Lotus Cars Limited
Annual report and financial statements
for the period ended 31 December 2019

Registered Number: 00895081

Annual report and financial statements for the year ended 31 December 2019

Contents

Lotus Cars Limited

Company Information

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Lotus Cars Limited

Strategic Report

The directors of Lotus Cars Limited ("the Company", "Lotus") present their Strategic Report for the year ended 31 December 2019.

Principal activities
The principal activities of the Company continue 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.

Review of business and future developments
The Company continues to implement its Vision80 business plan investing significantly both in staff and infrastructure. The Company's loss for the year amounted to £14.1m (nine month period ended 31 December 2018: £17.0m) This reduction is driven by the restriction in administrative expenses, increasing the operating profit margin significantly from -26.1% in 2018 to -11.9% in 2019. In addition, both turnover and gross profit have increased with gross margin decreasing slightly (12 month period ended 31 December 2019: 13.9%, 9 month period ended 31 December 2018: 15.1%).

In July 2019, Lotus revealed the first part of its Vision80 plan with the launch of the Lotus Evija – the first all-electric British hyper-car, designed, engineered and produced in the UK. Designed for the drivers, the Lotus Evija aims to be the most powerful series production road car in the world with a target to reach 2000 PS, a top speed of over 200mph and 0-62mph in under three seconds. Like all Lotus cars throughout the brand's 71-year history, the Evija has been precision-engineered to deliver an outstanding driving experience both on the road and track. It is the most dynamically accomplished model ever built by the Company, setting new standards for Lotus driving performance.

In April 2019, Lotus returned to the world stage at the Shanghai Auto Show – the brand's first appearance at a Tier One automotive show since Geely took a majority shareholding in the business. Lotus' presence at Shanghai reflects a renewed focus on the Chinese market – the largest and most vibrant new car market in the world. At the show, Lotus marked its intention to return to the international motor racing arena by revealing a British-built Evora GT4 Concept which will compete in the GT4 series from 2020. Retaining the personality and natural ability of the road-going Lotus Evora, the GT4 Concept builds on the brand's advanced lightweight engineering expertise to deliver a race car that perfectly encapsulates the Company's competitive spirit.

In July 2019, Lotus unveiled the new 2020 Evora GT for North America, replacing the Evora Sport 410 and the Evora 400. The new Evora GT, available in both two-seat and 2+2 configuration and with manual and automatic transmissions, is the fastest and most powerful road-going Lotus for the USA and Canada, with a top speed of 188 mph (303 km/h) and 0-60 mph in just 3.8 seconds.

As we entered the latter stages of March 2020, it was clear that Covid-19 was going to have a much bigger impact on us all – at Lotus, and all over the world. Inevitably, as a result, our 2020 business performance is impacted, though work continues apace to deliver the next steps on our Vision80 journey.

In responding to and dealing with the pandemic in our business, we have successfully implemented our strategy of Protect / Preserve / Progress, including a temporary shutdown of UK production facilities from 24 March – 11 May 2020. By taking immediate and impactful steps as the country entered its first period of lockdown, we worked tirelessly to protect our employees, and to preserve the business and brand during these uncertain times. To date, our record is exemplary in the auto industry, with no outbreaks of infection at all recorded across the business, and a safe and flexible workplace now back online and production of our sports cars returning to pre-lockdown rates of output.

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 to produce PPE, with thousands of pieces delivered from Lotus across our local region. Tens of thousands of further pieces were also shipped to the UK from our major shareholder, Geely, with donations made across East Anglia and the West Midlands.

Lotus Cars Limited

Strategic Report (continued)

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. Lotus also supported national Government by providing BEIS and Treasury with a specially written paper and strategy on the 'return to work' for auto manufacturers in the UK, based on learnings from Geely and its production facilities in China, which had experienced lockdown conditions and a return to production in the first wave of the outbreak.

Thanks to these efforts and endless work dealing with the latest restrictions, our business is entering the 'Progress' phase of our three-pronged strategy. While still very much operating on a 'Protect' and 'Preserve' basis, we are moving forward, but predictions for better months ahead are impossible to make as the virus continues to cause havoc throughout much of the world.

Despite all of this, Lotus is making progress with new products on the horizon, significant investments being made in the UK and internationally, and a winning spirit and culture pulling together across the business. I believe this combination will see us through to the other side of the crisis and keep our Vision80 strategy on track to deliver big things for our business and brand.

In July 2020 Lotus announced that its steel fabrication (currently situated at Vulcan Road, Norwich) and lightweight structures (located in Worcester) businesses will be brought together in to one new, larger facility at Hurricane Way in Norwich with the creation of up to 125 new jobs. The consolidation to one site will not only create efficiencies in manufacturing and assembly but also a logistics benefit given the proximity of the new location to the Hethel headquarters.

The activities at the factory in Hurricane Way will include part of the manufacturing process of the Evora, Exige and Elise cars, as well as of aluminium components for other vehicle companies. By moving into one, combined new location, the Group will take the opportunity to further upgrade machinery and tooling in readiness for new Lotus sports cars to be launched in the coming years.

Restructuring of Lotus Lightweight Structure Limited

The operational activities of the legal entity Lotus Lightweight Structures Limited was merged with Lotus Cars Limited legal entity on 12 March 2019. From an operational perspective there were no changes.

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, principally through the development of new models and variants of existing models. Development costs that meet the capitalisation criteria of IAS 38 'Intangible Assets', are capitalised and amortised over their estimated useful economic life. Research costs and other development costs are expensed as incurred. Research and development expenditure are charged to the income statement, including amounts amortised and impaired, amounted to £5.8m (Period to Dec 2018: £7.8m).

Key performance indicators ("KPIs")

The directors monitor the overall Company performance through the following KPIs:

KPI	12 month period ended 31 December 2019	9 month period ended 31 December 2018	Commentary
Sales revenue (£m)	£96.3m	£58.7m	Sales revenue analysed by class of business – see note 4 for further details. Increase in line with increased units sold, as below.
Units sold	1,519	845	Number of vehicles sold in each period. Increase due to longer period for 2019 as well as increased demand from USA and China. This was led by an increase in demand for the Evora worldwide.
Profitability (£m)	(£1.0m)	(£2.2m)	The non-statutory profit measure of normalised EBITDA is considered to be the key performance measurement. See note 5 for further details on calculation and movement in the year.
Net assets (£m)	£120.0	£75.9	The balance sheet net asset increase was driven primarily by a shareholder loan waiver

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, 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 of the financial statements.
- Project delivery – New car projects will be completing during 2020 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, Japanese Yen, 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 and were meeting daily during the peak of the crisis, taking mitigating actions by following a Protect and Preserve strategy, including a temporary shutdown of UK facilities from 24 March – 11 May 2020. 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 Advanced 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, US Dollar and Japanese Yen. 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 2019 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.

Lotus Cars Limited

Strategic report (continued)

Statement of Directors' duties
The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties, as detailed in section 172 of the 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 Board of Directors 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 Phil Popham, Lotus Cars CEO, 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 2019 have been underpinned by the long term Vision80 strategy, following regular discussions with majority shareholders. Vision80 is 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, taking into consideration the impact on stakeholders. The launch of the first new product under the Vision80 plan – the Lotus Evija – revealed in July 2019, was the principal action taken under this strategy this year.

Delivering our Vision80 strategy requires strong mutually beneficial relationships with employees, suppliers, dealers and technical partners. The Company undertakes regular communication with all stakeholders, including staff briefings both business wide and in divisional groups. Further details on employee engagement are included in the Directors' report.

By order of the board

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Feng Qingfeng
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Feng Qingfeng
Director
12/24/2020

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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 2019.

Results and dividends

The Company's loss for the financial period after taxation amounted to £14.1m (nine month period ended 31 December 2018: £17.0m). The directors do not recommend any payment of dividend (nine month period ended 31 December 2018: £nil), and the loss for the financial period has been transferred to reserves.

Future developments

The directors have outlined in detail all significant future developments within the Strategic Report – Review of business and future developments on page 2.

Directors

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

Daniel Li Donghui
Feng Qingfeng

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 period ended 31 December 2019 of £14.1m (nine month period to 31 December 2018: £17.0m). As at 31 December 2019, the Company had shareholders' funds of £120m (2018: £75.9m) and net current liabilities of £32.4m (2018: net current assets of £12.8m). Included in the net current liabilities is £137.6m (31 December 2018: £73.2m) 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, 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. However, the shutdown and resulting reduced efficiency due to social distancing will result in a reduction in the planned vehicle production volume for 2020. 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 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 Advanced 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.

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)

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.

Post balance sheet events

Material funding

Post year end, the Company received material loan funding of £30.4m from Geely International (Hong Kong) Limited, the Company's intermediate parent undertaking, to support the continued growth of the Company in accordance with the business plan.

COVID-19

The outbreak of the global Covid-19 pandemic is considered to be a non-adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the virus on the business and have included details in the Strategic Report. It is too early for the Board to quantify the potential financial impact on the Company.

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.

Auditor

During the year Grant Thornton LLP were appointed as auditor for the Company, and have indicated their willingness to accept reappointment.

Lotus Cars Limited

Directors' report (continued)

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/period. 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.

Disclosure of information to auditor
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirm 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.

By order of the board

DocuSigned by:
Feng Qingfeng
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Feng Qingfeng
Director
12/24/2020

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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 2019, 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 2019 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Conclusions relating to going concern (continued)
In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities, set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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.

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
Cambridge

24 December 2020

Lotus Cars Limited

Income Statement

For the year ended 31 December 2019

	Note	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Turnover	4	**96,282**	**58,663**
Cost of sales		**(82,919)**	**(49,825)**
Gross profit		**13,363**	**8,838**
Administrative expenses		**(25,844)**	**(24,225)**
Other operating income		**982**	**77**
Operating loss	5	**(11,499)**	**(15,310)**
Interest receivable and other similar income	7	**153**	**129**
Interest payable and other similar charges	7	**(2,787)**	**(1,856)**
Loss on ordinary activities before taxation		**(14,133)**	**(17,037)**
Tax on loss on ordinary activities	8	-	-
Loss for the financial year/period		**(14,133)**	**(17,037)**

All of the activities of the Company are classified as continuing. There were no recognised gains and losses for 2019 or 2018 other than those included in the Consolidated Statement of Comprehensive Income.

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Loss for the financial year/period		**(14,133)**	**(17,037)**
Other comprehensive (loss)/income			
Actuarial (loss)/gain recognised on defined benefit pension scheme	18	**(1,855)**	**238**
Total other comprehensive (loss)/income		**(1,855)**	**238**
Total comprehensive loss for the year/period		**(15,988)**	**(16,799)**

The accompanying notes to the accounts on pages 15 to 48 are an integral part of the financial statements.

Lotus Cars Limited

Statement of Financial Position

As at 31 December 2019

	Note	2019 £'000	2018 restated* £'000
Non current assets			
Intangible assets	9	**106,555**	35,825
Tangible assets	10	**52,885**	35,622
Right-of-use assets	11	**3,871**	-
Investments	12	**-**	-
		163,311	71,447
Current assets			
Stocks	13	**23,864**	24,933
Debtors	14	**64,475**	249,752
Cash at bank and in hand		**52,956**	22,438
		141,295	297,123
Non-Current Liabilities			
Lease Liability	15	**(3,392)**	-
Provisions for liabilities	17	**(2,739)**	(4,300)
Defined benefit pension liability	18	**(4,727)**	(4,030)
		(10,858)	(8,330)
Current Liabilities			
Lease Liability	15	**(773)**	-
Trade and other payables	15	**(170,109)**	(284,296)
Provisions for liabilities	17	**(2,860)**	-
		(173,742)	(284,296)
Net current (liabilities)/assets		**(32,447)**	12,827
Net assets		**120,006**	75,944
Capital and reserves			
Called up share capital	19	**368,816**	368,816
Share premium account	19	**215,196**	215,196
Non distributable reserves	19	**139,554**	68,833
Profit and loss account	19	**(603,560)**	(576,901)
Total capital and reserves		**120,006**	75,944

*Further detail on the restatement of the comparative period is disclosed in note 2. The accompanying notes to the accounts on pages 15 to 48 are an integral part of the financial statements.

The Annual Report and Financial Statements were approved by the board of directors and authorised for issue on 12/24/2020 were signed on its behalf by:

DocuSigned by:
Feng Qingfeng
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Feng Qingfeng
Director
12/24/2020

Registered number: 00895081

Lotus Cars Limited

Statement of changes in equity

For the year ended 31 December 2019

	Called up share capital £'000	Share premium £'000	Non-distributable reserves £'000	Profit and loss account £'000	Total equity £'000
Balance as at 1 April 2018 **restated*	**368,816**	**215,196**	**69,042**	**(560,311)**	**92,743**
Loss for the period	-	-	-	(17,037)	(17,037)
Other comprehensive loss	-	-	-	238	238
Total comprehensive income	**-**	**-**	**-**	**(16,799)**	**(16,799)**
Depreciation transfer for revalued assets	-	-	(209)	209	-
Balance as at 1 January 2019	**368,816**	**215,196**	**68,833**	**(576,901)**	**75,944**
Loss for the period	-	-	-	(14,133)	**(14,133)**
Other comprehensive income	-	-	-	(1,855)	**(1,855)**
Total comprehensive income	**-**	**-**	**-**	**(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 – see Note 12	-	-	-	(10,894)	**(10,894)**
Balance as at 31 December 2019	**368,816**	**215,196**	**139,554**	**(603,560)**	**120,006**

*Further detail on the restatement of the comparative period is disclosed in note 2.
The accompanying notes to the accounts on pages 15 to 48 are an integral part of the financial statements.

Notes to the financial statements
For the year ended 31 December 2019

1. General information

The Company manufactures high performance motor cars and related merchandise (Lotus Cars division), as well as the manufacture of automotive components for motor cars (Lightweight Structures division). The Company also provides and sells engineering consultancy services, commercial development and technology to automotive and industrial clients internationally (Lotus Engineering division).

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.

The comparative period is for nine months from 1 April 2018 to 31 December 2018 as the Company shortened its prior accounting period to coincide with its ultimate parent undertaking.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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(e) 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';

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

- 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(c) to 135 (e) 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.

2.2 Changes in Accounting Standards
IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the Company's financial statements.

IFRS 16 – Leases
This standard replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases under the principles of IAS 17 Leases. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, as such the prior-year figures were not adjusted. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Practical expedients applied
In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Company has applied the optional exceptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

(b) Lease liabilities
Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3%.

2. Summary of significant accounting policies (continued)

2.3 Prior period restatement

Following a review of the recoverability of intercompany balances, historic related party transactions have been considered materially irrecoverable prior to 1 April 2018 and have therefore been restated. There is no impact on the Income Statement for the period ended 31 December 2018. The impact on the Statement of Financial position for the period ended 31 December 2018 is:

	As disclosed 2018 Annual Report £'000	Restatement	As restated 2019 Annual Report £'000
Trade and other receivables	257,411	(8,212)	249,199
Trade and other payables	(290,229)	5,933	(284,296)
Accumulated losses	575,175	(2,279)	577,454
Net Assets	77,670	(2,279)	75,391

2.4 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 period ended 31 December 2019 of £13.6m (Period to December 2018: £17.0m). As at 31 December 2019, the Company had shareholders' funds of £120m and net current liability of £34.5m. Included in the net current liabilities is £137.6m 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, 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. However, the shutdown and resulting reduced efficiency due to social distancing will result in a reduction in the planned vehicle production volume for 2020. 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 Advanced 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.

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

2. Summary of significant accounting policies (continued)

2.5 Consolidation

The Company is a wholly owned subsidiary of Lotus Group International Limited. It is included in the consolidated financial statements of Lotus Group International Limited 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.

2.6 Foreign currency translation

Functional and presentation currency: items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions and balances: foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the Income Statement within 'Other operating income'.

2.7 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 excludes 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) Vehicles, parts and accessories

The Company recognises revenue on the sale of vehicles, parts and accessories 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.

2. Summary of significant accounting policies (continued)

2.7 Revenue recognition (continued)

(b) Engineering contracts
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 with no alternative use and therefore 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 consolidated 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.

2.8 Other income

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

2.9 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 are recognised immediately through profit or loss to match them with the costs incurred.

Income grants are grants other than the above grants and 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.

2.10 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

2. *Summary of significant accounting policies (continued)*

2.11 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.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/ legal rights. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

(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 consolidated statement of comprehensive income 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. 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 Consolidated statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

2. Summary of significant accounting policies (continued)

2.11 Intangible assets (continued)

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.

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 which ranges from 5 to 7 years)	*Straight-line*

2.12 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

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.13 Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost in the financial statements of the Company. 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.

2.14 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.

2.15 Financial instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(a) Financial assets: the Company's financial assets include trade and other receivables. Non-derivative financial assets are classified as either 'available for sale' financial assets or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables. Receivables are measured at amortised cost using the effective interest method, less any impairment.

Classification – Financial assets are classified, at initial recognition, as financial assets at Fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial assets are recognised initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated.

Derecognition – The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of financial assets – Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.15 Financial instruments (continued)

For financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(b) Financial liabilities: the Company's financial liabilities include trade and other liabilities. Financial liabilities are classified according to the substance of the contractual arrangements entered into.

All financial liabilities are classified as 'other financial liabilities' and are initially measured at fair value net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire.

2.16 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. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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

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

2.17 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.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.17 Provisions (continued)
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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 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 2017.

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.

2. Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

(b) Termination benefits
Termination benefits are payable to an entitled employee whenever the employment has to 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.

2.19 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.

2.20 Leases

Leases are recognised, measured and presented in line with IFRS 16 'Leases'. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease term comprises the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Company is reasonable certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The same economic useful life is applied to determine the depreciation rate of right-of-use assets. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used.

The Company has elected not to recognise right-of-use assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value. The payments for such leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the financial statements
For the year ended 31 December 2019

3. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

In the process of allying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Determining the timing of satisfaction of performance obligations, the transaction price and the amounts allocated to performance obligations. Refer to note 2.7
- Determining whether it is reasonably certain that an extension or termination in a lease will be exercised. Refer to note 2.19
- Determination of the appropriate rate to discount lease payments. Refer to note 2.19
- Management exercises judgement in determining the adjustments to apply to IFRS measurements in order to derive alternative performance measures (APMs) that provide additional useful information on the underlying trends. Refer to note 5.
- Recognition of deferred tax asset – the likelihood of recoverability of deferred tax assets is assessed against future sources of taxable income. IFRS recognises deferred tax assets to the extent that it is more likely than not (defined as a likelihood of more than 50%) that sufficient taxable profits will be available to utilize the deductible temporary difference or unused tax losses. As such, no deferred tax asset has been recognised. Refer to note 8
- Capitalisation of development costs- The Company incurs research and development expenditure on the development of new vehicle models. 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. Management carefully considers each development project and makes a key judgement of when all recognition criteria are met, see note 2.11 for capitalisation criteria.

Estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of property, plant and equipment and intangible assets
The annual depreciation charge for property, plant and equipment and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment and note 2 for the useful economic lives for each class of assets. See note 9 for the carrying amount of intangible assets and note 2 for the useful economic lives of each class.

(b) Inventory provisioning
The Company sells cars and is subject to changing consumer demands. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, 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 13 for the net carrying amount of the inventory and associated provision.

3. Critical accounting estimates and judgments (continued)

(c) Impairment of receivables
The Company makes an estimate of the recoverable value of trade and other receivables (both third parties and other group undertakings). Expected credit losses are forward looking and are measured in a way that is unbiased and represents a probability-weighted amount, takes into account the time value of money and uses reasonable and supportable information. See note 14 for the net carrying amount of the receivables and associated impairment provision.

(d) Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales. Key assumptions and sensitivities for impairment are disclosed in note 9.

(e) Defined benefit pension scheme
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date by the directors. Further details about pension obligations are given in note 18.

(f) Warranty provisions
All vehicles sold by the Company have a warranty period of up to 36 months. Provision is made based on current volumes of products sold still under warranty and on historic quality rates for mature products as well as estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur. Further details are given in note 17.

(g) Amortisation of development costs
Capitalised development costs are amortised over the useful economic life, which is considered to be over the period of expected future sales from the related project. As such, management have to make a key estimate in determining the length of future sales of each relevant project. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates of future sales including analysis of historical sales, technological advancement, future investments and planned production cessation date. 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.

4. Turnover

	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Revenue by class of business		
Sales of cars and parts – Lotus Cars	**86,744**	50,362
Engineering consultancy – Lotus Engineering	**8,689**	8,301
Manufacture of car components – Lightweight Structures	**849**	-
	96,282	58,663

	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Revenue by geographical market supplied		
United Kingdom	**28,090**	21,567
Continental Europe	**32,041**	18,567
North and South America	**15,497**	5,229
Rest of the world	**20,654**	13,300
	96,282	58,663

All turnover originated in the United Kingdom.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

5. Operating loss

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

	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Lease expenses	**634**	528
Amortisation of intangible assets (Note 9)	**5,794**	6,954
Depreciation of tangible assets – owned assets (Notes 10 & 11)	**3,245**	1,540
Loss on disposal of tangible assets	**(138)**	(53)
Net foreign exchange (loss)/gain	**(285)**	1,022
Auditor's remuneration – audit of the financial statements	**170**	130
Cost of stock recognised as an expense (including reversal of inventory write down of £Nil (December 2018: £607,000)	**71,471**	49,825
Impairment of non-financial assets:		
Intangible assets (Note 9)	**-**	844
Other material profit and loss items:		
Losses from early termination of lease agreements	**-**	3,800
Site relocation provision (Note 19)	**1,491**	-

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

6. Staff costs

	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Wages and salaries	**36,693**	19,169
Social security costs	**3,733**	1,866
Other pension costs	**3,950**	1,893
	44,376	22,928

The average number of Company employees was:

	Year ended 31 Dec 2019	9-month period ended 31 Dec 2018
Management and administration	**526**	338
Production and sales	**459**	407
	985	745

Directors' remuneration

The directors' services to this Company are non-executive in nature and their emoluments are deemed to be wholly attributable to their qualifying services as directors of other group companies. Accordingly, these financial statements include other benefits in respect of the directors of £17,000 (Nine month period ended 31 December 2018: £11,000).

Notes to the financial statements
For the year ended 31 December 2019

7. Finance income and expense

	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Interest receivable and similar income		
Interest from bank deposits	**153**	45
Interest from customers	**-**	84
Total interest receivable	**153**	129

	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Interest payable and similar charges		
Interest on shareholder loans	**(2,522)**	(1,778)
Charge in respect of the defined benefit pension scheme (note 18)	**(75)**	(78)
Interest on leases	**(131)**	-
Other interest charges	**(59)**	-
Total interest payable	**(2,787)**	(1,856)

8. Tax on profit on ordinary activities

(a) Tax charged in the income statement
There is no tax charged to the Income Statement for the period (nine month period ended 31 December 2018: £Nil).

(b) Reconciliation of the total tax charge
Tax expense for the year is lower (December 2018: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (December 2018: 19%). The differences are explained below:

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

8. Tax on profit on ordinary activities

(b) Reconciliation of the total tax charge (continued)

	12-month period ended 31 Dec 2019 £'000	9-month period ended 31 Dec 2018 £'000
Loss on ordinary activities before taxation	**(14,133)**	(17,037)
Loss on ordinary activities multiplied by the standard rate of corporation tax at 19% (nine month period ended 31 December 2018: 19%)	**(2,685)**	(3,237)
Expenses not deductible for tax purposes	**284**	1,068
Depreciation in excess of capital allowances	**431**	246
Tax losses carried forward	**1,970**	1,923
Total tax charge for year/period	**-**	-

(c) Deferred tax

Deferred tax assets are recognised for tax loss carry-forwards and timing differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets were not recognised on the following unused tax losses and other deductible temporary differences due to uncertainty over the level of future taxable profits against which it would be recovered which is in accordance with the Company's accounting policies.

	Year ended 31 Dec 2019 £'000	Period ended 31 Dec 2018 £'000
Depreciation in excess of capital allowances	**11,282**	5,549
Short term timing differences	**143**	47
Unutilised tax losses	**117,540**	95,792
Deferred tax on pension liability	**898**	685
Gross unrecognised deferred tax assets	**129,862**	102,073

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

9. Intangible assets

	Software £'000	Development costs £'000	Total £'000
Cost			
At 1 January 2019	2,295	155,152	157,447
Additions	-	76,524	76,524
At 31 December 2019	**2,295**	**231,676**	**233,971**
Accumulated amortisation and impairment			
At 1 January 2019	2,295	119,327	121,622
Amortisation charge for the period	-	5,794	5,794
At 31 December 2019	**2,295**	**125,121**	**127,416**
Net book amount			
At 31 December 2019	**-**	**106,555**	**106,555**
At 31 December 2018	-	35,825	35,825

Impairment testing
Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is calculated using the DCF Model. Intangible development costs and tangible assets (see Note 10) have been reviewed for impairment at a cash generating unit level, being the vehicle lines both current and future.

The key assumptions in the model are sales growth and the discount rate:
- Sales were taken from the Ten Year Plan.
- The pre-tax discount rate of 10% (December 2018: 12%) is based on the directors' estimate of the return on capital appropriate to the income generating unit. Growth rates are related to introduction of known enhanced models with improved margins. They also depend on increasing the number of dealers and further penetration into the prospective markets.

Sensitivity to changes in assumptions
The Company has performed a sensitivity analysis on the impairment test using a variety of tests, , including increasing the investment value in the calculation by 5% and 7.5%, which did not result in the need to recognise further impairment.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

10. Tangible assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tooling, equipment and vehicles	Assets in the course of construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 January 2019	41,082	38,292	33,776	9,001	122,151
Additions	58	2,545	3,283	15,705	21,591
Transfers	110	385	-	(495)	-
Disposals	(247)	(16,817)	(1,174)	-	(18,238)
At 31 December 2019	**41,003**	**24,405**	**35,885**	**24,211**	**125,504**
Accumulated depreciation					
At 1 January 2019	17,863	36,931	31,735	-	86,529
Additions	-	1,250	38	-	1,288
Charge for the period	923	403	937	-	2,263
Disposals	(92)	(16,688)	(681)	-	(17,461)
At 31 December 2019	**18,694**	**21,896**	**32,029**	**-**	**72,619**
Net book amount					
At 31 December 2019	**22,309**	**2,509**	**3,856**	**24,211**	**52,885**
At 31 December 2018	23,219	1,361	2,041	9,001	35,622

Assets in the course of construction relate to the development of the manufacturing site which was started but not completed at the period end.

Included in freehold land and buildings is land with a cost of £982,000 (December 2018: £982,000) which is not depreciated.

11. Right-of-use assets

	Right-of-use: land and buildings £'000	Right-of-use: Plant and machinery £'000	Right-of-use: Motor vehicles £'000	Total £'000
Cost				
At 31 December 2018	-	-	-	-
At 1 January 2019: Adoption of IFRS 16	3,087	1,263	10	4,360
Additions	-	380	113	493
At 31 December 2019	**3,087**	**1,643**	**123**	**4,853**
Accumulated depreciation				
At 31 December 2018	-	-	-	-
Charge for the period	716	238	28	982
At 31 December 2019	**716**	**238**	**28**	**982**
Net Book Value				
As at 31 December 2018	-	-	-	-
Introduced on adoption of IFRS 16 at 1 January 2019	3,087	1,263	10	4,360
As at 31 December 2019	**2,371**	**1,405**	**95**	**3,871**

The Company adopted IFRS16: Leases on 1 January 2019. See note 2.2 for further details.
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.

Notes to the financial statements
For the year ended 31 December 2019

12. Investments

	Subsidiary undertaking	Equity investment	Total
	£'000	£'000	£'000
Cost:			
At 31 December 2018 and 31 December 2019	68	2,032	2,100
Provision for impairment:			
At 31 December 2018 and 31 December 2019	(68)	(2,032)	(2,100)
Net book amount:			
At 31 December 2019	-	-	-
At 31 December 2018	-	-	-

Investment in subsidiary undertakings
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	% Ownership	Nature of Business
Lotus Engineering Limited[1]	England and Wales	100%	Dormant
Lotus Engineering Malaysia Sdn Bhd (indirect)[2]	Malaysia	100%	Non trading
Lotus Engineering Company Limited[3]	China	100%	Non trading Dissolved 10 September 2020
Lotus Lightweight Structures Limited[1]	England and Wales	100%	Non trading

[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
[3] *Registered office: Lujiazui Financial Center, Shanghai, China*

On 12 March 2019 Lotus Cars Limited bought the business and share capital of Lotus Lightweight Structures Limited for consideration of £1. The net liabilities of the entity were written off to reserves.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

13. Stocks

	2019 £'000	2018 £'000
Raw materials	**14,410**	10,003
Cars in course of production and other work in progress	**2,391**	2,104
Service inventories	**2,282**	1,775
Finished goods	**4,781**	11,051
	23,864	24,933

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 £2,639,000 (2018: £2,757,000).

14.Debtors

	2019 £'000	2018 *restated £'000
Trade debtors	**9,678**	12,163
Amounts owed by immediate parent undertaking	**-**	207,407
Amounts owed by other group undertakings	**45,051**	27,660
Other debtors	**6,202**	1,010
Prepayments and accrued income	**3,544**	1,512
	64,475	249,752

*Following a review of the recoverability of intercompany balances, historic related party transactions have been considered materially irrecoverable prior to 1 April 2018 and therefore the Consolidated Statement of Financial Positions as at 1 April 2018 and 31 December 2018 have been restated. Further details on the restatement of the comparative period is disclosed in note 2.3.

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

Included in amounts owed by other group undertakings is an amount of £Nil (December 2018: £8.0m) being reimbursement for the grant repayment (See note 16).

Trade receivables are stated after provision of £734,000 (December 2018: £485,000). Amounts owed by other group undertakings are stated after provision of £1,095,000 (December 2018: £1,095,000).

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Notes to the financial statements
For the year ended 31 December 2019

15.Creditors: Amounts falling due within 1 year

(a) Trade and other payables

	2019	2018 *restated
	£'000	£'000
Trade creditors	**17,799**	8,719
Shareholder loans	**137,575**	72,606
Amounts owed to immediate parent undertaking	-	176,611
Amounts owed to other group undertakings	**2,281**	7,643
Payments in advance on engineering contracts	**1,339**	3,128
Other taxation and social security	**2,373**	814
Government Grants (Note 16)	-	7,631
Accruals and deferred income	**8,742**	7,144
	170,109	284,296

*Following a review of the recoverability of intercompany balances, historic related party transactions have been considered materially irrecoverable prior to 1 April 2018 and therefore the Consolidated Statement of Financial Positions as at 1 April 2018 and 31 December 2018 have been restated. Further details on the restatement of the comparative period is disclosed in note 2.3.

The amounts owed to the immediate parent undertaking and other group undertakings are unsecured, non-interest bearing and has no fixed repayment date.

The ultimate shareholder loan balance is interest bearing and has no fixed repayment date.

(b) Lease liabilities

	2019	2018
	£'000	£'000
Current	**773**	-
Non-current	**3,392**	-
	4,165	-

All lease liabilities payable relate to right-of-use assets, see note 11.

Lotus Cars Limited

Notes to the financial statements
For the year ended 31 December 2019

16. Government grants

During 2014, the Company received a government business support grant. As specific criteria for the grant was not met, the Company provided in full for the repayment in the year ended 31 March 2018 accounts. During 2019, the previous owners DRB-HICOM BERHAD confirmed reimbursement of £8.0m and this was recognised as an asset in the prior accounting period.

	31 Dec 2019	31 Dec 2018
	£'000	£'000
Opening balance	**7,631**	11,031
Amount repaid during the year/ period	**(7,631)**	(3,400)
Balance at end of year/ period	-	7,631

17. Provisions for liabilities

	Site relocation provision £'000	**Warranty provision £'000**	**Total £'000**
At 1 April 2018	-	4,454	4,454
Charge to profit and loss	-	1,164	1,164
Provision utilised	-	(1,318)	(1,318)
At 31 December 2018	-	4,300	4,300
Charge to profit and loss	1,491	1,282	2,773
Provision utilised	-	(1,474)	(1,474)
At 31 December 2019	**1,491**	**4,108**	**5,599**
Due within one year	1,491	1,369	2,860
Due after more than one year	-	2,739	2,739
	1,491	**4,108**	**5,599**

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. The provision is expected to be utilised within the next 3 years.

Site relocation provisions relate to premises relocation costs and comprise redundancy and relocation of staff, retention payments to staff and leasehold dilapidations. Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. Provisions are not recognised for future operating losses. Further details of the premises relocation is provided in the Strategic report.

18. Pension commitments

Lotus Cars Limited 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.

Defined contribution pension scheme

The Company operates a defined contribution group personal pension scheme and a defined benefit 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 Consolidated income statement in the periods in which they are payable, see note 6. Included within other payables at 31 December 2019 were pension contributions outstanding by the Company of £502,000 (2018: £238,000).

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 and are closed to future accrual.

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 2017.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 can cause additional funding to be required 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 in the Plan.

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 2017. 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 £1,800,000 in the year ending 31 December 2020.

Lotus Cars Limited

Notes to the financial statements
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18. Pension commitments (continued)

The valuation of the Plan under IAS 19 has been based on the actuarial valuation as at 31 December 2017, updated by the actuary from KPMG in order to assess the assets and liabilities of the Plan as at 31 December 2019.

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

	2019	2018
Rate of increase in salaries	**2.00%**	1.50%
Discount rate	**2.20%**	2.90%
Price Inflation (RPI)	**2.90%**	3.30%
Price inflation (CPI)	**2.00%**	2.00%

The assumptions used under the adopted mortality tables were as follows:

	2019	2018
Longevity at age 65 for current pensioners		
- Men	**86.5**	87.0
- *Women*	**88.4**	88.9
Longevity at age 65 for future pensioners currently aged 45		
- Men	**87.8**	88.4
- Women	**89.9**	90.4

Analysis of the amount charged to operating loss:	**12 month period ended 31 December 2019 £'000**	9 month period ended 31 December 2018 £'000
Current service cost	**1,457**	882
Plan expenses	**713**	542
Total operating charge	**2,170**	1,424

Analysis of the amount charged/(credited) to finance expense and similar charges:	**12 month period ended 31 December 2019 £'000**	9 month period ended 31 December 2018 £'000
Expected return on pension scheme assets	**(3,363)**	(2,351)
Interest on pension scheme liabilities	**3,438**	2,429
Net charge to finance expense and similar charges	**75**	78

Lotus Cars Limited

Notes to the financial statements
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18. Pension commitments (continued)

Analysis of amount recognised in the Consolidated statement of other comprehensive income:	**12 month period ended 31 December 2019 £'000**	9 month period ended 31 December 2018 £'000
Actual return less expected return on pension scheme assets	**14,318**	(2,556)
Experience losses arising on the scheme liabilities	**-**	(1,389)
Changes to demographic assumptions	**2,300**	-
Change to financial assumptions	**(18,473)**	4,183
Actuarial (loss)/ gain recognised in the Consolidated **statement of other comprehensive income**	**(1,855)**	238

The following amounts were measured in accordance with the requirements of IAS 19 "Retirement Benefits":

	2019 £'000	2018 £'000
Total fair value of scheme assets	**132,398**	116,047
Present value of scheme liabilities	**(137,125)**	(120,077)
Net pension liability	**(4,727)**	(4,030)

Reconciliation of net pension liability:	**12 month period ended 31 December 2019 £'000**	9 month period ended 31 December 2018 £'000
Net pension liability brought forward	**4,030**	4,333
Current service cost	**1,457**	882
Net interest expense	**75**	78
Re-measurements	**1,855**	(238)
Plan expenses	**713**	542
Employer contributions	**(3,403)**	(1,567)
Net pension liability carried forward	**4,727**	4,030

18. Pension commitments (continued)

Reconciliation of present value of scheme liabilities:	12 month period ended 31 December 2019 £'000	9 month period ended 31 December 2018 £'000
At beginning of period	**120,077**	121,093
Current service cost	**1,457**	882
Interest cost	**3,438**	2,429
Employee contributions	**207**	391
Benefits paid	**(4,227)**	(1,924)
Changes to demographic assumptions	**(2,300)**	-
Change to financial assumptions	**18,473**	(4,183)
Experience losses arising on the scheme liabilities	**-**	1,389
At end of the period	**137,125**	120,077

Reconciliation of present value of scheme assets:	12 month period ended 31 December 2019 £'000	9 month period ended 31 December 2018 £'000
At beginning of period	**116,047**	116,760
Expected return on scheme assets	**3,363**	2,351
Benefits paid	**(4,227)**	(1,924)
Scheme expenses	**(713)**	(542)
Actual return less expected return on pension scheme assets	**14,318**	(2,556)
Employer contributions	**3,403**	1,567
Employee contributions	**207**	391
At end of the period	**132,398**	116,047

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18. Pension commitments (continued)

The table below shows the investment allocation of pension assets against the related liabilities of the pension schemes:

	2019 **£'000**	2018 £'000
Liability driven investment	**21,465**	-
Equities	**45,735**	60,856
Bonds	**-**	12,072
Managed funds	**38,402**	40,743
Cash	**26,796**	2,376
Total fair value of scheme assets	**132,398**	116,047

The sensitivities regarding the principal assumptions assessed in isolation that have been used to measure the scheme liabilities are set out below:

	2019 **£'000**	2018 £'000
Discount rate		
Plus 0.25% (2018: 0.50%)	**(6,600)**	(10,100)
Minus 0.25% (2018: 0.50%)	**6,900**	11,500
Inflation rate		
Plus 0.25% (2018: 0.50%)	**6,200**	10,200
Minus 0.25% (2018: 0.50%)	**(6,000)**	(9,000)
Salary increase		
Plus 0.25%(2018: 0.50%)	**700**	800
Minus 0.25% (2018: 0.50%)	**(700)**	(800)
Life expectancy		
Plus 1.0 years	**(700)**	(3,300)
Minus 1.0 years	**4,200**	3,200

19. Called up share capital and reserves

	Allotted, called up and fully paid			
	31 December 2019		31 December 2018	
	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

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 relating to a loan with Proton Holdings Berhad waived in prior years.
- On 30 December 2019 loans owed to Geely International (Hong Kong) Limited totalling £71,000,000 were waived resulting in a further capital contribution and increase to non-distributable reserves.
- The revaluation reserve of £2,579,000 (2018: £2,858,000) 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 representing 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.

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20. Contingent liabilities, guarantees and other financial commitments

(a) Capital commitments

As at 31 December 2019, the Company was committed to the following future capital expenditure:

	31 Dec 2019 £'000	31 Dec 2018 £'000
Contracted but not provided for	**22,173**	1,376

(b) Obligation under operating leases – Company as a lessee

The Company has entered into commercial leases on certain properties and other assets. These leases have an average life between one to ten years, with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases (under IAS 17) are as follows:

	31 Dec 2019 Land and Buildings £'000	**31 Dec 2019 Other £'000**	31 Dec 2018 Land and Buildings £'000	31 Dec 2018 Other £'000
Within one year	-	-	587	229
Between two and five years	-	-	442	327
After five years	-	-	-	-
	-	-	1,029	556

(c) Financial guarantees

The Company had the following guarantees in place at 31 December 2019:

	31 Dec 2019 £'000	31 Dec 2018 £'000
HM Customs and Excise duty bond (Perpetual guarantee)	**500**	-
International Standby Letter of Credit (Maturity within one year)	**1,357**	-
	1,857	-

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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.

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 not publicly* available.

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

The Company has taken advantage of the exemptions permitted under FRS 101 (Paragraph 8(k)) not to disclose transactions with other members of the group, as the Company is a wholly owned subsidiary of Lotus Group International Limited.

22. Post balance sheet events

Material funding
Post year end, the Company received material loan funding of £30.4m from Geely International (Hong Kong) Limited, the Company's intermediate parent undertaking, to support the continued growth of the Group in accordance with the business plan.

COVID-19
The outbreak of the global Covid-19 pandemic is considered to be a non-adjusting post balance sheet event. The Board have considered, and continue to do so, the impact of the virus on the business and have included details in Strategic Report and Directors' Report. It is too early for the Board to quantify the potential financial impact on the Company.

The Board has closely monitored the situation and taken mitigating actions by following a Protect and Preserve strategy, including a temporary shutdown of UK facilities from 24 March – 11 May 2020, with office-based staff enabled to work from home wherever possible. The Board have remained in continuous communication with all major stakeholders, including staff and suppliers, ensuring all possible precautions have been taken with regards to employee safety and welfare.