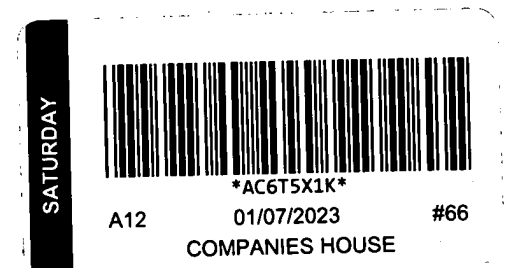


LOTUS CARS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



LOTUS CARS LIMITED

COMPANY INFORMATION

Directors	Feng, Qingfeng Li, Donghui
Company secretary	Matthew Nice
Registered number	00895081
Registered office	Potash Lane Hethel Norwich Norfolk NR14 8EZ
Independent auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

LOTUS CARS LIMITED

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LOTUS CARS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors of Lotus Cars Limited ("the Company", "Lotus") present their Strategic report for the year ended 31 December 2022.

Principal activities

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

Business review

The year started on a high for Lotus, with the business posting record retail sales for 2021. The annual total for 2021 rose 24% year-on-year in the best performance for a decade, with many global markets breaking their previous record figures.

March saw the launch of the all-new Lotus Eletre and was one of the undoubted highlights of the year. The five-door SUV is the first of three confirmed all-new electric vehicles (EVs) from Lotus Technology Inc., and the global debut in London was watched by consumers, media, retail partners and other stakeholders around the world. Further news on the car's technical innovations, dynamic performance, specification and pricing in key sales markets was announced in October. By the end of 2022 thousands of customers has placed deposits in anticipation of first deliveries in spring 2023.

The Hethel factory and test track was the venue for another new car debut from Lotus, with the launch of the Evija Fittipaldi in October. An ultra-exclusive version of the pure electric hypercar, it celebrates one of the most iconic car-and-driver pairings ever to grace Formula 1 racing. The car is the flagship programme from Lotus Advanced Performance, an all-new bespoke and experiential division of the business which started in February 2022.

Following a delay caused by global supply chain issues, customer deliveries of the Lotus Emira began in summer 2022 with Evija set to commence in the first half of 2023. The process was supported by the March launch of the innovative Lotus Drive e-commerce platform, which allows customers to configure a car, choose a payment method, value a part-exchange and place an order directly with Lotus. The customer-focused ethos on Emira continued with the start of a Factory Collection programme in October, and the following month it was named 'Sports Car of the Year' at the prestigious News UK Motor Awards.

Goodwood Festival of Speed was another significant high point in 2022, and marked the first time that all three new Lotus models – the Eletre, Evija and Emira – were physically together at a customer event. They were joined on the Lotus stand by the Emira GT4 race car, which made its world debut on the Hethel test track in May.

Corporate highlights during 2022 included the official opening of the all-new Emira assembly hall and associated offices at Hethel. It has been named the Chapman Production Centre in honour of the founder of Lotus, Colin Chapman. In June Lotus published Driving Change, a comprehensive new Environmental, Social and Governance (ESG) Charter. Its core commitments pave the way for Lotus' future success as a responsible global business, and highlight how Lotus will become the first established sports car maker in the world to have a fully electric product range.

Additionally, the global Lotus retail network continued to expand, with new and updated showrooms opening in markets across Europe, North America, China and the UK. Lotus also revealed it was planning an all-new flagship global brand store and digital showroom in the heart of London's upmarket Mayfair district, with others to follow around the world. After renovation work is complete, it will welcome its first customers during summer 2023.

Lotus closed the year by revealing the branding for its 75th anniversary, which takes place during 2023. On 31st January 2023 a Master Distribution Agreement was signed whereby a subsidiary of Lotus Tech was appointed the global distributor for Lotus UK.

LOTUS CARS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Financial key performance indicators

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

	2022 £'000	2021 £'000	Commentary
Sales Revenue	56,337	80,855	2022 was a challenging year for vehicle sales with the run out of Evora program and the launch of the new production factory and new model, with production further challenged by supply chain difficulties faced by the automotive sector.
Units sold	576	1,566	Number of vehicles sold in 2022 was limited in the second half of the year with the production challenges faced.
Units produced	867	1,402	2021 was the final year of production for the Evora, Elise and Exige with Emira production commencing from quarter two of 2022.
Profitability	-69,457	-37,919	<p>The non-statutory profit measure of normalised EBITDA is considered to be the key performance measurement.</p> <p>2022 was a year of transformation with the launch of the Emira, Evija and Eletre and the launch of the new production facility. With any new model launch there are always production challenges which were enhanced with the supply chain issues faced by the automotive industry. The second half of the year the business performance stabilised as the challenges of supply chain and new model production started to settle.</p> <p>Included within administrative costs is £28.1m impairment charge (2021: £15.4m) to intangible assets (see note 14).</p> <p>See note 9 for further details on EBITDA calculation and movement in the year.</p>
Net Assets	-91,797	58,699	<p>Assets have increased in the 2022 year with continued investment in the development of Emira, Evija and future EV vehicles.</p> <p>The above improvements have been funded by group borrowings of £54m, both third-party borrowings of £138m and an increase in Shareholder loans of £91m.</p> <p>As at 31 December 2022, the Company had net current liabilities of £575m and net liabilities of £92m. This includes £439m of funding provided by Lotus Advance Technology's (the Company's parent) shareholders, who have confirmed that they do not intend to recall intercompany balances from the Company except where funds permit repayment and to do so would not adversely affect the ability of the Company to meet its liabilities as and when they fall due.</p> <p>This is considered further within the going concern analysis within note 1.1.</p>

LOTUS CARS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 reported at monthly management meetings. The key business risks affecting the performance of the Company and the mitigation of those risks are as follows:

- **Supply chain** – Key suppliers' ability to deliver to the agreed timetable, at the right price and quality, including global shortages for specific parts such as computer chips, as well as supply chain disruptions and inflationary pressures. This is mitigated by multi-sourcing where possible, continuous monitoring of supplier performance, careful supplier selection based on quality and capability, and regular reviews of strategic sourcing plans to achieve a competitive 'total landed cost'.
- **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 1.1 of the financial statements.
- **Project delivery** – New car projects require specific onsite production facilities and systems particularly as the Group starts to move towards producing electric vehicles. 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. Lotus Cars Limited is an ISO90001:2008 accredited organisation with regular third-party assessments underpinning the business operations valid until 22 August 2024.
- **Foreign exchange** – The Company receives revenue across several major currencies, not only in Sterling, its presentational currency. In addition, the business sources supplies from all over the world in a variety of currencies. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Chinese 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 impacts including that of Covid-19** – As part of its risk register, the Board reviews the macroeconomic environment as a whole, and where required takes mitigating actions. Specifically in relation to the ongoing threat of the supply chain, inflationary impact and the cost of living crisis, the Board continues to monitor taking mitigating actions by following a Protect and Preserve strategy. The Board have remained in continuous communication with all major stakeholders, including staff, suppliers and dealers. The Board also continues to monitor any implications of the Russia/Ukraine war both in respect of supply chain or sales. The Company does not currently have any suppliers within either territory and other than minor logistical impacts has been largely unaffected. Similarly in regards to sale of vehicles, neither territory is a key market at this time.

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)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 Group.

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 the Group's products and services are competitively priced, whilst reflecting the quality of the products and services. Inflationary pressures on inbound purchases of goods and services is a risk closely monitored by the Company, and is managed through close communication with the supply base and regularly reviewing sourcing strategy to contain any increases in a controlled manner. 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 Group has access to external third party funding and 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 Erika Automotive Sdn Bhd, the shareholders of the Group's immediate parent company, Lotus Advance Technologies Sdn. Bhd. The shareholders have confirmed that they will provide the necessary financial support to the Group (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 to continue trading and complete development activities for at least 12 months from the date of signing these 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 US Dollar, Chinese Yen and Euro. 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 2022 and the date of approval of these financial statements, the Company was not exposed to significant interest rate risk. The directors monitor this position during quarterly divisional reviews of risks 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) FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' statement of compliance with duty to promote the success of the Company

The directors of the Group, 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 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 between members of the Company.

Corporate Governance

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

How the Board considers stakeholders in decision making

During 2022 the Lotus Board continued to use the long-term Vision80 strategy and regular dialogue with its shareholders to provide the foundation for principal decision making. In addition to this the Board have regards to the interests of the Group's employees, suppliers, and other stakeholders, including its impact on the community, the environment and its Brand reputation, when making decisions.

Employees

Discussion forums with employees provide a regular opportunity for broad and varied dialogue, which is then further supported by engagement with the Lotus Staff Council. The combination of these ensuring that our employees remain informed, engaged with the business and its activities and are able to positively contribute in a way that feeds into Board decision making.

Suppliers

Lotus works to develop strong mutually beneficial relationships with its suppliers. Meetings at a working and executive level occur on a regular basis in order to continuously develop these relationships and understand the impact of any key strategic changes to the wider supply base.

LOTUS CARS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Directors' statement of compliance with duty to promote the success of the Company (contd)

Community and Environment

Lotus engages with national and local government agencies to actively understand community input and the impact of strategic decisions on the communities in which it operates. In addition, the Board considers the environmental impact at a local and global level of its business operations and has already taken a number of steps to work to limit this both in the short and medium term.

This report was approved by the board on 2023年6月28日

and signed on its behalf.

DocuSigned by:

0A8E475F31F0412_
Feng, Qingfeng
Director

LOTUS CARS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their annual report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £145,072 thousand (2021 - loss £86,609 thousand).

The directors do not recommend payment of a dividend for the year ended 31 December 2022 and the loss for the year has been transferred to reserves.

Directors

The directors who served during the year were:

Feng, Qingfeng
Li, Donghui

LOTUS CARS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

Going concern

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

The Company made a loss for the year ended 31 December 2022 of £145.1m (2021: £86.6m). As at 31 December 2022, the Company had shareholders' liabilities of £91.8m and net current liabilities of £575.1m. Included in the net current liabilities is £348m of funding provided by the shareholders of the Company's intermediate holding company, Lotus Advance Technologies Sdn Bhd, who have confirmed that they do not intend to recall intercompany balances from the Company or its individual subsidiaries except where funds permit repayment and to do so would not adversely affect the ability of the Company and its subsidiaries individually to meet its liabilities as and when they fall due.

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. They have also considered the principal risks and uncertainties set out in the Strategic Report.

The shareholders of the Company's intermediate holding company, Lotus Advance Technologies Sdn Bhd, Geely International (Hong Kong) Limited, to the extent of its 51% holding, and in conjunction with Etika Automotive Sdn Bhd who owns 49%, have confirmed that they will provide the necessary financial support to the Lotus Group International Group, so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements to enable them to continue to trade and complete development projects. This continued support is evidenced by the additional funding received in the post balance sheet period (see note 27).

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) FOR THE YEAR ENDED 31 DECEMBER 2022

Streamlined Energy and Carbon Reporting

As Lotus transforms, we recognise our responsibility to do so in ways that leads our industry in minimising its impact on the environment and benefiting society and the planet as a whole.

A core strategic project focuses on ESG (Environmental, Social, and Governance). As part of this journey, Lotus is investing in Solar Array technologies. We are also in the process of submitting SBTi (Science Based Targets initiative) targets, developed in collaboration with Carbon Intelligence.

Lotus is committed to a net zero journey targeting all aspects of the business to ensure it is aligned to the 1.5 °C target.

Due to significant investment, our product range is also transitioning to fully electric ahead of the industry standard with our second electric vehicle already released – the Eletre.

We are at the most exciting period in the history of Lotus, not just for our technology and our cars, but in terms of our global impact too.

Please visit our website <https://www.lotuscars.com/en-GB/drivingchange/> for further information on “Driving Change” – the corporate social responsibility programme for Lotus.

In line with the UK Government's Streamlined Energy & Carbon Reporting (SECR) framework, the table below shows Lotus' UK operational energy and carbon footprint for the calendar year 2022 compared with 2021. The CO₂e is calculated with a location-based approach using UK average grid intensity conversion factors. 2022 saw lower than usual production due to the phase out of previous models and the launch of new models.

	2022	2021
Energy consumption used to calculate emissions: kWh	21,650,698	28,765,505
Emissions from combustion of gas: tCO ₂ e (Scope 1)	1,694	2,787
Emissions from combustion of fuel, including transport (Scope 1) and engine testing: tCO ₂ e	326	542
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3): tCO ₂ e	433	223
Emissions from purchased electricity (Scope 2, location-based): tCO ₂ e	1,793	2,212
Total gross tCO ₂ e based on above	4,246	5,764
Intensity ratio: tCO ₂ e/£m	72	61

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

2021 SECR report - Adjusted from last year's figures due to additional Petrol source identified post completion.

Disclosure of information to auditor

The directors at the time when this Directors' Report is approved confirm that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

LOTUS CARS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

Matters covered in Strategic report

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

Post year end events

Post year end, the Group received material loan funding of £29m from the shareholders of the parent Company's immediate holding company and £49m from an external third party to support the continued growth of the Group in accordance with the business plan.

On 31st January 2023 a Master Distribution Agreement was signed whereby a subsidiary of Lotus Tech was appointed the global distributor for Lotus UK.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 2023年6月28日

and signed on its behalf.

DocuSigned by:

DABE475F31F0412...
Feng, Qingfeng
Director

LOTUS CARS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOTUS CARS LIMITED

Opinion

We have audited the financial statements of Lotus Cars Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of Profit or Loss, Statement of Other 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 2022 and of the company's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

LOTUS CARS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOTUS CARS LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

LOTUS CARS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOTUS CARS LIMITED

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and we further enquired of management and in-house legal counsel whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- Laws and regulations identified as being of significance in the context of the entity are Companies Act and Vehicle Regulations namely emissions law, fuel efficiency requirements and safety and security of the vehicles.
- We communicated relevant laws and regulations to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity including the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interpret those rules, the applicable statutory provisions.
- It is the engagement partner's assessment that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - Journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet;
 - Potential management bias in determining accounting estimates, especially in relation to the calculation of impairment on intangible assets; and
 - Transactions with related parties.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - The entity's operations, including the nature of its revenue sources, products and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - The applicable statutory provisions; and
 - The entity's control environment, including the policies and procedures implemented to comply with the requirements of its regulations in place.

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

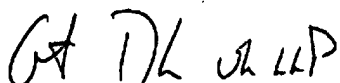
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

LOTUS CARS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOTUS CARS LIMITED

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.



Paul Naylor (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 28 June 2023

LOTUS CARS LIMITED

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Revenue	7	56,337	80,855
Cost of sales		(79,424)	(76,882)
Gross (loss)/profit		<u>(23,087)</u>	<u>3,973</u>
Other operating income	8	778	388
Administrative expenses		(99,396)	(72,585)
Loss from operations		<u>(121,705)</u>	<u>(68,224)</u>
Finance income	11	14	-
Finance expense	11	(23,381)	(18,398)
Loss before tax		<u>(145,072)</u>	<u>(86,622)</u>
Tax (expense)/credit	12	-	13
Loss for the year		<u><u>(145,072)</u></u>	<u><u>(86,609)</u></u>

The notes on pages 23 to 63 form part of these financial statements.

LOTUS CARS LIMITED

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022	<i>2021</i>
		£000	<i>£000</i>
Loss for the year		(145,072)	<i>(86,609)</i>
Remeasurements of defined benefit pension schemes	23	(5,423)	<i>16,600</i>
		<u>(5,423)</u>	<u><i>16,600</i></u>
Other comprehensive (loss)/income for the year, net of tax		<u>(5,423)</u>	<u><i>16,600</i></u>
Total comprehensive loss		<u>(150,495)</u>	<u><i>(70,009)</i></u>

The notes on pages 23 to 63 form part of these financial statements.

LOTUS CARS LIMITED
REGISTERED NUMBER: 00895081

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		2022	<i>As restated</i>
	Note	£000	2021 £000
Assets			
Non-current assets			
Property, plant and equipment	13	155,454	98,941
Intangible assets	14	347,850	301,119
		<u>503,304</u>	<u>400,060</u>
Current assets			
Inventories	16	87,841	19,224
Trade and other receivables	17	91,032	81,722
Cash and cash equivalents		19,559	33,743
		<u>198,432</u>	<u>134,689</u>
Total assets		<u>701,736</u>	<u>534,749</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	19	12,502	4,550
Employee benefit liabilities	23	5,835	1,771
Provisions	20	1,670	2,316
		<u>20,007</u>	<u>8,637</u>
Current liabilities			
Trade and other liabilities	18	632,329	433,009
Loans and borrowings	19	137,981	29,436
Provisions	20	3,216	4,968
		<u>773,526</u>	<u>467,413</u>
Total liabilities		<u>793,533</u>	<u>476,050</u>
Net (liabilities)/assets		<u>(91,797)</u>	<u>58,699</u>

LOTUS CARS LIMITED
REGISTERED NUMBER: 00895081

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 £000	<i>As restated</i> 2021 £000
Issued capital and reserves			
Share capital	21	448,816	448,816
Share premium reserve	22	215,196	215,196
Other reserves	22	138,717	138,996
Profit and loss account	22	(894,526)	(744,309)
TOTAL EQUITY		(91,797)	58,699

The financial statements on pages 17 to 63 were approved and authorised for issue by the board of directors on 2023年6月28日 and were signed on its behalf by:

DocuSigned by:

 0A8E475F31F0412...
Feng, Qingfeng
 Director

The notes on pages 23 to 63 form part of these financial statements.

LOTUS CARS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2022	448,816	215,196	138,996	(744,310)	58,698
Comprehensive income for the year					
Loss for the year	-	-	-	(145,072)	(145,072)
Other comprehensive income	-	-	-	(5,423)	(5,423)
Total comprehensive income for the year	-	-	-	(150,495)	(150,495)
Depreciation release for revalued assets	-	-	(279)	279	-
Total contributions by and distributions to owners	-	-	(279)	279	-
At 31 December 2022	448,816	215,196	138,717	(894,526)	(91,797)

The notes on pages 23 to 63 form part of these financial statements.

LOTUS CARS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 January 2021	368,816	215,196	139,275	(674,580)	48,707
Comprehensive income for the year					
Loss for the year	-	-	-	(86,609)	(86,609)
Other comprehensive income	-	-	-	16,600	16,600
Total comprehensive income for the year	-	-	-	(70,009)	(70,009)
Issue of share capital	80,000	-	-	-	80,000
Depreciation release for revalued assets	-	-	(279)	279	-
Total contributions by and distributions to owners	80,000	-	(279)	279	80,000
At 31 December 2021	448,816	215,196	138,996	(744,310)	58,698

The notes on pages 23 to 63 form part of these financial statements.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies

1.1 Going concern

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

The Company made a loss for the year ended 31 December 2022 of £145.1m (2021: £86.6m). As at 31 December 2022, the Company had shareholders' liabilities of £91.8m and net current liabilities of £575.1m. Included in the net current liabilities is £348m of funding provided by the shareholders of the Company's intermediate holding company, Lotus Advance Technologies Sdn Bhd, who have confirmed that they do not intend to recall intercompany balances from the Company or its individual subsidiaries except where funds permit repayment and to do so would not adversely affect the ability of the Company and its subsidiaries individually to meet its liabilities as and when they fall due.

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. They have also considered the principal risks and uncertainties set out in the Strategic Report.

The shareholders of the Company's intermediate holding company, Lotus Advance Technologies Sdn Bhd, Geely International (Hong Kong) Limited, to the extent of its 51% holding, and in conjunction with Etika Automotive Sdn Bhd who owns 49%, have confirmed that they will provide the necessary financial support to the Lotus Group International Group, so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements to enable them to continue to trade and complete development projects. This continued support is evidenced by the £29m of additional funding received in the post balance sheet period.

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

1.2 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

The Company has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices of these contracts for the time value of money.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.2 Revenue (continued)

(i) Sale of vehicles and parts and manufacture of car components

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

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 Group 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.

(ii) Engineering consultancy

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(iii) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.3 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

The lease liability is included in the 'Loans and borrowings' line in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Property, Plant and Equipment' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 1.10.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)**1.4 Foreign currency**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these financial statements, the assets and liabilities of the Company's foreign operations are translated into pounds using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.6 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Grants relating to assets are included in non-current assets shown net 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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)**1.7 Employee benefits****(i) Retirement benefits and cost termination benefits**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss in the line item employees benefit expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(ii) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.7 Employee benefits (continued)

(iii) Contributions from employees to third parties to defined benefit plans

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost by attributing contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

1.8 Taxation

Tax is recognised in the Income Statement except that a charge attributable to an item of income and expense recognised as Other Comprehensive Income or to an item recognised directly in equity is also recognised in Other Comprehensive Income or directly in equity respectively.

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Profit and Loss Account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

I. Accounting policies (continued)**1.8 Taxation (continued)****(ii) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

1.9 Alternative Performance Measures

The Company uses normalised EBITDA as a non-statutory profit measure. Management consider non-normal profit and loss items to be income or costs which do not reflect the business's core trading performance (see note 2 for core business activities), such as non-recurring income, relocation or redundancy costs.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)**1.10 Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Freehold property	40	years straight line
Plant and machinery	2 - 10	years straight line
Fixtures and fittings	2 - 10	years straight line
Right of use assets	1 - 10	Lease term (1 to 10 years)
Vehicle Tooling	5 - 7	period which the products are expected to be sold, typically 5 to 7 years

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

Property, plant and equipment is classified as held for sale only if it is available for sale in its current condition, management is committed to the sale and a sale is highly probable and expected to be completed within one year from the date of classification. Property, plant and equipment classified as held for sale is measured at the lower of carrying amount and fair value less costs of disposal and is no longer depreciated or amortised.

1.11 Intangible assets**(i) Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less 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.

Development expenditure		straight line basis over the period of expected future production from the related projects or based on units expected to be produced
Assets in the course of construction		amortisation begins with effect from the date the assets begin to generate economic benefit
Computer software	3	years straight line

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)**1.11 Intangible assets (continued)****(ii) Internally-generated intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

1.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.14 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets under construction are assessed for impairment annually. An impairment loss is recognised in the income statement 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.

1.15 Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

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

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

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

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. Accounting policies (continued)

1.15 Financial instruments (continued)

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

1.16 Defined benefit schemes

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities; plus
- unrecognised past service costs; less
- the effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- actuarial gains and losses
- return on plan assets (interest exclusive)
- any asset ceiling effects (interest exclusive)

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

2. Reporting entity

Lotus Cars Limited (the 'Company') is a limited company incorporated in England & Wales. The Company's registered office is at Potash Lane, Hethel, Norwich, Norfolk, NR14 8EZ. The Company's principal activity is the manufacture and sale of high-performance motor cars and the provision of engineering consultancy services.

LOTUS CARS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3. 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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

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';
- 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.

4. Functional and presentation currency

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Accounting estimates and judgments

5.1 Judgment

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

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

Revenue recognition

Determination of satisfaction of performance obligations and transaction price in relation to revenue and incentivisation.

Lease assets

Inclusion of lease extensions and terminations for right-of-use lease assets, and determination of the appropriate rate to discount lease payments.

Deferred tax asset recognition

Management have determined not to recognise a deferred tax asset, upon consideration of recoverability against future sources of taxable income.

Capitalisation of intangible assets

Judgement is applied in determining the point of capitalisation and commencement of amortisation/ depreciation for all assets, including at what point development costs for new vehicle models meet the recognition criteria under IAS 38. Judgement is also used to assess the best available information at the time. In the case of the vehicle development intangibles capitalised this information is taken from the business plan as approved by the Board.

5.2 Estimates and assumptions

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

Warranty provisions

All vehicles sold have a warranty period of up to 36 months. A provision is estimated based on current volumes of products sold, on historic and forecast future quality rates and estimates of costs to remedy.

Defined benefit pension obligation

The present value of the pension obligation is determined using actuarial valuations, using a number of assumptions, including the discount rate, mortality and inflation estimates (see note 23). All vehicles sold have a warranty period of up to 36 months.

Useful economic lives of tangible assets

The useful economic lives and residual values are re-assessed annually, to reflect technological advancement, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment and note 1.10 for the useful economic lives for each class of assets.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Accounting estimates and judgments (continued)

5.2 Estimates and assumptions (continued)

Useful economic life of development costs

The useful economic life of capitalised development costs is the period of expected future production from the related project. Useful economic lives and residual values are re-assessed annually, to reflect the sales life of projects, including the sale of parts. Amortisation of capitalised development costs begins when the asset is available for use, therefore management also make an estimate over the point at which this amortisation commences. See note 14 for the carrying amount of intangible assets and note 1.11 for the useful economic lives of each class.

Impairment of development costs

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is calculated using estimated future performance and pre-tax discount rate.

Inventory provisioning

Management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 16 for the net carrying amount of the inventory and associated provision.

6. Prior Period Adjustment

A right-of-use lease was identified in 2022 for which the lease period commenced in 2021 as such a prior period adjustment has been made to correct the error and recognise the asset and lease liability of £4,010k, with no impact to Income statement nor taxation charge.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

	2022	2021
	£000	£000
Sale of cars and parts	41,830	75,231
Manufacturing of car components	1,799	1,528
Engineering consultancy	12,708	4,096
	<u>56,337</u>	<u>80,855</u>

Analysis of revenue by country of destination:

	2022	2021
	£000	£000
United Kingdom	29,020	11,109
Rest of Europe	14,871	20,991
Rest of world	12,446	22,131
USA	-	26,624
	<u>56,337</u>	<u>80,855</u>

8. Other operating income

	2022	2021
	£000	£000
Other operating income	-	224
Government grants receivable	778	164
	<u>778</u>	<u>388</u>

Grant income recognised in the year represents wage subsidies paid through the UK Government job retention scheme along with release of grants relating to assets in line with the amortisation of those assets. There are no unfulfilled conditions outstanding and the grant has been recognised in full.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

9. Company operating (loss)/profit

	2022	2021
	£000	£000
Research and development expenditure	38,828	20,614
Foreign exchange (gain)/loss	(1,163)	195
Cost of inventories recognised as an expense	55,490	53,450
Expenditure related grant income	-	(164)
Auditor's remuneration – audit of these financial statements	265	247
	=====	=====

Research and development activities in the year totalled £136,087,000 of which £38,828,000 being research, amortisation and impairment costs and expensed above, and £97,259,000 being development and capitalised in accordance with IAS38.

Normalised EBITDA

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

	2022	2021
	£000	£000
Operating loss	(121,705)	(68,199)
Depreciation expense	12,327	7,300
(Profit)/loss on disposal of property, plant and equipment	(125)	50
Amortisation expense	11,982	4,929
Impairment of intangible assets	28,064	15,400
Site relocation	-	2,601
Normalised EBITDA	=====	=====
	(69,457)	(37,919)

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

10. Employee benefit expenses

	2022	<i>2021</i>
	£000	<i>£000</i>
Employee benefit expenses (including directors) comprise:		
Wages and salaries	71,348	<i>50,777</i>
National insurance	7,213	<i>5,207</i>
Defined benefit scheme cost	1,797	<i>1,854</i>
Defined contribution pension cost	995	<i>3,324</i>
	81,353	<i>61,162</i>

The monthly average number of persons, including the directors, employed by the Company during the year was as follows:

	2022	<i>2021</i>
	No.	<i>No.</i>
Management and administration	1,145	<i>813</i>
Production and sales	445	<i>572</i>
	1,590	<i>1,385</i>

Directors' remuneration

Directors emoluments of £Nil (2021: £Nil) are for non-executive services to the Company. None of the directors (2021: none) had share options or retirement benefits accruing under either defined benefit or defined contribution pension schemes. None of the directors received any remuneration for their qualifying services to the Company during the year (2021: £Nil).

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Finance income and expense

Recognised in profit or loss

	2022	2021
	£000	£000
Finance income		
Interest on:		
- Bank deposits	14	-
	<hr/>	<hr/>
Finance expense		
Bank interest payable	6,217	257
Interest on shareholder loans	16,799	17,824
Charge in respect of the defined benefit pension scheme	5	243
Interest on leases	360	74
	<hr/>	<hr/>
Total finance expense	23,381	18,398
	<hr/>	<hr/>
Net finance expense recognised in profit or loss	(23,367)	(18,398)
	<hr/> <hr/>	<hr/> <hr/>

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Tax expense/(credit)**12.1 Income tax recognised in profit or loss**

	2022	2021
	£000	£000
Current tax		
Current tax on loss for the year	-	(13)
Total Current tax	<u>-</u>	<u>(13)</u>
Total tax expense/(credit)		
Overseas tax – current year credit	-	(13)
	<u>-</u>	<u>(13)</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2022	2021
	£000	£000
Loss for the year	(145,072)	(86,608)
Income tax credit/expense (including income tax on associate, joint venture and discontinued operations)	-	(13)
Loss before income taxes	<u>(145,072)</u>	<u>(86,621)</u>
Tax using the Company's domestic tax rate of 19% (2021: 19%)	(27,564)	(16,458)
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	(2,695)	(2,807)
Depreciation (less than)/ in excess of, capital allowances	2,085	(717)
Group relief surrendered for nil consideration	157	19,982
Unrelieved tax losses carried forward	28,017	-
Withholding tax (recovered)	-	(13)
Total tax expense	<u>-</u>	<u>(13)</u>

Changes in tax rates and factors affecting the future tax charges

As a result of the Finance Bill 2021 the standard rate of corporation tax in the UK will increase from 19% to 25% for the financial year beginning 1 April 2023. This was substantially enacted on 24 May 2021 accordingly recognised and unrecognised deferred tax assets and liabilities are stated at 25%.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Tax expense/(credit) (continued)**12.2 Deferred tax balances**

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

	2022	<i>2021</i>
	£000	<i>£000</i>
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
- tax losses	231,138	152,523
- unused tax on pension liability	1,459	443
- deductible temporary differences	(7,526)	5,939
- other	324	28
	<u>225,395</u>	<u>158,933</u>

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Property, plant and equipment

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Right of use assets £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 January 2021 (as previously stated)	42,204	25,572	40,318	6,322	44,107	158,523
Prior year adjustment	-	-	-	4,010	-	4,010
At 1 January 2021 (as restated)	42,204	25,572	40,318	10,332	44,107	162,533
Additions	440	1,465	926	-	20,713	23,544
Disposals	-	-	-	(2,146)	-	(2,146)
Transfers between classes	13,897	(387)	1,496	-	(15,006)	-
At 31 December 2021 (as restated)	56,541	26,650	42,740	8,186	49,814	183,931
Additions	471	2,543	17,965	9,207	12,718	42,904
Disposals	-	(45)	(132)	(565)	(108)	(850)
Transfer from intangible assets	-	-	26,031	-	-	26,031
Transfers between classes	6,310	10,735	28,067	-	(45,112)	-
At 31 December 2022	63,322	39,883	114,671	16,828	17,312	252,016

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Property, plant and equipment (continued)

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Right of use assets £000	Assets under construction £000	Total £000
Accumulated depreciation and impairment						
At 1 January 2021	19,634	22,560	34,152	1,957	-	78,303
Charge owned for the year	1,428	751	3,763	-	-	5,942
Charged financed for the year	-	-	-	1,358	-	1,358
Disposals	-	-	-	(613)	-	(613)
At 31 December 2021	21,062	23,311	37,915	2,702	-	84,990
Charge owned for the year	1,795	1,856	6,937	-	-	10,588
Charged financed for the year	-	-	-	1,681	-	1,681
Disposals	-	(4)	(128)	(565)	-	(697)
At 31 December 2022	22,857	25,163	44,724	3,818	-	96,562
Net book value						
At 31 December 2021 (as restated)	35,479	3,339	4,825	5,484	49,814	98,941
At 31 December 2022	40,465	14,720	69,947	13,010	17,312	155,454

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

Included in freehold land and buildings is land with a cost of £982,000 (2021: £982,000) which is not depreciated.

At 31 December 2022, the Company's property carrying values were reviewed for impairment by reference to the recoverable amount based on fair value less costs of disposal (level 3 of the fair value hierarchy). The fair value was determined based on the most recent valuation as at 2 February 2023 conducted by an independent third party which refers to the comparable market selling price of the land and the replacement costs of the building and other properties. No impairment loss was recognised as the fair value less costs of disposal of property is higher than the carrying amount.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Property, plant and equipment (continued)

13.1. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Statement of Financial Position is as follows:

	31 December 2022	<i>31 December 2021 as restated</i>
	£000	£000
Property, plant and equipment owned	142,444	93,457
Right-of-use assets, excluding investment property	13,010	5,484
	<u>155,454</u>	<u>98,941</u>

Information about right-of-use assets is summarised below:

Net book value

	31 December 2022	<i>31 December 2021 as restated</i>
	£000	£000
Property	12,702	5,052
Plant and machinery	266	413
Motor vehicles	42	19
	<u>13,010</u>	<u>5,484</u>

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Property, plant and equipment (continued)**13.1 Assets held under leases (continued)****Depreciation charge for the year ended**

	31 December 2022 £000	<i>31 December 2021 £000</i>
Property	1,517	1,132
Plant and machinery	139	197
Motor vehicles	25	29
	<u>1,681</u>	<u>1,358</u>

The Company is party to property leases with terms of 5-10 years, in addition to plant, machinery and vehicle leases of between 1 to 10 years.

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

The weighted average of the incremental borrowing rate applied to the lease liabilities recognised in the Statement of Financial Position for the year ended 31 December 2022 was 3% (2021: 3%).

14. Intangible assets

	Computer software £000	Trademarks £000	Development expenditure £000	Assets under construction £000	Total £000
Cost					
At 1 January 2021	2,295	840	149,614	199,914	352,663
Additions	-	-	116,029	4,654	120,683
At 31 December 2021	<u>2,295</u>	<u>840</u>	<u>265,643</u>	<u>204,568</u>	<u>473,346</u>
Additions	2,588	-	65,649	44,648	112,885
Disposals	(98)	-	(229)	(31)	(358)
Transferred to property, plant and equipment	-	-	(26,031)	-	(26,031)
Transfers between classes	10,085	-	94,455	(104,540)	-
At 31 December 2022	<u>14,870</u>	<u>840</u>	<u>399,487</u>	<u>144,645</u>	<u>559,842</u>

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Intangible assets (continued)

	Computer software £000	Trademarks £000	Development expenditure £000	Assets under construction £000	Total £000
Accumulated amortisation and impairment					
At 1 January 2021	2,295	840	130,498	18,265	151,898
Charge for the year - owned	-	-	4,929	-	4,929
Impairment charge	-	-	13,841	1,559	15,400
At 31 December 2021	2,295	840	149,268	19,824	172,227
Charge for the year - owned	1,767	-	10,613	(398)	11,982
Disposals	(92)	-	(189)	-	(281)
Revaluation	-	-	28	(28)	-
Impairment charge	-	-	-	28,064	28,064
At 31 December 2022	3,970	840	159,720	47,462	211,992
Net book value					
At 1 January 2021	-	-	19,116	181,649	200,765
At 31 December 2021	-	-	116,375	184,744	301,119
At 31 December 2022	10,900	-	239,767	97,183	347,850

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Intangible assets (continued)

Assets in the course of construction relate to the development of vehicles which was started but not completed at the period end. Capitalised development costs will be amortised once the development is complete and available for its intended use. There were no contractual commitments for intangible assets under construction (2021: £Nil).

Impairment testing

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

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

In assessing the value in use, the estimated future cash flows relating to the forecast usage period of the asset or group of assets are discounted to their present value using pre-tax discount rate. This rate reflects current market assessments of time value of money and risks. The pre-tax discount rate was 8.1% (2021: 10%), which was the directors' estimate of the return on capital appropriate to the income generating unit.

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

In 2022 following impairment reviews a sum of £28.1m (2021: £15.4m) was written off development and other intangible projects, due to the impact of the supply challenges faced in the year. The total recoverable amount of production CGUs was £358,118k.

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

- Increases in pre-tax discount rate to 9%
- Slower than expected sales of new vehicles
- 50% reduction in engineering income over the 10 year period
- Significant increase in overhead costs (i.e. greater than 20%)

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Subsidiaries

All subsidiary entities of the Company are non-trading and therefore fully provided for as at 31 December 2022.

Details of the Company's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company (%)	
			2022	2021
1) Lotus Engineering Limited	Dormant company	England and Wales	100	100
2) Lotus Engineering Malaysia Sdn Bhd (indirect)	Dormant company	Malaysia	100	100
3) Lotus Lightweight Structures Limited	Dormant company	England and Wales	100	100

16. Inventories

	2022 £000	2021 £000
Raw materials	60,179	13,482
Work in progress	4,326	1,279
Finished goods and goods for resale	10,773	1,104
Service parts inventories	12,563	3,359
	<u>87,841</u>	<u>19,224</u>

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 £6,303k (2021: £3,935k).

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Trade and other receivables

	2022	<i>2021</i>
	£000	<i>£000</i>
Trade receivables	25,446	<i>12,254</i>
Less: provision for impairment of trade receivables	(3,103)	<i>(46)</i>
Trade receivables - net	22,343	<i>12,208</i>
Receivables from related parties	46,777	<i>41,022</i>
Total financial assets other than cash and cash equivalents classified as loans and receivables	69,120	<i>53,230</i>
Prepayments and accrued income	13,974	<i>13,838</i>
Other receivables	7,938	<i>14,654</i>
Total trade and other receivables	91,032	<i>81,722</i>

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

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Trade and other payables

	2022	2021
	£000	£000
Trade payables	40,101	35,796
Refund liabilities	18,300	12,331
Payables to related parties	68,007	1,196
Other payables	302	1,378
Accruals	60,665	30,084
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	187,375	80,785
Other payables - tax and social security payments	2,835	1,819
Payables to related parties (debt)	438,774	347,895
Deferred income	3,345	2,510
Total trade and other payables	632,329	433,009
Less: current portion - trade payables	(40,101)	(35,796)
Less: current portion - refund liabilities	(18,300)	(12,331)
Less: current portion - payables to related parties	(506,781)	(349,091)
Less: current portion - other payables	(3,137)	(3,197)
Less: current portion - accruals	(60,665)	(30,084)
Less: current portion - deferred income	(3,345)	(2,510)
Total current portion	(632,329)	(433,009)

Shareholder loans are unsecured, repayable on demand and subject to interest at 5% per annum.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. Loans and borrowings

	2022 £000	<i>As restated</i> 2021 £000
Non-current		
Lease liabilities	12,502	4,550
	<u>12,502</u>	<u>4,550</u>
Current		
Bank loans - secured	137,309	28,631
Lease liabilities	672	805
	<u>137,981</u>	<u>29,436</u>
Total loans and borrowings	<u><u>150,483</u></u>	<u><u>33,986</u></u>

Loans totalling £60,000,000 are secured by way of a legal mortgage and fixed and floating charges over the assets and undertaking of the business. These loans are interest bearing and repayable on demand.

A loan of £13,544,000 is secured by way of specific plant and machinery held under a hire purchase agreement where title has passed to the lender. The loan is interest bearing and repayable on demand with a 5 year maturity term.

A loan of £49,500,000 plus a bond facility of £500,000 are secured by way of a Standby Letter of Credit issued by Zhejiang Geely Holding Group, the loan is interest bearing and repayable on demand.

A floorplan facility for LCL is in place for UK Direct Sales, to the maximum value of £25,200,000, which is on the basis of a purchase-and-saleback agreement with CA Autobank, financing new Lotus vehicles between completion of production and payment receipt from customers. This floorplan has interest charged monthly, based on stock level up to the maximum ceiling, and is governed by the EU-wide Wholesale and Retail agreement with CA Autobank.

A parent company loan of £54,000,000 is secured by way of a Standby Letter of Credit issued by Zhejiang Geely Holding Group, the loan is interest bearing and repayable on demand to which the Company is a guarantor for.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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20. Provisions

	Warranty £000	Site relocation £000	Other £000	Total £000
At 1 January 2022	3,474	2,094	1,716	7,284
Charged to profit or loss	555	-	1,480	2,035
Utilised during the year	(1,524)	(2,094)	(815)	(4,433)
At 31 December 2022	2,505	-	2,381	4,886
Due within one year or less	835	-	2,381	3,216
Due after more than one year	1,670	-	-	1,670
	2,505	-	2,381	4,886

Warranty

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

Site relocation

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

Other

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

21. Share capital**Authorised**

	2022 Number	2022 £000	2021 Number	2021 £000
Shares treated as equity				
Ordinary shares of £1.00 each	446,642,062	446,642	446,642,062	446,642
Redeemable non-voting preference shares of £1.00 each	2,173,700	2,174	2,173,700	2,174
	448,815,762	448,816	448,815,762	448,816

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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21. Share capital (continued)**Issued and fully paid**

	2022 Number	2022 £000	<i>2021 Number</i>	<i>2021 £000</i>
Ordinary shares of £1.00 each				
At 1 January and 31 December	<u>446,642,062</u>	<u>446,642</u>	<u>446,642,062</u>	<u>446,642</u>
	2022 Number	2022 £000	<i>2021 Number</i>	<i>2021 £000</i>
Redeemable non-voting preference shares of £1.00 each				
At 1 January and 31 December	<u>2,173,700</u>	<u>2,174</u>	<u>2,173,700</u>	<u>2,174</u>

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.

22. Reserves

	Other reserves £000	Total other reserves £000
At 1 January 2021	139,275	139,275
Depreciation transfer for revalued assets	(279)	(279)
Total contributions by and distributions to owners	<u>(279)</u>	<u>(279)</u>
At 31 December 2021	<u>138,996</u>	<u>138,996</u>
At 1 January 2022	138,996	138,996
Depreciation transfer for revalued assets	(279)	(279)
Total contributions by and distributions to owners	<u>(279)</u>	<u>(279)</u>
At 31 December 2022	<u>138,717</u>	<u>138,717</u>

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. Reserves (continued)

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

Share premium

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

Other reserves

This includes a number of non-distributable reserves comprising:

- Capital contributions of £65,958,000 and £71,000,000 relating to loans waived in prior years with Proton Holdings Berhad and Geely International (Hong Kong) Limited respectively. During 2021 a further £80,000,000 relating to loans was waived with Geely International (Hong Kong) Limited and Etika Automotive Sdn. Bhd.
- The revaluation reserve of £1,743,000 (2021: £2,021,000) is a revaluation surplus over book value of freehold land and buildings.
- A capital redemption reserve of £17,000 arose from the purchase and cancellation of own share capital and represents the nominal amount of the share capital cancelled.

Retained earnings

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

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**NOTES TO THE FINANCIAL STATEMENTS
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23. Defined benefit schemes

The Company operates a defined contribution group personal pension scheme for eligible employees, the assets of which are held independently of the Company. Pension fund contributions are charged to the Income Statement in the periods in which they are payable, see note 10. Included within other payables at 31 December 2022 were pension contributions outstanding by the Company of £801,000 (2021: £859,000).

(i) Defined benefit scheme characteristics and funding

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

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

The Plan exposes the Company to a number of risks:

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

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

23. Defined benefit schemes (continued)**(ii) Reconciliation of defined benefit obligation and fair value of scheme assets**

All defined benefit schemes are exposed to materially the same risks and therefore the reconciliation below is presented in aggregate.

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme liability	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Balance at 1 January	159,180	169,005	(157,409)	(149,624)	1,771	19,381
Service cost - current	1,797	1,854	-	-	1,797	1,854
Scheme expenses	-	-	810	1,016	810	1,016
Interest cost	2,909	2,257	(2,904)	(2,014)	5	243
Included in profit or loss	163,886	173,116	(159,503)	(150,622)	2,612	3,113
Remeasurement, Actuarial from:						
- Demographic assumptions	(1,269)	(4,152)	-	-	(1,269)	(4,152)
- Financial assumptions	(63,334)	(4,289)	-	-	(63,334)	(4,289)
- Adjustments (expenses)	3,965	(2,199)	-	-	3,965	(2,199)
Return on plan assets (excluding interest)	-	-	66,061	(5,960)	66,061	(5,960)
Included in other comprehensive income	(60,638)	(10,640)	66,061	(5,960)	5,423	(16,600)

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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23. Defined benefit schemes (continued)**ii) Reconciliation of defined benefit obligation and fair value of scheme assets (continued)**

Employer contributions	-	-	(3,971)	(4,123)	(3,971)	(4,123)
Benefits paid	(4,065)	(3,296)	4,065	3,296	-	-
Other movements	(4,065)	(3,296)	94	(827)	(3,971)	(4,123)
Balance at 31 December	99,183	159,180	(93,348)	(157,409)	5,835	1,771

Represented by:

Scheme A

Composition of plan assets:

	Quoted £000	2022 Total £000	Quoted £000	2021 Total £000
Liability driven investment	32,255	32,255	60,774	60,774
Equities	23,311	23,311	52,352	52,352
Bonds	20,976	20,976	8,547	8,547
Managed funds	13,104	13,104	23,424	23,424
Cash	1,649	1,649	9,927	9,927
Other	2,053	2,053	2,385	2,385
Total plan assets	93,348	93,348	157,409	157,409

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

23. Defined benefit schemes (continued)**Actuarial assumption**

The principal actuarial assumptions used in the determining calculating the present value of the defined benefit obligation (weighted average) include:

	2022	2021
Discount rate	4.80 %	1.85 %
Growth in future sales	2.50 %	2.30 %
Increase in inflation	3.10 %	3.20 %
Longevity at retirement age (current pensioners)		
- Males	20.8 years	21.0 years
- Females	23.8 years	24.0 years
Longevity at retirement age (future pensioners)		
- Males	21.9 years	22.2 years
- Females	25.2 years	25.4 years

The weighted-average duration of the defined benefit obligation at 31 December was NIL years (2021: NIL years).

Sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumption content, is presented in the table below:

Actual assumption	Reasonably possible change	Defined benefit obligation	
		Increase £'000	Decrease £'000
Discount rate	(+/- 0.10%)	(1,533)	1,533
Growth in future salaries	(+/- 0.10%)	135	(135)
Increase in inflation	(+/- 0.10%)	1,159	(1,159)

The impact of a 1 year change to life expectancy has a £2,208k increase on the valuation.

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

24.1 Trading transactions

During the year, the Company entered into the following trading transactions with related parties that are not members of the Company:

	Sales of goods		Purchases of goods	
	2022 £000	2021 £000	2022 £000	2021 £000
Beijing Lotus Car Sales Co Ltd	-	621	-	-
Lotus Technology Creative Centre Ltd	3,513	1,025	-	-
Wuhan Lotus Car Sales Ltd	-	320	165	-
Volvo Car Corporation	244	94	721	-
London EV Company Limited	-	-	-	20
Ningbo Geely Automotive R&D Co Ltd	-	-	1,368	1,907
China Euro Vehicle Technology AB	-	-	1,021	7,149
Wuhan Lotus Technologies Co Ltd	13,862	-	360	-
Shanghai Global Trading Corporation	23	-	4,317	-
Lotus Cars Europe	910	-	6	-
Zhejiang Geely Holding Group	-	-	394	-
LYNK&CO International AB	-	-	1,322	-
Zhejiang Jirun Automobile Co Ltd	-	-	58	-
	18,552	2,060	9,732	9,076

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Related party transactions (continued)**24.1 Trading transactions (continued)**

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	2022	2021	2022	2021
	£000	£000	£000	£000
Proton Parts Centre Sdn Bd	43	-	(2)	(536)
China Euro Vehicle Technology AB	-	-	(421)	-
Zhejiang Jirun Automobile Co Ltd	-	-	(783)	-
LYNK&CO International AB	-	-	(1,345)	-
Wuhan Lotus Automobile Co., Ltd	-	-	(162)	-
Polestar Performance AB	-	-	(44)	-
Shanghai Global Trading Corporation	1,403	26	-	-
Lotus Technology Creative Centre Ltd	656	479	(2,118)	-
Lotus Cars Europe	381	51	(7)	-
Wuhan Lotus Car Sales Ltd	324	127	(2,949)	-
Volvo Car Corporation	244	56	(478)	-
Ningbo Geely Automotive R&D Co Ltd	-	-	-	(662)
Wuhan Lotus Technologies Co Ltd	61	17	(360)	-
Zhejiang Geely Holding Group	47	-	(4,375)	-
	<u>3,159</u>	<u>756</u>	<u>(13,044)</u>	<u>(1,198)</u>

25. Controlling party

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

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

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

LOTUS CARS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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26. Contingent liabilities**Capital commitments**

As at 31 December 2022, the Company was committed to the following future capital expenditure:

	2022	2021
	£000	£000
Contracted but not provided for	4,280	16,373
	<u>4,280</u>	<u>16,373</u>
	2022	2021
	£000	£000
Financial guarantees		
HM Customs and Excise duty bond (Perpetual guarantee)	-	500
	<u>-</u>	<u>500</u>

27. Events after the reporting date

Post year end, the Group received material loan funding of £29m from the shareholders of the parent Company's immediate holding company, and £49m from an external third party to support the continued growth of the Group in accordance with the business plan.

On 31st January 2023 a Master Distribution Agreement was signed whereby a subsidiary of Lotus Tech was appointed the global distributor for Lotus UK.