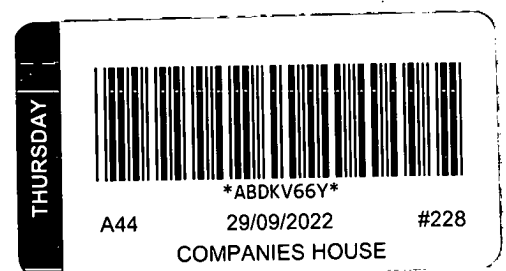


**Registered number: 02143888**

**LG ELECTRONICS U.K. LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



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

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

## **COMPANY INFORMATION**

<b>Directors</b>	B S Lee B Ban B J Lee
<b>Company secretary</b>	B J Lee
<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 2 Glass Wharf Bristol BS2 0FR

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present the Strategic Report of LG Electronics U.K. Ltd (the "Company") for the year ended 31 December 2021.

**Business review**

The Statement of Comprehensive Income for the year is set out on page 17.

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 £18,029,000 (2020: £12,256,000) and sales of £732,535,000 (2020: £592,084,000).

Sales activity levels increased by 24% during FY'21 and profit for the financial year has increased from £10,141,000 to £14,586,000.

As at 31 December 2021 the Company had net assets of £89,334,000 (2020: £74,748,000).

**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.

**COVID-19 impact**

Amid this dire situation, LG Electronics has thoughtfully contemplated its role as an electronics manufacturer and global corporate citizen. We have taken numerous measures to safeguard the health of our workforce such as adopting temperature screening at entry and enabling work from home, especially for high-risk employees. Our management has also listened to the voice of the employees collecting ideas on overcoming this crisis.

Like many businesses around the world, LG Electronics has experienced negative effects from the coronavirus. However, our business fundamentals has remained sound, and the overall impact from COVID-19 was limited as seen in the rapid bounce back of sales since easing of lockdown to normal levels. There has not been any notable increase in bad debts or long term inventory. By addressing global supply issues with our diversified production bases and closely cooperating with distributors and customers, LG Electronics turned this crisis into an opportunity to mitigate its impact on our business operations, and lay the foundation for further growth.

As a result of these efforts, the UK economy grew by 7.4%, but LG Electronics' sales increased by 24% in 2021.

COVID-19 will not be the last global challenge we face. One thing we have learned from the pandemic is that high-impact risk must be addressed in a timely fashion. As a responsible global corporate citizen, LG Electronics will continue to put climate at the top of our agenda preparing for a post-COVID world, while supporting employees, suppliers, customers and all stakeholders to rise to the current challenge and return to normality, where "Life's Good".

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Cost of living crisis**

UK has experienced 'cost of living crisis' caused by high inflation since late 2021. The overall impact of 'cost of living crisis' was limited in 2021. We have been monitoring the crisis and bringing in measures to ease the impact in 2022.

**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 customer satisfaction score which is surveyed at the end of repair service and this was 4.1 point out of 5 point in 2021. Furthermore, where a repair is necessary we have maintained the overall RTAT (Repair turnaround time for consumer electronic appliances) at 9.3 days. This is 4 days higher than our target (5.3 days), which is due to the lack of repair technicians and delays in visiting repair schedules due to the Corona pandemic.

*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 association 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*

In 2021 LG dedicated itself to bringing innovative technology to our consumers' homes. Under the theme Life is ON – Make Yourself at Home, LG Electronics (LG) shared its vision for a more connected and more convenient lifestyle at the first all-digital CES® 2021. LG redefined the meaning of "home" with a presentation of advanced products and services designed to make consumers' daily lives more comfortable, convenient and enjoyable while its online exhibition booth gave visitors the opportunity to explore LG's latest innovations from the comforts of their monitors, laptops or mobile devices. Each product area had a dedicated zone, with the Home Appliance Zone demonstrating how a home can be made even more livable and hygienic through technology, while the TV and AV zone showed off our continued advancements of flexible displays via a wall of screens and taught guests all about LG OLED's core strengths – "4S" for sharp, swift, smooth and slim.

*Brand Value*

The Company's has always strived to improve its brand value in the high-end product market. In the UK, TV consumers have given credit to the Company for its enhancement in technology. The overall TV market share increased from 23.6% in 2020 to 25.8% in 2021. LG proved its strength particularly well in the premium TVs and maintained its number 1 position in OLED TVs market for the entire 2021. It's market share increased from 60.4% in 2020 to 64.6% in 2021. Meanwhile in the refrigerators increased in market share from 5.5% in 2020 to 7.2% in 2021. It was caused by a higher position in a premium segment of the market with increased ASP (Average Selling Price) from £809 in 2020 to £840 in 2021 with side-by-side products as well as Multi-door products.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Other key performance indicators (continued)**

*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. 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.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Section 172 Statement**

We, at LGEUK, share and believe in two key corporate principles - **"Creating value for customers"** and **"Respecting human dignity"**. Based on these principles and in the spirit of our **"Jeong-do"** Management Charter, we strive to promote self-governing management and its accompanying responsibilities outlined below. It is our intention to uphold the principle of free market economy, which embodies the spirit of *fair competition*. We are committed to attaining our goal of becoming a global leader, and as such we will continuously pursue mutual benefits for our stakeholders on the basis of trust and cooperation. LG is committed to act uprightly and make value judgments in accordance to the code of ethics.

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

Our Board ensures that all decisions are taken for the long term, and collectively and individually aims to always uphold the highest standard of conduct. Similarly, our Board acknowledges that the business can only grow and prosper over the long-term if it understands and respects the views and needs of the Company's investors, customers, employees, suppliers and other stakeholders to whom we are accountable, as well as the environment we operate within.

*Responsibilities and Obligations to Customers*

We highly regard the opinions of our customers in the belief that they form the very basics of our business. We seek to secure unconditional trust from our customers by continuously providing them practical values.

- Respect for Customers

We value the opinions of our customers and validate their real needs at all times. Therefore we regard our customers as the primary standard for our decisions and conducts.

- Creating Value

We work to create value for our customers for it is through customer satisfaction that we build the foundation of our prosperity. We continuously create practical values that fully benefit and satisfy our customers. We are always truthful to our customers, and are bound to keep our promises. We offer top quality products and services to our customers at reasonable prices and respond to their requests with speed and accuracy.

*Fair Competition*

In all its business activities worldwide, LG shall gain competitive advantage through fair methods, respecting the laws and regulations of each region.

- Pursuit of Free Competition

We uphold the principle of the free market economic system. Therefore we pursue free competition and earn our customers' trust through top quality products and services. We compete fairly and capably with our competitors, but do not intrude upon their interests, or exploit their weaknesses.

- Compliance with Laws and Regulations

We conduct our domestic and overseas business activities in strict accordance with local laws and regulations, and with respect for local business customs.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Section 172 Statement (continued)**

*Fair Transactions*

All business transactions will occur based on the principles of fair competition with equal opportunities for all entities to participate. We build trust and cooperative relationships through fair and transparent transactions. Such relationships are built with a long-term perspective for mutual growth.

- **Equal Opportunity**

We offer equal opportunities to all qualified companies seeking to become our business partners. All applicants are registered and selected in a rational manner following a fair and objective evaluation process.

- **Fair Transaction Procedures**

All business transactions are conducted under equitable circumstances. The terms and procedures of the transaction are to be sufficiently discussed between parties involved. The use of prominence in position to execute an unjust transaction is forbidden. Information required for transaction is exchanged through appropriate procedures in timely manner. Transaction results are evaluated on a regular basis where complementary measures are mutually taken.

- **Support and Aid for Business Partners**

We support the long-term growth of our dealers and vendors by enhancing their competitiveness through technological and managerial assistance. We share the profits derived from business innovations. We pursue cooperation with our dealers and vendors in a mutual effort to promote a healthy trading environment and maintain a fair trading system.

*Basic Ethics for Employees*

Based on honesty and fairness, LG employees establish a correct values and fulfil the duties through continuous self-development and fairness in performance.

- **Basic Ethics**

LG employees take pride in their company and always maintain an honest and fair attitude. LG employees keep a high standard of morality and continuously strive to maintain their personal dignity and company's honour.

- **Completion of Duty**

LG employees faithfully accomplish their duties in compliance to the visions and policies of the Company. Assigned duties are carried out in the best possible and fairest manner while observing relevant laws and regulations. LG employees protect and preserve company property and do not divulge confidential information gained during employment. LG employees exert themselves in enhancing work efficiency through open communication and cooperation with colleagues and related departments.

- **Self-Development**

LG employees formulate their respective ideal image of an exemplary employee and constantly strive to conform to the image through continuous self-development.

- **Fairness in Performance**

LG employees carry out their duties based on honesty and fairness, seeking to foster a sound business culture. While performing their duties, LG employees do not accept any form of financial benefit from interested parties that may obstruct fair judgment. LG employees do not participate in any immoral and unethical behaviours as prescribed by social norms in performing their duties to the Company or in their personal lives.



**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Section 172 Statement (continued)**

- **Avoidance of Conflict with Company Interests**

LG employees avoid any individual behaviours or relationships that are in conflict with company interests. LG employees do not use company property to pursue their personal interests without prior permission.

*Corporate Responsibilities to Employees*

LG endeavours to respect the human dignity of its employees and provides fair treatment based on their abilities and performances. LG also strives to foster creativity among its employees.

- **Respect for Human Dignity**

LG treats each employee with trust and affection and places a high value on individual human dignity. LG takes great efforts to help employees attain pride and personal fulfilment by instilling a sense of ownership in their jobs. LG establishes fair regulations and educational guidelines necessary for employees to perform their duties.

- **Fair Treatment**

LG offers equal opportunities to all its employees based on their abilities and talents. LG applies fair measures to evaluate abilities and performances of its employees and rewards them accordingly. LG is committed to providing equal opportunity as outlined in its Equal Opportunity Policy Statement.

- **Promoting Creativity**

LG makes utmost efforts to promote a working environment conducive to creative thinking and autonomous behaviours. LG develops and manages its human resources on a long-term basis and gives active support to cultivating employees' abilities. LG creates a mature organizational culture that highlights mutual trust, understanding and respect for personal lifestyle.

*Responsibilities to Society and the Country*

LG contributes to national welfare and social development through rational business expansion providing stable growth as a corporation and protecting stockholder's interests.

- **Rational Business Development**

LG conducts its business with respect to the social values at home and abroad. LG promotes its business expansions based on stable corporate growth.

- **Protection of Stockholder Interest**

LG protects its stockholders' interests by earning healthy profits through effective management.

- **Contribution to Social Development**

LG contributes to national and social development through job creation, tax payment, and promotion of cultural and welfare programs. LG Dedicates itself to bringing innovative technology to consumers home 'innovation for a better life' is the slogan of the Company displaying its endless commitment to this area.

- **Environmental Conservation**

LG strives to prevent environmental pollution and employs all measures necessary to conserve precious natural resources. This aspect is inherent in our strategic ambitions, most notably on our ambitions to lead the industry when it comes to eco-friendly green practices.

LG ELECTRONICS U.K. LTD

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**B J Lee**  
Director

Date:

*Paegim*  
*28. Sept. 2022*

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021.

**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 £14,586,000 (2020: £10,141,000).

The directors do not recommend the payment of a dividend (2020: £Nil).

**Future developments**

Despite the record sales growth in 2021, the future outlook remains uncertain due to inflation and rising energy and material prices. However, the market position of LG is still sound and strong and it was evident as we have seen the market share gap against the competitors narrowed every year. LG's market position is solid and strong. LG plans to further strengthen its No. 1 position in the premium TV market and continue its growth momentum through the expansion of its B2B business.

**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 2021 was 29 (2020: 33) days.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**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 (resigned 8 February 2021)  
B S Lee  
B Ban  
B J Lee (appointed 8 February 2021)

**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.

**Streamlined Energy & Carbon Reporting**

**Annual reporting figures**

***Consumption (kWh) and greenhouse gas emissions (tCO<sub>2</sub>e) totals***

The following figures show the consumption and associated emissions for this reporting year for our operations, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by us. This relates to grey fleet (business travel undertaken in employee-owned vehicles) only.

**Reporting methodology**

Scope 1, 2 and 3 consumption and CO<sub>2</sub>e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2021 version 1 has been used, utilising the published kWh gross calorific value (CV) and kgCO<sub>2</sub>e emissions factors relevant for reporting period 01/01/2021 – 31/12/2021.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Streamlined Energy & Carbon Reporting (continued)**

**Totals**

The total consumption (kWh) figures for reportable energy supplies are as follows:

Utility and Scope	2021 Consumption (kWh)	2020 Consumption (kWh)
Grid-Supplied Electricity (Scope 2)	860,591	904,031
Gaseous and other fuels (Scope 1)	981,867	941,738
Transportation (Scope 1)	476,172	276,594
Transportation (Scope 3)	278,743	367,904
<b>Total</b>	<b>2,597,373</b>	<b>2,490,267</b>

The total emission (tCO<sub>2</sub>e) figures for reportable energy supplies are as follows. Conversion factors utilised in these calculations are detailed in the appendix:

Utility and Scope	2021 Consumption (tCO <sub>2</sub> e)	2020 Consumption (tCO <sub>2</sub> e)
Grid-Supplied Electricity (Scope 2)	182.73	210.77
Gaseous and other fuels (Scope 1)	179.84	173.16
Transportation (Scope 1)	112.62	66.04
Transportation (Scope 3)	65.24	87.88
<b>Total</b>	<b>540.43</b>	<b>537.85</b>

**Intensity metric**

An intensity metric of tCO<sub>2</sub>e per FTE has been applied for our annual total emissions. The methodology of the intensity metric calculations are detailed in the appendix, and results of this analysis is as follows:

Intensity metric	2021 Intensity metric	2020 Intensity metric
tCO <sub>2</sub> e / FTE	2.25	2.32

**Energy efficiency improvements**

We are committed to year-on-year improvements in our operational energy efficiency. As such, a register of energy efficiency measures available to us has been compiled, with a view to implementing these measures in the next 5 years.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Streamlined Energy & Carbon Reporting (continued)**

***Measures ongoing and undertaken through 2021:***

The business has not been able to implement any energy efficiency improvements during the reporting period. However, we have prioritised this for the following year of reporting:

***Measures prioritised for implementation in 2022:***

At the Weybridge site the plan during 2022 is to replace 90 corridor LED fittings rated at 25W with 10W LED fittings and 20 bathroom fluorescent fittings rated at 120W with 25W LED fittings. This will save approximately 14,300 kWh per annum equating to 3.03 tCO<sub>2</sub>e.

**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 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.

**Post balance sheet events**

***Dividends***

In March 2022, directors proposed a dividend payment of £53M of shareholders' funds. The Company's distributable reserves was sufficient to support the payment of this dividend. The amount was approved at the BOD, it was paid on 28 March 2022 to the sole member of the Company.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**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:

**B J Lee**  
Director

Date:

*Baejin*  
*28. Sept. 2022*

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 2021 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 2021; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

### 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management and the Directors, including inquiries in respect of any known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of board minutes to identify any matters of non compliance with laws and regulations
- Challenging assumptions and judgements made by management in respect of significant accounting estimates, in particular in relation to the provision for warranty and promotion accruals; and
- Identifying and testing journal entries, in particular any entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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

*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 obtained 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.



Colin Bates (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
Date: 28 September 2022

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Turnover	4	732,535	592,084
Cost of sales		(617,670)	(506,358)
<b>Gross profit</b>		<b>114,865</b>	<b>85,726</b>
Net operating expenses	5	(97,032)	(73,854)
Other operating income	6	-	171
<b>Operating profit</b>	7	<b>17,833</b>	<b>12,043</b>
Interest receivable and similar income	11	623	840
Interest payable and similar expenses	12	(427)	(627)
<b>Profit before taxation</b>		<b>18,029</b>	<b>12,256</b>
Tax on profit	13	(3,443)	(2,115)
<b>Profit for the financial year</b>		<b>14,586</b>	<b>10,141</b>
<b>Total comprehensive income for the financial year</b>		<b>14,586</b>	<b>10,141</b>

The notes on pages 20 to 41 form part of these financial statements.

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	14	203	252
Tangible assets	15	17,665	16,141
		<u>17,868</u>	<u>16,393</u>
<b>Current assets</b>			
Stocks	16	53,794	87,433
Debtors	17	264,719	267,669
Cash at bank and in hand	18	21,803	309
		<u>340,316</u>	<u>355,411</u>
Creditors: amounts falling due within one year	19	(246,183)	(276,224)
<b>Net current assets</b>		<u>94,133</u>	<u>79,187</u>
<b>Total assets less current liabilities</b>		<u>112,001</u>	<u>95,580</u>
Creditors: amounts falling due after more than one year	20	(14,330)	(12,430)
<b>Provisions for liabilities</b>			
Deferred taxation	22	(65)	-
Other provisions	23	(8,272)	(8,402)
<b>Net assets</b>		<u>89,334</u>	<u>74,748</u>
<b>Capital and reserves</b>			
Called up share capital	24	19,200	19,200
Profit and loss account	25	70,134	55,548
<b>Total shareholders' funds</b>		<u>89,334</u>	<u>74,748</u>

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

B J Lee  
Director



Date: 20. Sept. 2022

The notes on pages 20 to 41 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' funds £000</b>
<b>At 1 January 2020</b>	<b>19,200</b>	<b>45,407</b>	<b>64,607</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	10,141	10,141
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>10,141</b>	<b>10,141</b>
<b>At 31 December 2020 and 1 January 2021</b>	<b>19,200</b>	<b>55,548</b>	<b>74,748</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	14,586	14,586
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>14,586</b>	<b>14,586</b>
<b>At 31 December 2021</b>	<b>19,200</b>	<b>70,134</b>	<b>89,334</b>

The notes on pages 20 to 41 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**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 New standards and interpretations applied**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the Company's financial statements.

**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 2021**

**2. Accounting policies (continued)**

**2.4 Turnover**

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. Turnover 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.

The Company's turnover is primarily derived from the single performance obligation to transfer products under arrangements in which the transfer of control of the products and the fulfillment 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.

Turnover 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 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:

Refrigerant emissions rights	-	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 2021**

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.7 Leases**

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Company obtains substantially all the economic benefits from use of the asset; and,
- The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise from use of the asset. In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option; and,
- Any penalties payable for terminating the lease, if the term of the lease has been estimated based on termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and,
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.7 Leases (continued)**

The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

**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.

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.

**2.10 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**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 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.12 Financial instruments (continued)**

**(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.

**2.14 Government grants**

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Balance Sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**2. Accounting policies (continued)**

**2.15 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'.

**2.16 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 2021**

**2. Accounting policies (continued)**

**2.17 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.

**2.18 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.

**2.19 Interest income**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**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.

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.

**2.21 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.

**Promotion Accrual**

The entity estimates the amount of promotional rebates to be accrued or released based on assumptions of the level of take-up by the customers, timing of the promotional events and historical levels of customer claims. There is also uncertainty relating to promotional activities whereby the ultimate payment is based on third party sales.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**4. Turnover**

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

	2021 £000	2020 £000
Sale of goods	720,945	582,797
Services	2,586	2,224
Commission	8,910	6,984
Rent	94	79
	<u>732,535</u>	<u>592,084</u>

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	688,294	552,454
Rest of Europe	41,426	36,761
Rest of World	2,815	2,869
	<u>732,535</u>	<u>592,084</u>

The Company defrays costs on behalf of LG affiliated companies. Included within the segmental analysis of turnover is £6,873,292 (2020: £4,959,193) of contributions receivable from affiliated LG companies in respect of costs defrayed on their behalf.

**5. Net operating expenses**

	2021 £000	2020 £000
Distribution costs	73,739	55,149
Administrative expenses	23,293	18,705
	<u>97,032</u>	<u>73,854</u>

Included within distribution and administrative expense are costs totaling £6,337,363 (2020: £5,937,959) defrayed on behalf of affiliated LG companies.

**6. Other operating income**

	2021 £000	2020 £000
Government grant (CJRS)	-	171
	<u>-</u>	<u>171</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**7. Operating profit**

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Research & development charged as an expense	<b>2,569</b>	2,574
Depreciation of tangible assets	<b>4,471</b>	4,269
Amortisation of intangible assets	<b>45</b>	28
Impairment of stocks	<b>(354)</b>	687
Exchange differences	<b>(75)</b>	36
Operating lease rentals	<b>479</b>	188
Stocks recognised as expense	<b>617,670</b>	507,671

**8. Auditors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	<b>149</b>	113
<b>Fees payable to the Company's auditors in respect of:</b>		
Tax compliance services	-	15
Other non audit fees	<b>42</b>	4
	<b>191</b>	132

**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Employees**

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

	<b>2021 £000</b>	<b>2020 £000</b>
Wages and salaries	<b>16,508</b>	17,111
Social security costs	<b>1,474</b>	1,477
Other pension costs	<b>922</b>	907
	<b><u>18,904</u></b>	<b><u>19,495</u></b>

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

	<b>2021 Number</b>	<b>2020 Number</b>
Selling and marketing	<b>132</b>	132
Service	<b>20</b>	23
Distribution	<b>16</b>	14
Administration	<b>56</b>	58
VS Business	<b>16</b>	16
	<b><u>240</u></b>	<b><u>243</u></b>

**10. Directors' remuneration**

	<b>2021 £000</b>	<b>2020 £000</b>
Aggregate directors' remuneration	<b><u>1,230</u></b>	<b><u>814</u></b>

The highest paid director received remuneration of £768,593 (2020: £478,297).

**11. Interest receivable and similar income**

	<b>2021 £000</b>	<b>2020 £000</b>
Other interest receivable	<b><u>623</u></b>	<b><u>840</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. Interest payable and similar expenses**

	<b>2021</b>	2020
	<b>£000</b>	£000
Interest on lease liabilities	123	150
Charges arising from the securitisation of debtors	304	477
	<u>427</u>	<u>627</u>

**13. Tax on profit**

	<b>2021</b>	2020
	<b>£000</b>	£000
<b>Corporation tax</b>		
Current tax on profits for the financial year	3,326	2,317
Adjustments in respect of prior years	-	(202)
<b>Total current tax</b>	<u>3,326</u>	<u>2,115</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	117	-
<b>Total deferred tax</b>	<u>117</u>	<u>-</u>
<b>Total tax</b>	<u><u>3,443</u></u>	<u><u>2,115</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Tax on profit (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	<b>2021 £000</b>	<b>2020 £000</b>
Profit before taxation	<b>18,029</b>	12,256
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	<b>3,426</b>	2,329
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>56</b>	40
Origination and reversal of timing difference	<b>117</b>	-
Adjustments in respect of prior years	-	(202)
R&D tax relief	<b>(62)</b>	(54)
Other timing differences	<b>(3)</b>	(6)
Accelerated capital allowances	<b>(91)</b>	8
<b>Total tax charge for the financial year</b>	<b>3,443</b>	2,115

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021 (published on 24 May 2021, with royal assent received on 10 June 2021). This confirmed an increase to the corporation tax rate to 25% with effect from 1 April 2023. Deferred taxes at the Balance Sheet date have been calculated based on the corporation tax rate of 25% that is enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS  
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14. Intangible assets

	Refrigerant emissions right £000	Software £000	Total £000
<b>Cost</b>			
At 1 January 2021	115	432	547
Additions	-	25	25
Disposals	(30)	-	(30)
At 31 December 2021	<u>85</u>	<u>457</u>	<u>542</u>
<b>Accumulated amortisation</b>			
At 1 January 2021	-	295	295
Charge for the year	-	44	44
At 31 December 2021	<u>-</u>	<u>339</u>	<u>339</u>
<b>Net book value</b>			
At 31 December 2021	<u>85</u>	<u>118</u>	<u>203</u>
At 31 December 2020	<u>115</u>	<u>137</u>	<u>252</u>

LG ELECTRONICS U.K. LTD

NOTES TO THE FINANCIAL STATEMENTS  
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15. Tangible assets

	Plant, machinery, tools and equipment £000	Fixtures, fittings and office furniture £000	Leasehold improvements (reserve assets for restoration) £000	Right of use assets- Leasehold Property £000	Right of use assets- Motor vehicles £000	Right of use assets- Office equipment £000	Total £000
<b>Cost</b>							
At 1 January 2021 (as previously stated)	28	982	3,303	20,897	363	79	25,652
Prior Year Adjustment	-	-	-	7,718	79	55	7,852
At 1 January 2021 (as restated)	28	982	3,303	28,615	442	134	33,504
Additions	-	193	978	4,745	93	77	6,086
Disposals	-	(174)	(368)	(406)	(25)	-	(973)
At 31 December 2021	28	1,001	3,913	32,954	510	211	38,617
<b>Accumulated depreciation</b>							
At 1 January 2021 (as previously stated)	26	692	1,452	7,144	145	52	9,511
Prior Year Adjustment	-	-	-	7,718	79	55	7,852
At 1 January 2021 (as restated)	26	692	1,452	14,862	224	107	17,363
Charge for the year	2	129	352	3,820	135	45	4,483
Disposals	-	(138)	(351)	(381)	(24)	-	(894)
At 31 December 2021	28	683	1,453	18,301	335	152	20,952
<b>Net book value</b>							
At 31 December 2021	-	318	2,460	14,653	175	59	17,665
At 31 December 2020 (as restated)	2	290	1,851	13,753	218	27	16,141

**NOTES TO THE FINANCIAL STATEMENTS  
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**15. Tangible assets (continued)**

Right of use assets include assets previously recognised as finance leases as well as assets on leases previously classified as operating leases. The Company has recognised property, motor vehicles and office equipment in respect of assets previously held under operating leases.

The Company leases property, motor vehicles and office equipment and rental periods are between 1 year and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. The lease agreements do not impose any covenants.

The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company has recognised a related lease liability of £17,182,113 (2020: £16,390,101) in respect of these assets (refer to note ).

**16. Stocks**

	<b>2021</b>	2020
	<b>£000</b>	£000
Finished goods and goods for resale	<b>53,794</b>	87,433

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 £746,658 (2020: £1,100,518).

**17. Debtors**

	<b>2021</b>	2020
	<b>£000</b>	£000
Trade debtors	<b>148,713</b>	157,358
Amounts owed by group undertakings	<b>105,365</b>	102,224
Other debtors	<b>287</b>	218
Deferred taxation (note 22)	-	18
Contract assets	<b>7,548</b>	6,490
Prepayments and accrued income	<b>2,806</b>	1,361
	<b>264,719</b>	267,669

Trade debtors are stated after provisions for impairment of £13,857 (2020: £15,111).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. This includes £21,348,530 (2020: £28,673,597) of stock from VS business.

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. Cash at bank and in hand**

	2021 £000	2020 £000
Cash at bank and in hand	<u>21,803</u>	<u>309</u>

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

	2021 £000	2020 £000
Trade creditors	13,413	12,568
Contract liabilities	11,893	10,132
Amounts owed to group undertakings	37,046	88,942
Corporation tax	2,420	816
Other taxation and social security	26,890	35,788
Lease liabilities	2,852	3,960
Other creditors	2,454	22,018
Accruals and deferred income	149,215	102,000
	<u>246,183</u>	<u>276,224</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

**20. Creditors: amounts falling due after more than one year**

	2021 £000	2020 £000
Lease liabilities	<u>14,330</u>	<u>12,430</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**21. Lease liabilities**

Future minimum lease payments for:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Within one year	<b>2,953</b>	4,098
Between 1-5 years	<b>8,084</b>	6,867
Over 5 years	<b>6,665</b>	6,127
	<b>17,702</b>	17,092

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The lessee's incremental borrowing rate as of 1 January 2021 was 0.37%.

The present value of minimum lease payments is analysed as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Within one year	<b>2,852</b>	3,834
Between 1-5 years	<b>7,923</b>	6,604
Over 5 years	<b>6,407</b>	5,954
	<b>17,182</b>	16,392

**22. Deferred taxation**

	<b>2021</b>
	<b>£000</b>
At beginning of year	<b>18</b>
Charged to profit or loss	<b>(83)</b>
At end of year	<b>(65)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**22. Deferred taxation (continued)**

The deferred tax (liability)/asset is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(147)	(58)
Other timing differences	27	19
Pension provision	22	18
Lease	33	39
	<u>(65)</u>	<u>18</u>

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

**23. Provisions for liabilities**

	Warranty provision £000	Contingency provision £000	Restoration provision £000	Total £000
At 1 January 2021	6,349	130	1,923	8,402
Charged to profit or loss	8,327	-	363	8,690
Utilised in year	(8,345)	(130)	(345)	(8,820)
At 31 December 2021	<u>6,331</u>	<u>-</u>	<u>1,941</u>	<u>8,272</u>

**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.

**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.

**24. Called up share capital**

	2021 £000	2020 £000
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
192,000 (2020: 192,000) Ordinary shares of £100 (2020: £100) each	<u>19,200</u>	<u>19,200</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**25. Profit and loss account**

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

**26. 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 £922,000 (2020: £907,000).

**27. 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 29.

**28. Post balance sheet events**

*Dividends*

In March 2022, directors proposed a dividend payment of £53M of shareholders' funds. The Company's distributable reserves was sufficient to support the payment of this dividend. The amount was approved at the BOD, it was paid on 28 March 2022 to the sole member of the Company.

**29. 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 2021. The consolidated financial statements of LG Electronics Inc are available from: LG Electronics Inc, 20 Yeouido-dong, Yeongdeungpo-gu, Seoul, 150-721, South Korea.