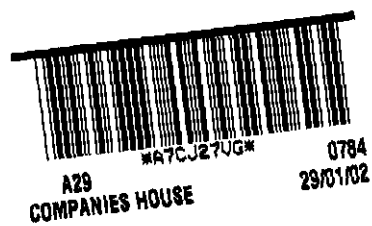


Lotus Cars Limited
Annual report
for the year ended 31 March 2001

Registered Number 895081



Lotus Cars Limited

Directors' report for the year ended 31 March 2001

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2001.

Principal activities

The principal activity of the Company comprises the manufacture and sale of high performance motor cars, the provision of engineering services, and the commercial development and supply of technology to automotive and industrial clients world-wide.

Issue of listed debt

On 20 October 2000, Group Lotus plc, the Company's immediate parent undertaking, raised £40million through the issue of floating rate notes, guaranteed by Perusahaan Otomobil Nasional Berhad (Proton). The funds were raised to support investment in the business, in particular for future vehicle models and increased production capacity. The notes are listed on the London Stock Exchange and are repayable in October 2003.

Review of business and future developments

After three years of increasing profits the Company made a substantial loss in the latest year. The results for the first half-year were broadly in line with expectations, however the second six months were extremely disappointing.

The main reason for the poor performance was difficulties faced in bringing the new Elise and General Motor's Opel Speedster/Vauxhall VX220 to the market. The vehicles were due to start in production in September 2000 but as a result of late engineering changes production did not commence until the last quarter of the year. With supply chain programs already in place the delay caused increased stock levels and a shortfall in car revenue.

Regrettably at the end of the year the Company announced a redundancy programme that resulted in the loss of 218 jobs across all areas of the business.

The resultant shortfall of revenue and the increased costs have required the Company to seek additional funding. Whilst the Company is in discussions with external finance providers the Company's ultimate parent company has agreed to provide financial support to the operations until those discussions are concluded. Further details of the financial support are set out on page 8 of the financial statements.

The M250 project was halted to await the results of a feasibility study. The main concern was its suitability as a car that could be sold world-wide. Given the size of the investment project it is imperative that the car's potential market is as great as possible.

On a more positive note the engineering business opened offices in Southfield USA and Kuala Lumpur, Malaysia to deal with increased work. In the factory current production of the Speedster/VX220 has achieved its programme level, whilst the Elise will be in full production by the end of July.

To give greater focus to the business it has been reorganised into three divisions: engineering, manufacturing and commercial. Each division has a divisional director reporting to the group CEO. This revised structure increases accountability and ensures that strategic decisions are aligned to the needs of the business. The Company central functions continue to control costs tightly on a daily basis.

The current year has started in line with the budget and the overall reduction of costs in the Company that took place last year will enable the business to return to profitability in a reasonable timeframe.

Lotus Cars Limited

Lotus Cars Limited depends on the skills and commitment of our employees. The Board would like to thank all Company employees for their hard work and dedication in what has been a very difficult year.

Results

The Company's loss for the year after taxation amounted to £45,102,000 (2000 £343,000).

The directors do not recommend the payment of a dividend (2000 £7,000,000).

Research and development

The Company is committed to research and development and undertaking such expenditure as is required to maintain its current market position and further enhance future growth and profitability.

All such expenditure is written off as incurred. Research and development expenditure charged to the profit and loss account amounted to £20,505,000 (2000 £11,701,000).

Employees

The directors acknowledge the importance of good communications and employee relations. Communications are essential to progress and 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.

Applications for employment from disabled persons are fully considered, bearing in mind the aptitudes and abilities of the person 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.

Payment of creditors policy

The Company's payment policy is to pay on terms agreed with individual suppliers. The average number of days outstanding in respect of trade creditors at 31 March 2001 was 74 days (2000 42 days).

Directors

The following directors served during the year and to the date of this report:

Romano Artioli	
Tan Sri Dato' Mohamed Saleh Sulong	Resigned 4 December 2000
Dato' Maznah Abdul Jalil	Resigned 4 December 2000
Sundra Moorthy V M Krishnasamy	Resigned 4 December 2000
Mohamed Zainal	Resigned 4 December 2000
Dato' Mokhzani Mahathir	
Tengku Tan Sri Dr Mahaleel Tengku Ariff	
Datuk Christopher Jeremy Knight	Resigned 30 April 2001
Simon Patrick Wood	
Jon Messent	Resigned 30 March 2001
Graham Peel	Resigned 30 April 2001
Clive Dopson	
Peter Nicholas Haley	Resigned 20 April 2001
David William Taitt	
Tengku Hasmadi	Appointed 12 February 2001

Lotus Cars Limited

Victor Min Hon Kiam

Appointed 12 February 2001

James Barker Robertson Stronach

Terrance Daniel Lionel Playle

Appointed 25 May 2000

None of the directors has an interest in shares which are required to be shown pursuant to Section 234 of the Companies Act 1985.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

By order of the Board

James Stronach
Director



6 July 2001

Lotus Cars Limited

Auditors' report to the members of Lotus Cars Limited

We have audited the financial statements on pages 5 to 21.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

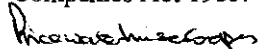
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Hull

6 July 2001

Lotus Cars Limited

Profit and loss account for the year ended 31 March 2001

	Note	2000 £'000	2000 £'000
Turnover	1	120,531	125,711
Cost of sales		(123,036)	(95,785)
Gross (loss)/profit		(2,505)	29,926
Operating expenses	2	(39,732)	(29,572)
Operating (loss)/profit	3	(42,237)	354
Interest receivable	6	158	301
Interest payable and similar charges	6	(3,032)	(996)
Loss on ordinary activities before taxation		(45,111)	(341)
Taxation	7	9	(2)
Loss for the year		(45,102)	(343)
Dividends	8	-	(7,000)
Loss absorbed		(45,102)	(7,343)

The Company has neither acquired nor discontinued any operations during the year.

The only recognised gain or loss arising during each of the above financial periods is the loss for the year.

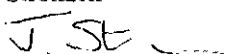
Lotus Cars Limited

Balance sheet as at 31 March 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	9	50,979	37,060
Current assets			
Stocks	10	15,230	12,772
Debtors:			
Falling due within one year	11	35,496	38,742
Falling due after more than one year	11	10,211	10,458
		45,707	49,200
Cash at bank and in hand		2,488	938
		63,425	62,910
Creditors: amounts falling due within one year	12	(121,418)	(59,083)
Net current (liabilities)/assets		(57,993)	3,827
Total assets less current liabilities		(7,014)	40,887
Creditors : amounts falling due after more than one year	13	(11,181)	(12,992)
Provisions for liabilities and charges	15	(2,104)	(3,092)
		(20,299)	24,803
Capital and reserves – equity interests			
Called up share capital	16	7,501	7,501
Revaluation reserve	17	4,818	4,910
Capital reserve	17	17	17
Profit and loss account	17	(32,635)	12,375
Total shareholders' funds	18	(20,299)	24,803

The financial statements on pages 5 to 21 were approved by the board of directors on and were signed on its behalf by:

James Stronach


Director

Lotus Cars Limited

Statement of historical costs profits and losses for the year ended 31 March 2001

	2001	2000
	£'000	£'000
Loss on ordinary activity before taxation	(45,111)	(341)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	92	92
Historical cost loss on ordinary activities before taxation	(45,019)	(249)
Historical cost loss on ordinary activities after taxation	(45,010)	(251)

Lotus Cars Limited

Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards. The principal accounting policies adopted are described below.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends upon the continued support of the parent company.

The Company has incurred significant losses during the year ended 31 March 2001 and has net liabilities of £20,299,000. The reasons for the deterioration in trading performance, together with details of the actions taken to mitigate future losses and return the Company to profitability, are set out in the review of the business on page 1.

The directors have prepared cash flow projections for the period ending 30 September 2002 which reflect the actions taken by the directors to improve trading. These projections indicate that the cash requirements of the Company exceed the current banking facilities and, consequently, in order to continue to meet its liabilities as they fall due the Company will require the financial support of its parent company, Perusahaan Otomobil Nasional Berhad ("Proton").

The board of Proton have indicated that they are prepared to provide the immediate parent company (Lotus Group International Limited) with the necessary financial support to enable it and its subsidiaries to meet their commitments as they fall due. In addition Proton have confirmed that they will not seek repayment of the shareholder loan of £6,900,000 within 15 months of the date of these financial statements (see note 13).

Should Proton not continue to provide the necessary financial support to enable the Company to continue in operational existence for the foreseeable future, then adjustments would have to be made to reduce the balance sheet value of assets to their recoverable amounts and to provide for any further liabilities that may arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

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

Turnover

Turnover represents the sales value of goods and services supplied to customers and is net of commission paid to dealers and VAT.

Turnover on the sale of a vehicle is not recognised until the vehicle is formally adopted by a dealer.

Turnover on engineering contracts represents the amount of work done at the appropriate stage of completion of each project.

Lotus Cars Limited

Depreciation

The cost or valuation of fixed assets is depreciated in equal annual instalments over their estimated useful lives, which are as follows:

Freehold buildings	40 years
Plant and machinery	2 to 10 years
Motor vehicles	4 to 5 years
Fixtures, fittings, tooling and equipment	2 to 10 years

Freehold land is not depreciated.

Vehicle tooling costs are depreciated on a per unit basis which takes into account actual production of each model or an estimate of future production to the end of model lives.

Assets in the course of construction are depreciated with effect from the date they are brought into operational use.

Research and development expenditure

The costs of general research and development including labour and materials are written off to the profit and loss account as incurred.

Stocks

Stocks are stated at the lower of cost (including manufacturing overheads) and net realisable value.

Turnover is recognised on long-term engineering contracts on the basis of the stage of completion of such contracts at the year end, where the contract outcome can be assessed with reasonable certainty. Related costs are included in cost of sales. Full provision is made for all foreseeable losses on contracts entered into before the period end.

Amounts are included within debtors and payments in advance to recognise timing differences arising between amounts invoiced, received and paid, and amounts recognised in the profit and loss account on individual engineering contracts.

Deferred taxation

Deferred taxation is provided at the expected tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is likely that a liability or asset will crystallise in the foreseeable future.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transaction. All exchange differences arising therefrom are included as part of the profit or loss for the year.

Warranty provision

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.

Lotus Cars Limited

Leases

Assets held under finance lease agreements are included in tangible fixed assets and are amortised in accordance with the Company's depreciation policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Finance charges are taken to the profit and loss account so that the annual rate of charge on the outstanding obligation at the end of each accounting period is constant. Operating lease costs are charged to the profit and loss account as incurred.

Pensions

The cost of providing pensions is charged to the profit and loss account over the expected service lives of employees in the scheme.

Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard 1 not to produce a cash flow statement. The Company is a wholly owned subsidiary of a company incorporated in the United Kingdom which prepares a consolidated cash flow statement incorporating the Company's cash flows.

Lotus Cars Limited

Notes to the financial statements for the year ended 31 March 2001

1 Segment information

	2001 £'000	2000 £'000
(1) Turnover by class of business		
Sales and servicing of cars	68,422	72,672
Engineering consultancy	52,109	53,039
	120,531	125,711
(2) Turnover by geographical market supplied		
United Kingdom	44,848	57,651
Continental Europe	66,794	59,883
North and South America	6,714	5,478
Asia	2,175	2,699
	120,531	125,711

Details of profit before taxation and net assets by class of business and geographical destination are not disclosed because in the opinion of the directors to do so would be seriously prejudicial to the Company.

2 Operating expenses

	2000 £'000	2000 £'000
Distribution costs	14,733	11,567
Administration expenses	24,999	18,005
	39,732	29,572

Lotus Cars Limited

3 Operating (loss)/profit

	2000	2000
	£'000	£'000
Operating (loss)/profit is stated after charging:		
Operating lease rentals		
- plant and machinery	15	274
- other assets	4,631	2,257
Depreciation		
- owned assets	5,033	3,075
- leased assets	214	446
Research and development and continuous engineering expenditure written off	20,502	11,701
Auditors' remuneration and expenses		
- audit fees	143	73
- other services	138	231
Loss on disposal of tangible fixed assets	57	29
and after crediting:		
Gain on foreign exchange transactions	110	680

4 Directors' emoluments

	2000	2000
	£'000	£'000
Directors' emoluments amounted to		
Aggregate emoluments	1,497	983
Pension contributions	133	27
Compensation for loss of office	702	108
	2,332	1,118

Included within the aggregate emoluments is a payment to one director of £180,000 (2000 £Nil) under a consultancy agreement.

The emoluments of the highest paid director amounted to

Aggregate emoluments	297	242
Pension contributions	25	5
Compensation for loss of office	96	-
	418	247

The highest paid director had an accrued pension of £5,320 (2000 £3,670) per annum under a defined benefit scheme.

Retirement benefits are accruing to eight (2000 seven) directors under a defined benefit pension scheme.

Lotus Cars Limited

5 Employees and pension costs

The average number of persons employed by the company (including directors) during the year were as follows:

	2001	2000
	Number	Number
Category		
Management and administration	1,075	818
Production and sales staff	861	776
	1,936	1,594
The aggregate payroll costs of those persons were as follows:	£'000	£'000
Wages and salaries	55,043	41,017
Social security costs	4,689	3,772
Other pension costs	2,469	1,223
	62,201	46,012

The Company operates a defined benefit pension scheme, the Lotus Pension Plan. Details of the scheme, including the latest actuarial valuation, are disclosed in the accounts of the parent company, Lotus Group International Limited.

6 Interest

	2000	2000
	£'000	£'000
Interest receivable		
Interest from bank deposits	104	243
Other loans	54	58
	158	301
Interest payable and similar charges		
On amounts wholly repayable within five years		
Bank overdrafts, trade finance and loans	522	345
Group loans	2,426	573
Other loans	35	-
Finance charges payable under finance leases	49	78
	3,032	996

Lotus Cars Limited

7 Taxation

	2001	2000
	£'000	£'000
Overseas taxation	(9)	2

8 Dividends

	2001	2000
	£'000	£'000
Ordinary shares		
Proposed	-	7,000

9 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tooling, equipment and motor vehicles £'000	Assets in course of construction £'000	Total £'000
Cost or valuation					
31 March 2000	22,994	28,368	24,872	1,459	77,693
Additions	4,063	5,675	9,582	419	19,739
Disposals	-	(1,499)	(591)	-	(2,090)
Reclassifications	1,071	220	13	(1,304)	-
31 March 2001	28,128	32,764	33,876	574	95,342
Depreciation					
31 March 2000	4,903	17,435	18,295	-	40,633
Charge for the year	460	2,530	2,437	-	5,427
Disposals	-	(1,420)	(277)	-	(1,697)
31 March 2001	5,363	18,545	20,455	-	44,363
Net book amount					
31 March 2001	22,765	14,219	13,421	574	50,979
31 March 2000	18,091	10,933	6,577	1,459	37,060

Lotus Cars Limited

Included within plant and machinery are leased assets with a cost of £5,950,000 (2000 £5,852,000) and accumulated depreciation of £4,504,000 (2000 £4,290,000). Included within fixtures, fittings, tooling, equipment and motor vehicles are leased assets with a cost of £104,000 (2000 £104,000) and accumulated depreciation of £104,000 (2000 £104,000).

The freehold land and buildings were revalued as at 31 December 1989 to £12,500,000.

	2001	2000
	£'000	£'000
The historical cost amounts of freehold land and buildings included at valuation are as follows		
Cost	7,433	7,433
Depreciation	(2,225)	(2,113)
	5,208	5,320

10 Stocks

	2001	2000
	£'000	£'000
Raw materials	8,102	2,072
Cars in course of production and other work in progress	880	3,711
Service stocks	2,561	2,381
Finished goods including cars at dealers	3,687	4,608
	15,230	12,772

Cars are consigned to dealers on a sale or return basis.

Lotus Cars Limited

11 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year		
Trade debtors	24,190	22,860
Amounts recoverable on long-term contracts	5,325	5,018
Amounts owed by other group undertakings	3,334	8,169
Other debtors	1,760	1,629
Prepayments and accrued income	887	1,066
	35,496	38,742
Amounts falling due after more than one year		
Amounts recoverable on long-term contracts	6,508	6,755
Amount owed by parent undertaking	3,703	3,703
	10,211	10,458
	45,707	49,200

The amount owed by the parent undertaking comprises a loan to Lotus Group International Limited ("LGI"). The Company has provided a letter of undertaking to LGI indicating that it will not seek repayment of the outstanding debt for a period of at least one year from the date of signing these accounts. No interest is currently payable on this debt.

Lotus Cars Limited

12 Creditors – Amounts falling due within one year

	2001	2000
	£'000	£'000
Bank overdrafts and trade finance	4,303	2,656
Bank loans	1,538	2,308
Obligations under finance leases	360	236
Deposits against stock with dealers	1,385	3,886
Trade creditors	16,548	15,030
Amounts owed to ultimate parent undertaking	1,919	1,507
Amounts owed to group undertakings	60,994	9,309
Taxation and social security	2,062	1,323
Accruals and deferred income	16,425	11,742
Payments in advance	8,884	4,086
Proposed dividend	7,000	7,000
	121,418	59,083

Trade finance comprises bank advances to the Company in relation to vehicle sales to overseas dealers. Repayment is due when cash is received from the dealers. Interest is based on local currency bank base rates.

13 Creditors – Amounts falling due after more than one year

	2001	2000
	£'000	£'000
Bank loans	1,154	2,692
Amounts owed to ultimate parent undertaking	6,900	6,900
Amounts owed to immediate parent undertaking	3,000	3,000
Obligations under finance leases	127	400
	11,181	12,992

The bank loan is repayable in thirteen equal instalments. Six instalments were paid during the year with the final quarterly payment due in December 2002. Interest is payable at rates between 0.75% and 0.875% above Libor.

The Company's ultimate parent undertaking has confirmed that it will not require repayment of the £6,900,000 loan within 12 months of the date of these financial statements. Interest is charged at HSBC base rate. The loan is unsecured.

Lotus Cars Limited

14 Leasing commitments

The future payments to which the Company is committed under finance leases are payable as follows:

	2001 £'000	2000 £'000
Minimum lease payments payable		
Within one year	364	282
Between two and five years	152	422
	516	704
Finance charges allocated to future years	(29)	(68)
	487	636

15 Provisions for liabilities and charges

	£'000
(1) Warranty provision	
31 March 2000	3,092
Charge for the year	1,256
Utilised	(2,244)
31 March 2001	2,104

All vehicles sold by the Company have a warranty period of between 12 and 24 months

	2001 Recognised £'000	2001 Not recognised £'000	2000 Recognised £'000	2000 Not recognised £'000
(2) Deferred tax				
Deferred tax may be analysed as follows:				
Accelerated capital allowances	-	4,780	-	1,961
Short term timing differences	-	(894)	-	(323)
Losses available for future relief	-	(3,886)	-	-
	-	-	-	1,638

No provision has been made for the potential liability to deferred taxation of approximately £1,800,000 (2000 £1,800,000) in respect of the surplus arising on the revaluation of land and buildings as the Company does not intend to realise the gain in the foreseeable future.

The Company has approximately £50,000,000 of tax losses available for future relief, subject to the approval of the Inland Revenue.

Lotus Cars Limited

16 Called up share capital

	2001	2000
	£'000	£'000
Authorised		
Ordinary shares of £1 each	15,010	15,010
Allotted and fully paid		
Ordinary shares of £1 each	7,501	7,501

17 Reserves

	Revaluation reserve	Capital reserve	Profit and loss account
	£'000	£'000	£'000
31 March 2000	4,910	17	12,375
Transfer of amount equivalent to additional depreciation on revalued assets	(92)	-	92
Loss absorbed for the year	-	-	(45,102)
31 March 2001	4,818	17	(32,635)

18 Reconciliation of movements in shareholders' funds

	2001	2000
	£'000	£'000
Loss absorbed for the year	(45,102)	(7,343)
Opening shareholders' funds	24,803	32,146
Closing shareholders' funds	(20,299)	24,803

19 Capital commitments

	2001	2000
	£'000	£'000
Contracted but not provided for	1,869	3,523

Lotus Cars Limited

20 Operating leases

At 31 March 2001 the Company was committed to making the following payments during the next year in respect of the operating leases for plant and equipment expiring:

	2001	2000
	£'000	£'000
Operating leases which expire		
Within one year	1,084	339
In one to five years	2,889	2,027
After five years	116	28
	4,089	2,394

21 Subsidiary undertakings

The Company owns all of the issued ordinary share capital of the following subsidiary company which is registered in England:

	Nature of business
Lotus Engineering Limited	Engineering consultancy

Consolidated financial statements have not been prepared because the Company is a wholly owned subsidiary of Group Lotus plc, a company registered in England and Wales for which consolidated financial statements have been prepared.

22 Ultimate parent company

Lotus Cars Limited is a wholly owned subsidiary of Group Lotus plc, a company registered in England and Wales. The Company's ultimate parent company is Perusahaan Otomobil Nasional Berhad ("Proton"), a company incorporated in Malaysia.

The consolidated financial statements of Proton comprise the group accounts of the largest group which includes the Company. Copies of Proton's group financial statements are available from its registered office at Kawasan Perindustrian HICOM, Batu Tiga, 40000 Shah Alam, Selangor Darul Ehsan, Malaysia. The parent undertaking of the smallest such group is Group Lotus plc. Copies of the group financial statements of Group Lotus plc are available from its registered office at Hethel, Norwich, Norfolk, NR14 8EZ.

Lotus Cars Limited

23 Related party transactions

- (1) Perusahaan Otomobil Nasional Berhad (Proton), a company incorporated in Malaysia, is the Company's majority shareholder and ultimate parent undertaking.

The £6,900,000 shareholder's loan advanced to the Company by Proton in October 1996 was outstanding at 31 March 2001. During the year ended 31 March 2001 the Company sold motor vehicles and parts to Proton worth £Nil (2000 £71,000). At 31 March 2001 the outstanding balance due from Proton was £Nil (2000 £50,000).

- (2) ACBN Holding SA ("ACBN") is the minority shareholder in Lotus Group International Limited and is understood to be controlled by Mr Romano Artioli, a Director and former Chairman of the Company.

At the end of the previous period a balance of £249,000 relating to costs recharged to ACBN was owed to the Company. This amount was still outstanding at 31 March 2001, however, it had been fully provided for in the prior year.

- (3) Proton Cars (UK) Limited (PCUKL) is a fellow subsidiary company of Proton.

PCUKL undertakes parts warehousing and distribution on behalf of the Company. Management fees of £1,002,000 (2000 £889,000) relating to this agreement and a further £45,000 (2000 £34,000) of parts and expenses have been charged by PCUKL. The outstanding amount due to PCUKL at March 2001 was £341,000 (2000 £400,000).

- (4) The Company operates an Executive Car purchase scheme which allows directors to purchase company products at marginal cost or above. During the year directors purchased vehicles with a cost of £102,000 (2000 £276,000). At 31 March 2001 the amount outstanding from directors under this scheme was £Nil (2000 £Nil).

- (5) Under the terms of a financing agreement, Lotus Finance Limited, in which the Company's immediate parent undertaking has a 49.9% interest, provides finance services to dealers and customers of the Company to enable them to acquire Lotus cars. During the year cars with a sales value of £4,659,000 (2000 £4,589,000) were sold through Lotus Finance Limited. At the year end no amount was payable or receivable from Lotus Finance Limited.

- (6) The Company has taken advantage of the exemptions provided by Financial Reporting Standard 8 not to disclose transactions with other Lotus group companies that qualify as related parties.