Hyundai Motor UK Limited

Annual report and financial statements

Registered number 05446560

Year ended 31 December 2021

Contents

Strategic report

Hyundai Motor UK Limited (the "Company") is a wholly owned subsidiary of Hyundai Motor Company ("HMC", a company registered in South Korea) and is a national sales company.

The Company's principal activities are the importation and sale of Hyundai cars and parts suitable for the Hyundai range through its distribution network to consumers in the UK and Norway.

There have not been any significant changes in the Company's principal activities in the year under review.

2021 was a challenging year for the company with the supply shortages and the on-going COVID-19 outbreak. However, the thoughtful leadership and the tremendous hard work of the dealership network and employees helped to make 2021 a highly successful financial year for the company.

The company increased its retail sales registrations compared to 2020 by more than 41% and still around 13% below 2019 due to ongoing supply shortages and restrictions related to COVID-19 outbreak.

A risk assessment, as required by Section 172 of the Companies Act 2006, of the impact upon our customers, retailers, suppliers, supply chain, employees and the community are summarised below.

The company is a low energy user and as such environmental reporting disclosures are not presented. As a member of the RE100 organisation, the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity, the company is committed to becoming net zero by 2045.
The company uses Good energy supplier who supply electricity from 100% renewable sources to its head office and is committed to working with suppliers who have the same ethos.
The Company has increased and is dedicated to continuing to increase the proportion of electric and alternative fuel, low CO2 emission vehicles within its Fleet and Employee car schemes and provides electric vehicle charges to all staff and visitors.

Customers, Retailers and Suppliers:

The Company has established an on online shopping channel 'Click to Buy' that allows customers to purchase a vehicle online and receive delivery of the vehicle from their local retailer. In the event of showroom closures, a promotional call to action can be switched away from test drives and visit to retailers to online activity. This ensures retailers have a continued revenue stream and customers can continue to purchase vehicles. Retailers have maintained a network of workshop openings to ensure key worker and blue light vehicles can remain mobile through the pandemic. The Company has made our vehicle fleets available to ensure volunteers' mobility, enabling the deliveries of food and essential supplies to the most vulnerable.

The company has taken extensive countermeasures to minimise the adverse impacts on its business and operating results from the COVID-19 outbreak. Close co-operation with suppliers and retailers has enabled us to speed up payments to ensure liquidity through the value chain. The commercial policy for retailers was changed in 2020, moving from quarterly bonus payments to monthly payments to aid working capital. Sponsorship and event activity have been migrated to virtual activities where possible.

Supply Chain:

The Company's aim is to become one of the leading providers of eco-friendly mobility in the UK and Norway by 2025 and to be in the top 3 globally, selling over 1 million vehicles annually. It currently offers the broadest range of powertrains in the marketplace from traditional petrol and diesel through hybrid and plug in hybrid to full EV and fuel cell electric vehicles and has also recently announced a new electric vehicle sub brand which will showcase its next generation of zero emission vehicles. Vehicle production is globally hedged with vehicles sourced from South Korea, the Czech Republic and Turkey. The global diversity of our supply chain ensures that we are not overly dependent on one region. This has proved beneficial with disruptions in production schedules minimised, enabling continued flow of vehicle supply during the pandemic. The company has not experienced any significant impacts as a result of the end of the Brexit Withdrawal Agreement and the UK leaving the European Union in January 2021.

Employees:

The Company is committed to encouraging a diverse workforce, through fair recruitment and promotion processes that do not restrict an individual's progression in their career path on the basis of discrimination of any kind. The Company is supportive of making reasonable adjustments for those employees who require them relating to any potential disability, to ensure they can have a successful career with the Company. Full compliance with Government Guidelines has been maintained through the pandemic, ensuring employees work from home where they are able to. Full Covid-safe environments have been established with social distancing being maintained. The company took the decision not to Furlough employees or access government stimulus schemes. This has ensured that we have been able to minimise the impact on employees as the government schemes come to an end.

The Company will continue to follow the advice from Public Health England (PHE) and government guidance to implement business continuity and contingency measures to do the best for our employees, suppliers, customers, distributors, and local community groups.

Government, Regulators and trade bodies:

The HM Government and its departments has regular contact through monthly, quarterly and yearly ONS business surveys and with the HMRC on tax and VAT matters. The company believes it is important to keep open dialogue with these stake holders to build trust and ensure we are compliant in all aspects of business within UK. The company has employed a Senior Accounting Officer ("SAO") who ensures the company has adequate controls around tax compliance in line with HMRC guidelines and signs off this yearly.

As shown in the Company's profit and loss account and other comprehensive income on page nine, the Company's turnover has increased by 57% over the prior period and operating profit has increased by 400%.

There have been no significant events since the balance sheet date, other than the impact of supply shortages Coronavirus (as explained above).

Key performance indicators

	2021	2020	% Change
Turnover	**£1,866m**	£1,187m	57
Operating profit	**£42.5m**	£8.5m	400
New car registrations	**78,181**	55,442	41
Operating profit per car	**£543**	£154	253

New car registrations increased by 41%, outperforming the UK car market, which grew 1%.

Competitive pressures in the UK and Norway are a continuing risk for the Company, which could result in it losing sales to its key competitors. To manage this risk, the Company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.

The Company's businesses may be affected by fluctuations in the price and supply of cars and residual values in the marketplace, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The Company is financed by short term credit facilities provided by HMC group companies and banks at variable interest rates.

The Group risks to which Hyundai Motor Company is exposed are discussed in Hyundai Motor Company's Annual Report which does not form part of this Report.

By order of the board

A Andrew
Director

29th July 2022

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2021

Environment

Hyundai Motor Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Hyundai Motor Company's policies, as noted in Hyundai Motor Company's Annual Report, which does not form part of this Report. Initiatives aimed at minimising the Company's impact on the environment include recycling and reducing energy consumption.

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

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

Kyuwan Lim (appointed 26 January 2018, resigned 10 January 2022)
Jongwon Choi (appointed 10 January 2022)
Ashley Andrew (appointed 1 January 2019)
Hae Sung Park (appointed 28 February 2019, resigned 1 January 2021)
Goowon Yoon (appointed 1 January 2021, resigned 10 January 2022)
Taiho Jeong (appointed 10 January 2022)

Political and charitable contributions

The Company made no political contributions during the year (2020: Nil). Donations to UK charities amounted to £99,433 (2020: £24,452).

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 each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the board

A Andrew
Director

Ground Floor, Birchwood Building
Springfield Drive
Leatherhead, Surrey
KT22 7LP

29th July 2022

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

The directors are responsible for preparing the 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYUNDAI MOTOR UK LIMITED

Opinion

We have audited the financial statements of Hyundai Motor UK Limited ("the company") for the year ended 31 December 2021 which comprise the profit and loss account and other comprehensive income, 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

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.
- 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 sales targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that UK new vehicle 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 unexpected or unusual entries, posted to deposits and loan accounts, and material post-closing journal entries.
- Testing a sample of revenue transactions to supporting documentation to assess whether revenue had been recorded in the correct period and testing a sample of credit notes raised subsequent to the year end.

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, and 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, employment law and environmental legislation. Auditing 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.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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.

Michael Crowson

Michael Crowson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD

29th July 2022

Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	2	**1,866,299**	1,186,925
Cost of sales		**(1,533,402)**	(950,396)
Gross profit		**332,897**	236,529
Selling and distribution costs		**(247,838)**	(185,754)
Administrative expenses		**(42,571)**	(42,260)
Operating profit		**42,488**	8,515
(Loss)/Gain on sale of fixed assets		**(3)**	1
Interest receivable and similar income	6	**18**	74
Interest payable and similar charges	7	**(2,875)**	(3,376)
Loss of fixed asset investment	11	**(11,535)**	0
Profit before taxation		**28,093**	5,214
Tax on profit	8	**(7,758)**	(1,260)
Profit after taxation being retained profit for the financial period		**20,335**	3,954

There were no recognised gains and losses in either the current year or the preceding period other than the profit and loss reported above.

The results above are wholly derived from continuing operations both in the current and prior years. There is no difference between the results reported above and those prepared on a historical cost basis.

The notes on pages 12 to 26 form part of these financial statements.

Balance sheet
at 31 December 2021

	Note	2021 £000	£000	2020 £000	£000
Fixed assets					
Intangible assets	*9*		**495**		556
Tangible assets	*10*		**35,713**		30,591
Fixed asset investments	*11*		**5,500**		17,035
			41,708		48,182
Current assets					
Stocks	*12*	**266,662**		364,830	
Debtors (£43.3 million falls due after more than one year *(2020: £27.3 million)*)	*13*	**88,069**		75,831	
Cash at bank and in hand		**290,007**		46,728	
		644,738		487,389	
Creditors: amounts falling due within one year	*14*	**(473,092)**		(356,359)	
Net current assets			**171,646**		131,030
Total assets less current liabilities			**213,354**		179,212
Provisions for liabilities	*15*		**(103,436)**		(89,629)
Net assets			**109,918**		89,583
Capital and reserves					
Called up share capital	*16*		**25,600**		25,600
Profit and loss account			**84,318**		63,983
Shareholders' funds			**109,918**		89,583

These financial statements were approved by the board of directors on 29th July 2022 and signed on its behalf by:

A Andrew
Director

Company number: 05446560

The notes on pages 12 to 26 form part of the financial statements.

Statement of changes in equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2020	25,600	60,029	85,629
Total Comprehensive income for the period	-	3,954	3,954
Balance at 31 December 2020	**25,600**	**63,983**	**89,583**
Balance at 1 January 2021	25,600	63,983	89,583
Total Comprehensive income for the period	-	20,335	20,335
Balance at 31 December 2021	**25,600**	**84,318**	**109,918**

The notes on pages 12 to 26 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Hyundai Motor UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2016. The amendments to FRS 102 issued in July 2017 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Hyundai Motor Company includes the Company in its consolidated financial statements. The consolidated financial statements of Hyundai Motor Company are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from http://worldwide.hyundai.com. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that could have an effect on the financial statements and estimates with a risk of adjustment in the next year are discussed in notes 1.7, 1.8 and 1.10. The directors consider that the only judgement or estimate likely to have a significant risk of material adjustment in the next year is the warranty provision.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate. The Company has net assets of £103.9m at 31 December 2021 (2020: £89.6 million) and a profit for the financial year of £20.3 million (2020: £4.0 million), however, owes short term borrowings of £112.9 million (2020: £175.3 million).

The directors have prepared cash flow forecasts for the period of at least 12 months based on external market volume forecasts, customer demand forecasts and expected changes to product mix. the Company is expected to continue to have sufficient funds, through its existing loan arrangements and Multi Entity Cash Pooling Agreement with Hyundai Motor Europe ("HME"), to meet its liabilities as they fall due during the forecast period. The existence of transfer pricing arrangements with HME, a fellow group company, means that the company will remain profitable and cash generative.
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.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency 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 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Tangible 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, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition 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, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.12 below.

Notes *(continued)*

1 Accounting policies *(continued)*

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 40 years
- motor vehicles 4 years
- fixtures, fittings, tools and equipment 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Intangible assets and goodwill

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised and amortised to nil by equal annual instalments over its estimated useful life, up to a maximum of 10 years. Any impairment charge is included within operating profits.

Intangible fixed assets and amortisation

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. Fair values are restricted to an amount that does not create, or increase, any negative goodwill. Intangible fixed assets purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives, up to a maximum of 10 years. Any impairment charge is included within operating profits.

The intangible assets are amortised over the following useful economic lives:

- - Software development costs 3 years
- - Goodwill 10 years

1.7 Stocks

Stocks, consisting of vehicles and parts held for resale, are valued at the lower of cost and net realisable value. The cost of vehicles includes the purchase price plus amounts incurred in bringing each product to its present location and condition, including direct delivery and preparation costs in bringing the vehicles to UK specifications. Net realisable value is the actual or estimated selling price less all selling and distribution costs. Provisions are made where necessary for obsolete and slow-moving stocks.

1.8 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes *(continued)*

1 Accounting policies (continued)

***1.8 Impairment excluding stocks, and deferred tax assets** (continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1.9 Employee benefits

Pension costs

The company makes contributions to individuals' personal pension schemes or to a group stakeholder plan, the assets of these schemes being independently held by third parties, with the contribution to the schemes being charges to operating profit as they fall due. Any outstanding or prepaid contributions at the balance sheet date are shown as liabilities or assets respectively.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Warranty provision

The company offers warranty cover in respect of new vehicle manufacturing defects and has a back to back arrangement with a fellow group undertaking to make good warranty costs incurred by the company. A provision is recognised for expected cost of warranty claims based on past experience of the level of actual warranty claims received. The associated debt to be recovered from the group undertaking is reflected within amount owed from group undertakings.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration receivable, including wholesale and any anticipated retail discounts, rebates and excluding VAT and other sales taxes or duty. The following criteria must also be met before turnover is recognised.

Sales of vehicles

Turnover from the sale of vehicles and/or parts is recognised when the significant risks and rewards of ownership of the vehicles have passed to the buyer, which is considered to be the earlier of the point of despatch to, or the registration by the dealer, distributor or any party for whom the company acts as agent.

When despatch is deferred at the formal request of the buyer, turnover is recognised when the vehicle is ready for despatch and a request to hold the vehicle until a specified delivery date has been received. Vehicles are sold with a warranty. Turnover relating to this warranty service is considered to be immaterial and is recognised wholly on the sale of the vehicle.

Vehicles sold under short-term repurchase agreements (buy backs)

The company structures certain of its vehicle sales contracts with commitments to repurchase the vehicle on a specified date at a specified price. Vehicles initially sold with a guaranteed repurchase commitment are included in stocks and tangible assets as company management cars at the lower of cost and net realisable value in accordance with the provisions of FRS 102.20.34. A corresponding liability is recognised for the committed repurchase price payable by the company and the profits are recognised on straight line basis over the period to the repurchase. A provision is made for commitments for expected losses on the second hand sale.

1.12 Expenses

Operating lease

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 unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, 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).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.14 Investments

Investment in Hyundai capital of 10% was previously accounted for under the equity method. In 2021, this policy has been changed in line with the FRS102. The change resulted in an adjustment of £11.5m to be recorded in 2021 accounts.

The investments are now held as fixed assets and stated at cost less provision for impairment. At the end of each period, the directors assess whether there is objective evidence of impairment as a result of one or more events

Notes *(continued)*

2 Analysis of turnover

The company operates in one area of activity, being the importation and distribution of motor vehicles and spare parts. All turnover and pre-tax profit arises in the UK and Norway.

	2021	2020
	£000	£000
Analysis of turnover		
By activity		
Car sales and related income	**1,787,729**	1,128,818
Part sales	**78,570**	58,107
	1,866,299	1,186,925
By geographical location		
UK	**1,536,572**	956,353
Norway	**329,727**	230,572
	1,866,299	1,186,925

3 Profit before taxation

	2021	2020
	£000	£000
Profit before taxation is stated after charging		
Depreciation and other amounts written off:		
Tangible assets	**3,435**	3,300
Intangible Assets	**380**	
Rentals payable under operating leases:		
Land and buildings	**2060**	2,416
Auditor's remuneration		
For the audit of the financial statements	**117**	111
Other services relating to taxation	**17**	20
Other services	**13**	20
Foreign exchange (gain)/loss	**388**	(1,063)

4 Remuneration of directors

	2021	2020
	£000	£000
Directors' emoluments	**356**	335
Company contributions to money purchase pension schemes	**21**	21
	377	356

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £212,786 *(2020: £221,051)*, and Company pension contributions of £20,800 *(2020: £20,719)* were made to a money purchase scheme on his behalf.

Hae Sung, Goowon Yoon & Taiho Jeong (Directors) are remunerated directly by Hyundai Motor Company (Ultimate Parent undertaking) for their services and no charges are recorded in these financial statements because their services are deemed incidental to the Company.

Notes *(continued)*

	Number of directors	
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1

5 Staff numbers and costs

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

	Number of employees	
	2021	2020
Sales and distribution	**149**	168
Administration and finance	**33**	35
	182	203

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**10,158**	10,352
Social security costs	**1,426**	1,412
Other pension costs	**975**	1,000
	12,559	12,764

6 Other interest receivable and similar income

	2021	**2019**
	£000	**£000**
Bank interest	**18**	**74**

7 Interest payable and similar charges

	2021	2020
	£000	£000
Interest payable to group company	**1,376**	1,578
Other interest paid	**1,499**	1,798
	2,875	3,376

Notes *(continued)*

8 Taxation

Analysis of charge in period

	2021		2020	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax	**7,877**		427	
Adjustments in respect of prior periods	**(160)**		(20)	
Total current tax	**7,717**		407	
Deferred tax (note 20)				
Origination and reversal of timing differences		**41**		853
Effects of tax rate changes		**-**		-
Adjustments in respect of prior periods		**-**		-
Total deferred tax		**41**		853
Total tax charge on profit		**7,758**		1,260

Factors affecting the tax charge for the current year

The effective current tax charge for the year is higher *(2020: higher)* than the effective rate of corporation tax in the UK of 19% *(2020: 19 %)*. The differences are explained below:

	2021	2020
	£000	£000
Current tax reconciliation		
Profit before tax	**28,093**	5,214
Current tax charge at 19% *(2019: 19 %)*.	**5,338**	991
Effects of:		
Expenses not deductible for tax purposes	**2,196**	1
Effect of tax in foreign jurisdiction	**1,261**	270
Depreciation for period in excess of capital allowances	**(913)**	(8)
Other timing differences	**160**	26
Adjustments to tax charge in respect of previous periods	**(324)**	(20)
Deferred Taxes	**41**	
Total tax charge (see above)	**7,758**	1,260

Factors that may affect future current and total tax charges

The main rate of corporation tax for the current financial year is 19%. Since the balance sheet date, it was announced in the UK Government's Budget on 3 March 2021 that the main UK Corporation tax rate will increase to 25% from 1 April 2023. This change has not yet been substantively enacted and as such the unrecognised deferred tax has been calculated at 19% (2020: 19%).

Notes *(continued)*

9 Intangible assets

	Software	Franchised Dealer network	Goodwill	Total
	£000	£000	£000	£000
Cost				
At beginning of year	5,022	5,040	3,146	13,208
Transfer in	-	-	-	-
Additions	323	-	-	323
Disposals	-	-	-	-
Effect of movements in foreign exchange	(21)	-	-	(21)
At end of year	5,324	5,040	3,146	13,510
Depreciation				
At beginning of year	4,466	5,040	3,146	12,652
Transfer in	-	-	-	-
Charge for year	380	-	-	380
Disposals	-	-	-	-
Effect of movements in foreign exchange	(17)	-	-	(17)
At end of year	4,829	5,040	3,146	13,015
Net book value				
At 31 December 2021	**495**	-	-	**495**
At 31 December 2020	556	-	-	556

10 Tangible assets

	Freehold land and buildings	Fixtures, fittings, tools and equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At beginning of year	27,079	16,273	5,028	48,380
Additions	16	499	16,740	17,255
Disposals	-	(46)	(22)	(68)
Transfer out	-	-	-	-
Transfers to used car stock	-	-	(9,882)	(9,882)
Effect of movements in foreign exchange	-	(20)	(68)	(88)
At end of year	27,095	16,706	11,796	55,597
Depreciation				
At beginning of year	1,521	14,305	1,963	17,789
Charge for year	235	1,157	2,043	3,435
Disposals	-	(44)	(2)	(46)
Transfer out	-	-	-	-
Transfers to used car stock	-	-	(1,277)	(1,277)
Effect of movements in foreign exchange	-	(14)	(3)	(17)
At end of year	1,756	15,404	2,724	19,884

Net book value

Notes *(continued)*

At 31 December 2021	**25,339**	**1,302**	**9,072**	**35,713**
At 31 December 2020	25,558	1,968	3,065	30,591

11 Fixed asset investments

	Interest in Associate £000	
	2021 £000	2020 £000
Shares in subsidiary undertakings net book value as at 1 January and 31 December	**5,500**	17,035

The company has a 10% *(2020: 10%)* shareholding in the Hyundai Capital UK joint venture. Movement between 2020 and 2021 relates to the accounting policy change to revaluate the company's investment in Hyundai Capital UK as per FRS 102.

12 Stocks

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £1,533,402 *(2020: £950,396)*. There is no material difference between the balance sheet value of stocks and their replacement cost.

	2021 £000	2020 £000
Finished goods and goods for resale:		
Vehicles	**233,574**	359,183
Operating lease assets	**31,755**	3,943
Spare parts	**1,333**	1,704
	266,662	364,830

13 Debtors

	2021 £000	2020 £000
Trade debtors	**5,516**	17,495
Other debtors	**624**	2,764
Deferred tax asset (note 20)	**2,576**	2,617
Amounts owed by parent company (£43.3 million falls due after more than one year *(2020: £27.3 million)*)	**77,109**	43,833
Prepayments and accrued income	**2,244**	9,122
	88,069	75,831

Notes *(continued)*

14 Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	**22,698**	19,114
Amounts owed to group undertakings	**195,593**	87,092
Payables from residual value guarantees	**33,162**	4,103
Taxation and social security	**17,168**	5,408
Other creditors	**129,428**	185,165
Accruals and deferred income	**75,043**	55,477
	473,092	356,359

Amounts owed to group undertakings includes £122,621,258 (2020: £81,500,000) which bears fixed rate interest at rates ranging from 0.44% to 1.25% and are unsecured.

Other creditors include an amount of £112,918,748 (2020: £ 137,260,969) relating to amounts drawn down on the Multi Entity Cash Pooling Agreement managed by Hyundai Motor Europe and administered by a third-party lender, and £Nil (2020: £ 38,000,000) drawn down on loan facilities arranged by Hyundai Motor Corporation.

15 Provisions for liabilities

	2021			2020		
	Warranty £000	**Other £000**	**Total £000**	Warranty £000	Other £000	Total
At beginning of year	**44,491**	**45,138**	**89,629**	58,513	32,408	90,921
Utilised during year	**(10,152)**	**(195,983)**	**(206,135)**	(27,119)	(125,648)	(152,767)
Charge to the profit and loss for the year	**43,648**	**176,294**	**219,942**	13,097	138,378	151,475
At end of year	**77,987**	**25,449**	**103,436**	44,491	45,138	89,629
Represented by:						
Amounts payable during 2022	**34,721**	**15,634**	**50,355**	17,137	36,429	53,566
Amounts payable between 2023 and 2026	**43,266**	**9,815**	**53,081**	27,354	8,709	36,063
	77,987	**25,449**	**103,436**	44,491	45,138	89,629

The other provision relates to future sales discounts against unregistered dealer stock and to future vehicle service commitments on vehicles sold up to 31 December 2021.
The warranty provision reflects the future expense to be incurred for repairs of vehicles sold under warranty in this and preceding periods. The future expense is discounted to present value using a discount factor encompassing the specific risks of estimating the provision.

Notes *(continued)*

16 Called up share capital

	2021 £000	2020 £000
Authorised, allotted, issued and fully paid:		
25,600,001 (2020: 25,600,001) Ordinary shares of £1 each	**25,600**	25,600

17 Contingent liabilities

The Company has given guarantees and indemnities to a finance company in respect of stocking facilities available to dealers.

The Company has given a guarantee of £200,000 (2020: £200,000) to HM Revenue and Customs in respect of deferred duty.

18 Commitments

(a) There were no capital commitments at the end of the financial year or at the end of the preceding period.

(b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2021 £000	2020 £000
Operating leases which expire:		
Within one year	**2,336**	1,967
In the second to fifth years inclusive	**6,602**	6,949
Over five years	**4,234**	4,836
	13,172	13,752

19 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £975,099 *(2020: £1,00,125)*.
At 31 December 2021, contributions amounting to £66,892.45 *(2020: £68,859)* were payable to the scheme and are included in creditors.

Notes *(continued)*

20 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2021	2020	**2021**	2020	**2021**	2020
	£000	£000	**£000**	£000	**£000**	£000
Tangible fixed assets	-	425	**(302)**	-	**(302)**	425
Provisions	-	6	-	-	-	6
Tax value of loss carry-forwards in Hyundai Motor Norway	**2,878**	2,186	-	-	**2,878**	2,186
Tax assets	**2,878**	2,617	(302)	-	**2,576**	2,617
Net tax assets	**2,878**	2,617	(302)	-	**2,576**	2,617

The deferred tax asset on the carry-forward losses in the HMN branch are recognised as the company is now profitable.

Notes *(continued)*

21 Related party disclosures

During the year the company held a contract with Glovis Europe GmbH to provide all logistics delivery services. Glovis Europe GmbH is a company owned by Hyundai Glovis Co Limited, itself 4.88% owned by Hyundai Motor Company (HMC). The costs for the services performed during the year totalled £10,683,000 (2020: £7,759,000). As at 31 December 2021 amounts owing in respect of these services totalled £1,139,000 (2020: £551,000).

During the year the company purchased marketing and advertising services totalling £18,926,000 (2020: £8,529,000) from Innocean Worldwide UK Limited and leased vehicles for £9,060 (2020: £2,000). At 31 December 2021 amounts due in respect of these services totalled £45,400 (2020: £1,306,000). Innocean Worldwide UK Limited is the wholly owned subsidiary of Innocean Worldwide Inc. HMC considers Innocean Worldwide Inc. to be a related party.

During the year the company purchased marketing and advertising services totalling £2,230,000 (2020: £5,210,000) from Innocean Worldwide Europe GmbH. Innocean Worldwide Europe GmbH is a wholly owned subsidiary of Innocean Worldwide Inc. Innocean Worldwide Inc. is a related party of Hyundai Motor Company. At 31 December 2021 amounts owing and due in respect of these services totalled £Nil (2020: £930,000).

In the year the company held a contract with Mobis Parts Europe to provide parts stock services including distribution and billing to dealerships. HMC classifies Mobis Parts Europe as a related party. The current year charge was £55,559,000 (2020: £39,405,000). At 31 December 2021 amounts owing in respect of these services totalled £3,393,000 (2020: £2,617,000).

In the current year Hyundai Autoever Corporation provided access to Global Network Service including SAP. HMC owns a 28.48% share of Hyundai Autoever Corporation who has 100% ownership in Hyundai Autoever Europe GmbH who provides SAP and Siebel Support to the company. The costs for the services performed during the year totalled £1,786,000 (2020: £1,272,000). At 31 December 2021 amounts owing in respect of these services totalled £3,000 (2020: £34,000).

Hyundai Motor UK Limited have a 10% investment in Hyundai Capital UK Limited. The amount outstanding at 31 December 2021 was £Nil (2020: £Nil).

22 Ultimate parent company and parent undertaking of larger group of which the company is a member

At 31 December 2021, the Company's ultimate parent undertaking was Hyundai Motor Company ("HMC"), a company incorporated in the Republic of Korea. HMC is the largest and the smallest group that the group results are disclosed in.

Copies of the consolidated financial statements of HMC are available from Hyundai Motor Company, 12 Heolleung-ro, Seocho-Gu, Seoul, 137-938 Korea.