Lotus Cars Limited

Annual report and financial statements for the year ended 31 December 2020

Registered Number: 00895081

Annual report and financial statements for the year ended 31 December 2020

Contents

Lotus Cars Limited

Company Information

Directors
Feng Qingfeng
Daniel Li Donghui

Secretary
Matthew Nice

Auditor
Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Registered office
Potash Lane
Hethel
Norwich
Norfolk
NR14 8EZ

Registered number: 00895081

Lotus Cars Limited

Strategic Report

The directors of Lotus Cars Limited ("the Company", "Lotus") present their Strategic report for the year ended 31 December 2020.

Principal activities
The principal activities of the Company continues to be the manufacture and sale of high-performance motor cars and the provision of engineering consultancy services. Engineering consulting services covers the commercial development and supply of technology to automotive and industrial clients world-wide.

Results and financial position
The results for the Group show a consolidated loss for the year after taxation of £56.1m (2019: loss of £14.1m), revenue of £82.1m (2019: £96.3m) and net assets of £48.7m (2019: £120.0m). Further detail on the results for the year is given under key performance indicators.

Review of business and future developments
2020 was of course a very challenging year, and for the first time in our history, like much of the rest of the automotive industry, we had to shut our factory gates for some 10 weeks during the spring. Inevitably, our 2020 business performance was impacted as a result. We re-opened when it felt safe to do so, following significant investment and an extensive programme of introducing new guidelines, processes and flows throughout our facilities. By taking immediate and impactful steps as the country entered its first period of lockdown in March 2020, we worked tirelessly to protect our employees, and to preserve the business during these uncertain times. We paid all of our staff in full throughout the lockdown in surplus of the government assistance Coronavirus Job Retention Scheme grants received, we didn't make any redundancies during this time and indeed recruited, increasing the size of our workforce.

We have made a concerted effort to support the local and national effort in responding to the health emergency. More than 150 volunteers made themselves available across the business during 2020 to produce PPE, with thousands of pieces delivered from Lotus across our local region. Our Lotus Engineering consultancy worked in partnership with the University of East Anglia to design and prototype-build a new valve for hospital respiratory equipment. The commitment and loyalty of our workforce globally has been a huge encouragement through the difficult year, and bodes very well as we embark on the new dawn for Lotus with the introduction of our new sportscar, our new hypercar and a little further ahead, a whole new generation of high performance EVs.

As we progress through 2021, there is certainly a spill over effect from the difficult year of 2020, as some of the delays to our development programmes effected our launch plans. Significant progress has been made to catch up substantially during the course of 2021, with the introduction of our all-new sportscar, the Lotus Emira, unveiled on 6 July 2021. The existing line-up of three sportscars – Elise, Exige and Evora will come to a production end in 2021, and we are on course to sell out of each of the models during Q4. The new Emira model launched will go on sale early in 2022.

As we look ahead to new models and new markets as part of our 10-year Vision 80 business strategy, the growing demand for our product, and interest in our brand internationally, bodes very well for the future. For the first time in Lotus history, Germany was our number one sales market globally in 2020, which was particularly satisfying given the obvious competition in the high performance sector there.

The year started strongly for Lotus with the completion of our new Evija hypercar electric vehicle (EV) manufacturing facility at the Hethel headquarters in Norfolk. Prototype production of Evija is now well underway, and despite some delays to our testing programme of 2020 due to travel restrictions and transferring development from an external partner to in house during the year, good progress is now being made.

Strategic report (continued)

Review of business and future developments (continued)
Related to our new EV programme, we entered into a strategic partnership with energy supplier, Centrica, in 2020. Together we will develop a new model for EV ownership whereby connected homes, connected vehicles and connected customers are integrated into a new holistic energy customer platform. As part of this, Centrica and Lotus are working together on EV charging solutions globally, and more broadly, Centrica is facilitating a new corporate sustainability programme across the Lotus business, marking the start of our journey to net zero.

Investments in the Lotus business continued with the establishing of a new sub-assembly manufacturing facility for our sportscar chassis in Norwich – much closer to our headquarters in Hethel making for significant efficiency and cost gains in our business. In addition, we confirmed the new Lotus Advanced Technology Centre and home for the Lotus Engineering consultancy at the University of Warwick's Wellesbourne campus.

Strategically located in the heart of the UK automotive industry heartland of the midlands, the expansive new centre provides excellent facilities, access to resources and talent, and the ability to focus on research and development alongside WMG (formerly the Warwick Manufacturing Group) and a world leading institution in the University of Warwick. Initially there is space for more than 100 engineers to move in, with ample room for expansion on the site.

Already, the investment in the Lotus Advanced Technology Centre is bringing benefits to the business, with a new Government supported initiative won by Lotus Engineering to develop a next generation Battery Electric Vehicle (BEV) architecture. Project LEVA (Lightweight Electric Vehicle Architecture) will be led by Lotus, and funded in partnership with Government and specialist bodies to showcase pioneering new BEV chassis and powertrain concepts.

Another new project being launched by Lotus Engineering in the LATC is BattConn (an abbreviation of Battery Containerised), which is a pilot scheme of mobile containerised battery testing to assess energy storage solutions for the booming EV sector.

Our focus on the customer also took a very positive step during the year with a new pan-European partnership signed with FCA bank, enabling us to offer a new range of attractive and competitive car finance packages to our customers. This supported sales in 2020, as we saw demand increase in Europe and popular special edition models released. We celebrated 20 years of the Lotus Exige and the icon status of the Lotus Elise with the release of heritage editions in successful Formula One racing colours from our back catalogue. These limited editions sold out very quickly during the summer months of 2020.

Lotus Cars Limited

Strategic report (continued)

Key performance indicators (KPIs)
The directors monitor the overall Group performance through the following KPIs:

KPI	Year ended 31 December 2020	Year ended 31 December 2019	Commentary
Sales revenue	£82.1m	£96.3m	Revenue decreased due to the impact of COVID-19, which impacted all markets and revenue streams. This includes the UK production factory shutdown for 10 weeks across March-May 2020, as well as dealerships being closed for many more weeks globally. Sales revenue are analysed by class of business – see note 4 for further details.
Units sold (wholesale)	1,189	1,519	Number of vehicles sold in each period. 2020 has seen a significant reduction in the volume of vehicle units sold as a result of the difficult economic climate and dealer showroom lockdowns.
Units produced	1,387	1,384	The production team worked tirelessly to recoup time lost during shutdown for completed production levels to be in line with the prior year, however this did result in a reduced work in progress units than prior years.
Profitability	(£16.5m)	(£1.1m)	The non-statutory profit measure of normalised EBITDA is considered to be the key performance measurement. Revenue dropped as outlined above, whereas cost of sales and administrative expenses remained high due to increased costs of goods and production as well as a one off £18m impairment charge to intangible assets (see note 10). See note 6 for further details on EBITDA calculation and movement in the year.
Net assets	£48.7m	£120.0m	Liabilities have increased including a £155m increase to shareholder loan amounts payable. As at 31 December 2020, the Group had net current liabilities of £207.6m. This includes £293.0m of funding provided by the intermediate holding company Lotus Advance Technologies Sdn. Bhd's shareholders, who have confirmed that they do not intend to recall intercompany balances from the Group except where funds permit repayment and to do so would not adversely affect the ability of the Group to meet its liabilities as and when they fall due. This is considered further within the going concern analysis within note 2.2.

Lotus Cars Limited

Strategic Report (continued)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. A risk register for the Company is regularly updated and is reviewed at monthly management meetings. The key business risks affecting the performance of the Company and the mitigation of those risks are as follows:

- Supply chain – Key suppliers' ability to deliver to the agreed timetable, at the right price and quality, including global shortages for specific parts such as computer chips, as well as supply chain disruptions caused by Covid-19, Brexit and the Suez Canal blockage. This is mitigated by multi-sourcing where possible, continuous monitoring of supplier performance and careful supplier selection based on quality and capability;
- Market for the Company's products and services – These are to an extent dependent on competitors' activity, having the right products and services that the market demands and the health of the global economy. The Company seeks to mitigate this risk through offering competitive and attractive products and services and through investment in research and development;
- Finance – The availability of sufficient finance to fund the Company's continuing operations and growth as discussed in the Going Concern section of the Directors' Report and note 2.2 of the financial statements.
- Project delivery – New car projects are commencing from 2020 onwards requiring new onsite production facilities and systems requirements. The Company manages each project through gateway governance and senior management monitor closely the facility and system development.
- Quality management – To ensure quality is maintained in products and services supplied and is also embedded within the organisation. The Company is an ISO90001:2008 accredited organisation with regular third-party assessments underpinning the business operations valid until 22 August 2021;
- Foreign exchange – A large proportion of the Company's revenues are not in Sterling, its presentational currency. In addition, the business sources supplies from all over the world in a variety of currencies with elements of its funding are denominated in foreign currencies. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from commercial transactions, borrowing transactions and investments in foreign operations. The Company's mitigating policy is to apply natural hedging on foreign exchange risk wherever possible. Where a significant net position in any foreign currency is forecast, the risk is reviewed and forward contract hedging arrangements are considered if appropriate.
- Macroeconomic environment impact of Brexit and Covid-19 – as Britain is in a transitional period following leaving the EU in January 2020, the Board continually monitors the risk of potential negative effects including possible import or export impacts arising from this. The Board is closely monitoring the ongoing impact of Covid-19, taking mitigating actions by following a Protect and Preserve strategy. The Board have remained in continuous communication with all major stakeholders, including staff, suppliers and dealers. Lotus is committed to ensuring all possible precautions have been taken with regards to employee safety and welfare.

All risks and uncertainties are monitored on a regular basis with action plans put in place to mitigate any adverse effects on the business.

Lotus Cars Limited

Strategic report (continued)

Financial risk management

The Company's operations expose it to a variety of financial risks, which include price risk, credit risk, liquidity risk, foreign exchange risk and interest rate cash flow 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 relevant departments within the Company.

Price risk
The Company is exposed to price risk through the indirect impact of competitors' activities. The pricing of competitors is closely monitored and it is the policy of the Company to ensure that its products and services are competitively priced, whilst reflecting the quality of the products and services supplied. The Company is also subject to movements in commodity prices (for example, aluminium and steel prices). Such exposure is not currently managed by hedge arrangements, although the directors will revisit the appropriateness of this policy should the exposure change in size or nature.

Credit risk
Credit risk is the risk customers will default on their obligation to make payment for the product or services supplied. The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. In some circumstances advance payments are required. Credit control procedures are implemented if customers exceed their agreed terms.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The risk is mitigated as the Company has access to inter group finance that is designed to ensure the Company and its subsidiaries have sufficient available funds for operations and planned expansions. The inter group finance is provided by Geely International (Hong Kong) Limited and Etika Automotive Sdn Bhd, the shareholders of Company's intermediate parent company, Lotus Advance Technologies Sdn. Bhd. The shareholders have confirmed that they will provide the necessary financial support to the Company (based on the Lotus Advance Technologies Sdn. Bhd equity split), so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due, and to continue trading and complete development activities for at least 12 months from the date of signing the audited financial statements.

Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and US Dollar. Foreign exchange risk arises from commercial transactions, borrowing transactions and investments in foreign operations.

The Company's policy is to apply natural hedging on foreign exchange risk wherever possible. Where a significant net position in any foreign currency is forecast, the risk is reviewed and forward contract hedging arrangements are considered if appropriate.

Interest rate cash flow risk
At 31 December 2020 and the date of approval of these financial statements, the Company is not exposed to significant interest rate risk. The directors monitor this position and will revisit the appropriateness of its policy to mitigate the risk should the exposure change in size or nature.

Statement of Directors' duties
The drectors 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 UK Companies Act 2006. This s172 statement, which is reported for the first time, explains how Lotus Directors have had regard to wider stakeholder needs when performing their duties. This statement focuses on matters of strategic importance to Lotus, and the level of information disclosed is consistent with the size and the complexity of the business.

When making decisions, each director ensures that they act in the way they consider, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among 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.

Corporate Governance
In Lotus, corporate governance covers the key processes and reporting frameworks, across the business and to the Lotus Board, to ensure that we run effectively and efficiently to deliver our strategic vision and purpose. Corporate governance also ensures we have appropriate decision-making authorities and controls in place, so that interests of all stakeholders (shareholders, employees, suppliers, customers, and the community) are equally balanced. The Lotus Board meets on a quarterly basis to review the company's progress and to approve key strategic decisions. The Lotus Executive Management Team, comprising the functional leads from across the business, is led by Matt Windle, Lotus Cars Managing Director (appointed January 2021), and is responsible for developing and delivering the long-term strategy of the business.

How the Board considers stakeholders in decision making
The principal decisions taken by the Board during 2020 have been underpinned by the Protect - Preserve - Progress strategy, in response to the global Covid-19 pandemic, in order to protect everyone's safety, preserve jobs and move the company forward through the crisis. The Lotus Executive Team meets three times each week carefully guiding the business through the pandemic, taking into consideration the impact on stakeholders. and communicating precautions and actions taken regularly with employees, suppliers, dealers and technical partners.

The Lotus Board considered employee welfare first and foremost throughout the pandemic, encouraging those that were able to, to continue to work from home, whilst investing in our facilities to ensure the workplace was safe for those essential staff and visitors on site. Staff briefings are conducted both business wide and in divisional groups, with frequent email communication following any change in government guidance, ensuring suitable notice is provided as the guidelines and measures are updated. Further details on employee engagement are included in the Directors' report.

The Company also undertakes regular communication with all stakeholders as we progress in delivering Vision80 - our strategic plan defining what Lotus will look like when we celebrate 80 years of Lotus in 2028. After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term.

By order of the board

DocuSigned by:
Feng Qingfeng
521...
Feng Qingfeng
Director
Date: 10/12/2021

Lotus Cars Limited

Directors' report

The directors present their Annual report and the audited Financial statements of the Lotus Cars Limited ("the Company") for the year ended 31 December 2020.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the Director's report and the Financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Results and dividends

The loss for the year, after taxation, amounted to £56.1m (2019 – loss of £14.1m). The directors do not recommend payment of a dividend for the year ended 31 December 2020 and the loss for the year has been transferred to reserves.

Directors

The directors who served during the year and to the date of this report were as follows:

Daniel Li Donghui
Feng Qingfeng

Employees

The directors acknowledge the importance of good communication and employee relations. Communications are essential to progress; as such the Company has devoted considerable time and effort to ensure that employees are well informed about those aspects of the business which affect them.

Employees and their representatives are briefed on all matters relevant to their area of operation and their views are sought and taken into account. The Company undertakes regular staff briefings both business wide and in divisional groups. Senior management hold separate monthly meetings with the staff representatives to discuss group performance, issues, employee matters and future plans. These, together with regular communications of latest developments, which are distributed to all staff via emails and notice boards, ensure that all staff are informed of the Company's performance and plans.

Applications for employment from disabled persons are fully considered, bearing in mind the aptitudes and abilities of the persons concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the Company continues. It is the policy of the Company to further as far as possible the training, career development and promotion of disabled employees.

Lotus Cars Limited

Directors' report (continued)

Going concern

The Company's financial statements have been prepared on the going concern basis, which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future.

The Company made a loss for the year ended 31 December 2020 of £56.1m (2019: loss of £14.1m). As at 31 December 2020, the Company had shareholders' funds of £46.7m and net current liabilities of £207.6m. Included in the net current liabilities is £293.0m of funding provided by the shareholders of the Company's intermediate holding company, Lotus Advance Technologies Sdn Bhd, who have confirmed that they do not intend to recall intercompany balances from the Company or its individual subsidiaries except where funds permit repayment and to do so would not adversely affect the ability of the Company and its subsidiaries individually to meet its liabilities as and when they fall due.

Although Covid-19 continues to create uncertainties in the wider economy as well as for the Company, Lotus has continued to operate during 2020 and into 2021, in accordance with all government guidance. A temporary shutdown of UK production facilities commenced from 23 March 2020 to allow Covid secure practices to be implemented. Manufacturing activities then successfully resumed from 11 May 2020 with social distancing, protective equipment, and other precautionary measures in place, with no further sitewide shutdowns anticipated. Following an investment in IT infrastructure, office-based staff, including engineering and development activities, have been successfully working from home from 23 March 2020, and have begun returning to the office under a flexible working policy in Q3 of 2021.

The directors have prepared cash flow forecasts for the foreseeable future, being at least 12 months from the date of approval of these financial statements, which have been revised for the expected impact of Covid-19 on both demand and production capabilities. They have also considered the principal risks and uncertainties set out in the Strategic report.

The shareholders of the Company's intermediate holding company, Lotus Advance Technologies Sdn Bhd, Geely International (Hong Kong) Limited, to the extent of its 51% holding, and in conjunction with Etika Automotive Sdn Bhd who own 49%, have confirmed that they will provide the necessary financial support to the Lotus Group International Group, so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements to enable them to continue to trade and complete development projects.This continued support is evidenced by the £117.1m of additional funding received in the post balance sheet period.

The directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Lotus Cars Limited

Directors' report (continued)

Streamlined Energy and Carbon Reporting

Lotus aims to limit the impact of its operations on customers, employees, shareholders, communities, the environment and maximise Lotus' reputation as not only the world's best maker of performance vehicles for the drivers, but also the most responsible as well.

As part of this journey, Lotus is investing in new green energy and electric infrastructure for a sustainable future.

A pioneering partnership between Lotus and energy company Centrica was announced in May 2020. Our combined expertise in the energy and automotive sectors will help us develop a customer-centric experience for future Lotus EV owners and create a carbon net zero, global organisation.

From October 2020, the Lotus headquarters Hethel, Norfolk and its other UK sites use only 100% renewable energy. The contract is REGO-backed (Renewable Energy Guarantees of Origin) and means the power used is guaranteed to be from renewable sources such as wind and solar power and ensures the electricity used by Lotus is carbon-neutral.

Major investment is underway across the business, focusing on extensive new facilities and infrastructure upgrades to deliver a new generation of Lotus cars, starting with the all-electric Evija – the world's first British electric hypercar.

Please visit our website https://www.lotuscars.com/drivingchange for further information on "Driving Change" – the new corporate social responsibility programme for Lotus.

In line with the UK Government's Streamlined Energy & Carbon Reporting (SECR) framework, the table below shows Lotus' UK operational energy and carbon footprint for the calendar year 2020. The CO2e is calculated with a location-based approach using UK average grid intensity conversion factors.

	Parameter	**UK 2020**
A	Energy consumption used to calculate emissions: kWh	26,665,812
B	Emissions from combustion of gas: CO^2e (Scope 1)	2,370
C	Emissions from combustion of fuel, including transport (Scope 1) and engine testing: CO^2e	850
D	Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3): CO^2e	108
E	Emissions from purchased electricity (Scope 2, location-based): CO^2e	2,346
F	Total gross CO^2e based on above	5,674
	Intensity ratio: CO^2e/£m	75.65

Methodology: Data is compiled for UK locations in accordance with GHG protocols for finance control.

Lotus Cars Limited

Directors' report (continued)

Qualifying third party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Post balance sheet events

Material funding

Post year end, the Company received material loan funding of £97.1m, and a further £20m of short term bridging finance from the shareholders of the Company's intermediate holding company to support the continued growth of the Company in accordance with the business plan.

Matters covered in Strategic Report

Information required in the Directors' Report in respect of the business review, future developments, key performance indicators, and principal risks and uncertainties can be found in the Strategic Report under S414C(11).

Auditor

The auditor, Grant Thornton LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

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

DocuSigned by:

Feng Qingfeng

5219DCFF86DB4EA...

Feng Qingfeng

Director

Date: 10/12/2021

Lotus Cars Limited

Independent Auditor's Report to the Members of Lotus Cars Limited

Opinion

We have audited the financial statements of Lotus Cars Limited (the 'Company') for the year ended 31 December 2020, which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Independent Auditor's Report to the Members of Lotus Cars Limited (continued)

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Lotus Cars Limited (continued)

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and we further enquired of management and in-house legal counsel whether they were aware of any instances of non-compliance with laws and regulations of whether they had any knowledge of actual, suspected or alleged fraud;
- Laws and regulations identified as being of significance in the context of the entity are Companies Act and Vehicle regulations namely Emissions law, Fuel Efficiency requirements and safety and security of the vehicles.
- We communicated relevant laws and regulations to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet
  - potential management bias in determining accounting estimates, especially in relation to the calculation of impairment of intangible assets
  - transactions with related parties
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the entity's operations, including the nature of its revenue sources, products and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the applicable statutory provisions
  - the entity's control environment, including the policies and procedures implemented to comply with the requirements of its regulations in place

We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

Independent Auditor's Report to the Members of Lotus Cars Limited (continued)

Use of our report
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.

Grant Thornton UK LLP

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 13/12/2021

Lotus Cars Limited

Income Statement

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	4	**82,100**	96,282
Cost of sales		**(74,465)**	(82,919)
Gross profit		**7,635**	13,363
Administrative expenses		**(55,322)**	(25,844)
Other operating income	5	**1,620**	982
Operating loss	6	**(46,067)**	(11,499)
Interest receivable and other similar income	8	**48**	153
Interest payable and other similar charges	8	**(10,031)**	(2,787)
Loss on ordinary activities before taxation		**(56,050)**	(14,133)
Tax on loss on ordinary activities	9	**(34)**	-
Loss for the financial year		**(56,084)**	(14,133)

All of the activities of the Company are classified as continuing. There were no recognised gains and losses for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss for the financial year		**(56,084)**	(14,133)
Other comprehensive loss			
Actuarial loss recognised on defined benefit pension scheme	18	**(15,215)**	(1,855)
Total other comprehensive loss		**(15,215)**	(1,855)
Total comprehensive loss for the year		**(71,299)**	(15,988)

The accompanying notes to the accounts on pages 19 to 51 are an integral part of the financial statements.

Lotus Cars Limited

Statement of Financial Position

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	10	**200,765**	106,555
Tangible assets	11	**75,855**	52,885
Right-of-use lease assets	12	**4,365**	3,871
Investments	13	**-**	-
		280,985	163,311
Current assets			
Inventories	14	**24,699**	23,864
Trade and other receivables	15	**87,046**	64,475
Cash and cash equivalents		**46,287**	52,956
		158,032	141,295
Non-current liabilities			
Lease liabilities	12	**(2,892)**	(3,392)
Provisions for liabilities	17	**(2,383)**	(2,739)
Defined benefit pension liability	18	**(19,381)**	(4,727)
		(24,656)	(10,858)
Current liabilities			
Lease liabilities	12	**(1,213)**	(773)
Trade and other payables	16	**(361,347)**	(170,109)
Provisions for liabilities	17	**(3,094)**	(2,860)
		(365,654)	(173,742)
Net current liabilities		**(207,622)**	(32,447)
Net assets		**48,707**	120,006
Capital and reserves			
Called up share capital	19	**368,816**	368,816
Share premium account	19	**215,196**	215,196
Non distributable reserves	19	**139,275**	139,554
Profit and loss account	19	**(674,580)**	(603,560)
Shareholders' funds		**48,707**	120,006

The accompanying notes to the accounts on pages 19 to 51 are an integral part of the financial statements.

The Annual report and Financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by:

DocuSigned by:

Feng Qingfeng

5219DCFF86DB4EA...

Feng Qingfeng

Director

Date: 10/12/2021

Registered number: 00895081

Statement of changes in equity

For the year ended 31 December 2020

	Called up share capital £'000	Share premium £'000	Non-distributable reserves £'000	Profit and loss account £'000	Total equity £'000
Balance as at 1 January 2019	**368,816**	**215,196**	**68,833**	**(576,901)**	**75,944**
Loss for the year	-	-	-	(14,133)	**(14,133)**
Other comprehensive loss	-	-	-	(1,855)	**(1,855)**
Total comprehensive loss	**-**	**-**	**-**	**(15,988)**	**(15,988)**
Depreciation transfer for revalued assets	-	-	(279)	279	-
Capital contribution	-	-	71,000	-	**71,000**
Other movement	-	-	-	(56)	**(56)**
Write-off of the net liabilities of Lotus Lightweight Structures Limited arising on hive up	-	-	-	(10,894)	**(10,894)**
Balance as at 1 January 2020	**368,816**	**215,196**	**139,554**	**(603,560)**	**120,006**
Loss for the year	-	-	-	(56,084)	**(56,084)**
Other comprehensive loss	-	-	-	(15,215)	**(15,215)**
Total comprehensive loss	**-**	**-**	**-**	**(71,299)**	**(71,299)**
Depreciation transfer for revalued assets	-	-	(279)	279	-
Balance as at 31 December 2020	**368,816**	**215,196**	**139,275**	**(674,580)**	**48,707**

The accompanying notes to the accounts on pages 19 to 51 are an integral part of the financial statements.

Notes to the financial statements
For the year ended 31 December 2020

1. General information

Lotus Cars Limited is a private, limited by shares company that is incorporated and domiciled in England and Wales. The address of its registered office is Potash Lane, Hethel, Norwich, Norfolk, NR14 8EZ.

2. Summary of significant accounting policies

2.1 Basis of preparation
The financial statements of Lotus Cars Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1; and
  - (ii) paragraph 73€ of IAS 16 Property, plant and equipment.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - 10(d), (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS13, 'Fair Value Measurement' new IFRS that has been issued but is not yet effective; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii),134(d) to 134(f) and 135€ to 135 € of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

2. Summary of significant accounting policies (continued)

2.2 Going concern

The Company's financial statements have been prepared on the going concern basis, which assumes that the Company will be able to meet their liabilities as they fall due for the foreseeable future.

The Company made a loss for the year ended 31 December 2020 of £56.1m (2019: loss of £14.1m). As at 31 December 2020, the Company had shareholders' funds of £48.7m and net current liabilities of £207.6m. Included in the net current liabilities is £293.0m of funding provided by the ultimate shareholders, who have confirmed that they do not intend to recall intercompany balances from the Company or its individual subsidiaries except where funds permit repayment and to do so would not adversely affect the ability of the Company and its subsidiaries individually to meet its liabilities as and when they fall due.

Although Covid-19 continues to create uncertainties in the wider economy as well as for the Company, Lotus has continued to operate during 2020 and 2021, in accordance with all government guidance. A temporary shutdown of UK production facilities commenced from 23 March 2020 to allow Covid secure practices to be implemented. Manufacturing activities have since successfully resumed from 11 May 2020 with social distancing, protective equipment and other precautionary measures in place and no further site wide shutdowns anticipated. Following an investment in IT infrastructure, office-based staff, including engineering and development activities, have been successfully working from home from 23 March 2020.

The directors have prepared cash flow forecasts for the foreseeable future, being at least 12 months from the date of approval of these financial statements, which have been revised for the forecast impact of Covid-19 on both demand and production capabilities. They have also considered the principal risks and uncertainties set out in the Strategic report.

The shareholders of the Company's intermediate holding company, Lotus Advance Technologies Sdn Bhd, Geely International (Hong Kong) Limited, to the extent of its 51% holding, and in conjunction with Etika Automotive Sdn Bhd who own 49%, have confirmed that they will provide the necessary financial support to the Company, so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements to enable them to continue to trade and complete development projects. This continued support is evidenced by the £117.1m of additional funding received in the post balance sheet period.

The directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

2.3 Consolidation

The Company is a wholly owned subsidiary of Lotus Group International Limited. It is included in the consolidated financial statements of its immediate parent undertaking which are publicly available. Therefore, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

2.4 Foreign currency translation

The Company's functional and presentational currency is GBP.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

2. Summary of significant accounting policies (continued)

2.5 Revenue recognition
Revenue comprises the consideration earned by the Company in respect of the output of its ordinary activities. It is measured based on the consideration specified in the contract with the customer and is stated net of discounts, returns and value added taxes. The Company recognises revenue when it transfers control of a good or service to a customer, thus evidencing the satisfaction of the associated performance obligation under that contract. The Company's significant revenue areas are considered separately below:

(a) Sales of vehicles and parts and manufacture of car components
The Company recognises revenue on the sale of vehicles, parts and accessories and manufacture of vehicle components for sale at the point control is transferred to the customer which is determined by the underlying terms and conditions of the contract. The overall principle of control under IFRS15 considers which party has the ability to direct the use of an asset and to obtain substantially all of the remaining economic benefits.

Determining the transfer of control with regards to the sale of goods is driven by a consideration of a number of factors, including:

- The point at which the risks and rewards of ownership pass to the customer;
- The point at which the customer takes physical possession of the good or product;
- The point at which the customer accepts the good or product;
- The point at which the Company has a present right to payment for the good or product; and
- The point at which legal title to the good or product transfers to the customer.

In the vast majority of cases, revenue on the sale of the relevant goods is recognised upon despatch of the vehicle by the Company to the dealer. Warranties are issued on new vehicles sold with no separate purchase option available to the customer and are accounted for in accordance with IAS 37.

(b) Engineering consultancy
For engineering contracts, performance obligation is the delivery of the stages specified in the contract. The customers are primarily original equipment manufacturers (OEMs) and the performance obligations are bespoke to each customer contract. Revenue on engineering contracts and activities is recognised over time during the contract, rather than at one point in time. Contract assets and contract liabilities are included within "Trade and other payables" and "Trade and other receivables" respectively on the face of the Statement of Financial Position. They arise from long term contracts with customers as cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts.

2.6 Other income
Other income comprises the consideration received by the Company in respect of activities or events outside its ordinary activities, including government grants.

2. Summary of significant accounting policies (continued)

2.7 Grants

Grants are recognised at their fair values where there is reasonable assurance that the grant will be received, and all conditions attached will be met. Grants relating to assets are included in non-current liabilities as deferred income and are amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment or by deducting the grants in arriving at the carrying amount of the asset. Grants relating to costs, including government furlough grants, are recognised immediately through profit or loss, as other operating income to match them with the costs incurred. Income grants are grants other than the above grants are recognised in the Statement of Comprehensive Income where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions.

2.8 Taxation

Tax is recognised in the Income Statement except that a charge attributable to an item of income and expense recognised as Other Comprehensive Income or to an item recognised directly in equity is also recognised in Other Comprehensive Income or directly in equity respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements
For the year ended 31 December 2020

2. Summary of significant accounting policies (continued)

2.9 Intangible assets

(a) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently carried at cost less any accumulated amortisation and accumulated impairment losses. An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement.

(b) Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised and recognised as intangible assets when the following criteria for recognition are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management's intention to complete the intangible asset for use or sale;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated that the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development expenses capitalised include costs incurred in the development from the date it first meets the recognition criteria and up to the completion of the development project and commencement of commercial production. Capitalised development cost is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Amortisation

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets in the course of construction are assessed for impairment annually, or sooner if there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

2. Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)
The significant intangibles recognised by the Company and their useful economic lives are as follows:

Intangible assets	Useful lives	Amortisation method used
Software	Finite (3 years)	Straight-line
Capitalised development cost	Finite (basis over the period of expected future sales from the related project)	Straight-line
Assets in the course of construction	Finite (amortisation begins with effect from the date the assets begin to generate economic benefit)	N/A

2.10 Tangible assets
The cost of tangible property, plant and equipment is their historic purchase cost or valuation, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost or valuation of tangible property, plant and equipment, less their estimated residual values, over their estimated useful economic lives at the following principal rates:

Tangible assets	Useful lives	Depreciation method used
Freehold buildings	Finite (40 years)	Straight-line
Freehold land	Infinite	N/A
Plant and machinery	Finite (2 to 10 years)	Straight-line
Motor vehicles	Finite (4 years)	Straight-line
Fixtures, fittings and equipment	Finite (2 to 10 years)	Straight-line
Vehicle tooling	Finite (period which the products are expected to be sold, typically 5 to 7 years)	Straight-line
Assets in the course of construction	Finite (depreciation begins with effect from the date that the assets are available for operational use)	N/A
Right of use assets	Lease term (1 to 15 years)	Straight-line

2. Summary of significant accounting policies (continued)

2.11 Leasing

The Company is not party to any material leases where it acts as a lessor, but the Company does have certain material property and equipment leases, under which it is a lessee.

Following the adoption of IFRS 16, for any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been disclosed separately within non-current assets and lease liabilities are disclosed separately within current and non-current liabilities.

2. Summary of significant accounting policies (continued)

2.12 Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost less accumulated impairment. Provision against the underlying cost of investments in subsidiaries is made, where in the opinion of the directors, there is a permanent diminution in the value of the underlying businesses.

2.13 Inventories
Inventory and work in progress are stated at the lower of cost (comprising direct materials and labour together with manufacturing overheads) and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the cost of realisation. Where necessary, provision is made for obsolete, slow moving and defective stock.

2.14 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. Financial assets and financial liabilities are initially measured at fair value.

The Company's financial assets include trade and other receivables. Financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses, including any interest earned, being recognised in the Income Statement.

The Company recognises lifetime expected credit losses (ECL) for trade receivables and amounts due on contracts with customers. The ECL on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Company's financial liabilities include trade and other liabilities. Any gains or losses arising on changes in fair value are recognised in the Income Statement.

2. Summary of significant accounting policies (continued)

2.15 Impairment of non-financial assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets under construction are assessed for impairment annually. 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 and CGU.

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.

2.16 Provisions
Provisions for environmental restoration, warranty costs, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Reorganisation provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

All vehicles sold by the Company have a warranty period of up to 36 months. A provision is made for the estimated liability on all products under warranty in addition to claims already received. The provision is based on experienced levels of claims arising during the period of warranty and the average cost of fulfilling these claims on a model by model basis.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

2. Summary of significant accounting policies (continued)

2.17 Employee benefits
The Company operates various schemes, including both defined benefit and defined contribution pension plans.

(a) Pension obligations
A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The Company's contributions to the defined contribution plan are charged to profit or loss in the period to which they relate.

The Company operates a defined benefit pension scheme, the Lotus Pension Plan for their eligible employees. The defined benefit obligation is calculated using the projected unit credit method, determined by independent actuaries and charged to the Statement of Comprehensive Income so as to spread the cost of the pension over the average remaining service lives of the related employees participating in the defined benefit plan. Assumptions were made in relation to the expected rate of salary increases and annual discount rate. Full actuarial valuations are carried out every three years, the last full actuarial valuation was performed on 31 December 2020.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the date of the statement of financial position less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service. The Company determines the present value of the defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit obligations, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the changes in asset ceiling (excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest income or expense on the net defined obligations for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period, taking into account any changes in the net defined benefit obligations during the period as a result of contributions and benefit payments.

Net interest income or expense and other expenses relating to defined benefit plans are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(b) Termination benefits
Termination benefits are payable to an entitled employee whenever the employment must be terminated before the normal retirement date or when the employee accepts mutual/voluntary separation in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

2. Summary of significant accounting policies (continued)

2.18 Called up share capital

Called up share capital includes ordinary shares that have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption and are classified as equity. Any excess of consideration received in exchange of par value of ordinary shares issued will be included in the share premium account.

The Company's non-cumulative redeemable preference shares have been accounted for as equity. The preference shares do not give holders the rights to dividends or voting rights. The holders have preferential rights to assets before ordinary shareholders on liquidation. These shares are non-convertible and are redeemable at the option of the Company upon notice.

Notes to the financial statements
For the year ended 31 December 2020

3. Critical accounting estimates and judgments

The preparation of the Financial Statements requires management to make judgements and estimates that affect the amounts reported for assets and liabilities at the reporting date and amounts reported for revenue and expenses during the period. These assumptions and judgements are based on experience and analysis of future events, but by their nature will differ from actual events.

Management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- **Revenue recognition:** Determination of satisfaction of performance obligations and transaction price in relation to revenue and incentivisation. [see note 2.5].
- **Lease assets:** Inclusion of lease extensions and terminations for right-to-use lease assets, and determination of the appropriate rate to discount lease payments [see note 2.11].
- **Deferred tax asset recognition:** Management have determined not to recognise a deferred tax asset, upon consideration of recoverability against future sources of taxable income. [see note 9].
- **Capitalisation of intangible assets**: Judgement is applied in determining the point of capitalisation and commencement of amortisation/ depreciation for all assets, including at what point development costs for new vehicle models meet the recognition criteria under IAS 38 [see note 2.9]. Judgement is also used to assess the best available information at the time. In the case of the vehicle development intangibles capitalised this information is taken from the business plan as approved by the Board.

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- **Useful economic lives of tangible assets:** The useful economic lives and residual values are re-assessed annually, to reflect technological advancement, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment and note 2.10 for the useful economic lives for each class of assets.
- **Useful economic life of development costs**: The useful economic life of capitalised development costs is the period of expected future sales from the related project. Useful economic lives and residual values are re-assessed annually, to reflect the sales life of projects, including the sale of parts. Amortisation of capitalised development costs begins when the asset is available for use, therefore management also make an estimate over the point at which this amortisation commences. See note 10 for the carrying amount of intangible assets and note 2.9 for the useful economic lives of each class.
- **Impairment of development costs:** Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is calculated using estimated future performance and pre-tax discount rate [see note 10].
- **Inventory provisioning:** Management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the inventory and associated provision.
- **Defined benefit pension obligation:** The present value of the pension obligation are determined using actuarial valuations, using a number of assumptions, including the discount rate, mortality and inflation estimates [see note 18]
- **Warranty provisions:** All vehicles sold have a warranty period of up to 36 months. A provision is estimated based on current volumes of products sold, on historic and forecast future quality rates and estimates of costs to remedy. [see note 17].

Notes to the financial statements
For the year ended 31 December 2020

4. Turnover

	2020 **£'000**	2019 £'000
Revenue by class of business		
Sales of cars and parts	**74,490**	86,744
Engineering consultancy	**6,188**	8,689
Manufacture of car components	**1,422**	849
	82,100	96,282

	2020 **£'000**	2019 £'000
Revenue by geographical market supplied		
Continental Europe	**26,413**	32,041
North and South America	**22,970**	15,497
Rest of the world	**18,117**	20,654
United Kingdom	**14,600**	28,090
	82,100	96,282

All turnover originated in the United Kingdom.

5. Other income

	2020 **£'000**	2019 £'000
Grant income	**1,620**	-
Other income	**-**	982
	1,620	982

Grant income recognised in the year ended 31 December 2020 represents wage subsidies paid through the UK Government job retention scheme. There are no unfulfilled conditions outstanding and the grant has been recognised in full.

Other income in the year ended 31 December 2019 represents a refund received from the previous owners, DRB-HICOM BEHAD as reimbursement for previous grants repaid.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

6. Operating loss

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

	2020 £'000	2019 £'000
Research and development expenditure	**23,642**	5,794
Net foreign currency exchange losses/(gains)	**1,015**	(285)
Auditor's remuneration – audit of these financial statements	**217**	170
Cost of inventories recognised as an expense	**55,025**	71,471
Expenditure related grant income (note 5)	**(1,620)**	-

[1] Research and development activities in the year totalled £141,176,000, of which £23,642,000 being research, amortisation and impairment costs and expensed above, and £117,534,000 being development and capitalised in accordance with IAS38.

The following table shows the reconciliation of the operating loss for the year to normalised EBITDA (earnings before interest, tax, depreciation, amortisation and non-normal profit and loss items):

	2020 £'000	2019 £'000
Operating loss	**(46,067)**	(11,499)
Depreciation expense (Notes 11 & 12)	**4,811**	3,245
Loss/(profit) on disposal of tangible assets	**21**	(138)
Amortisation expense (note 10)	**5,377**	5,794
Impairment of intangible assets (note 10)	**18,265**	-
Site relocation	**1,139**	1,491
Normalised EBITDA	**(16,454)**	(1,107)

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

7. Staff costs

	2020 **£'000**	2019 £'000
Wages and salaries	**53,378**	36,693
Social security costs	**4,473**	3,733
Defined benefit pension scheme cost (note 18)	**1,708**	1,457
Defined contribution pension scheme cost	**2,424**	2,493
	61,983	44,376

The average number of employees during the year were:

	2020	2019
Management and administration	**670**	526
Production and sales	**488**	459
	1,158	985

Directors' remuneration

Directors emoluments of £Nil (2019: £17,000) are for non-executive services to the Company. None of the directors (2019: none) had share options or retirement benefits accruing under either defined benefit or defined contribution pension schemes. None of the directors received any remuneration for their qualifying services to the Company during the year (2019: £Nil).

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

8. Finance income and expense

	2020 £'000	2019 £'000
Interest receivable and similar income		
Interest from bank deposits	**48**	**153**
Total finance income	**48**	**153**

	2020 £'000	2019 £'000
Interest payable and similar charges		
Interest on shareholder loans	**(9,749)**	(2,522)
Charge in respect of the defined benefit pension scheme (note 18)	**(79)**	(75)
Interest on leases	**(151)**	(131)
Other interest charges	**(52)**	(59)
Total finance expense	**(10,031)**	(2,787)

Notes to the financial statements
For the year ended 31 December 2020

9. Taxation

(a) Analysis of charge in the year
The tax charged to the Income Statement for the year ended 31 December 2020 of £34,000 (2019 - £Nil) fully relates to withholding tax suffered on overseas transactions.

(b) Reconciliation of the total tax charge
Tax charge for the year is higher (2019: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Loss on ordinary activities before taxation	**(56,050)**	(14,133)
Loss on ordinary activities multiplied by the standard rate of corporation tax at 19% (2019: 19%)	**(10,650)**	(2,685)
Expenses not deductible for tax purposes	**(5,487)**	284
Depreciation in excess of capital allowances	**729**	431
Tax losses carried forward	**15,408**	1,970
Withholding tax not claimable	**34**	-
Total tax charge	**34**	-

(c) Factors affecting future tax charges
As a result of the Finance Bill 2021 the standard rate of corporation tax in the UK will increase from 19% to 25% for the financial year beginning 1 April 2023. This was substantially enacted on 11 March 2021 accordingly recognised and unrecognised deferred tax assets and liabilities are stated at 19%.

(d) Deferred tax
Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. In accordance with the Company's accounting policies, deferred tax assets were not recognised due to uncertainty over the level of future taxable profits against which it would be recovered.

	2020 £'000	2019 £'000
Depreciation in excess of capital allowances	**9,219**	11,282
Short term timing differences	**278**	143
Unutilised tax losses	**110,830**	117,540
Deferred tax on pension liability	**3,682**	898
Gross unrecognised deferred tax assets	**124,009**	129,862

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

10. Intangible assets

	Software	Capitalised development costs	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	2,295	140,765	90,911	233,971
Additions	-	8,849	109,003	117,852
At 31 December 2020	**2,295**	**149,614**	**199,914**	**351,823**
Amortisation				
At 1 January 2020	2,295	125,121	-	127,416
Charge for the year	-	5,377	-	5,377
Impairment charge	-	-	18,265	18,265
At 31 December 2020	**2,295**	**130,498**	**18,265**	**151,058**
Net book amount				
At 31 December 2020	**-**	**19,116**	**181,649**	**200,765**
At 31 December 2019	-	106,555	-	106,555

£90,911,000 has been reclassified as intangible assets under construction as at 1 January 2020. No amortisation has been charged against these assets in accordance with our accounting policy.

10. Intangible assets (continued)

Impairment testing
Intangible fixed assets represent software and development costs. The Company reviews the carrying value of its development costs, which have finite useful lives, whenever there is an indication that the intangible asset may be impaired or for those programmes under construction where the vehicles were not available for sale at the year end. Impairment tests are performed by comparing the carrying amount and recoverable amount of the cash-generating unit ('CGU'). The recoverable amount is the higher of the CGU's fair value less cost of disposal and its value in use. Where projects don't fulfil the capitalisation criteria, development costs are written off.

A CGU is the smallest identifiable group of assets that generates independent inflows. To assess development costs, these were determined to be each car or cars where production line was shared, car sales as a whole and engineering sales.

In assessing the value in use, the estimated future cash flows relating to the forecast usage period of the asset or group of assets are discounted to their present value using pre-tax discount rate. This rate reflects current market assessments of time value of money and risks. The pre-tax discount rate was 9% (2019: 10%), which was the directors' estimate of the return on capital appropriate to the income generating unit.

Forecast sales figures were taken from the organisation's revised 10-Year plan approved by the board, with appropriate allocation of overhead costs to each CGU or groups of CGUs. The 10-Year plan incorporates significant growth. It is based on the introduction of new and enhanced models with improved margins which depend on increased penetration into current and potential markets.

In 2020 a £16.0m impairment has been recognised reflecting additional costs required for engineering work brought in-house from a sub-contractor for an ongoing vehicle project. A further £2.3m was written off for another vehicle project that ceased in the year.

Sensitivity analysis covered the following scenarios across all models, none of which resulted in the need to recognise any further impairment:

- Increases in pre-tax discount rate to 11%
- Slower than expected sales of new vehicles
- 7% less sales than expected of one new vehicle
- 50% reduction in engineering income over the 10 year period
- Removal of any disposal proceeds
- Increase in overhead costs

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

11. Tangible assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tooling, equipment and vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2020	41,003	24,405	35,885	24,211	125,504
Additions	1,201	1,169	4,764	19,898	27,032
Disposals	-	(2)	(331)	(2)	(335)
At 31 December 2020	**42,204**	**25,572**	**40,318**	**44,107**	**152,201**
Accumulated depreciation					
At 1 January 2020	18,694	21,896	32,029	-	72,619
Charge for the year	940	666	2,230	-	3,836
Disposals	-	(2)	(107)	-	(109)
At 31 December 2020	**19,634**	**22,560**	**34,152**	**-**	**76,346**
Net book amount					
At 31 December 2020	**22,570**	**3,012**	**6,166**	**44,107**	**75,855**
At 31 December 2019	22,309	2,509	3,856	24,211	52,885

Assets in the course of construction relate to the development of the manufacturing site which was started but not completed at the period end. Buildings will be depreciated once the property is complete and available for its intended use.

Included in freehold land and buildings is land with a cost of £982,000 (2019: £982,000) which is not depreciated.

At 31 December 2020, the Company's property carrying values were reviewed for impairment by reference to the recoverable amount based on fair value less costs of disposal (level 3 of the fair value hierarchy). The fair value was determined based on the most recent valuation as at 1 April 2018 conducted by an independent third party which refers to the comparable market selling price of the land and the replacement costs of the building and other properties. No impairment loss was recognised as the fair value less costs of disposal of property is higher than the carrying amount.

Notes to the financial statements
For the year ended 31 December 2020

12. Right-of-use lease assets

	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 2020	3,087	1,643	123	4,853
Additions	1,469	-	-	1,469
At 31 December 2020	**4,556**	**1,643**	**123**	**6,322**
At 1 January 2020	716	238	28	982
Charge for the year	707	221	47	975
At 31 December 2020	**1,423**	**459**	**75**	**1,957**
Net Book Value				
As at 31 December 2019	2,371	1,405	95	3,871
As at 31 December 2020	**3,133**	**1,184**	**48**	**4,365**

The Company is party to property leases with terms of 10 to 15 years, in addition to plant, machinery and vehicle leases of between 1 to 15 years.

The lease term determined by the Company comprises a non-cancellable period, periods covered by an option to extend if the Company is reasonably certain to exercise the option and periods covered by an option to terminate if the Company is reasonably certain not to exercise that option. The lease term determines the useful economic life and therefore the depreciation rate of the right-of-use lease assets.

The weighted average of the incremental borrowing rate applied to the lease liabilities recognised in the Statement of Financial Position for the year ended 31 December 2020 was 3%. (2019: 3%)

The maturity profile of discounted lease cash flows accounted for under IFRS 16 as at 31 December 2020 are:

	2020 £'000	2019 £'000
Current	1,213	773
Non-current	2,892	3,392
	4,105	**4,165**

13. Investments

	Investments in subsidiary undertakings
	£'000
Net book value:	
At 31 December 2020	**-**
At 31 December 2019	-

All subsidiary entities of the Company are non-trading and therefore fully provided for as at 31 December 2020.

As at 31 December 2020, the following companies are the principal subsidiaries of Lotus Cars Limited, which directly or indirectly owns the majority of their issued ordinary share capital:

Subsidiary undertaking	Country of Incorporation	Holding	Principal activity
Lotus Engineering Limited[1]	England and Wales	100%	Dormant company
Lotus Engineering Malaysia Sdn Bhd (indirect)[2]	Malaysia	100%	Dormant company
Lotus Lightweight Structures Limited[1]	England and Wales	100%	Dormant company

[1] Registered office: Potash Lane, Hethel, Norwich, NR14 8EZ
[2] Registered office: Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No1 Leboh Ampang, 50100, Kuala Lumpar, Malaysia

Notes to the financial statements
For the year ended 31 December 2020

14. Inventories

	2020	2019
	£'000	£'000
Raw materials	**13,864**	14,410
Cars in course of production and other work in progress	**1,874**	2,391
Service parts inventories	**3,477**	2,282
Finished goods	**5,484**	4,781
	24,699	23,864

The difference between purchase price or production cost of inventory and the replacement cost is not considered material by the directors. Inventories are stated after provisions of £1,331,000 (2019: £2,639,000).

15. Trade and other receivables

	2020	2019
	£'000	£'000
Trade receivables	**9,353**	9,678
Amounts owed by group undertakings	**55,993**	45,051
Other receivables	**13,677**	6,202
Prepayments and accrued income	**8,023**	3,544
	87,046	64,475

The amounts owed by group undertakings are unsecured, non-interest bearing and have no fixed repayment date.

Trade receivables are stated after provisions of £762,000 (2019: £734,000).

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

16. Trade and other payables

	2020	2019
	£'000	£'000
Trade payables	**37,456**	17,799
Shareholder loans	**292,971**	137,575
Amounts owed to group undertakings	**-**	2,281
Customer deposits and advances	**1,793**	1,339
Taxation and social security	**1,627**	2,373
Accruals and deferred income	**27,500**	8,742
	361,347	170,109

Shareholder loans are interest bearing and have no fixed repayment date.

17. Provisions

	Warranty £'000	**Site relocation £'000**	**Other £'000**	**Total £'000**
At 1 January 2019	4,300	-	-	4,300
Charge to profit and loss	1,282	1,491	-	2,773
Provision utilised	(1,474)	-	-	(1,474)
At 31 December 2019	4,108	1,491	-	5,599
Charge to profit and loss	1,195	1,139	120	2,454
Provision utilised	(1,728)	(848)	-	(2,576)
At 31 December 2020	**3,575**	**1,782**	**120**	**5,477**
Due within one year	1,192	1,782	120	3,094
Due after more than one year	2,383	-	-	2,383
	3,575	**1,782**	**120**	**5,477**

Warranty
All vehicles sold by the Company have a warranty period of up to 36 months. Provision is made based upon the directors' best estimate of potential future claims under warranty based on the level of historic claims. The provision is expected to be utilised within the next 3 years.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

17. Provisions (continued)

Site Relocation
Site relocation provisions comprise redundancy and relocation of staff, retention payments to staff and leasehold dilapidations. Leasehold dilapidations are the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. Provisions are not recognised for future operating losses.

Other
Other provisions include legal disputes, litigation, and other items. The Company reviews outstanding cases at each reporting date, and considers the progress of the case, the potential level of damages, the opinions of legal advisors, and experiences on similar cases.

18. Pension commitments

Defined contribution pension scheme
The Company operates a defined contribution group personal pension scheme for eligible employees, the assets of which are held independently of the Company. Pension fund contributions are charged to the Income Statement in the periods in which they are payable, see note 7. Included within other payables at 31 December 2020 were pension contributions outstanding by the Company of £671,000 (2019: £502,000).

Defined benefit pension scheme
The Company operates a defined benefit pension scheme, the Lotus Pension Plan (the "Plan"). The Plan provides benefits based on salary and length of service on retirement, leaving service or death. The assets of the Plan are held in separate trustee administered funds. The scheme is now closed to new entrants.

The Plan is subject to the Statutory Funding Objective under the Pensions Act 2004. A full actuarial valuation of the Plan is carried out at least once every three years to determine whether the Statutory Funding Objective is met. The most recent full funding assessment was at 31 December 2020. As part of the process the Company must agree with the Trustees of the Plan the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits. The Statutory Funding Objective does not currently impact on the recognition of the Plan in these financial statements. The Plan is managed by a board of Trustees appointed in part by the Company and in part from elections by members of the Plan. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Plan's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

The Plan exposes the Company to a number of risks:

- Investment risk - The Plan holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term, the short-term volatility require additional funding if an increase in the deficit emerges.
- Interest rate risk - The Plan's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Plan holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk - A significant proportion of the benefits under the Plan are linked to inflation. Although the Plan's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to movements in the deficit.
- Mortality risk - In the event that members live longer than assumed, a deficit will emerge.

Notes to the financial statements
For the year ended 31 December 2020

18. Pension commitments (continued)

Effect of the Plan on the Company's future cash flows
The Company is required to agree a Schedule of Contributions with the Trustees of the Plan following an actuarial valuation which must be carried out every 3 years. The last actuarial valuation of the Plan was at 31 December 2020. In the event that a valuation reveals a larger deficit than expected, the Company may be required to increase the contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected contributions may be reduced. The Company expects to pay contributions of approximately £3,592,000 in the year ending 31 December 2021 (2020: £1,800,000).

The key assumptions used by the actuary in the IAS 19 valuation were:

	2020	2019
Nominal rate of increase in salaries	**1.90%**	2.00%
Discount rate	**1.35%**	2.20%
Inflation:		
RPI inflation assumption	**2.80%**	2.90%
CPI inflation assumption (prior to 2030)	**1.90%**	2.00%
CPI inflation assumption (post 2030)	**2.50%**	2.00%
Nominal rate of increase in pensions in payment (pensioners)		
CPI 5%	**1.95%**	2.00%
CPI 3%	**1.80%**	1.90%
Nominal rate of increase in pensions in payment (non-pensioners)		
CPI 5%	**2.50%**	2.00%
CPI 3%	**2.15%**	1.90%
Cash balance revaluation		
RPI	**2.80%**	2.90%
CPI 2.5%	**1.65%**	1.70%
Life Expectancy after age 65 (years)		
Male (current age 45)	**22.90**	22.80
Male (current age 65)	**21.50**	21.50
Female (current age 45)	**25.00**	24.90
Female (current age 65)	**23.40**	23.40

18. Pension commitments (continued)

Analysis of the amount charged to operating loss:	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Current service cost	**1,708**	1,457
Net interest on the defined benefit liability/ (asset)	**79**	75
Scheme administration expenses	**1,454**	713
Total cost/(credit)	**3,241**	2,245

Analysis of amount recognised as other comprehensive income:	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Return on plan assets in excess of interest income	**(15,993)**	(14,318)
Actuarial gain on demographic assumptions	**-**	(2,300)
Actuarial loss on financial assumptions	**31,130**	18,473
Actuarial loss on experience adjustment	**78**	-
Total loss	**15,215**	1,855

Analysis of amounts recognised in the statement of financial position	**2020 £'000**	2019 £'000
Total fair value of scheme assets	**(149,624)**	(132,398)
Present value of scheme liabilities	**169,005**	137,125
Deficit recognised in scheme	**19,381**	4,727

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

18. Pension commitments (continued)

Change in defined benefit obligation during the year:	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
At beginning of period	**137,125**	120,077
Current service cost	**1,708**	1,457
Interest cost	**2,973**	3,438
Employee contributions	**41**	207
Benefits paid	**(4,050)**	(4,227)
Actuarial gain on demographic assumptions	**-**	(2,300)
Actuarial loss on financial assumptions	**31,130**	18,473
Actuarial loss on experience adjustment	**78**	-
Defined benefit obligation end of the year	**169,005**	137,125

Change in fair value of scheme assets:	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
At beginning of year	**132,398**	116,047
Interest income	**2,894**	3,363
Benefits paid	**(4,050)**	(4,227)
Scheme expenses	**(1,454)**	(713)
Actual return less expected return on pension scheme assets	**15,993**	14,318
Employer contributions	**3,802**	3,403
Employee contributions	**41**	207
At end of the period	**149,624**	132,398

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

18. Pension commitments (continued)

The table below shows the investment allocation of pension assets against the related liabilities of the pension schemes as at the balance sheet date:

	2020 **£'000**	2019 £'000
Liability driven investment	**58,436**	21,465
Equities	**52,163**	45,735
Bonds	**7,301**	-
Managed funds	**22,637**	38,402
Cash	**7,143**	26,796
Other	**1,944**	-
Total fair value of scheme assets	**149,624**	132,398

Sensitivity Analysis
At the reporting date, reasonable possible changes to one of the relevant actuarial assumptions, with the other assumptions held constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2020 Increase in defined benefit obligation £'000
Discount rate +0.10%	**(3,528)**
RPI +0.10%	**3,398**
Salary increase +0.10%	**376**
Life expectancy +1 year	**6,013**

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2020

19. Called up share capital and reserves

	Allotted, called up and fully paid			
	31 December 2020		31 December 2019	
	Number	**£'000**	Number	£'000
Ordinary shares of £1	**366,642,062**	**366,642**	366,642,062	366,642
Redeemable non-voting preference	**2,173,700**	**2,174**	2,173,700	2,174
	368,815,762	**368,816**	368,815,762	368,816

Redeemable non-voting preference
The preference shares do not give holders the rights to dividends or voting rights. The holders have preferential rights to assets before ordinary shareholders on liquidation. These shares are non-convertible and are redeemable at the option of the Company upon notice.

Share premium account
Share premium account is the excess of consideration received over the nominal value of shares issued.

Non-distributable reserves
This includes a number of non-distributable reserves comprising:

- Capital contributions of £65,958,000 and £71,000,000 relating to loans waived in prior years with Proton Holdings Berhad and Geely International (Hong Kong) Limited respectively.
- The revaluation reserve of £2,300,000 (2019: £2,579,000) is a revaluation surplus over book value of freehold land and buildings. During 2019 the valuation provision release to retained earnings was increased to align with the depreciation policy for freehold land and buildings of 40 years.
- A capital redemption reserve of £17,000 arose from the purchase and cancellation of own share capital and represents the nominal amount of the share capital cancelled.

Profit and loss reserves
Profit and loss reserves represent accumulated profits and losses less any dividends paid.

Notes to the financial statements
For the year ended 31 December 2020

20. Contingent liabilities and other financial commitments

Capital commitments
As at 31 December 2020, the Company was committed to the following future capital expenditure:

	2020	2019
	£'000	£'000
Contracted but not provided for	**16,055**	22,173

Financial guarantees
The Company had the following guarantees in place at 31 December 2020:

	2020	2019
	£'000	£'000
HM Customs and Excise duty bond (Perpetual guarantee)	**500**	500
International Standby Letter of Credit (Maturity within one year)	**1,399**	1,357
	1,899	1,857

Notes to the financial statements
For the year ended 31 December 2020

21. Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party of the ordinary share capital of the Company is Lotus Group International Limited, a company incorporated in England and Wales. Copies of their consolidated financial statements may be obtained from Companies House.

The smallest group to consolidate the financial statements of Lotus Cars Limited is headed by Lotus Group International Limited, a company incorporated in England and Wales. The largest group to consolidate the financial statements of the Company is headed by Zhejiang Geely Holding Group Co Ltd, a company incorporated in China. Copies of their consolidated financial statements are publicly available under PRC GAAP and in Chinese.

The directors regard Zhejiang Geely Holding Group Co Ltd, a company incorporated in China, as the ultimate parent undertaking and controlling party.

22. Post balance sheet events

Material funding
Post year end, the Company received material loan funding of £97.1m, and a further £20m of short term bridging finance from the shareholders of the Company's intermediate holding company, as well as a further £20m from an external third party, to support the continued growth of the Company in accordance with the business plan.