

Group Lotus Limited
Annual report and financial statements
for the Year Ended 31 December 2019

Registered Number: 00606189



Group Lotus Limited

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Group Lotus Limited

Company information

Directors

Daniel Li Donghui
Feng Qingfeng

Auditor

Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Solicitors

Laytons LLP
2 More London Riverside
London
SE1 2AP

Registered office

Potash Lane
Hethel
Norwich
NR14 8EZ

Group Lotus Limited

Directors' report

The directors present their annual report and the audited financial statements of the Group Lotus Limited ("the Company") for the year ended 31 December 2019.

Principal activity

The Company is an intermediate holding company which holds the Lotus brand and trademarks.

Results and dividends

The Company's profit for the year after taxation amounted to £0.4m (nine months ended 31 December 2018: £0.6m). The directors do not recommend payment of a dividend (nine months ended 31 December 2018: £nil), and the profit for the year has been transferred to reserves.

Directors

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

Nathan Ning Yu (resigned 4 May 2020)

Daniel Li Donghui

Feng Qingfeng

Dato' Mohd Sharil Bin Mohd Tarmizi (resigned 19 July 2019)

Dato' Sharifah Sofia Binti Syed Moktar Shah (resigned 19 July 2019)

Strategic report

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006. As per Companies Act 414A(2), the Company has taken the exemption for small entities in not presenting a strategic report.

Comparative accounting period

During the prior period, the Company shortened its accounting period end from 31 March 2019 to 31 December 2018. The comparative financial statements are for the nine month period ended 31 December 2018.

Post balance sheet events

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

The Board has closely monitored the situation and taken mitigating actions by following a Protect and Preserve strategy, including a temporary shutdown of UK facilities from 24 March – 11 May 2020, however sales within the Company were able to continue during this period as staff were able to work from home. The Board have remained in continuous communication with all major stakeholders, including staff and suppliers, ensuring all possible precautions have been taken with regards to employee safety and welfare.

Qualifying third party indemnity provisions

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

Auditor

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

Group Lotus Limited

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year/period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Disclosure of information to auditor

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

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

By order of the board

DocuSigned by:

6B2EA17FC3E8467...
Feng Qingfeng
Director
12/24/2020

Potash Lane
Hethel
Norwich
NR14 8EZ

Group Lotus Limited

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

Opinion

We have audited the financial statements of Group Lotus Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

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

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

Conclusions relating to going concern

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

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

Group Lotus Limited

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

Conclusions relating to going concern (continued)

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Group Lotus Limited

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities, set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

24 December 2020

Group Lotus Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Turnover	4	539	616
Administrative expenses		(118)	(4)
Profit on ordinary activities before taxation	5	421	612
Tax on profit on ordinary activities	7	(2)	(4)
Profit for the financial period		419	608
Total comprehensive income for the period		419	608

All of the Company's activities are classified as continuing. The accompanying notes to the accounts on pages 10 to 20 are an integral part of these financial statements.

There were no recognised gains and losses for 2019 or 2018 other than those included in the Consolidated Statement of Comprehensive Income.

Group Lotus Limited

Statement of Financial Position

As at 31 December 2019

	Notes	2019 £'000	2018 restated* £'000
Fixed assets			
Investments	8	-	76,767
		-	76,767
Current assets			
Debtors	9	106,543	206,563
Creditors: amounts falling due within one year	10	(30,367)	(207,573)
Net current assets/(liabilities)		76,176	(1,010)
Total assets less current liabilities being net assets		76,176	75,757
Capital and reserves			
Called up share capital	11	369,780	369,780
Share premium account	12	8,120	8,120
Other reserve	12	210	210
Profit and loss account	12	(301,934)	(302,353)
Shareholders' funds		76,176	75,757

*Further detail on the restatement of the comparative period is disclosed in note 2.

The accompanying notes to the accounts on pages 10 to 20 are an integral part of these financial statements.

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

DocuSigned by:

 6B2EA17FC3E9467...
 Feng Qingfeng
 Director
 12/24/2020

Group Lotus Limited

Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Other reserve £'000	Profit and loss account £'000	Total capital and reserves £'000
Balance as at 31 March 2018 as previously reported	369,780	8,120	210	(302,955)	75,155
Prior period adjustment*	-	-	-	(6)	(6)
Balance as at 31 March 2018 restated	369,780	8,120	210	(302,961)	75,149
Profit for the period being total comprehensive income	-	-	-	608	608
Balance as at 31 December 2018 restated	369,780	8,120	210	(302,353)	75,757
Profit for the year being total comprehensive income	-	-	-	419	419
Balance as at 31 December 2019	369,780	8,120	210	(301,934)	76,176

*Further detail on the restatement of the comparative period is disclosed in note 2.

The accompanying notes to the accounts on pages 10 to 20 are an integral part of these financial statements.

Group Lotus Limited

Notes to the financial statements

For the year ended 31 December 2019

1. General information

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - 10(d), (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 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; 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.

Group Lotus Limited

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

2.2 Prior period restatement

Following a review of the recoverability of intercompany balances, historic intercompany transactions have been considered materially irrecoverable prior to 1 April 2018 and have therefore been restated. This has reduced opening reserves in the comparative by £6,000. There is no impact on the Company's Statement of Comprehensive Income for the period ended 31 December 2018. The impact on the Statement of Financial Position for the period ended 31 December 2018 is:

	As disclosed 2018 Annual Report £'000	Restatement £'000	As restated 2019 Annual Report £'000
Amounts owed by fellow group subsidiaries	133	(6)	127
Profit and Loss account	(302,347)	(6)	(302,353)
Net Assets	75,763	(6)	75,757

2.3 Consolidation

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

2.4 Going concern

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

The Company made a profit for the year ended 31 December 2019 of £0.4m (Nine month period ended 31 December 2018: £0.6m). As at 31 December 2019, the Company had net assets of £76.2m (31 December 2018: restated net assets of £75.8m).

Group Lotus Limited is a direct subsidiary of Lotus Group International Limited ("Lotus Group"), which requires a letter of parental support. The shareholders of the Company's intermediate holding company, Lotus Advanced Technologies Sdn Bhd, Geely International (Hong Kong) Limited, to the extent of its 51% holding, and in conjunction with Etika Automotive Sdn Bhd who own 49%, have confirmed that they will provide the necessary financial support to Lotus Group, so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements to enable them to continue to trade and complete development projects. The directors have assessed the ability of both parties to provide such support.

The directors have prepared forecasts for Lotus Group, including an assessment of the impact of COVID-19 on future operations and have taken extensive actions to mitigate the risks of any disruption to the business. The directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Group Lotus Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.5 Foreign currency translation

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

Transactions and balances: foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.

2.6 Trademarks and licences

The Company made upfront payments to purchase trademarks and licences. The trademarks have been granted for a finite period by the relevant government agency with the option of renewal at the end of this period. Licences for the use of intellectual property are granted for periods ranging between five and ten years depending on the specific licence. The licences may be renewed at little or no cost to the Company. As a result, those licences are assessed as having an indefinite useful life.

2.7 Turnover

Royalty and licence income, which is earned from trademarks and brand licencing, is invoiced on commencement of the licencing agreement and recognised on an accrual basis over the agreement.

2.8 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Group Lotus Limited

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

2. Summary of significant accounting policies (continued)

2.9 Investments in subsidiary undertakings

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

On disposal of investments, the difference between the net disposal proceeds and its carrying amount is charged or credited to profit or loss.

2.10 Investment in joint venture

Joint ventures are arrangements in which the Company has a long-term interest and shares control under a written contractual agreement. Investments in joint ventures are stated at cost, less provision for permanent diminution in value. Provision against the underlying cost of investments in joint ventures is made, where in the opinion of the directors, there is a permanent diminution in the value of the underlying businesses. Dividends from joint ventures are recognized in the Statement of Comprehensive Income when the right to receive the payment is established.

2.11 Financial instruments

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

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

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

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

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

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

Group Lotus Limited

Notes to the financial statements

For the year ended 31 December 2019

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

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

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

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

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

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

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

2.12 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. These are called cash generating units.

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

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

2.13 Called up share capital

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

Group Lotus Limited

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

3. Critical accounting estimates and judgements

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

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

Provisioning of trade and other debtors: The Company makes an estimate of the recoverable value of trade and other debtors, including intercompany receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See Note 9 for the net carrying amount of the receivables and associated impairment provision.

4. Turnover

All turnover generated by the Company relates to royalty income. All turnover arose within the United Kingdom.

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after crediting/(charging):

	12 month period ended 31 Dec 2019	9 month period ended 31 Dec 2018
	£'000	£'000
Net foreign exchange gains	-	1
Trade receivables (provision)/ release of provision	5	(5)

Fees payable to the Company's auditor for the audit of the financial statements were £9,000 (Payable to predecessor auditor for the nine month period ended 31 December 2018: £20,000). Fees were borne by Lotus Cars Limited, a fellow group undertaking, without right of recharge.

6. Staff costs

The directors' services to this Company are non-executive in nature and their emoluments are deemed to be wholly attributable to their qualifying services as directors of other group companies. Accordingly, these financial statements include no emoluments in respect of the directors (Nine month period ended 31 December 2018: £nil).

Other than the directors, the Company had no employees (Nine month period ended 31 December 2018: none).

Group Lotus Limited

Notes to the financial statements

For the year ended 31 December 2019

7. Tax on profit on ordinary activities

(a) Tax charged in the Statement of Comprehensive Income

	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Current taxation		
Overseas withholding tax	2	4
Current income tax charge	2	4
Tax on profit on ordinary activities	2	4

(b) Reconciliation of the total tax charge

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

	12 month period ended 31 Dec 2019 £'000	9 month period ended 31 Dec 2018 £'000
Profit on ordinary activities before taxation	421	612
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (Nine month period ended 31 December 2018: 19%)	80	116
Effects of:		
Tax losses utilised	-	(116)
Group relief received for nil consideration	(80)	-
Irrecoverable overseas withholding tax on UK income	2	4
Total tax charge for period	2	4

Group Lotus Limited

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

7. Tax on profit on ordinary activities (continued)

(b) Deferred tax

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

	31 Dec 2019 £'000	31 Dec 2018 £'000
Unutilised tax losses	13,986	13,986
Gross unrecognised deferred tax assets	13,986	13,986

No deferred tax asset has been recognised in relation to these losses and timing differences due to uncertainty over their recoverability in the foreseeable future as the Company typically claims group relief from a fellow group undertaking.

8. Investments

	Subsidiaries £'000	Joint Venture £'000	Total £'000
Cost			
At 1 January 2019	398,412	1	398,413
Disposal of investment in Lotus Cars Limited to immediate parent undertaking	(391,303)	–	(391,303)
Dissolution of Lotus Body Engineering Limited	(60)	–	(60)
Balance as at 31 December 2019	7,049	1	7,050
Provision for diminution in value			
At 1 January 2019	321,645	1	321,646
Disposal of investment in Lotus Cars Limited to immediate parent undertaking	(314,536)	–	(314,536)
Dissolution of Lotus Body Engineering Limited	(60)	–	(60)
Balance as at 31 December 2019	7,049	1	7,050
Net book value			
At 31 December 2019	-	-	-
At 31 December 2018	76,767	-	76,767

Group Lotus Limited

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

8. Investments (continued)

(a) **Investment in subsidiaries:** the following companies are directly owned subsidiaries of the Company as at 31 December 2019:

Subsidiary undertaking	Country of Incorporation	% Ownership	Nature of Business
Lotus Cars USA, Inc. ¹	USA	100%	Car sales and servicing
Lotus Pension Trustees Limited ²	England and Wales	100%	Pension Trustee

¹ Registered office: 47584 Galleon Dr, Plymouth, Michigan 48170 USA

² Registered office: Potash Lane, Hethel, Norwich, NR14 8EZ

The following were subsidiaries at the end of 2018 (directly or indirectly owned) but have been either transferred at book value to Lotus Group International Limited or dissolved during the current financial year.

Subsidiary undertaking	Country of Incorporation	% Ownership	Nature of Business
Lotus Cars Limited ¹	England and Wales	100%	Sold to Lotus Group International Ltd on 19 July 2019
Lotus Engineering Limited (indirect) ¹	England and Wales	100%	Sold to Lotus Group International Ltd on 19 July 2019
Lotus Motorsport Limited ¹	England and Wales	100%	Sold to Lotus Group International Ltd on 19 July 2019
Lotus Engineering Malaysia Sdn Bhd (indirect) ²	Malaysia	100%	Sold to Lotus Group International Ltd on 19 July 2019
Lotus Engineering Company Limited (indirect) ³	China	100%	Sold to Lotus Group International Ltd on 19 July 2019
Lotus Lightweight Structures Limited (indirect) ¹	England and Wales	100%	Sold to Lotus Group International Ltd on 19 July 2019
Lotus Youngman Automotive Limited (indirect) ¹	England and Wales	100%	Dissolved 5 February 2019
Lotus Body Engineering Limited ¹	England and Wales	100%	Dissolved 9 July 2019
Lotus Lightweight Structures Holdings Limited ¹	England and Wales	100%	Dissolved 16 July 2019
Lotus Cars Foundation ⁴	Liechtenstein	100%	Dissolved 22 March 2019

¹ Registered office: Potash Lane, Hethel, Norwich, NR14 8EZ

² Registered office: Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No1 Leboh Ampang, 50100, Kuala Lumpur, Malaysia

³ Registered office: Lujiazui Financial Center, Shanghai, China

⁴ Registered office: Austrasse 15, 9495 Triesen, Liechtenstein

(b) **Investment in joint venture:** The Company has a joint venture arrangement, Lotus Finance Limited, a company incorporated in England and Wales, in which it holds 49.9% of the ordinary shares. The entity's financial year end is 31 December and its principal activity was to provide financing to car dealers purchasing Lotus cars.

Group Lotus Limited

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

9. Debtors

	2019 £'000	2018 Restated* £'000
Amounts owed by immediate parent undertaking	106,491	206,384
Amounts owed by fellow group subsidiaries	-	127
Trade debtors	52	52
	106,543	206,563

*Further detail on the restatement of the comparative period is disclosed in note 2.

The amounts owed by the immediate parent undertaking and fellow group subsidiaries are unsecured, non-interest bearing and have no fixed repayment date.

The Company has provided a letter of undertaking to the immediate parent undertaking, Lotus Group International Limited, indicating that it will not seek repayment of the loan for a period of at least one year from the date of signing these financial statements.

Trade receivables are stated after provisions for impairment of £Nil (2018: £5,000).

10. Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to fellow group undertaking	30,220	207,414
Other taxation and social security costs	10	-
Accruals and deferred income	137	159
	30,367	207,573

The amounts owed to the fellow group undertaking is unsecured, non-interest bearing and has no fixed repayment date.

11. Called up share capital

Allotted called up and fully paid	31 Dec 2019 Number	31 Dec 2019 £'000	31 Dec 2018 Number	31 Dec 2018 £'000
Ordinary shares of 10p each	3,697,796,353	369,780	3,697,796,353	369,780

Group Lotus Limited

Notes to the financial statements

For the year ended 31 December 2019

12. Reserves

Profit and loss reserves

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

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Other reserves

Contains the merger reserve arising on acquisition of Lotus Cars USA, Inc. in a prior period.

13. Ultimate parent undertaking and controlling party

The immediate holding company and controlling party is Lotus Group International Limited, a company incorporated in England and Wales.

The smallest group to consolidate the financial statements of the Company is headed by Lotus Group International Limited. Consolidated accounts are publicly available from Companies House, Cardiff, CF14 3UZ. 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. Consolidated accounts are not publicly available.

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

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

14. Post balance sheet events

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

The Board has closely monitored the situation and taken mitigating actions by following a Protect and Preserve strategy, including a temporary shutdown of UK facilities from 24 March – 11 May 2020, however sales within the Company were able to continue during this period as staff were able to work from home. The Board have remained in continuous communication with all major stakeholders, including staff and suppliers, ensuring all possible precautions have been taken with regards to employee safety and welfare.