520,492**	474,498
Services	**1,411**	1,236
Commission	**5,286**	6,617
Rent	**86**	93
	527,275	482,444

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	**487,193**	450,396
Rest of Europe	**29,777**	23,048
Rest of the World	**10,305**	9,000
	527,275	482,444

The Company defrays costs on behalf of LG affiliated companies. Included within the segmental analysis of turnover is £5,286,000 (2016: £6,617,000) of contributions receivable from affiliated LG companies in respect of costs defrayed on their behalf.

5. Net operating expenses

	2017 £000	2016 £000
Distribution costs	**54,633**	55,205
Administrative expenses	**20,248**	24,086
	74,881	79,291

Included within distribution and administrative expense are costs totalling £5,738,000 (2016: £6,880,000) defrayed on behalf of affiliated LG companies.

6. Operating profit

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

	2017 £000	2016 £000
Research & development charged as an expense	**799**	1,061
Depreciation of tangible assets	**281**	264
Amortisation of intangible assets, including goodwill	**36**	28
Impairment of stocks	**(365)**	383
Exchange differences	**480**	(323)
Operating lease rental	**1,939**	2,968
Impairment of trade debtors	**(10)**	(26)
Stocks recognised as an expense	**469,801**	384,708

7. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2017 £000	2016 £000
Fees for the audit of the company	**103**	96
Fees for non-audit services	**4**	4
	107	100

8. Employees

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

	2017 £000	2016 £000
Wages and salaries	**14,758**	15,767
Social security costs	**1,181**	1,183
Other pension costs	**431**	451
	16,370	17,401

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

	2017 Number	2016 Number
Selling and marketing (SAL-EHQ RBL)	**129**	142
Service (SVC)	**27**	29
Distribution (Logistic-Demand Planning)	**12**	11
Administration (AAZ, EHQ, REI, DAP)	**50**	54
JNT	**11**	-
	229	236

9. Directors' remuneration

	2017 £000	2016 £000
Aggregate directors' emoluments	**833**	1,293

The highest paid director received remuneration of £526,000 (2016: £504,000).

10. Interest receivable and similar income

	2017 £000	2016 £000
Other interest receivable	**422**	400

11. Interest payable and similar expenses

	2017 £000	2016 £000
Charges arising from the securitisation of debtors	**291**	-

12. Tax on profit

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	**1,302**	1,598
Total current tax	**1,302**	1,598
Deferred tax		
Origination and reversal of timing differences	**82**	60
Total deferred tax	**82**	60
Total tax	**1,384**	1,658

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation	**6,795**	8,143
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	**1,308**	1,629
Effects of:		
Expenses not deductible for tax purposes	**107**	91
Capital allowances for year in excess of depreciation	**58**	-
Captialised revenue expenses allowable on account basis (dilapidation depreciation)	**(24)**	-
Adjustments in respect of prior years	**-**	78
R&D Tax relief	**(65)**	(53)
Deferred tax rate change	**-**	(1)
Other differences leading to a decrease in the tax charge	**-**	(86)
Total tax charge for the financial year	**1,384**	1,658

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 2017**

13. Intangible assets

	Software £000
Cost	
At 1 January 2017	**298**
Additions	**31**
Disposals	**(44)**
At 31 December 2017	**285**
Accumulated amortisation	
At 1 January 2017	**195**
Charge for the year	**36**
On disposals	**(44)**
At 31 December 2017	**187**
Net book value	
At 31 December 2017	**98**
At 31 December 2016	103

14. Tangible assets

	Plant, machinery, tools and equipment £000	Fixtures, fittings and office furniture £000	Total £000
Cost			
At 1 January 2017	32	3,086	3,118
Additions	-	797	797
Disposals	(3)	(58)	(61)
At 31 December 2017	29	3,825	3,854
Accumulated depreciation			
At 1 January 2017	9	522	531
Charge for the year	5	276	281
Disposals	(2)	-	(2)
At 31 December 2017	12	798	810
Net book value			
At 31 December 2017	17	3,027	3,044
At 31 December 2016	23	2,564	2,587

15. Stocks

	2017 £000	2016 £000
Finished goods and goods for resale	29,788	25,645

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 £823,000 (2016: £1,129,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

16. Debtors

	2017 £000	2016 £000
Due after more than one year		
Deferred tax asset	-	34
Due within one year		
Trade debtors	**127,447**	141,354
Amounts owed by group undertakings	**145,318**	49,715
Other debtors	**5,484**	739
Prepayments and accrued income	**6,332**	516
	284,581	192,358

Trade debtors are stated after provisions for impairment of £32,000 (2016: £42,000).

17. Cash at bank and in hand

	2017 £000	2016 £000
Cash at bank and in hand	**2,154**	2,923

18. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	**9,577**	7,534
Amounts owed to group undertakings	**47,748**	24,619
Corporation tax	**671**	839
Other taxation and social security	**25,702**	23,566
Other creditors	**60,705**	809
Accruals and deferred income	**110,299**	108,147
	254,702	165,514

19. Deferred taxation

	2017 £000
At beginning of year	34
Charged to profit or loss	(82)
At end of year	**(48)**

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	(72)	(1)
Other timing differences	13	24
Pension provision	11	11
	(48)	34

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

20. Provisions for liabilities

	Warranty provision £000	Onerous contract provision £000	Returns provision £000	Restoration provision £000	Total £000
At 1 January 2017	6,569	493	2,173	1,747	10,982
Charged to profit or loss	1,249	(394)	444	103	1,402
At 31 December 2017	**7,818**	**99**	**2,617**	**1,850**	**12,384**

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 a provision for restoration.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

21. Called up share capital

	2017 £000	2016 £000
Shares classified as equity		
Allotted, called up and fully paid		
192,000 (2016: 192,000) Ordinary shares of £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 £431,000 (2016: £451,000).

24. Commitments under operating leases

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

	2017 £000	2016 £000
Not later than 1 year	**1,885**	1,907
Later than 1 year and not later than 5 years	**6,217**	6,213
Later than 5 years	**8,665**	9,724
	16,767	17,844

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 2017. The consolidated financial statements of LG Electronics Inc are available from: LG Electronics Inc, 20 Yeouido-dong, Yeongdeungpo-ku, Seoul150-721, South Korea.