

Group Lotus plc
Annual report
for the year ended 31 March 2008

Registered Number 00606189

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Group Lotus plc

Annual report for the year ended 31 March 2008

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Group Lotus plc

Directors' report for the year ended 31 March 2008

The directors present their report and the audited financial statements of the company for the year ended 31 March 2008

Principal activities

The principal activity of the company is to act as a holding company for the Lotus group of companies

Review of business and future developments

The company continued throughout the year to act as the intermediate holding company for the Lotus group of companies

Recapitalisation

A major recapitalisation of the company took place in March 2007. The balance sheet was significantly strengthened by the shareholders to eliminate losses incurred in previous years

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Principal risks and uncertainties

Given the status of the company is that of a holding company, management do not consider the company is exposed to any key risks and uncertainties

Financial risk management

The company's operations expose it to a variety of financial risks, the most important of which is liquidity risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Liquidity risk

The company has access to inter-company finance that is designed to ensure the company has sufficient available funds for operations and planned expansions

Results and dividends

The company's profit for the year after taxation amounted to £1,552,000 (2007 profit of £22,078,000), after crediting exceptional items of £nil (2007 credit of £23,069,000). The directors do not recommend the payment of a dividend (2007 £nil), and the profit for the year has been transferred to reserves.

Group Lotus plc

Directors

The following directors served during the year and to the date of signing these financial statements, except where otherwise stated

Michael J Kimberley

Simon Patrick Wood

James Barker Robertson Stronach

Dato' Syed Zainal Abidin Syed Mohamed Tahir

Dato' Mohammed Azlan bin Hashim

Dato' Michael Lim Heen Peek

Paul David Newsome

(Appointed 4 June 2007)

Albert Lam

(Resigned 16 May 2007)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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 year. The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2008 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Michael J Kimberley
Director

Group Lotus plc

Independent auditors' report to the members of Group Lotus plc

We have audited the financial statements of Group Lotus plc for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Group Lotus plc

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Norwich

14 August 2008

Group Lotus plc

Profit and loss account for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Administrative income/(expenses)		627	(920)
Other operating income		616	23,639
Operating profit	1	1,243	22,719
Interest receivable	4	109	152
Interest payable	4	-	(1,092)
Income from fixed asset investments	5	200	299
Profit on ordinary activities before taxation		1,552	22,078
Taxation	6	-	-
Profit for the financial year	14	1,552	22,078

The results for the current and prior year relate entirely to continuing operations

The company had no other gains or losses in the year other than those included in the profit and loss account above

Group Lotus plc

Balance sheet as at 31 March 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	7	1,065	1,192
Investments	8	50,800	50,800
		51,865	51,992
Current assets			
Debtors			
Falling due within one year	9	7,238	6,291
Falling due after more than one year	9	13,511	13,511
		20,749	19,802
Creditors: amounts falling due within one year	10	(1,717)	(2,130)
Net current assets		19,032	17,672
Total assets less current liabilities		70,897	69,664
Creditors: amounts falling due after more than one year	11	-	(319)
Net assets		70,897	69,345
Capital and reserves			
Called up share capital	13	53,244	53,244
Share premium account	14	8,120	8,120
Merger reserve	14	210	210
Profit and loss account	14	9,323	7,771
Total shareholders' funds	15	70,897	69,345

The profit and loss account, balance sheet and related notes were approved by the board of directors on 8 August 2008 and were signed on its behalf by



Michael J Kimberley
Director

Group Lotus plc

Accounting policies

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future

Perusahaan Otomobil Nasional Berhad ("PONSBB"), a fellow subsidiary of Proton Holdings Berhad (the ultimate parent company), has confirmed that it will provide financial support to the company in order for it to meet its commitments as they fall due for a period of at least 12 months from the date of approval of these financial statements

Taking the foregoing into account the directors consider it appropriate to prepare the financial statements on the going concern basis

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary and is included in the consolidated financial statements of Proton Holdings Berhad, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996), 'Cash Flow Statements'. The company is also exempt under the terms of FRS 8, 'Related Party Disclosures' from disclosing related party transactions with Proton Holdings Berhad and other group companies

Consolidated financial statements

The company is a wholly owned subsidiary undertaking of a company incorporated in Great Britain and registered in England and Wales. Accordingly, the preparation of group financial statements is not required under section 228 of the Companies Act 1985

Other operating income

Other operating income comprises royalty revenue and is recognised in the period to which it relates

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over their estimated useful economic lives at the following principal rates

Freehold buildings	40 years
Fixtures, fittings and equipment	2 to 10 years

Freehold land is not depreciated

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Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate based upon the company's weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the company.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Deferred taxation

In accordance with FRS 19, deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Sterling at the rates ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into Sterling at the rates ruling at the date of the transaction. All exchange differences arising therefrom are included in the profit and loss account.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the financial statements of the company. Provision against the cost of investments is made, where in the opinion of the directors, there is an impairment in the value of the investments held.

Investments in joint ventures

Joint ventures are arrangements in which the company has a long term interest and shares control under a written contractual agreement. Investments in joint ventures are stated at cost in the financial statements of the company.

Provisions

In accordance with FRS 12, Provisions, contingent liabilities and contingent assets, the company provides in full for liabilities when it has a legal or constructive obligation arising from a past event.

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Financial instruments

Financial assets and financial liabilities are recognised upon becoming a party to the contractual provisions of the instrument

(a) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the company after deducting all of its liabilities.

(b) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are initially recorded at the proceeds received, net of associated transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings.

(c) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

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Notes to the financial statements for the year ended 31 March 2008

1 Operating profit

	2008 £'000	2007 £'000
The operating profit is stated after charging/(crediting):		
Depreciation	127	127
Royalties receivable	(332)	(277)
Rent & related services receivable	(284)	(293)
Audit services		
- fees payable to the company's auditors	13	12
Exceptional item:		
Release of provision against amounts owed by other group companies	(794)	(23,069)

2 Directors' emoluments

The directors were not remunerated for their services to Group Lotus plc

3 Employee and pensions costs

Other than the directors, the company had no employees in the year (2007 nil)

4 Interest

	2008 £'000	2007 £'000
Interest receivable		
Loans to fellow subsidiaries	109	152
	109	152
Interest payable and similar charges		
Bank overdrafts and loans	-	(1,092)
	-	(1,092)

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5 Income from fixed asset investment

	2008	2007
	£'000	£'000
Dividend received from joint venture undertaking	200	299

6 Taxation

a) Analysis of charge in the year

The current and deferred tax charge in the year was £nil

b) Factors affecting taxation charge in the year

The above charge reconciles with the standard rate of corporation tax in the UK as follows

	2008	2007
	£'000	£'000
Profit on ordinary activities before taxation	1,552	22,078
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2007 30%)	466	6,623
Capital allowances in excess of depreciation	(29)	(38)
Income not taxable	(93)	(7,067)
Current year losses not utilised	-	482
Utilisation of brought forward losses	(344)	-
Current tax charge for year	-	-

c) Factors affecting the future tax charge

Details of unprovided deferred tax assets are provided in note 12 to the financial statements

The standard rate of corporation tax in UK changed to 28% with effect from 1 April 2008

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7 Tangible fixed assets

	Freehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 April 2007 and 31 March 2008	4,311	1,282	5,593
Depreciation			
At 1 April 2007	3,251	1,150	4,401
Charge for the year	35	92	127
At 31 March 2008	3,286	1,242	4,528
Net book amount			
At 31 March 2008	1,025	40	1,065
At 31 March 2007	1,060	132	1 192

8 Investments

	Shares in subsidiaries £'000	Joint venture £'000	Total £'000
Cost			
At 1 April 2007 and 31 March 2008	79,306	1	79,307
Provision for diminution in value			
At 1 April 2007 and 31 March 2008	(28,506)	(1)	(28,507)
Net book amount			
At 31 March 2007 and 31 March 2008	50,800	-	50,800

Details of subsidiary and joint venture undertakings are provided in note 16 to the financial statements

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9 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year		
Trade debtors	88	12
Amounts owed by subsidiaries	4,533	4,539
Amounts owed by fellow group subsidiaries	2,617	1,740
	7,238	6,291
Amounts falling due after more than one year		
Amount owed by immediate parent undertaking	13,511	13,511
	20,749	19,802

The amount owed by the immediate parent undertaking, Lotus Group International Limited ("LGIL"), comprises a loan. The company has provided a letter of undertaking to LGIL indicating that it will not seek repayment of the loan for a period of at least one year from the date of signing the LGIL 2008 financial statements. No interest was payable on the loan during the year.

10 Creditors – amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	-	2,000
Trade creditors	22	4
Amounts owed to fellow group subsidiaries	1,664	-
Accruals and deferred income	31	126
	1,717	2,130

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11 Creditors – amounts falling due after more than one year

	2008	2007
	£'000	£'000
Accruals and deferred income	-	319

12 Deferred taxation

	2008	2007
	£'000	£'000
Unprovided deferred asset tax is analysed as follows:		
Depreciation in excess of capital allowances	390	448
Losses available for future relief	1,149	1,575
	1,539	2,023

No deferred tax asset has been recognised in relation to these timing differences due to uncertainty over future recoverability

Reconciliation of movement in unprovided deferred tax

	£'000
At 1 April 2007	2,023
Movement - Remeasurement at 28%	(134)
- Current year	(350)
At 31 March 2008	1,539

During the year, as a result of the change in the UK Corporation Tax rate from 30% to 28% effective from 1 April 2008, deferred tax balances have been remeasured

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13 Called up share capital

	2008 Number	2008 £'000	2007 Number	2007 £'000
Authorised				
Ordinary shares of 10p each	932,360,000	932,360	932,360,000	932,360
Allotted called up and fully paid				
At beginning of year	532,436,000	53,244	444,360,000	44,436
Capital reduction and consolidation of share capital	-	-	(399,924,000)	(39,992)
Issue of new ordinary shares	-	-	488,000,000	48,800
At end of the year	532,436,000	53,244	532,436,000	53,244

14 Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 April 2007	8,120	210	7,771
Profit for the financial year	-	-	1,552
At 31 March 2008	8,120	210	9,323

15 Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
Profit for the financial year	1,552	22,078
Proceeds of issue of ordinary share capital (note 13)	-	48,800
Net movement in shareholders' funds	1,552	70,878
Opening shareholders' funds/(deficit)	69,345	(1,533)
Closing shareholders' funds	70,897	69,345

Group Lotus plc

16 Subsidiary undertakings and joint ventures

The following companies are the principal subsidiaries of Group Lotus plc, all of which are 100% owned

	Country of incorporation	Nature of business
Lotus Cars Limited	England	Car manufacture and engineering consultancy
Lotus Body Engineering Limited	England	Dormant
Lotus Motorsport Limited	England	Dormant
Lotus Holdings Inc	USA	Holding company

The company has a joint venture arrangement, Lotus Finance Limited, a company incorporated in England and Wales in which it has a 49.9% interest. The entity's financial year end is 31 December and its principal activity is the provision of finance to dealers for the acquisition of Lotus cars.

17 Ultimate parent undertaking

The ultimate parent undertaking of Group Lotus plc is Proton Holdings Berhad ("Proton"), a company incorporated in Malaysia. The consolidated financial statements of Proton comprise the group accounts of the largest group which includes the company. Copies of Proton's group financial statements are available from its registered office at Kawasan Perindustrian Hicom Batu Tiga, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia.

Lotus Group International Limited, a company registered in England, is the parent undertaking of the smallest group for which group accounts are prepared and of which the company is a member. Copies of the accounts of Lotus Group International Limited may be obtained at its registered office at Lotus Group International Limited, Potash Lane, Hethel, Norwich, Norfolk NR14 8EZ, United Kingdom.

18 Related party transactions

The group of which this company is a member operates an Executive Car purchase scheme which allows directors to purchase company products at marginal cost or above. During the year directors purchased vehicles with a cost of £133,500 (2007: £157,958). At 31 March 2008 the amount outstanding from directors under this scheme was £nil (2007: £nil).

During the year the company made a loan to a director of £22,750 to enable the director to purchase a company car. The loan was an interim measure whilst transferring the management cars loan scheme from HSBC to Santander. At 31 March 2008, £22,750 was outstanding with interest charged monthly at 7.75%. The loan was fully repaid on 14 July 2008.

The company is exempt under the terms of FRS 8, 'Related Party Disclosures' from disclosing related party transactions with Proton Holdings Berhad and other group companies.