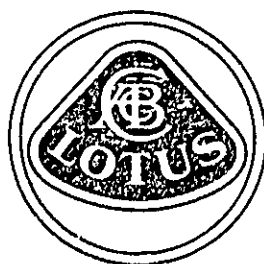


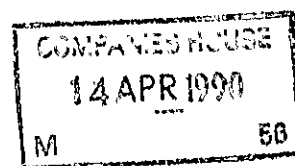
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LOTUS CARS LTD

DIRECTORS' REPORT & ACCOUNTS

31 DECEMBER 1989



LOTUS CARS LTD

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989

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LOTUS CARS LTD

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1989

The directors present their report and financial statements for the year ended 31 December 1989.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise the production, sale and servicing of high performance touring cars together with providing professional engineering consultancy to automotive and industrial clients, worldwide.

REVIEW OF THE BUSINESS

1989 was the prelude to the launch of the Elan. This probably is the single most important event for the Company in 15 years.

The new Elan was launched at Motorfair and the Tokyo Motor Show in October 1989. Most of the world press have now had a chance to drive the car. The Company has had some of the best press coverage ever received with a new car launch. Shipment to dealers commenced in February and there is already an eighteen month waiting list.

The Company has decided to change its Accounting Policy whereby Research & Development has now been written off directly to the profit and loss account, rather than capitalised and amortised over the life of specific projects. During 1989 we have been building the manufacturing infrastructure for the Elan. This has adversely effected the profitability of the Car business during the year.

The Engineering business also suffered reduced profitability arising from cut backs in the US automobile industry. Prospects in the USA are even worse for 1990. The Company over the last twelve months has been redirecting its marketing effort at Europe and the Far East. Prospects for the future are good but 1990 will remain a difficult year. 1990 will also see the launch of the Lotus Carlton/Omega which will be manufactured at Hethel based on the Vauxhall Carlton 3 litre GSi.

RESULTS

The Company's loss after taxation amounted to £5,372,000 (1988: loss of £2,216,000).

The directors do not recommend the payment of a dividend for the year.

MOVEMENTS IN FIXED ASSETS

The movements in fixed assets during the year are set out in note 10 to the financial statements.

The freehold land and buildings of the Company were revalued as at 31 December 1989 on the basis of open market value in existing use. The revaluation surplus of £5,832,000 has been credited to reserves.

LOTUS CARS LTD

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

EMPLOYEES

The directors acknowledge the importance of good communication and employee relations. Communications are essential to progress, and the Company has devoted considerable time and effort to ensuring 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 views are sought and taken into account.

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

TAX STATUS

In the opinion of the directors the Company is not a close company as defined by the Income and Corporation Taxes Act 1988.

DIRECTORS AND DIRECTORS' INTERESTS

The following directors served throughout the year except as noted below.

M.J. Kimberley	Chief Executive Officer
A.C. Rudd	
M. H. Long	
C. R. Spooner	
J. Sandiford	
G. E. Atkin	
C. Peacock	
N. R. Sutton	
T. J. Ackerley	
R. J. Mackrill	
D. A. Waelend	(Resigned 30 September 1989)
R. L. Foster	
E. Hirst	
P. G. Wright	
M. J. Green	
H. F. Kemp	(Appointed 1 March 1990)
I. M. Doble	(Appointed 1 March 1990)

The directors have no interests in shares which are required to be shown pursuant to Section 235 of the Companies Act 1985.

LOTUS CARS LTD

REPORT OF DIRECTORS

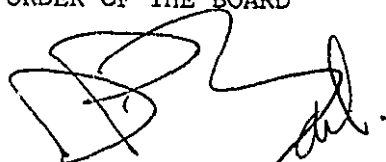
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

AUDITORS

Deloitte Haskins and Sells resigned as auditors to the Company with effect from 31 October 1989. Touche Ross & Co. were appointed as auditors in their place.

A resolution to re-appoint Touche Ross & Co. as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

27 March 1990

REPORT OF THE AUDITORS
TO THE MEMBERS OF LOTUS CARS LTD

We have audited the financial statements on pages 6 to 21 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1989 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co

Touche Ross & Co.
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

27 March 1990

LOTUS CARS LTD


PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>Note</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
TURNOVER	2	55,458	51,064
Cost of sales		(34,985)	(32,552)
GROSS PROFIT		20,473	18,512
Distribution costs		(6,372)	(4,854)
Administrative expenses		(10,590)	(9,402)
Exceptional charge	4	(8,872)	(6,456)
OPERATING LOSS	3	(5,361)	(2,200)
Royalties receivable		-	20
Royalties payable		-	(26)
Interest payable and similar charges	8	(11)	(10)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(5,372)	(2,216)
Tax on loss on ordinary activities	9	-	-
LOSS FOR THE FINANCIAL YEAR	18	(5,372)	(2,216)

LOTUS CARS LTDBALANCE SHEET AS AT 31 DECEMBER 1989

	<u>Note</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	10	25,039	10,396
CURRENT ASSETS			
Stocks	11	9,036	9,513
Debtors	12	9,668	8,589
Cash at bank and in hand		21	19
		18,725	18,121
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	42,949	29,600
NET CURRENT LIABILITIES		(24,224)	(11,479)
TOTAL ASSETS LESS CURRENT LIABILITIES		815	(1,083)
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	4,491	3,031
PROVISIONS FOR LIABILITIES AND CHARGES	16	581	603
NET LIABILITIES		(4,257)	(4,717)
CAPITAL AND RESERVES			
Called up share capital	17	1	1
Revaluation reserve	18	5,832	-
Capital reserve	18	17	17
Profit and loss account	18	(10,107)	(4,735)
		(4,257)	(4,717)

The financial statements on pages 6 to 21 were approved by the Board of Directors on 27 March, 1990 and were signed on its behalf by:



Directors

LOTUS CARS LTD**STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989**

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
SOURCES OF FUNDS		
Proceeds on sale of fixed assets	530	137
Transfer of assets to parent company	-	278
Borrowings under lease obligations	1,460	-
TOTAL SOURCES OF FUNDS	<u>1,990</u>	<u>415</u>
APPLICATION OF FUNDS		
ARISING FROM OPERATIONS:		
Loss on ordinary activities before taxation	5,372	2,216
ADJUSTMENTS FOR ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS:		
Depreciation	(1,698)	(1,271)
Profit on sale of fixed assets	89	9
Decrease/(increase) in warranty provision	22	(57)
FUNDS ABSORBED BY OPERATIONS	<u>3,785</u>	<u>897</u>
OTHER APPLICATION OF FUNDS:		
Purchase of fixed assets	7,086	5,530
Transfer of assets from parent company	3,864	-
Repayment of lease obligations	-	38
TOTAL APPLICATION OF FUNDS	<u>14,735</u>	<u>6,465</u>
NET APPLICATION OF FUNDS	<u>12,745</u>	<u>6,050</u>
THE NET APPLICATION OF FUNDS IS REPRESENTED BY THE FOLLOWING (INCREASES)/DECREASES IN WORKING CAPITAL:		
Stocks	477	(3,026)
Debtors	(1,079)	(1,642)
Creditors	14,080	8,856
	<u>13,478</u>	<u>4,188</u>
MOVEMENT OF NET LIQUID FUNDS:		
Cash at bank and in hand	(2)	(9)
Overdrafts	(733)	1,871
	<u>(733)</u>	<u>1,862</u>
	<u>12,745</u>	<u>6,050</u>

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

(b) Turnover

Turnover comprises invoiced sales to customers for goods and services and is net of commissions paid to dealers and VAT.

(c) Depreciation

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

Freehold buildings	25 and 50 years
Leasehold land and buildings	period of lease
Plant and machinery	2 to 10 years
Motor vehicles	4 to 5 years
Furniture and equipment	4 to 10 years
Tooling (including tooling held by suppliers)	2 to 5 years

Freehold land is not depreciated.

Assets paid for in advance, including tooling, and assets in the course of construction are shown separately and are not depreciated until brought into use.

(d) Research and development expenditure

All research and development expenditure, including the design and production of prototypes, is written off as incurred. This represents a change in accounting policy which is explained in note 19.

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

1. ACCOUNTING POLICIES (continued)

(e) Stocks

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

(f) Deferred taxation

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

(g) Foreign currency translation

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

(h) Warranty provision

Provision is made for the estimated liability on all products under warranty in addition to claims already received. The provision is based on experienced levels of claims arising during the period of warranty.

(i) Leases

Assets held under finance lease agreements are included in tangible fixed assets and are amortised in accordance with the Company's depreciation policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Finance charges are taken to the profit and loss account so that the annual rate of charge on the outstanding obligation at the end of each accounting period is approximately constant. All other leases are operating leases, and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

(j) Pensions

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

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

2. TURNOVER AND LOSS BEFORE TAXATION

(a) By class of business

	<u>1989</u>		<u>1988</u>	
	<u>Turnover</u>	<u>Profit/</u>	<u>Turnover</u>	<u>Profit/</u>
	<u>£000</u>	<u>(loss)</u>	<u>£000</u>	<u>(loss)</u>
Sales & servicing of cars	30,083	(1,099)	28,325	724
Engineering consultancy	25,375	5,787	22,739	4,852
	<u>55,458</u>	<u>4,688</u>	<u>51,064</u>	<u>5,576</u>
Research and development and continuous engineering expenditure written off		(10,049)		(7,782)
		(5,361)		(2,206)
Net interest payable		(11)		(10)
Loss on ordinary activities before taxation		(5,372)		(2,216)

(b) By geographical market supplied

United Kingdom	14,913	13,814
North America	19,337	26,319
Asia	7,015	7,116
Europe	14,193	3,815
	<u>55,458</u>	<u>51,064</u>

It is not regarded as practicable to allocate the research and development and continuous engineering expenditure by activity as, whilst much of the amount involved relates to car production, the engineering activities receive a substantial but unquantifiable benefit from the expenditure. Minor changes to current models are written off as continuous engineering expenditure in the year.

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

3. OPERATING LOSS

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
The operating loss is stated:		
After charging:		
Hire of plant and machinery	325	182
Operating lease rentals	68	42
Depreciation - owned assets	1,556	1,231
- leased assets	142	40
Directors' emoluments (see note 5)	727	781
Development expenditure (see note 4)	9,354	6,788
Continuous engineering expenditure written off	1,177	1,576
Auditors' remuneration and expenses	81	63
After crediting:		
Profit on foreign exchange transactions	441	226
Profit on sale of fixed assets	89	9
Development grants	482	582

4. EXCEPTIONAL CHARGE

The 1989 exceptional charge relates to research and development expenditure written off in connection with the new Elan which was launched at Motorfair and the Tokyo Motor Show in October 1989.

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Elan research and development written off	9,354	6,788
Less Government grants	(482)	(582)
Out of court settlement costs	-	250
	<u>8,872</u>	<u>6,456</u>

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

5. DIRECTORS' EMOLUMENTS

	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>
Directors' emoluments amounted to:		
Remuneration as executives	632	605
Pension contributions	61	80
Compensation for loss of office	34	96
	<u>727</u>	<u>781</u>

The emoluments (excluding pension contributions) of the highest paid director were

<u>£100,000</u>	<u>£68,000</u>
-----------------	----------------

The emoluments (excluding pension contributions) of other directors were within the following ranges:

	<u>1989</u>	<u>1988</u>
	<u>No</u>	<u>No</u>
£ 0 to £ 5,000	3	3
£15,001 to £20,000	-	1
£30,001 to £35,000	-	1
£35,001 to £40,000	1	1
£40,001 to £45,000	3	3
£45,001 to £50,000	3	2
£50,001 to £55,000	3	1
£55,001 to £60,000	-	1
£60,001 to £65,000	-	2
£65,001 to £70,000	1	-

6. EMPLOYEES AND PENSION COSTS

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

	<u>1989</u>	<u>1988</u>
Category:		
Management and administration	531	464
Production and sales staff	684	695

<u>1,215</u>	<u>1,159</u>
--------------	--------------

<u>£000</u>	<u>£000</u>
-------------	-------------

Their total remuneration was:

Wages and salaries	18,711	15,925
Social Security costs	1,887	1,632
Other pension costs	296	250
	<u>20,894</u>	<u>17,807</u>

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

The Company sponsors several pension schemes which cater for different types/categories of employees and their individual requirements. The main schemes are of the defined benefit type with assets held in separate trustee administered funds.

The Lotus Pension Plan was reconstructed with effect from 1 October 1988. It includes three scales of benefit, all with defined benefits and two which include defined contribution in their design. In addition it provides life assurance cover for all employees. The assets are held by the Trustee, Sanderson Law Financial Management who has invested the funds through Norwich Union Pensions Management Ltd. At the end of September 1989 the market value of the assets totalled approximately £1.25m and the actuarial value was sufficient to cover the total past service liability. The last formal actuarial valuation was undertaken by Norwich Union as at July 1987 and an independent consulting actuary assessed the Plan on its reconstruction. The assessment was carried out using the projected accrued benefit method for past service and attained age method for future contributions. The basis used assumed that the rate of investment return on the cash received from a transfer value and the reinvestment of investment income will be at the rate of 8.5% per annum in conjunction with provision for salaries to increase (both because of inflation and promotional scales) at the rate of 7% per annum, and for guaranteed minimum pensions to increase at the rate of 3% per annum.

The actuary recommended company contributions for benefits accruing after 1 October 1988 for former RBP members of 7% for contributory members, and 11% for non-contributory members, for Final Salary members an employer contribution of 6%, and for Money Purchase members an employer contribution of 2% plus 3.8% of contracted-out earnings. In each case life insurance premiums are an additional cost.

The Plans are fully funded on a discontinuance basis.

Pension costs of £296,000 (1988 £250,000) have been charged in the accounts.

7. HIGHER PAID EMPLOYEES

The number of senior employees of Lotus Cars Ltd, other than directors, who received remuneration (excluding pension contributions) in the following ranges was:

	<u>1989</u> No	<u>1988</u> No
£30,001 - £35,000	23	12
£35,001 - £40,000	9	6
£40,001 - £45,000	11	1
£45,001 - £50,000	3	2

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

8.	INTEREST PAYABLE AND SIMILAR CHARGES	<u>1989</u>	<u>1988</u>
		<u>£000</u>	<u>£000</u>
	Finance charges payable under finance leases	11	10
		<u> </u>	<u> </u>
9.	TAX ON LOSS ON ORDINARY ACTIVITIES	<u>1989</u>	<u>1988</u>
		<u>£000</u>	<u>£000</u>
	UK Corporation tax at 35%		
	Current	-	-
		<u> </u>	<u> </u>
		-	-
		<u> </u>	<u> </u>

The Company has no charge to taxation due to losses incurred during the year.

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

10. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Payments on account and assets in course of construction £000	Total £000
COST AND VALUATION:					
At 1 January 1989	2,294	7,329	4,604	2,481	16,708
Additions	832	2,360	3,894	-	7,086
Transfer from Parent Company	3,818	105	670	34	4,627
Disposals	-	(7)	(624)	-	(631)
Reclassifications	498	1,137	880	(2,515)	-
Adjustment arising on revaluation	5,067	-	-	-	5,067
At 31 December 1989	12,509	10,924	9,424	-	32,857
DEPRECIATION:					
At 1 January 1989	230	3,314	2,768	-	6,312
Charged for year	149	794	755	-	1,698
Transfer from Parent Company	387	30	346	-	763
Disposals	-	(3)	(187)	-	(190)
Reclassifications	-	-	-	-	-
Adjustment arising on revaluation	(765)	-	-	-	(765)
At 31 December 1989	1	4,135	3,682	-	7,818
NET BOOK VALUE:					
At 31 December 1989	12,508	6,789	5,742	-	25,039
At 1 January 1989	2,064	4,015	1,836	2,481	10,396

Included in tangible fixed assets are assets held under finance leases which have a net book value of £1,706,000 (1988: £144,000).

Included in the net book value of land and buildings is freehold properties amounting to £12,501,000 (1988: £2,057,000) and short term leasehold improvements amounting to £7,000 (1988: £7,000).

All the freehold land and buildings of the Company were revalued as at 31 December, 1989 on the basis of open market value in existing use by Henry Butcher & Co., International Surveyors and Valuers as follows:

Freehold land	£ 1,500,000
Freehold buildings	£11,000,000
	<u>£12,500,000</u>

The surplus over net book value of £5,832,000 has been transferred to Revaluation reserve (see note 18).

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

The amount of freehold land and buildings included at valuation determined according to historical cost accounting rules is as follows:

	<u>1989</u>
	£000
Cost	7,433
Depreciation	(765)
	<u> </u>
Net book value	6,668

11. STOCKS

	<u>1989</u>	<u>1988</u>
	£000	£000
Raw materials	3,107	2,565
Cars in course of production	1,837	2,368
Service stocks etc	1,459	1,519
Finished goods including cars at dealers	2,633	3,061
	<u>9,036</u>	<u>9,513</u>

12. DEBTORS

	<u>1989</u>	<u>1988</u>
	£000	£000
Trade debtors	3,736	1,451
Amounts owed by group companies	3,862	3,687
Amounts owed by associated companies	279	2,275
Other debtors	1,463	945
Prepayments and accrued income	328	231
	<u>9,668</u>	<u>8,589</u>

Amounts owed by associated companies refers to amounts owed by associated companies of the ultimate holding company, General Motors Corporation.

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

13. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR

	<u>1989</u> £000	<u>1988</u> £000
Bank overdrafts	2,056	2,787
Obligations under finance leases (notes 1(i), 15)	226	47
Deposits against stock with dealers	2,424	2,314
Trade creditors	5,570	5,446
Bills payable	-	27
Amounts owed to group companies	26,707	13,506
Amounts owed to associated companies	167	4
Taxation and Social Security	632	675
Accruals	5,167	4,794
	<u>42,949</u>	<u>29,600</u>

Amounts owed to associated companies refers to amounts owed to associated companies of the ultimate holding company, General Motors Corporation.

14. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR

	<u>1989</u> £000	<u>1988</u> £000
Amounts owed to holding company	3,000	3,000
Obligations under finance leases (notes 1(i), 15)	1,491	31
	<u>4,491</u>	<u>3,031</u>

The amounts owed to the holding company do not have specified repayment dates.

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

15. LEASING COMMITMENTS

The future payments to which the Company is committed at 31 December 1989 under finance leases are payable as follows:

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Within one year	226	47
Between two and five years	1,491	31
	<u>1,717</u>	<u>78</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 January 1989 £'000	Charged to profit and loss account £'000	Applied £'000	Balance 31 December 1989 £'000
Warranty provision	603	631	(653)	581
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No provision has been made for deferred taxation. The potential liability for deferred taxation calculated under the liability method at a rate of 35% (1988: 35%) is as follows:

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Timing differences:		
Accelerated capital allowances	2,072	1,051
Surplus on revaluation	2,300	-
Short term timing differences	-	(494)
Tax losses carried forward	(2,072)	(557)
	<u>2,300</u>	<u>-</u>

The Company has taxation losses carried forward subject to agreement with the Inland Revenue.

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

17. CALLED UP SHARE CAPITAL

	<u>1989</u>	<u>1988</u>
Authorised:		
Ordinary shares of £1 each	<u>£10,000</u>	<u>£10,000</u>
Allotted and fully paid:		
Ordinary shares of £1 each	<u>£100</u>	<u>£100</u>

18. RESERVES

	<u>Note</u>	<u>Revaluation reserve</u> £000	<u>Capital reserve</u> £000	<u>Profit and loss account</u> £000	<u>Total</u> £000
At 1 January 1989 as previously reported		-	17	4,017	4,034
Prior year adjustment	19	-	-	(8,752)	(8,752)
At 1 January 1989 as restated		-	17	(4,735)	(4,718)
Loss for the year		-	-	(5,372)	(5,372)
Revaluation surplus		5,832	-	-	5,832
At 31 December 1989		<u>5,832</u>	<u>17</u>	<u>(10,107)</u>	<u>(4,258)</u>

19. PRIOR YEAR ADJUSTMENT

During the year the directors decided that it was more appropriate to write off research and development expenditure as incurred. This represents a change in accounting policy, the effects of which are disclosed below:

	£000
1988 intangible assets write off	9,334
Less Government grants	(582)
	<u>8,752</u>

20. CAPITAL COMMITMENTS

	<u>1989</u> £000	<u>1988</u> £000
Authorised and contracted for	1,543	1,774
Authorised but not contracted for	<u>312</u>	<u>2,068</u>

LOTUS CARS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1989 (continued)

21. OPERATING LEASES

At 31 December 1989 the Company had annual commitments under non-cancellable operating leases as set out below:

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	310	237
Over five years	-	-
	<u>310</u>	<u>237</u>

22. ULTIMATE HOLDING COMPANY

The ultimate holding company of Lotus Cars Ltd is General Motors Corporation, a company incorporated in Delaware, U.S.A.