

Registered no 08336808

Geely UK Limited
Report and financial statements
for the period ended 31 December 2013

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COMPANIES HOUSE

Geely UK Limited

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Company registration number

08336808

Directors

An Conghui
Daniel Li
Ran Zhang
Lin Zhang

Secretary

Mark Devin

Registered office

Holyhead Road
Coventry
West Midlands
CV5 8JJ

Auditor & Tax Advisor

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Bankers

HSBC Bank plc
First Floor,
60 Queen Victoria Street
London
EC4N 4TR

Black Horse Limited
25 Gresham Street
London
EC2V 7HN

Strategic Report for the period ended 31 December 2013

The Directors present their strategic report for Geely UK Limited (the Company) and its subsidiaries (the Group) for the period ended 31 December 2013

Review and analysis of the business during the current period

The Company was incorporated on 19 December 2012 as a wholly owned subsidiary of Geely International (Hong Kong) Limited and its subsidiary undertakings were incorporated shortly thereafter

On 1 February 2013, the Group purchased the business, trade and certain assets of Manganese Bronze Holdings plc and some of its subsidiaries ("MBH") from the Administrator for cash (see note 14). The Group's vehicle dealerships recommenced trading on 15 February 2013 and full production at the Group's Coventry factory recommenced on 11 September 2013.

2013 was a period in which the Group re-established the trade following the period of administration of MBH. The board is pleased to report that, during 2013, its primary strategic objectives have been achieved, including

- **Steering boxes** The complete replacement of all faulty steering boxes on all vehicles in the marketplace during the administration period, followed by the complete replacement of all faulty steering boxes on all vehicles in stock purchased from the Administrator
- **Warranty reinstatement** The complete reinstatement of vehicle warranty to the same coverage level as prior to the administration for new and used vehicles. This meant that all new vehicle warranty was reinstated for the remainder of the 3 year period of cover, up to 100,000 miles. In addition, all used vehicles which were purchased with a 50,000 mile vehicle guarantee also had this cover reinstated for the remainder of the 12-month term
- **Enhancement programme** The upgrading of new vehicles to provide added reassurance with no change to the list price. As well as the comprehensive 3 year, 100,000 mile vehicle warranty and 3 year unlimited mileage core engine warranty, this included the replacement of steering boxes, radiators, interior trim, check-straps and turbo hoses with components of improved design and superior quality
- **Workforce** The doubling of the workforce from 108 at 1 February 2013 to 208 at 31 December 2013. 106 former employees of MBH emerged from the Administration on 1 February 2013 and the process of defining the new organizational structures, working patterns and the recruitment and selection of new staff immediately began. The directors are certain that, with the assistance of trade unions and the acceptance of existing staff, these necessary changes will allow the Group to flourish
- **Supply chain** The reinstatement of the production supply chain. The Group has a supply chain that is worldwide. The reinstatement of the supply chain was an imperative for the new business and the Group is thankful for the cooperation of all of its suppliers for the swift reestablishment of component supplies thus enabling the recommencement of full production within nine months of the acquisition
- **Market share** The rebuilding of market share. The three months in which MBH was in administration was naturally detrimental to the market share of the TX4 vehicle. However, the board was pleasantly surprised with how temporary the impact proved to be. The warranty reinstatement, enhancement programme and a customer communication campaign helped grow customer confidence and get the message to the market that the iconic TX4 was back in business

- **Key trading relationships** The novation of key trading relationships from MBH, in particular, those with Black Horse Limited and Unipart Group. The Group has a wholesale unit stocking loan relationship with Black Horse Limited (see note 17) and the board is grateful to Black Horse Limited for its cooperation and support. The Group has a service agreement with Unipart Group for the provision of spare parts in the aftersales market for the Group's vehicles. The board is equally grateful to Unipart Group for its assistance.

Key performance indicators

A number of key performance indicators (KPI's) are used in the business. Non-financial KPI's are focused on delivering high levels of customer satisfaction, product quality, ensuring operational effectiveness and attracting, retaining and developing key employees. Financial KPI's focus on profit growth, profitability improvement, inventory management, cash generation, future borrowing requirements and return on operating assets.

During the first period of trading, KPI's include the following

KPI	Performance	Objective
Trading EBITDA	£(971)k	To generate positive EBITDA in ongoing activities
EBITDA margin	(2.8)%	To generate a positive EBITDA margin

Development and financial performance during the period

The Group reported an operating loss of £1,919,000 in the period, before non-underlying costs. The causal factors stem partly from the 'start-up' position discussed above which limited the Group's ability to meet UK demand and partly from poor sales performance in export markets which has now been addressed through internal reorganisation.

Overall, the board is satisfied with the Group's financial performance during the period.

Financial position at the reporting date

The statement of financial position shows that the Group's net assets at the period end was £3,800,000. The board is satisfied with the Group's financial position.

Principal risks and uncertainties facing the business

Management continually monitor the key risks facing the Group together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

In the opinion of the Directors, the principal risks and uncertainties facing the Group are as follows

- **Warranty risk.** Given the recent past and the product quality problems experienced by MBH which ultimately led to its demise, the Group inherited a substantial warranty exposure from the previous owners. The Enhancement Programme and other steps that the new management has taken to improve product quality have mitigated this risk and commensurately reduced the value of the warranty provision, however, the provision is still substantial, standing at £5.3m at 31 December 2013.
- **Funding risk.** The Group is funded through a combination of debt and equity. At 31 December 2013, an inter-company loan of £9.1m is repayable to the Company's immediate parent undertaking, Geely International (Hong Kong) Limited. The repayment terms of this loan will be formalized in 2014. At the date of these financial statements, the Group is in the process of agreeing £10m of overdraft and ancillary facilities with HSBC Bank plc to allow it to manage liquidity risk in the seasonal UK market. During 2013, the Group has been managing liquidity risk via the parent company loan and via a wholesale unit stocking loan facility with Black Horse Limited.

- **Regulatory risk.** The Group's most important marketplace is London which is a highly regulated market for taxi operators and taxi manufacturers. The Mayor of London has announced that vehicles operating in the Congestion Zone must be zero-emission capable by 2018. The Group is addressing this regulatory change by developing a new vehicle with support from the Geely Group. The vehicle will go on sale in 2018.

In addition, vehicle emission and safety regulations laid down by the European Government dictate the nature and timing of costly product development that the Group must undertake in order that the Group's vehicles remain compliant with legislation.

Approval

This report was approved by the board on 10 April 2014 and signed on its behalf by



Daniel Li
Director

Holyhead Road
Coventry
West Midlands
CV5 8JJ

Directors' Report for the period ended 31 December 2013

The Directors present their report for Geely UK Limited (the Company) and its subsidiaries (the Group) for the period ended 31 December 2013

Principal activity

The Group's principal activity is the production, distribution and sale of motor vehicles, in particular, the 'TX4' London black taxi. The Company is an intermediate holding company

Future developments

As stated in the Strategic Report, new vehicles are to be developed in the period 2014 – 2017 alongside the existing TX4 taxi vehicle. The development project is now in the 'Concept Confirmation' phase and two prototype vehicles will be manufactured during 2014 before the project moves on to the next phase. If approved, the total cost of the investment will be of the order of £200m. Project funding will be provided via Geely and via local and national government depending on the availability of public funds and the outcome of our applications.

It is planned that the existing TX4 vehicle will continue to be developed and sold beyond 2018.

Subsequent events

On 28 February 2014, the Company acquired the entire share capital of IE LEV Limited, the UK holding company of IE Emerald Holdings Inc and Emerald Automotive LLC, two companies registered in the USA, for cash. The acquisition is integral to the strategy of the new vehicle development programme outlined above and, in particular, the delivery of a range-extended electric vehicle capable of zero emissions.

Dividends

The directors do not recommend the payment of any dividend.

Directors

The Directors, who served throughout the period, unless indicated otherwise, are as follows:

An Conghui	appointed 8 March 2013
Daniel Li	
Ran Zhang	
Lin Zhang	appointed 5 March 2013

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's directors.

Financial instruments

Note 24 to the financial statements gives details of the Group's management of risks arising from the use of financial instruments

Research and development

As stated in the Strategic Report, the Group is committed to the ongoing development of its TX4 vehicle in order that it stays compliant with EU legislation. In addition, the commencement of work on new vehicle development has and will significantly increase the levels of research and development spend in the future.

During the period, the Group directly expensed development expenditure of £nil and capitalised expenditure of £1,989,000 (note 11).

Employment policies

The Company is concerned that all of its employees, wherever they are in the world, are treated with due respect and dignity. Discrimination of any form will not be tolerated and this includes discrimination or harassment on the grounds of sex, race, disability, age and religion or belief. Family friendly and equal opportunities policies are followed.

The Directors regard the involvement, participation and training of employees to be of great importance. Management takes every opportunity to inform employees of Group developments and encourages them to be aware of the performance of the Group. Employees are encouraged to discuss with management matters of interest to the employee.

Employee briefings and action review meetings, at all levels of responsibility, provide the necessary information flow in both directions. Health, safety and environmental matters are discussed at regular meetings with actions being proposed and monitored.

Applications for employment from disabled people are given full and fair consideration bearing in mind the aptitudes and abilities of each person in relation to the requirements of the job. Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be trained for other positions in the Group. Disabled people have the same training, career development and promotion opportunities as all other employees.

Political and charitable contributions

During the period, the Group made charitable contributions totalling £20,000 to an annual charitable event organised by The Worshipful Company of Hackney Carriage Drivers for the benefit of sick children. The Company's ultimate parent undertaking matched the Group's £20,000 contribution and has given a further undertaking to support the event for at least the next two years.

The Group made no political contributions in the period.

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, therefore they continue to adopt the going concern basis for accounting in preparing the annual financial statements.

For further information regarding the directors' assessment of the going concern status of the Company and the Group, refer to the accounting policies (note 2) in the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company and the Group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice incorporating an early adoption of Financial Reporting Standard 102.

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 the Group and the profit or loss of the Group 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 and the Group 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 responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

Auditors

Mazars LLP were appointed as auditors during the period and have expressed their willingness to continue in office. A resolution to reappoint them as auditors will be proposed at the forthcoming Annual General Meeting.

Approval

This report was approved by the board on 10 April 2014 and signed on its behalf by



Daniel Li
Director

Holyhead Road
Coventry
West Midlands
CV5 8JJ

Independent Auditor's Report to the Members of Geely UK Limited

We have audited the financial statements of Geely UK Limited for the period ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of directors and auditor

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2013 and of the Group's loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of
Geely UK Limited (continued)**

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Paul Lucas (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants & Statutory Auditor

45 Church Street, Birmingham B3 2RT

7 May 2014.

Consolidated Statement of Comprehensive Income for the period ended 31 December 2013

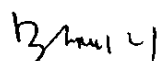
	Note	2013 Continuing operations		
		Underlying £'000	Non underlying (note 4) £'000	Total £'000
Turnover		35,195	-	35,195
Cost of sales		(32,093)	(181)	(32,274)
Gross profit		3,102	(181)	2,921
Distribution costs		(2,181)	(102)	(2,283)
Administrative expenses		(2,840)	(1,494)	(4,334)
Operating loss		(1,919)	(1,777)	(3,696)
Interest payable and similar charges	8			(4)
Loss on ordinary activities before tax	5			(3,700)
Taxation	10			-
Loss for the financial period				(3,700)
Other comprehensive income				-
Total comprehensive income attributable to the parent company				(3,700)

The accompanying notes form an integral part of these financial statements

Consolidated and Company Statement of Financial Position at 31 December 2013

	Notes	Group 2013 £'000	Company 2013 £'000
Fixed assets			
Intangible assets	11	7,005	-
Tangible assets	12	3,276	-
Investments	13	-	3,796
		10,281	3,796
Current assets			
Inventories	15	15,833	-
Debtors	16	2,663	7,955
Cash at bank and in hand		2,820	1,007
		21,316	8,962
Creditors: amounts falling due within one year	17	(22,395)	(8,958)
Net current (liabilities) /assets		(1,079)	4
Total assets less current liabilities		9,202	3,800
Provisions for liabilities	18	(5,402)	-
		3,800	3,800
Capital and reserves			
Called up share capital	19	7,500	7,500
Retained earnings		(3,700)	(3,700)
Equity shareholders' funds		3,800	3,800

The financial statements of Geely UK Limited, registered number 08336808, were approved and authorised for issue by the board on 10 April 2014 and signed on its behalf by



Daniel Li
Director

The accompanying notes form an integral part of this statement of financial position

Consolidated Statement of Changes in Equity for the period ended 31 December 2013

	Share capital £'000	Profit & loss account £'000	Total equity £'000
Loss for the period	-	(3,700)	(3,700)
Other comprehensive income	-	-	-
Total comprehensive income	-	(3,700)	(3,700)
Share capital issued (note 19)	7,500	-	7,500
At 31 December 2013	7,500	(3,700)	3,800

The accompanying notes form an integral part of this statement of changes in equity

Company Statement of Changes in Equity for the period ended 31 December 2013

	Share capital £'000	Profit & loss account £'000	Total equity £'000
Loss for the period	-	(3,700)	(3,700)
Other comprehensive income	-	-	-
Total comprehensive income	-	(3,700)	(3,700)
Share capital issued (note 19)	7,500	-	7,500
At 31 December 2013	7,500	(3,700)	(3,800)

The accompanying notes form an integral part of this statement of changes in equity

Consolidated Cash Flow Statement for the period ended 31 December 2013

	Note	2013 £'000	£'000
Continuing activities:			
Operating (loss)		(3,696)	
Adjustments for			
Profit on disposal of tangible fixed assets		(10)	
Depreciation of tangible fixed assets		224	
Amortisation of intangible fixed assets	11	2,511	
			(971)
(Increase) in inventories		(8,251)	
(Increase) in debtors		(2,312)	
Increase in creditors		12,885	
(Decrease) in warranty provision		(2,054)	
			268
Cash used in operations			(703)
Returns on investment and servicing of finance			
Interest paid			(4)
Net cash used in operating activities			(707)
Investing activities			
Purchase of intangible fixed assets		(1,979)	
Purchase of tangible fixed assets		(59)	
Receipts from sales of tangible fixed assets		31	
Acquisition of business, trade and assets of MBH	14	(11,455)	
Net used cash used in investing activities			(13,462)
Financing			
Issue of share capital		7,500	
Loans raised			
Wholesale unit stocking loan	17	382	
Geely International (Hong Kong) Limited inter-company loan	17	9,107	
Net cash from financing			16,989
Net increase in cash and cash equivalents			2,820
Cash and cash equivalents at the end of the period			2,820

The accompanying notes form an integral part of this cash flow statement

Notes to the Financial Statements for the period ended 31 December 2013

1 General information

Geely UK Limited is a company incorporated in England and Wales under registration number 08336808. The address of the registered office is Holyhead Road, Coventry, West Midlands, CV5 8JJ. The nature of the Group's operations and its principal activities are set out in the Directors' Report. The Company was incorporated on 19 December 2012 and these financial statements cover the period from incorporation to 31 December 2013.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group and Company operates.

2 Significant accounting policies

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

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland' ("FRS 102"), the Group having taken advantage of the option available under United Kingdom Generally Accepted Accounting Practice to early adopt this Financial Reporting Standard.

In its individual financial statements the Company has chosen to take advantage of the reduced disclosure framework under FRS 102, paragraph 1.12. In particular the Company is exempt from the requirement to

- prepare a cash flow statement, and
- disclose key management personnel compensation.

The financial statements have been prepared on the historic cost basis. The assets acquired from the Administrator of MBH on 1 February 2013 have been valued at fair value in accordance with Section 11 of FRS 102 (see note 14).

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings made up to 31 December 2013.

The purchase method of accounting has been adopted in accordance with paragraph 19.6 of FRS 102. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated statement of comprehensive income from the date of acquisition up to the date of disposal.

Going concern

The consolidated financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the reasons set out below.

2 Significant accounting policies (continued)

Current economic conditions create uncertainty particularly over the level of demand for the Group's products. For these reasons, a sensitivity analysis has been performed on the Group's forecasts and projections, to take account of reasonably possible changes in trading performance. This analysis shows that the Group will be able to operate within the level of its borrowing facilities. After making other relevant enquiries, and with a commitment of support from the Company's parent company, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has adopted the going concern basis in preparing the financial statements.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions is capitalised as an intangible asset. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Provision is made for impairment where required.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Research and development

Research expenditure is charged to the statement of comprehensive income as incurred. Development expenditure is also charged to the statement of comprehensive income, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Group is expected to benefit. Provision is made for impairment where required.

Fixed asset investments

Investments in subsidiary undertakings are stated at original cost. Provision is made for impairment where required.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any subsequent accumulated impairment losses.

The cost less estimated residual value of fixed assets, other than freehold land and assets in the course of construction, is depreciated by equal instalments over the expected useful life of the assets as follows:

Freehold buildings	- 50 years
Leasehold buildings	- 50 years or the lease term if shorter
Motor cars	- 4 years
Commercial vehicles	- 4 years
Plant and equipment	- 3-5 years

Freehold land and assets in the course of construction are not depreciated. Assets in Course of Construction are not depreciated until the asset is completed and brought into use. At this point the asset is reclassified from Assets in Course of Construction to the appropriate depreciating asset category.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

2 Significant accounting policies (continued)**Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition, as follows

Raw materials and consumables	-	purchase cost on a first in, first out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Taxation

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date

Deferred taxation is recognised (without discounting), in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the reporting date, except as otherwise required by FRS 102

Revenue recognition

Revenue is recognised when goods have been delivered to UK customers or shipped to international customers. Revenue relating to the provision of services is recognised when the service has been provided in full

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or at the rate of exchange of the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date or if appropriate at the forward contract rate. All gains and losses on translation are included in the statement of comprehensive income

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company are capitalised and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the statement of financial position. The interest elements of the rental obligations are charged in the statement of comprehensive income over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease

Pensions

The Group operates a defined contribution pension scheme. Contributions are charged in the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the Statement of Financial Position

2 Significant accounting policies (continued)**Provisions**

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that there will be a requirement to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the period end date, and are discounted to present value where the effect is material.

Financial instruments

Basic financial instruments are accounted for in accordance with section 11 of FRS 102 and comprise cash and cash equivalents and basic debt instruments including trading balances, bank loans, overdrafts and wholesale unit stocking loans.

Basic debt instruments are measured at amortised cost using the effective interest rate method.

Key sources of estimation uncertainty

The directors estimate the carrying value of the warranty provision (note 18) using projections based on historic warranty claims data and through close analysis of any patterns in claims which indicate root cause of parts component failure. Data is captured for each vehicle and analysed throughout the vehicle's qualifying warranty period using dedicated computer software.

Past warranty claims are, by themselves, an unreliable indicator of future warranty claims, therefore, the directors exercise judgement in making a determination of the provision required for future claims which may arise for all vehicles within warranty at the reporting date.

Key judgements made by management

In addition to the warranty provision, the directors exercise judgement in determining the estimated useful life of intangible fixed assets based on various criteria such as the period over which the asset is expected to be available for use.

3 Turnover

Turnover comprises the invoiced value of goods and related services supplied by the Group exclusive of VAT and net of trade discounts. It also includes earnings relating from contracts with third parties associated with the sale of vehicles and vehicle spares. Turnover is solely attributable to the Group's principal activity.

In the opinion of the Directors, an analysis of turnover by geographical destination would be seriously prejudicial to the interests of the Group for commercial reasons and therefore no disclosure has been made.

4 Non-underlying costs

Certain non-underlying costs have been incurred in the period that are particular to the acquisition of MBH (note 14) or otherwise unusual because of their non-recurring nature. These have been disclosed separately in the consolidated statement of comprehensive income in order to set them apart from the core underlying result. The non-underlying costs can be analysed as follows:

4 Non-underlying costs (continued)

	2013 £'000
Amortisation of goodwill (note 11)	968
Amortisation of beneficial contract (note 11)	458
Recruitment fees	86
Business process consultancy	115
Other costs associated with the recommencement of trade	150
	<hr/> 1,777 <hr/>

5 Loss on ordinary activities

	2013 £'000
This is stated after charging	£'000
Net foreign exchange gains	(174)
Cost of inventories recognised as expense	34,829
	<hr/>
Operating lease rentals - plant and machinery	103
- land and buildings	516
	<hr/> 619 <hr/>
Auditors' remuneration	
Audit of these financial statements	7
Audit of financial statements of subsidiaries	30
Other services relating to taxation	14
All other services	1
	<hr/> 52 <hr/>

6 Staff costs

	2013 £'000
Staff costs (which includes Directors' remuneration) were as follows	£'000
Wages and salaries	4,568
Social security costs	424
Other pension costs	193
	<hr/> 5,185 <hr/>

	No.
The monthly average number of employees during the period was	No.
Production	76
Sales, marketing and distribution	64
Administration and finance	15
	<hr/> 155 <hr/>

There were no employees of the Company during the period

7 Directors' emoluments

No director received any emoluments in respect of their service to the Company or Group during the period. Key Management Personnel compensation for the Group amounted to £209,000. Key Management Personnel comprises directors of significant subsidiaries.

8 Interest payable and similar charges

	2013
	£'000
Interest payable on wholesale unit stocking loan	4

9 Profits of holding company

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company for the period is not presented as part of these accounts. The loss after tax of the Company was £3,700,000.

10 Taxation

	2013
	£'000

(a) Analysis of charge in the period

Statement of comprehensive income:

Current tax charge

UK corporation tax on loss for the period	-
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Total current tax charge	-
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Deferred taxation (note 18)

Origination and reversal of timing differences	-
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Total tax charge	-
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(b) Factors affecting current tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK (23%). The differences are explained below	2013
	£'000

Loss on ordinary activities before tax	(3,700)
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Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23%	(851)
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Effects of

Expenses not deductible for tax purposes	575
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Current period tax losses	276
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Tax charge for period	-
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(c) Factors that may affect future tax charges

The Group has tax losses available to carry forward of approximately £1m which have not been recognised as deferred tax assets because the directors consider that recognition of tax assets would be premature until such time that the business generates a profit and begins utilising brought forward tax losses.

11 Intangible fixed assets

Group	Purchased Goodwill £'000	Develop- ment costs £'000	Beneficial contract £'000	Total £'000
Cost				
Business acquired (note 14)	3,167	2,861	1,500	7,528
Additions	-	1,988	-	1,988
At 31 December 2013	3,167	4,849	1,500	9,516
Amortisation				
Charge for period	968	1,085	458	2,511
At 31 December 2013	968	1,085	458	2,511
Net book value				
At 31 December 2013	2,199	3,764	1,042	7,005
At 19 December 2012	-	-	-	-

Purchased goodwill arose on the acquisition of the business, trade and assets of MBH on 1 February 2013 (see note 14). It is being amortised over a period of three years which is the directors' estimate of its useful life.

Development costs relate to vehicle product development projects. The net book value of these programmes at 31 December 2013 can be analysed as follows:

NBV £'000	Project	Details
		Product development projects being amortised at reporting date:
1,776	Euro 5	European emission standard. Standard equipment on TX4 vehicle since 1 January 2012. The Euro 5 project is being amortised over a 28 month period from 1 February 2013 to 31 May 2015. 31 May 2015 is the last date from which Euro 5 emission-compliant vehicles will be manufactured in accordance with European legislation. From 1 June 2015, vehicles will be manufactured to be Euro 6 emission-compliant.
317	Euro 5+	European emission standard. Standard equipment on TX4 vehicle since 1 October 2013. The Euro 5+ project is being amortised over a 20 month period from 1 October 2013 to 30 May 2015. 31 May 2015 is the last date from which Euro 5 emission-compliant vehicles will be manufactured in accordance with European legislation. From 1 June 2015, vehicles will be manufactured to be Euro 6 emission-compliant.
		Product development projects in progress at reporting date (non-amortising)
465	ESC	Vehicle safety control under braking and cornering. To be standard equipment on TX4 vehicles produced from 1 August 2014.
165	Euro 6	European emission standard. To be standard equipment on TX4 vehicles produced from 1 June 2015.
1,041	TX5	Range extended electric vehicle project.
3,764	Total	

The beneficial contract was recognised on the acquisition of the business, trade and assets of MBH on 1 February 2013 (see note 14) in accordance with FRS 102 (paragraph 18.8). It is being amortised over a period of three years which is the directors' estimate of its useful life.

The Company holds no intangible fixed assets.

12 Tangible fixed assets

Group	Land & buildings		Vehicles, plant & equipment (owned)	Total
	Freehold £'000	Leasehold £'000	£'000	£'000
Cost				
Business acquired (note 14)	550	2,606	306	3,462
Additions	-	-	59	59
Disposals	-	-	(30)	(30)
At 31 December 2013	550	2,606	335	3,491
Depreciation				
Charge for period	32	62	130	224
Disposals	-	-	(9)	(9)
At 31 December 2013	32	62	121	215
Net book value				
At 31 December 2013	518	2,544	214	3,276
At 19 December 2012	-	-	-	-

Included in freehold land and buildings is freehold land of £185,000 which is not depreciated

The Company holds no tangible fixed assets

13 Fixed asset investments

Company	Shares in subsidiary undertakings £'000
Cost	
Additions and at 31 December 2013	7,500
Provision for diminution in value	
Impairment in period and at 31 December 2013	(3,704)
Net book value	
At 31 December 2013	3,796

Details of all subsidiary undertakings are as follows

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights & shares held</i>	<i>Nature of Business</i>
The London Taxi Corporation Limited	UK	Ordinary shares	100%	Production and sale of motor vehicles
Geely PropCo UK Limited	UK	Ordinary shares	100%	Holding and management of property investments
Geely FinanceCo UK Limited	UK	Ordinary shares	100%	Dormant
Geely Automobile Limited	UK	Ordinary shares	100%	Dormant

All the above subsidiaries have been included in the consolidation and all interests are held directly by Geely UK Limited

14 Business acquisition

On 1 February 2013 the Group acquired the business, trade and certain assets of MBH for cash consideration of £11,455,000. The investment in the business, trade and assets has been included in the Company's Statement of Financial Position at its fair value at the date of acquisition.

An analysis of the acquisition of the business, trade and certain assets of MBH is as follows:

	Sale contract £'000	Adjustments Revalu- -ation £'000	Other £'000	Fair value to Group £'000
Intangible assets				
Development costs	-	2,861 (a)	-	2,861
Benefit of contract	1,500	-	-	1,500
Tangible assets				
Land & buildings	2,500	580 (b)	-	3,080
Plant & equipment	260	122 (c)	-	382
Stock	6,844	747	-	7,591
Prepayments	351	-	-	351
Accruals	-	-	(20)	(20)
Warranty	-	-	(7,457) (d)	(7,457)
	<u>11,455</u>	<u>4,310</u>	<u>(7,457)</u>	<u>8,288</u>
Goodwill arising on acquisition				3,167
Purchase consideration				<u>11,455</u>

Adjustments

- (a) Recognition of development costs of Euro 5 project
- (b) The valuation of long leasehold and freehold properties as at 1 February 2013 based on a professional valuer's report
- (c) Valuation of plant and equipment
- (d) Estimate of liabilities for warranty cover for eligible new and used vehicles sold by MBH

The turnover and loss for the financial period disclosed in the Statement of Comprehensive Income is in respect of this business acquisition.

15 Inventories

	Group 2013 £'000	Company 2013 £'000
Raw materials and consumables	6,685	-
Work in progress	1,485	-
Finished goods and goods for resale	7,663	-
	<u>15,833</u>	<u>-</u>

Finished goods (vehicles) with a carrying value of £382,000 are pledged as collateral against the Wholesale Unit Stocking Loan (see note 17).

16 Debtors

	Group 2013 £'000	Company 2013 £'000
<i>Amounts falling due within one year</i>		
Trade debtors	1,868	-
Amounts owed by ultimate parent undertaking	20	-
Amounts owed by Group undertakings	-	7,955
Other debtors	314	-
Prepayments and accrued income	461	-
	<u>2,663</u>	<u>7,955</u>

17 Creditors

	Group 2013 £'000	Company 2013 £'000
<i>Amounts falling due within one year</i>		
Wholesale unit stocking loan	382	-
Trade creditors	2,350	-
Amount owed to immediate parent undertaking	9,106	8,958
Amounts owed to group undertakings (note 24)	9,602	-
Other taxes and social security	260	-
Other creditors	101	-
Accruals and deferred income	594	-
	<u>22,395</u>	<u>8,958</u>

The Wholesale Unit Stocking Loan is a £7.5m facility secured by a debenture and repayable to Black Horse Limited within one year. The loan attracts interest linked to the Finance House Base Rate.

The amount owed to immediate parent undertaking is a inter-company loan advanced to the Company by Geely International (Hong Kong) Limited in February 2013 in order to finance the acquisition of the business, trade and certain assets of MBH and in order to provide Geely UK Limited Group with sufficient working capital to commence trading. As stated in the Strategic Report, the parent company funding is long-term in nature, however, until the terms are formalised, the directors consider it appropriate to classify the liability as wholly due within one year.

18 Provisions

	Deferred taxation £'000	Warranty £'000	Total £'000
Group			
Business acquired (note 14)	-	7,457	7,457
Charge to statement of comprehensive income	-	1,290	1,290
Utilised	-	(3,345)	(3,345)
At 31 December 2013	<u>-</u>	<u>5,402</u>	<u>5,402</u>
Company			
At 31 December 2013	<u>-</u>	<u>-</u>	<u>-</u>

The warranty provision represents management's best estimate of the Group's liability under

- three year or 100,000 mile (whichever occurs sooner) warranties granted on new vehicles sold, based on past experience and known product improvements, and

18 Provisions (continued)

- b) one year or 50,000 mile (whichever occurs sooner) guarantees on qualifying used vehicles sold

It is expected that the majority of this expenditure will be incurred in the next year and that all will be incurred within three years of the reporting date

No deferred tax asset is being recognised for estimated tax losses carried forward arising from the first period of trading as recovery of the asset is not yet considered probable. The directors will reconsider the position when the Group returns to profitability and has established a consistent profitable trading record

19 Called up share capital

	2013	
	<i>No</i>	£'000
Issued and fully paid:		
Ordinary shares of £1 each		
On incorporation, 19 December 2012	100	-
New issue, 15 February 2013	7,500,000	7,500
	<hr/>	<hr/>
At 31 December 2013	7,500,100	7,500
	<hr/>	<hr/>

The Company has one class of ordinary shares which carry no rights to fixed income

20 Retirement benefits

The Group operates a defined contribution retirement benefit scheme. The assets of the scheme are held separately from those of Group companies in an independently administered fund

The pension cost charge for the period is disclosed in 'Staff Costs' (note 6). The unpaid employers' contributions outstanding at the reporting date (including amounts for salary sacrifice), included in 'Accruals and deferred income' (note 17), are £39,000

21 Subsequent event

On 28 February 2014, the Company acquired the entire share capital of IE LEV Limited, the UK holding company of IE Emerald Holdings Inc and Emerald Automotive LLC, two companies registered in the USA, for cash. £2,786,000 cash consideration was paid at completion (28 February 2014), further deferred consideration of up to £2,986,000 is payable upon the satisfactory completion of project deliverables relating to a range-extended electric vehicle capable of zero emissions, by 31 December 2014

22 Capital commitments

	Group 2013 £'000	Company 2013 £'000
Amounts contracted for but not provided in the accounts	629	-
	<hr/>	<hr/>

23 Commitments under non-cancellable operating leases

At the reporting date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows

Group	2013	
	Land & buildings £'000	Other £'000
Expiring within one year	-	15
Expiring between two and five years	-	91
Expiring after five years	11,061	-
	<u>11,061</u>	<u>106</u>

The Company has no operating leases

24 Financial instruments

Capital risk management

The capital structure of the Company consists of inter-company debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, and retained earnings as disclosed in the Statement of Changes in Equity and note 19

Categories of financial instruments

	Group 2013 £'000	Company 2013 £000
Financial assets / (liabilities) at amortised cost		
Cash and bank balances	2,820	1,007
Inter-company loan receivables	-	7,955
Trade debtors and other receivables	1,888	-
Bank loans	(382)	-
Inter-company loan payables	(9,106)	(8,958)
Trade creditors and other payables	(11,952)	-
	<u>(16,732)</u>	<u>4</u>

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, resulting in exposure to exchange rate fluctuations. Exchange rate exposures are managed utilising spot foreign exchange transactions. During the period, the Group entered into no contracts to manage foreign exchange risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, stated at closing rate, are as follows

	Liabilities 2013 £'000	Assets 2013 £'000
EUR	639	-
USD	15,271	3,025
	<u>15,910</u>	<u>3,025</u>

24 Financial instruments (continued)**Credit risk**

Principal credit risk arises from sales to third parties. There is limited exposure from UK sales as vehicles are normally held until funds are released. For overseas sales the credit risk is minimised by use of advanced payment terms, payment guarantee such as letter of credit or the holding of vehicles until funds are released.

Liquidity and interest rate risk

The Group is funded by the wider group hence liquidity and interest rate risks are minimised.

25 Related party transactions

Transactions between related parties are disclosed below.

Group trading transactions	Sale of goods and services £'000	Purchase of goods and services £'000
Period ended 31 December 2013		
Shanghai LTI Automobile Components Co. Ltd	-	-
Shanghai Maple Automobile Company Ltd	1,266	13,420
Zhejiang Geely Holding Group Co. Ltd	25	-
	1,291	13,420
	Amounts owed by related parties £'000	Amounts owed to related parties £'000
At 31 December 2013		
Shanghai LTI Automobile Components Co. Ltd	-	-
Shanghai Maple Automobile Company Ltd	916	10,518
Zhejiang Geely Holding Group Co. Ltd	20	-
	936	10,518

Shanghai LTI Automobile Components Co. Ltd ("SLTI") is a related party of the Company because both entities are owned by the same ultimate parent undertaking. SLTI is a principal supplier to the UK Group, supplying 'semi knock-down kits' for assembly in Coventry, via Shanghai Maple Automobile Company Ltd.

Shanghai Maple Automobile Company Ltd is a related party of the Company because it is 90% controlled by Zhejiang Geely Holding Group Co. Ltd, which is wholly owned by Mr Li Shu Fu and his associates.

Disclosure is not required of transactions entered into between wholly owned members of the Group.

26 Parent undertaking and controlling party

In the directors' opinion the Company's immediate parent undertaking is Geely International (Hong Kong) Limited and its ultimate parent undertaking and controlling party is Zhejiang Geely Holding Group Co. Ltd which is incorporated in the People's Republic of China.