

Innocean Worldwide UK Limited

**Annual report and financial
statements**

Registered number 5731592

Year ended 31 December 2020

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Strategic report

The Directors submit the Strategic Report together with their Report of the Directors and the audited financial statements of Innocean Worldwide UK Limited (the "Company") for the year ended 31 December 2020.

Principal activity

The principal activity of Innocean Worldwide UK Limited continues to be that of an advertising agency.

Fair review of business

The Company provides communications planning and media buying and co-ordination services across all media in the United Kingdom, including traditional media and increasingly all areas of digital media. In addition, the Company provides bespoke production services including web design, artwork and branded content development. There have not been any significant changes in this activity in the year under review, nor are any changes anticipated in the forthcoming year.

The results for the year are shown in the profit and loss account on page 12. The profit on ordinary activities before taxation was £795,545 (2019: £1,220,833). Last year's turnover was £9,890,608, the current year turnover has decreased compared to the prior year to £6,795,353. The Company is reliant on the ongoing customer of Hyundai Motor UK Limited and Kia (UK) Limited.

Principal risks and uncertainties

The Company's business mainly depends on two related companies Hyundai Motors UK and Kia UK. Both clients have competitive pressure in the UK car market which has resulted in reducing their marketing budget in relation to their sales. However, both clients strive to provide add-value products and services to their customers to manage such risks and the Company also strive to provide a better way of doing client's marketing.

Uncertainties arising from COVID-19 and Brexit

The Company has looked at the uncertainties arising from COVID-19 and Brexit facing all businesses and challenged ourselves as to the impact on estimates made within these financial statements including the appropriateness of the going concern basis of preparation of the financial statement. All of these depend on assessments of the future economic environment which involves a great element of subjectivity and assumptions that can be highly sensitive.

Brexit

Before the pandemic, Brexit was identified as a key risk as it was uncertain how the economy would react to the UK leaving the EU. The biggest risk of the Brexit to the Company and industry would have been a significant downturn in economic activity. However, the effect on economic activity due to the Brexit were neutral to the Company.

In relation to the company's financial position movement due to the Brexit, the company concluded that there is no significant impact on it as both client Hyundai Motors UK and Kia UK have planned their marketing spend at a certain level that can provide sufficient revenue and profit for the Company.

COVID-19

The Directors are aware that the Company will experience the impact of Coronavirus (COVID-19) post year end. The Directors ensure that the Company maintain the safety and well-being of its employees, customers, partners, suppliers and any other stakeholders. The Company has always had robust, detailed business continuity plans in place and these are being utilised and expanded to ensure that we will continue to operate and meet the needs of our clients.

At the time of signing these financial statements, the Company has continued to operate fully and effectively in challenging circumstances. The nature of the Company's services, which are marketing service to our clients (largely companies Hyundai Motor Group) and contracts with suppliers led the Directors to believe that there will be no significant financial impact to the Company. All key suppliers have continued to operate effectively throughout the period.

Strategic report (continued)

Key Performance Indicators

To provide value for our shareholders, the directors consider that turnover, gross profit and operating profit are the key performance indicators (KPIs) that show a good measure of the Company's performance and financial strength.

	FY2020	FY2019	Diff.	Change +/-
	£	£	£	%
Turnover	6,795,353	9,890,608	-3,095,255	-31%
Gross Profit	4,610,877	5,690,646	-1,079,769	-19%
Operating Profit	805,126	1,227,330	-422,204	-34%
Profit before taxation	795,545	1,220,833	-425,288	-35%
Profit for the financial year	644,420	980,621	-336,201	-33%

In 2020 the UK car market recorded a fall in the number of new car registrations for the third year in a row, lowest level in nearly three decades last year. About 1.63 million new cars were registered in 2020, compared with 2.3 million in 2019 - a decline of 29%. The economic climate was uncertain in the year with variable rates of GDP which led to a fall in consumer confidence. The economic outlook in 2021 is challenging due to the impact of COVID-19, and concerns around diesel cars. We expect slowdown in the UK economy with fewer car sales, however, due to the Company's revenue restructuring, client's unique market position and their capability of producing more electric cars than the competitors, the Company's financial position will remain strong.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate 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 maintaining a good relationship with customers and suppliers and adjusting debtor and creditor payment terms when needed. The Company does not have any short-term credit facilities from its ultimate parent Company or UK bank which reduces the finance risk.

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 ultimate parent Company's guideline as well as the Company's finance department.

Section 172 statement – Statement by the Directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties as detailed in Section 172 of the Companies Act 2006. This is summarised as follows:

"A director of a company must act in the way they considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

Strategic report *(continued)*

The board of directors ("the Board") of Innocean Worldwide UK Limited consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole in decision taken during the year ended 31 December 2020,

In making this assessment the Board considers the matters below to be of particular relevance:

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

The Board links all decisions with its long term strategic goal of "Digitalisation" and "Maximise the creativity and performance of each individuals". The decisions are focused around long term profitability and sustainability of the Company and its key business partners to maximise return of all strategic business partners including our shareholders.

b) the interests of the company's employees;

The Board place great emphasis on continually developing the capability of its employees. This is achieved through a number of programmes, including but not limited to an annual personal development plan, regular management feedback and provision of both digital and instructor based training. All the Company's managers have been put through rigorous leadership development programmes to enhance their coaching capabilities.

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

Under the Innocean Worldwide Inc.'s guideline, the Company shall not make unfair demands, accept gifts or bribe from partner companies, or perform any actions that may otherwise hinder fair performance of work duties. And the Company shall protect our client's information, including intellectual property rights and trade secrets, with utmost care, and we must keep the trust and confidence of our client in this regard.

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

the Board is very aware of its community and the environment. The Company supports local charity to raise funds and encourage its employees try not to use papers at work. The Company also try to recycle where possible and reduced using of plastic bottler waters in the office.

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

The Board is committed to complying with all applicable laws and regulations, through the appointment of Compliance Officers (CEO, Corporate service director and operations director) and regular training for all employees. A strong compliance culture is promoted by the Board and through regular interaction and identification the Company has strong relationships with all regulatory authorities and takes a proactive approach to all compliance issues.

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

The Company is a wholly owned subsidiary of Innocean Worldwide Inc., and regularly meets and reports to its ultimate parent company to ensure alignment and approval where necessary. Approval includes annual business plan, short, medium and long-term plans and service enhancements and future developments.

Disabled employees

Application for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that that of other employees,

Employee's involvement

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees, and in various factors affecting the performance of the Company through Company all staff meeting. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Strategic report *(continued)*



Chong Kyun Kim
Chief Financial Officer

29 September 2021

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The Company's principal activity is the provision of strategic marketing and advertising services to automotive manufacturers and distributors worldwide.

Proposed dividend

There is no proposed plan for a dividend payment for the financial year 2020.

(£1,000,000 was paid to Innocean Worldwide Inc. for the financial year 2019).

Directors

The directors who held office during the year were as follows:

Seokjun Hong	(resigned 31 December 2020)
Hyun Woo Sim	(resigned 01 March 2020)
Tae Young Kim	(resigned 01 January 2021)
Chong Kyun Kim	(appointed 01 March 2020)
Il Soo Jun	(appointed 01 January 2021)

Risk

Information surrounding risk is not included in the director's report, but shown in the strategic report as permitted under S414C of the Company Act 2006.

Political and charitable donations

The Company made charitable donations of £Nil (2019: £Nil) during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going Concern

The uncertainty as to the future impact on the Company of the COVID-19 outbreak has been considered as part of the Company's adoption of the going concern basis of preparation. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements considering both a base case and a severe but plausible downside scenario, which indicate that the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Company has assessed any impact on the business and its financial position resulting from the ongoing COVID-19 pandemic. There are changes in relation to marketing activities as well as financial revenue stream in 2020. The Company focuses on more digital marketing services from late 2020 to meet the client and market needs. The Company also changed its revenue structure from commission based to fee based for one of its clients. As a result of that, the Company was able to reduce cost of sales and protected its revenue decrease. Since COVID-19 restriction has been eased in the UK and changed its revenue structure, the business is expected to rise and will remain in strong financial position in the foreseeable future.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board



Chong Kyun Kim
Chief Financial Officer

3rd Floor
Haymarket House
26-29 Haymarket
London
SW1Y 4SP

29 September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOCEAN WORLDWIDE UK LIMITED

Opinion

We have audited the financial statements of Innocean Worldwide UK Limited ("the company") for the year ended 31 December 2020 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOCEAN WORLDWIDE UK LIMITED *(continued)*

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- A sample of revenue transactions around the year end were agreed to supporting documentation to determine if they had been recorded in the correct period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, recognising the nature of the Company's activities. Auditing

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOCEAN WORLDWIDE UK LIMITED (continued)

standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INNOCEAN WORLDWIDE UK LIMITED (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Richard Johnson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 3QL
United Kingdom

29 September 2021

Profit and loss account
for the year ended 31 December 2020

	<i>Note</i>	2020 £	2019 £
Turnover	2	6,795,353	9,890,608
Cost of sales		(2,184,476)	(4,199,962)
Gross profit		4,610,877	5,690,646
Selling and Distribution costs		(53,091)	(76,259)
Administrative expenses		(3,752,660)	(4,387,057)
Operating profit		805,126	1,227,330
Interest receivable and similar income	6	3,367	12,896
Interest payable and similar charges	7	(12,948)	(19,393)
Profit before taxation	3	795,545	1,220,833
Tax on profit	9	(151,125)	(240,212)
Profit for the financial year		644,420	980,621

The Company's results all relate to continuing operations for the current and preceding year.

The Company has no other comprehensive income in the current year or the prior year other than the profits and losses as reported above and therefore no statement of other comprehensive income has been presented.

The notes on pages 15 to 27 form part of these financial statements.

Balance sheet
at 31 December 2020

	Note	2020	2019
		£	£
Fixed assets			
Tangible assets	10	327,902	595,671
Current assets			
Debtors	11	5,657,896	6,254,533
Cash at bank and in hand		3,573,828	2,551,802
		<u>9,231,724</u>	<u>8,806,335</u>
Creditors: amounts falling due within one year	12	<u>(6,711,608)</u>	<u>(6,921,327)</u>
Net current assets		2,520,116	1,885,008
Creditors: amounts falling due over one year	12	<u>(117,373)</u>	<u>(394,454)</u>
Net assets		2,730,645	2,086,225
Capital and reserves			
Called up share capital	16	150,000	150,000
Profit and loss account		2,580,645	1,936,225
Shareholders' funds		2,730,645	2,086,225

Notes from pages 15 to 27 form part of these financial statements.

These financial statements were approved by the board of directors on 29 September 2021 and were signed on its behalf by:



Chong Kyun Kim
Chief Financial Officer

Company number: 5731592

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Balance as at 1 January 2019	150,000	1,955,604	2,105,604
Total comprehensive income for the period			
Profit	-	980,621	980,621
Dividends	-	(1,000,000)	(1,000,000)
Balance as at 31 December 2019	150,000	1,936,225	2,086,225
Balance as at 1 January 2020	150,000	1,936,225	2,086,225
Total comprehensive income for the period			
Profit	-	644,420	644,420
Dividends	-	-	-
Balance as at 31 December 2020	150,000	2,580,645	2,730,645

The note on pages 15 to 27 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Innocean Worldwide UK Limited is a private Company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework (FRS 101)*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Innocean Worldwide Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of Innocean Worldwide Inc. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Landmark Tower 20F, 837-36, Yeoksam-Dong, Gangnam-gu, Seoul, 06253, South Korea.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the Company has sufficient cash in order to meet its liabilities as they fall due for that period. Cash balance held at the start of September 2021 amounted to £6m.

In preparing these forecasts the directors have assessed a base case forecast that their key customers and stakeholders, Hyundai Motor UK Limited and Kia (UK) Limited, will continue with their marketing and advertising spending plan and follow the agreed payment terms. Under this scenario and as a result of revenue structure change, revenue likely goes up and cost of sales remains similar to prior year for the foreseeable future.

The directors have further considered a severe but plausible scenario, which considers the potential implications of significantly reduced spending as a result of potential required cost savings due to COVID-19. The severe but plausible case has assumed that the only revenue generated will be for the already agreed advertising spending of one month while all costs will continue to be incurred as normal. In addition, the forecast assumes that the key customers will continue to use the marketing and advertising services of this entity for the forecast period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes (continued)

1 Accounting policies (continued)

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Financial Instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets classification

On initial recognition, a financial asset is classified as measured at: amortised cost; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes (continued)

1 Accounting policies (continued)

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Notes (continued)

1 Accounting policies (continued)

1.5 Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Office equipment 3 years
- Furniture 4 years
- Fixtures and fittings 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the point the service is delivered. Where payment is made in advance or in arrears an amount is recognised on the balance sheet to be released over the period which the service is provided. Revenue is measured at the fair value of the consideration received, excluding discounts rebates, value added tax and other sales taxes.

Turnover represents the amounts excluding value added tax derived from net commissions on the placing of marketing and advertising services with media agencies and broadcasters during the year. In terms of a sale of advertisement production services and other service sales, revenue is recognised based on the percentage-of-completion. If another party is involved in providing goods or services to the customer, the Company assesses the nature of its promise with the customer to determine whether it is a principal or an agent in the transaction.

Notes (continued)

1 Accounting policies (continued)

1.11 Leases (policy applicable from 1 January 2019)

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Notes (continued)

2 Turnover

The Company operates in one area of activity, being the provision of marketing services to the motor industry.

	2020 £	2019 £
<i>Analysis of turnover by geographical destination</i>		
United Kingdom	6,795,353	8,932,375
Rest of World	-	958,233
	<u>6,795,353</u>	<u>9,890,608</u>

3 Profit before taxation

	2020 £	2019 £
<i>Profit before taxation is stated after charging</i>		
Depreciation of tangible fixed assets		
Depreciation recognised in related to building under IFRS 16 criteria:	251,929	251,929
Amounts receivable by the auditors in respect of:		
Audit of financial statements	33,400	30,000
Taxation compliance services	7,800	9,879
Other services	750	1,500
	<u>41,879</u>	<u>41,308</u>

4 Remuneration of directors

	2020 £	2018 £
Directors' emoluments	513,372	421,945
Highest paid director		
Emoluments	238,519	225,414

Three directors (2019: two) were remunerated through the Company in the year. Two other directors in 2020 were remunerated immaterial amounts through other group companies.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2020	2019
Head office staff	42	40

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	2,321,911	2,935,384
Social security costs	247,111	296,580
Pensions	76,096	87,654
Furlough payments received by HMRC	46,720	-
	<u>2,691,838</u>	<u>3,319,618</u>

Notes (continued)

6 Interest receivable and similar income

	2020 £	2019 £
Bank interest	3,367	12,896
	<u>3,367</u>	<u>12,896</u>

7 Interest payable and similar charges

	2020 £	2019 £
Bank charges	2,208	2,905
IFRS 16 finance expense	10,740	16,488
	<u>12,948</u>	<u>19,393</u>

8 Leases

	2020 £
Total cash outflow for leases	300,000

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	£
2020 - Leases under IFRS 16	
Expense on lease liabilities (Depreciation and finance expense)	262,670
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-
	<u>262,670</u>
2019 - Leases under IFRS 16	
Expense on lease liabilities (Depreciation and finance expense)	268,418
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-
	<u>268,418</u>

Notes (continued)

9 Taxation

Analysis of charge in year

	2020 £	2019 £
<i>UK corporation tax</i>		
Current tax on income for the period	143,041	227,554
Adjustments to tax charge in respect of previous period	-	74
Total current tax charge	143,041	227,628
<i>Deferred tax</i>		
Origination and reversal of temporary differences	11,227	12,584
Adjustments in respect of prior periods	6	-
Effect of tax rate change on opening balance	(3,149)	-
Total deferred tax charge/(credit)	8,084	12,584
Tax on profit	151,125	240,212

Factors affecting the tax charge for the current year

The current tax charge for the year is lower than (2019: higher) the standard rate of corporation tax in the UK of 19% (2019: 19%). The details are explained below:

	2020 £	2019 £
<i>Overall tax reconciliation</i>		
Profit before tax	795,545	1,220,833
Current tax charge at 19%. (2019: 19%)	151,154	231,958
<i>Effects of:</i>		
Fixed Asset differences	253	245
Expenses not deductible for tax purposes	2,861	9,415
Adjustments to tax charge in respect of previous periods	-	74
Adjustments to tax charge in respect of previous periods – deferred tax	6	-
Adjust closing deferred tax to average rate of 19.00%	-	3,150
Adjust opening deferred tax to average rate of 19.00%	-	(661)
Remeasurement of deferred tax for changes in tax rates	(3,149)	-
IFRS16 Transitional adjustment	-	(3,969)
Total current tax charge (see above)	151,125	240,212

Factors that may affect future tax charges

The budget sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2020. This maintains the rate at 19% rather than reducing it to 17% from 1 April 2020. A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset as at 31 December 2020 was calculated at 19% (2019: 17%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly and increase the deferred tax asset by £5,902."

Notes (continued)

10 Tangible fixed assets

	Right of use assets £	Office equipment £	Fixtures and fittings £	Total £
Cost				
At beginning of year	524,853	288,185	436,692	1,249,730
Additions	-	24,608	-	24,608
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	524,853	312,793	436,692	1,274,338
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	-	234,364	419,695	654,059
Charge for year	251,930	32,159	8,288	292,376
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	251,930	266,523	427,983	946,435
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2020	272,923	46,270	8,709	327,902
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	524,853	53,821	16,997	595,671
	<hr/>	<hr/>	<hr/>	<hr/>

Right of use assets includes land and building solely related to the lease of office

11 Debtors

	2020 £	2019 £
Trade debtors	4,771,747	5,309,367
Amounts owed by group undertakings	-	49,492
Other debtors	100,166	106,613
Deferred tax (see note 13)	19,628	28,205
Prepayments and accrued income	766,355	760,856
	<hr/>	<hr/>
	5,657,896	6,254,533
	<hr/>	<hr/>

Notes (continued)

12 Creditors

	2020 £	2019 £
Amounts falling due within one year		
Trade creditors	1,447,501	3,105,274
Amounts owed to group undertakings	-	-
Corporation tax payable	104,568	153,316
Taxation and social security	667,123	577,399
Other creditors	33,751	36,209
Accruals and deferred income	4,161,408	2,737,538
Lease liability	297,257	311,591
	6,711,608	6,921,327
Amounts falling due over one year		
Lease liabilities	117,373	394,454

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 2.03%.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £	2019 £	Liabilities 2020 £	2019 £	Net 2020 £	2019 £
Tangible fixed assets		-	4,931	8,446	4,931	8,446
Other	(103,306)	(165,909)	-	-	(103,306)	(165,909)
Tax (assets) / liabilities	(19,622)	(28,205)	937	1,436	(18,685)	(26,769)
Net tax (assets) / liabilities	(19,622)	(28,205)	937	1,436	(18,685)	(26,769)

Movement in deferred tax during the year

	1 January 2020 £	Recognised in income £	Recognised in equity £	31 December 2020 £
Tangible fixed assets	1,436	(499)	-	937
Provisions	-	-	-	-
Other	(28,205)	8,583	-	(19,622)
	(26,769)	8,084	-	(18,685)

The balance at 1 January 2020 includes the effect of initially applying IFRS 16.

Notes (continued)

14 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £76,565 (2019: £87,654)

15 Related parties

Innocean Worldwide UK Limited is a wholly owned subsidiary of Innocean Worldwide Inc. The controlling shareholder of Innocean Worldwide Inc. is also the Chairman of Hyundai Motor Company (incorporated in Korea). Hyundai Motor Company owns a significant shareholding in Kia Company (incorporated in Korea).

During 2020 the Company sold marketing and advertising services to its parent Company, companies within the Hyundai Motor Company Group and companies within the Kia Company Group as set out below:

	Sales 2020 £	Sales 2019 £	Debtor at 31 December 2020 £	Debtor at 31 December 2019 £
Hyundai Motor UK Limited	2,872,199	3,089,762	1,659,855	2,717,699
Kia (UK) Limited	3,892,114	4,260,827	3,102,112	2,591,669
Innocean Inc	-	374,531	-	-
Innocean USA	-	307,220	-	-
Innocean Worldwide AU	-	24,554	-	6,072
Innocean Canada	-	34,609	-	-
Innocean Worldwide Europe	-	99,548	-	24,618
Innocean Worldwide India	-	41,921	-	-
Innocean Worldwide Italy	-	13,515	-	-
Innocean Worldwide Russia	-	23,694	-	15,296
Innocean Worldwide Spain	-	12,074	-	-
Innocean Worldwide France	-	-	-	-
Innocean Shanghai	-	14,178	-	3,506
Innocean Middle East and Africa	-	12,389	-	-

During 2020, the Company was charged vehicle rental costs by companies within the Hyundai Motor Company Group as set out below:

	Purchases 2020 £	Purchases 2019 £	Creditor at 31 December 2020 £	Creditor at 31 December 2019 £
Hyundai Motor UK Limited	7,717	4,804	1,510	413

16 Share capital

	2020 £	2019 £
Allotted, called up and fully paid: 150,000 (2019: 150,000) ordinary shares of £1 each	150,000	150,000

Dividends

£Nil was paid to Innocean Worldwide Inc. for the financial year 2019 in 2020.

Notes *(continued)*

17 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The ultimate parent Company of Innocean Worldwide UK Limited is Innocean Worldwide Inc., a Company incorporated in South Korea.

This is the only group within which Innocean Worldwide UK Limited is consolidated. The consolidated financial statements of Innocean Worldwide Inc. can be obtained from Innocean Worldwide Inc., 837-36 Yeoksam-dong, Gangnam-gu, Seoul, Korea.