

Registered no: 08336808

Geely UK Limited

**Annual Report and Financial Statements
for the year ended 31 December 2021**

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Geely UK Limited

Company registration number

08336808

Directors

An Conghui
Donghui (Daniel) Li
Shengliang Nan

Registered office

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CV7 9RF

Auditor & Tax Advisor

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Two Chamberlain Square
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KPMG AG
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Tax Advisor

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Bankers

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London Commercial Banking Centre
Level 6, 71 Queen Victoria Street
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EC4V 4AY

Black Horse Limited
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London
EC2V 7HN

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B3 2DX

BNP Paribas
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NW1 6AA

Standard Chartered Bank
1 Basinghall Avenue
London
EC2V 5DD

Ping An Bank
Shenzhen Development Bank
Building 5047 Shen Nan Road East
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Citibank, N.A., London Branch
Citigroup Centre, Canada Square
Canary Wharf
London
E14 5LB

Société Générale (China) Limited
Unit 4801, 48F, Jin Mao Tower,
88 Century Avenue,
Pudong New Area,
China 200120

Geely UK Limited

Bankers (continued)

Volvo Car Financial Services UK Ltd
Scandinavia House,
Norreys Drive,
Maidenhead,
SL6 4FL

Deutsche Bank AG
Hong Kong Branch Level 60,
International Commerce Centre
Austin Road West Kowloon,
Hong Kong

Kreissparkasse Groß-Gerau
Ringstraße 107-109
Raunheim 65479

Bank of China
4 Battery Road
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Bockenheimer Landstr. 24
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Germany

Geely UK Limited

Strategic Report for the year ended 31 December 2021

The Directors present their strategic report for Geely UK Limited (the “Company” or “GUK”) and its subsidiaries (the “Group”) for the year ended 31 December 2021. London EV Company Limited (‘LEVC’) and Lotus Tech Innovation Centre GmbH (‘LTIC’), formerly known as Geely Auto Technical (Deutschland) GmbH (‘GATD’), are the principal operating subsidiaries of the Group. The full list of the Company’s subsidiaries is given at note 13.

The Board of Directors carefully consider all future strategic options for the business and in doing so take due consideration of all parties that may be affected by its decisions. The Directors consider the key stakeholders and interested parties to be shareholder; Zhejiang Geely Holding Group Co Ltd, banks, other financial institutions, employees, customers, contractors, suppliers, and Government bodies.

The Board employs various methods of communicating with these interested parties which include monthly reporting of performance to its ultimate parent company and periodic meetings with key personnel within the parent Group. Employee communication includes a detailed quarterly business update from the CEO which includes performance against the KPIs, relevant news and the opportunity for questions. Regular meetings are held with our Banking partners, Customers and Suppliers on an individual and periodically on a group basis to provide insight to our future business and product plans. Many of these meetings have been virtual meetings due to Covid restrictions however the Board are keen to resume face to face meetings as restrictions ease.

During 2021 the Covid pandemic continued, and the business priorities continued to be protecting the health and wellbeing of our employees.

2021 continued to be challenging with liquidity being maintained through the support of our key banking partners and our ultimate parent company.

The Company maintains its general ethos and desire to be a truly class leading employer of choice and environmentally clean producer of products that will benefit the wider community.

Review and analysis of the business

2021 saw LEVC’s sales grow to 1,620 units (+45% vs 2020) mainly as a result of VN sales. The effect of successive lockdowns and economic uncertainty continued to suppress demand for the TX, although a sales increase of 7% vs 2020 was achieved. 2021 was the first full year of VN sales and 390 units were sold.

LTIC’s sales growth increased to £43m (+80% vs 2020) as a result of new research agreement being initiated with affiliate companies. LTIC’s business activities are focused on the automotive sector and on providing licence free consulting activities and services, in particular research, production and development activities. Trading profit and operating profit remained consistent year on year.

Commercial Strategy

LEVC managed the remaining Covid-19 lockdown periods in quarter 1 by reducing production and stock in line with the market. Coming out of the last Covid restrictions, LEVC focused on rebuilding demand with the Taxi Fleets and Owner/Drivers through supported finance programmes which have begun to drive additional business and interest in the LEVC TX.

Geely UK Limited

Strategic Report for the year ended 31 December 2021

(continued)

LEVC was also able to relaunch the VN5 electric van (unavailable for test drives since launching in many markets). This relaunch consisted of a successful presentation at the UK's leading Commercial Vehicle show as well as establishing a new LEVC Corporate Sales team which has had success winning new customers as well as many public sector and government funded organisations who are all committed to electrifying their fleets.

Overseas, LEVC has continued to focus on its existing EU markets, principally Germany, Spain, France, Greece and Sweden where local subsidies and incentives favour electrically driven vehicles. Further afield in the rest of the world markets, LEVC continues to sign up importers especially for the iconic TX taxi.

Product Portfolio

The VN5 van was relaunched (post Covid) in the UK in August and also in Germany, Spain and France through successful press launches. Further investment has also been made in the VN5 Commercial Vehicle to achieve a specific tax incentive threshold in France. With growing interest in the Gulf States for the LEVC TX (for hospitality and taxi fleets), LEVC also successfully achieved homologation in this important market.

Business Environment

The post Covid business environment continues to improve demand for the TX taxi with tourists, the night-time economy and return to office working all gradually returning to pre-pandemic levels, especially in the taxi dominant UK market. Funding for large London-based TX fleets is also improving with many asset-backed funders especially focused on 'green transport' opportunities. Outside of London, the UK regional market is also growing with more and more clean air zones being announced together with swap-to-electric incentives for both taxi drivers and van owners.

The VN5 is also benefitting from the switch to electric and, with a good supply chain and UK manufacturing, LEVC is able to benefit and give customers shorter lead times for their transport solutions.

Geely UK Limited

Strategic Report for the year ended 31 December 2021 (continued)

Financial review

Sales Revenue of £134.4m in 2021 was an increase of 34% from £100.6m in 2020.

EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) was a £48.3m loss (2020 £9.2m profit) reflecting the challenges facing the business.

	Year ended 31 December 2021	Year ended 31 December 2020
Operating loss	(101,154)	(20,686)
Add back depreciation	16,566	10,593
Add back amortisation	38,000	17,002
Add Royalty amortisation	1,823	1,753
Less Grant amortisation	(4,929)	(1,881)
Add back exceptional costs	1,407	2,369
EBITDA (Loss) / Profit	(48,287)	9,150

The liquidity of the business during this challenging year was maintained through the support of our key banking partners and parent company.

Key activities

Operational losses were minimised by further efficiency measures across all areas of the business and maximised usage of the furlough scheme (£1m in 2021 (2020: £2.6m)) to protect employment and the key skills required to ramp up production of VN5.

Inventory liquidation in the fourth quarter of 2021 caused some margin reductions but now places LEVC in a stronger position for 2022.

Net worth

The Group's Shareholders' Funds or "Net Worth" stood at £7.9m on 31 December 2021 (2020: £90.4m) presenting a modest Statement of Financial Position to stakeholders, including its bankers and suppliers.

The Board is satisfied with the Group's financial position.

Key performance indicators

Management of active group companies utilise a series of KPI's on a weekly and monthly basis to address financial and operating performance. Most relevant measures in 2021 include EBITDA, product quality, inventory management, cash flow and headcount.

Overall, the Board is satisfied with the Group's performance on most of the KPI's with the exception of EBITDA which the Group continues to closely monitor against the strategies introduced in 2022 to improve performance in this area.

Geely UK Limited

Strategic Report for the year ended 31 December 2021 (continued)

Principal risks and uncertainties facing the business

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

- **Foreign exchange risk.** The Group constantly reviews and implements hedging contracts to limit exposure to EUR and USD exchange risk as a net purchaser of these currencies.
- **Funding risk.** The Group is funded through a combination of debt and equity with debt becoming due for repayment on various dates in the future. The Group regularly undertakes financial forecasting in order to measure its financing requirements against its available facilities and uncalled Capital Contribution and works closely with its parent company's treasury function to obtain new facilities, as required.
- **Warranty risk:** The Group is satisfied with the warranty cost incurred during the year and considers the warranty provision to be adequate to cover all future estimated repair costs for vehicles under warranty.
- **Coronavirus (Covid-19) risk:** At the time of signing these Accounts the Group is seeing significant recovery of confidence in the key London market. The Board expects this trend to continue if no further Covid-19 restrictions are imposed.
- **Ukraine Situation:** The Group has conducted investigations into the impact the Ukrainian crisis could have on sales, purchases, and supply routes. The result is that the Group sees little or no impact on sales and purchases as it does not have a strong presence in this market or rely heavily on Ukraine for parts. However, there is a small and temporary impact on supply chains as some logistics routes travel overland through Ukraine. These routes have been diverted and any disruption has been overcome.

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

Long-term decision making

The Company aims to bring value to its ultimate shareholders by creating a sustainable and profitable business. VN5 growth has been fivefold in 2021 versus 2020 as this has been the first full year of sales. This vehicle occupies a much larger market segment than our existing Taxi product, so will ultimately determine the long term success of the Company.

The Company also engaged in other product development activity with Geely subsidiaries in China which are intended to further broaden the portfolio offered in Europe and further enhance Group profitability.

Employee engagement

During 2021 the business continued to respond to the evolving Covid 19 pandemic, protecting the health of our employees and maximising use of the Government furlough scheme in order that redundancies were not required.

Employee communication includes a detailed quarterly business update from the CEO which includes performance against key KPI's, relevant news and the opportunity for questions.

Geely UK Limited

Strategic Report for the year ended 31 December 2021 (continued)

Business relationships

Regular meetings are held with our Banking partners, Customers and Suppliers on an individual and periodically on a group basis to provide insight to our future business and product plans.

The Company aims to provide high quality products to its customers. Supplier relationships are guided by the principles of respect and partnership, creating long term value for both parties. We recognise that supplier quality is key to ensure that the quality of the end product meets customer requirements.

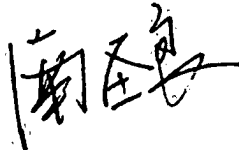
The Company and its members operate to maintain the highest standards of business conduct.

The Company maintains its general ethos and desire to be a truly class leading employer of choice and environmentally clean producer of products that will benefit the wider community.

Approval

This report was approved by the board on 3 January 2023 and signed on its behalf by:

Shengliang Nan
Director



Geely UK Limited

Directors' Report for the year ended 31 December 2021

The Directors present their report for Geely UK Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021.

Principal activity

The Group's principal activity is the research, development, production, distribution and sale of urban commercial vehicles. The Company is the holding company for the wholly owned interests of Zhejiang Geely Holding Group Co. Ltd ('Geely') in the UK and Continental Europe.

Future developments

LEVC continues to focus on the fast changing electric vehicle market and is collaborating with Geely on future platform strategy to enhance our market position.

Subsequent events

On the 24 June 2022 Geely UK sold its 100% holding in Lotus Tech Innovation Centre GmbH to Lotus Technology Innovative Limited. This sale has resulted in elimination of the investment from the balance sheet and generated a profit on disposal of £3.4m.

Dividends

The Directors do not recommend the payment of any dividend.

Directors

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

An Conghui
Donghui (Daniel) Li
Shengliang Nan

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 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.

Geely UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

Research and development

Development of the TX and VN5 continues as LEVC expands its market footprint into the Middle East and Far East.

The Group retains Commercial R&D activities at the Ansty site. This centre is to support the UK Group and the wider Geely Group in activities related to electric commercial vehicles.

During the year, the Group directly expensed development expenditure of £264,000 (2020: £1,174,000) and capitalised expenditure of £9,516,000 (2020: £17,492,000), as detailed at note 11.

Employment policies

The Company is concerned that 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 contributions

The Group made no political contributions in the year. (2020: Nil).

Geely UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

Streamlined Energy and Carbon Reporting (SECR)

GUK appointed BiU Ltd (British Independent Utilities), who are award winning experts in energy and carbon optimisation to independently assess our Greenhouse Gas (GHG) emissions in accordance with the UK Governments environmental reporting guidelines including Streamlined Energy and Carbon Reporting requirements.

The assessment has used the 2021 emission conversion factors published by Department for Environment, Food and Rural Affairs (DEFRA).

The Group is continuously improving its environmental management system and is working towards being accredited BS EN ISO14001 and is committed to undertake all steps that could be reasonably expected of it to respect and protect the environment. The Company continues to investigate the use of and invest in new technology which reduces its environmental footprint.

Carbon footprint survey will be commissioned in 2022 which will provide a benchmark and identify further opportunities to reduce our CO2 footprint.

The Company has presented its total energy consumption and greenhouse gas emissions data in the table below for the year ended 31 December 2021:

	Year ended 31 December 2021	Year ended 31 December 2020
Total tonnes of CO2e	1,526.0	1,875.0
Total tonnes of greenhouse gas (transport related)	159.1	561.0
Total energy consumption (kWh)	7,319,460.0	8,284,060.0
Tonnes of CO2 per £m	15.4	25.0
Tonnes of CO2 per production unit	0.9	1.2

For 2022 additional logistics space has been utilised at our contracted warehouse in Ryton, better utilising the Company's resources and effectively combining consolidated shipments into the Ansty plant. The Company has also reintroduced and extended the road haulage consolidation activities it had in place pre-Covid and has plans to roll this out across Europe. Increased shipment via Rail from China is also being trialled.

For distribution of non-standard VN5s in the UK, Pre Delivery Inspections (PDI) where possible are conducted at vehicle conversion centres, enabling deliveries direct to the customer. For TX and VN5 distribution in Europe, at the end of 2021 we appointed a new logistics partner who will ship our vehicles into Europe using RO-RO (roll-on, roll-off) shipping, rather than delivery direct from Ansty to the customer. These initiatives will reduce the number of road haulage movements the business requires in the future.

Geely UK Limited Directors' Report for the year ended 31 December 2021 (continued)

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 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 Financial Reporting Standard 102, the "Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 of 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the auditor

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

Geely UK Limited

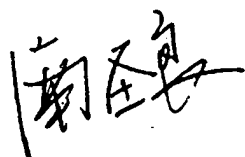
Directors' Report for the year ended 31December 2021 (continued)

Auditor

Under section 487(2) of the Companies Act 2006, Mazars LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members, or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Approval

This report was approved by the board on 3 January 2023 and signed on its behalf by:



Shengliang Nan
Director

Li Close
Ansty Park
Coventry
CV7 9RF

Geely UK Limited

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

Opinion

We have audited the financial statements of Geely UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 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 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Geely UK Limited

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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 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.

Geely UK Limited

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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 group's and the parent 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 group or the parent 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

Geely UK Limited

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

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company are in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

Geely UK Limited

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

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 the audit 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.



Louis Burns (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

First Floor
Two Chamberlain Square
Birmingham
B3 3AX

Date 3 January 2023

Geely UK Limited

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

	Note	Continuing operations		
		Year ended 31 December 2021		Year ended 31 December 2020
		Underlying £'000	Non underlying (note 5) £'000	Total £'000
Turnover	3	134,437		134,437
Cost of sales		(180,208)	(2,278)	(182,486)
Gross loss		(45,771)	(2,278)	(48,049)
Distribution costs		(18,315)	-	(18,315)
Administrative expenses		(37,546)	(146)	(37,692)
Other Income	4	913	1,017	1,930
Trading loss		(100,719)	(1,407)	(102,126)
Gain on disposal of leasehold property		-	-	-
Foreign exchange gains /(losses) on foreign currency borrowings	6	972	-	972
Operating loss		(99,747)	(1,407)	(101,154)
Interest payable and similar charges	9			(16,049)
Loss on ordinary activities before tax	6			(117,203)
Taxation	10			(1,111)
Loss for the financial year				(118,314)
Other comprehensive income – (loss)/gain on translation of subsidiary undertaking				(692)
Total comprehensive loss attributable to the parent company				(119,006)

The accompanying notes form an integral part of these financial statements.

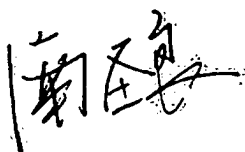
Geely UK Limited

Consolidated and Company Statement of Financial Position at 31 December 2021

	Notes	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Non-current assets					
Intangible assets	11	167,465	169,704	-	-
Tangible assets	12	108,735	121,818	-	-
Investments	13	-	-	13,426	95,218
Debtors	14	22,702	27,559	543	551
		298,902	319,081	13,969	95,769
Current assets					
Inventories	15	45,151	50,341	-	-
Debtors	14	334,301	319,693	295,880	292,839
Cash at bank and in hand		4,688	10,663	3	118
		384,140	380,697	295,883	292,957
Current liabilities					
Creditors	16	(360,661)	(293,485)	(305,070)	(302,509)
Net current assets/(liabilities)		23,479	87,212	(9,187)	(9,552)
Total assets less current liabilities		322,381	406,293	4,782	86,217
Non-current liabilities					
Creditors	16	(309,867)	(311,422)	-	-
Provisions for liabilities	17	(4,583)	(4,434)	-	-
		(314,450)	(315,856)	-	-
Net Assets		7,931	90,437	4,782	86,217
Capital and reserves					
Called up share capital	18	134,000	97,500	134,000	97,500
Capital contribution	19	312,097	312,097	312,097	312,097
Retained earnings		(438,166)	(319,160)	(441,315)	(323,380)
Equity shareholders' funds		7,931	90,437	4,782	86,217

The loss after tax of the Company for the year was £117,935,000 (2020 loss of £44,262,000).

The financial statements of Geely UK Limited, registered number 08336808, were approved and authorised for issue by the Board on 3 January 2023 and signed on its behalf by:



Shengliang Nan
Director

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

Geely UK Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

	Share capital £'000	Capital Contrib- ution £'000	Profit & loss account £'000	Total equity £'000
At 31 December 2019	97,500	312,097	(281,678)	127,919
Loss for the year	-	-	(37,976)	(37,976)
Other comprehensive income	-	-	494	494
At 31 December 2020	97,500	312,097	(319,160)	90,437
Loss for the year	-	-	(118,314)	(118,314)
Other comprehensive income	-	-	(692)	(692)
Issue of shares	36,500	-	-	36,500
At 31 December 2021	134,000	312,097	(438,166)	7,931

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

Company Statement of Changes in Equity for the year ended 31 December 2021

	Share capital £'000	Capital Contrib- ution £'000	Profit & loss account £'000	Total equity £'000
At 31 December 2019	97,500	312,097	(279,118)	130,479
Loss for the year	-	-	(44,262)	(44,262)
At 31 December 2020	97,500	312,097	(323,380)	86,217
Loss for the year	-	-	(117,935)	(117,935)
Issue of shares	36,500	-	-	36,500
At 31 December 2021	134,000	312,097	(441,315)	4,782

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

Geely UK Limited

Consolidated Cash Flow Statement

for the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating loss		(101,154)	(20,686)
Adjustments for:			
Profit on disposal of tangible fixed assets		-	(17,812)
Depreciation of tangible fixed assets	12	16,566	10,593
Amortisation of intangible fixed assets	11	38,000	17,002
Amortisation of government grants		(4,929)	(1,881)
Foreign exchange (gains)/losses		(659)	149
		(52,176)	(12,635)
Decrease/(increase) in inventories		5,190	(22,251)
(Increase) in debtors		(9,602)	(3,233)
Increase in creditors		23,145	21,940
Increase/(decrease) in warranty provision		149	(930)
UK taxation paid (net)		-	(561)
Overseas tax paid		(778)	(1,500)
		18,104	(6,534)
Cash used in operations		(34,072)	(19,169)
Returns on investment and servicing of finance			
Interest paid		(15,421)	(12,719)
Net cash used in operating activities		(49,493)	(31,888)
Investing activities			
Purchase of intangible fixed assets, including capitalised borrowing costs	11	(35,761)	(17,492)
Purchase of tangible fixed assets	12	(3,483)	(21,866)
Receipts from sales of tangible fixed assets		-	20,500
Receipt of government grants	16	40	6,334
Net cash used in investing activities		(39,204)	(12,524)
Financing			
Loans raised/(repaid):			
Black Horse wholesale unit stocking loan	16	(4,417)	2,264
HSBC Bank RCF	16	24,975	-
Santander UK – Stocking loan VN5	16	(161)	7,233
Ping An Bank	16	(1,564)	1,564
BNP Paribas revolving credit facility	16	20,000	13,700
Santander revolving credit facility	16	-	1,550
Geely International (Hong Kong) Ltd inter-company loans	16	7,882	4,255
Société Générale	16	19,867	-
Shares issued for cash		36,500	-
Net cash generated from financing		103,082	30,566
Net increase/(decrease) in cash and cash equivalents		14,385	(13,846)
Cash and cash equivalents at beginning of year		(17,635)	(3,789)
Cash and cash equivalents at end of year		(3,250)	(17,635)
Composition of cash and cash equivalents:		2021	2020
		£'000	£'000
Cash at bank and in hand		4,688	10,663
Bank overdrafts	16	(7,938)	(28,298)
Total cash and cash equivalents		(3,250)	(17,635)

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

Geely UK Limited

Notes to the Financial Statements for the year ended 31 December 2021

1 General information

Geely UK Limited is a private company, limited by shares, incorporated in England and Wales under registration number 08336808. The address of the registered office is Li Close, Ansty Park, Coventry, CV7 9RF. The nature of the Group's operations and its principal activities are set out in the Directors' Report.

These financial statements are for the year ended 31 December 2021 (the previous accounting period was for the year ended 31 December 2020).

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. Foreign operations are included in accordance with the policies set out in note 2.

2 Statement of compliance & significant accounting policies

Statement of Compliance

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").

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.

Under section 408 of the Companies Act the Company has taken the exemption from presenting its own Statement of Comprehensive Income.

The Group has taken advantage of section 33.1A of FRS 102 to not disclosure transactions entered into between two or more members of a group, where any subsidiary which is a party to the transaction is wholly owned by such a member.

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 on the historic cost basis with the exception of financial instruments at fair value.

The principal accounting policies adopted are set out below.

Geely UK Limited

2 Statement of compliance & significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings made up to 31 December 2021.

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.

As stated in the Financial Review section of the Strategic Report, the Group's Shareholders' Funds at 31 December 2021 were £7,931,000 (31 December 2020: £90,437,000). Within Debtors (note 14) is a receivable of £295,880,000 (31 December 2020: £292,839,000) from the Company's immediate parent. After making relevant enquiries, the Directors are satisfied as to the quality of the receivable, in particular, that the immediate parent undertaking has the necessary resources to make full payment on the Company's demand. This, together with the bank facilities as detailed in the Financial Review and the 2022/23 cash flow forecasts for the business, give the Directors 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 (see note 11). Provision is made for impairment where required.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Geely UK Limited

2 Statement of compliance & significant accounting policies (continued)

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
Vehicles- 4 years	
Technical equipment	- 4-15 years
Plant and equipment	- 3-15 years

Freehold land is 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.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any subsequent accumulated impairment losses.

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

Development costs	- 4-10 years
Supplier contracts	- 3-5 years
Software	- 3-5 years

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.

Geely UK Limited

2 Statement of compliance & significant accounting policies (continued)

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 according to FRS 102, when a customer obtains control of a good or service, and thus has the ability to direct the use and obtain the benefits from the goods or service.

Revenue is measured at the fair value of the consideration received or receivable and primarily represents amounts receivable for goods and services provided in the normal course of business, net of those sales incentives programmes which can be identified at the point of sale, VAT and other sales-related taxes.

Sale of goods

Revenue from the sale of goods to customers (usually dealers and distributors) is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Commission revenue

When third-party finance is sold to the customer in addition to the sale of a vehicle, commission revenue from the sale of third-party car finance is recognised at the date the finance agreement commences.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Geely UK Limited

2 Statement of compliance & significant accounting policies (continued)

Non-underlying items

Non-underlying items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. Items that are material either because of their size or their nature, or that are nonrecurring are considered as exceptional items.

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 period and contributions actually paid are shown in either accruals or prepayments in the Statement of Financial Position.

Foreign currency

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to intangible or tangible assets are included in creditors as deferred government grants and are credited to the Statement of Comprehensive Income on a straight-line basis over the expected lives of the related assets.

Geely UK Limited

2 Statement of compliance & 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

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates. The Group may use foreign exchange forward contracts to hedge this exposure. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments that are designated and are effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts deferred in equity are recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Comprehensive Income as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs.

Receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Further details can be found in note 24.

Geely UK Limited

2 Statement of compliance & significant accounting policies (continued)

Key sources of estimation uncertainty and key judgements made by management

The Group 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 chance of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

The Directors estimate the carrying value of the warranty provision (note 17) using projections based on historic warranty claims data and through close analysis of any patterns in claims which indicate root causes 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.

In addition to the warranty provision, the Directors exercise judgement in relation to intangible and tangible fixed assets, including assessing the degree of certainty attached to the flow of future economic benefits and in determining the estimated useful life of the assets based on various criteria such as the period over which the asset is expected to be available for use. Specifically, that the net present value of future expected cash flows relating to TX business activities is positive, in order to support the carrying value of the intangible and tangible assets as detailed in notes 11 and 12.

3 Turnover

Turnover comprises the invoiced value of goods and related services supplied by the Group exclusive of VAT and net of trade discounts. The majority of turnover is for the sale of goods. The sale of services is closely linked to those goods and includes earnings from contracts with third parties associated with the sale of vehicles and vehicle spares. Turnover is solely attributable to the Group's principal activities.

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 Other income

Other income is analysed as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Underlying:		
Royalty income	163	14,978
Carbon credits	(868)	4,547
Research and development tax credits receivable	1,521	3,047
Other miscellaneous income	97	315
	913	22,887
Non-underlying:		
Coronavirus Job retention Scheme (CJRS) grant receivable	1,017	2,639
	1,930	25,526

Royalty income received in the prior year relate to an intellectual property licence granted.

Carbon credit income includes a £209,000 receivable for 2021 less £1,077,000 true up relating to the previous year. Carbon credits generated by the Group and sold under pooling arrangement with a third party.

5 Non-underlying costs

Certain non-underlying costs have been incurred during the year which have been disclosed separately in the Consolidated Statement of Comprehensive Income because of their material and non-recurring nature in order to set them apart from the core underlying result. These can be analysed as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Non-underlying costs can be analysed as follows:		
Cost of sales:		
Covid 19 Personal Protective Equipment	3	106
Unutilised labour due to production shutdown	2,031	4,165
Special freight due to Covid 19	244	378
	2,278	4,649
Distribution costs:		
Contract termination costs	-	163
Administrative expenses:		
Redundancy & severance costs	-	196
Other one-off legal & professional fee	146	-
	2,424	5,008

5 Non-underlying costs (continued)

These costs have been identified as non-underlying for the following reasons:

Costs totalling £2,278,000 (2020: £4,649,000) relate to the Covid 19 pandemic. These were principally related to the employment cost of unutilised staff furloughed under the Government's Coronavirus Job Retention Scheme.

Contract termination costs incurred by the Group of £nil (2020: £163,000) relate to the termination of the joint venture with Unipart to supply aftersales parts.

Redundancy and severance costs incurred by the Group of £nil (2020: £196,000) relate to a restructure of the European commercial operation.

Legal & professional fees incurred by the Group of £146,000 (2020: £Nil) relate to an investigation into the opportunity of bringing in new investment to help shape the future strategy.

6 Loss on ordinary activities

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
This is stated after charging/(crediting):		
Research and development expenditure	264	1,174
Amortisation of intangible fixed assets	38,000	17,002
R&D tax credits receivable	(1,521)	(3,047)
Total research and development	36,743	15,129
Depreciation of tangible fixed assets	16,566	10,593
Operating lease rentals - plant and machinery	1,489	334
- land and buildings	3,699	923
Total operating lease rentals	5,188	1,257
Net foreign exchange (gain)/loss on trade monetary assets & liabilities	(467)	518
Net foreign exchange (gain)/loss on financing monetary assets & liabilities	(972)	11
Total foreign exchange (gains)/ losses	(1,439)	529
Cost of inventories recognised as expense	108,189	77,230
Gain on disposal of fixed assets	-	(17,812)
Government grant amortisation	(4,929)	(1,881)

Geely UK Limited

6 Loss on ordinary activities (continued)

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
This is stated after charging/(crediting):		
Auditor's remuneration:		
Audit of these financial statements	9	8
Audit of financial statements of UK subsidiaries	52	30
Audit of financial statements of overseas subsidiary	43	24
Audit fees under-accrued in prior year	-	1
Total audit fees	104	63
Tax compliance services	45	15
Other taxation advisory services	57	68
Total non-audit fees	102	83
Total auditor's remuneration	206	146

The Group incurred a foreign currency gain on foreign currency borrowings which has been charged to the Consolidated Statement of Comprehensive Income of £972,000 in the year (2020: Loss of £547,000). The gain stems from the USD-denominated Senior Bond liability (note 16) on the Group's Statement of Financial Position. In issuing the \$400m Senior Bond, the Group borrowed in USD to fund project investment costs which were largely denominated in GBP.

On 31 December 2020, the GBP:USD exchange rate was \$1.3659 and on 31 December 2021, the GBP:USD exchange rate was \$1.3519.

The net gain of £972,000 comprises the translation difference on the \$400m gross liability offset by translation differences on the resultant USD cash balances from the bond proceeds and on the \$400m receivable resulting from capital contributions from the Company's immediate parent undertaking.

Details of the Group's policies relating to foreign currency risk management are given in note 24.

Geely UK Limited

7 Staff costs

Group staff costs (which includes Directors' remuneration) were as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Wages and salaries	44,119	37,403
Social security costs	4,707	4,087
Other pension costs	1,117	1,034
	49,943	42,524
Amount capitalised	(7,131)	(6,939)
Staff costs charged to Statement of Comprehensive Income	42,812	35,585
	No.	No.
The monthly average number of employees during the year was:		
Production and engineering	394	472
Sales, marketing and distribution	231	91
Administration and finance	76	72
	701	635

8 Directors' emoluments

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Total emoluments		
Remuneration and benefits in kind	-	-
	-	-

All Directors of the Company are remunerated for services provided to the wider Geely group and no allocation was made to the Company or Group during the year.

Key management personnel compensation for the Group amounted to £1,072,000 (2020: £908,000). Key management personnel comprise current and former Directors of significant subsidiaries.

Geely UK Limited

9 Net interest payable

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Interest payable and similar charges:		
Interest payable on wholesale unit stocking loan	697	212
Bank interest and charges	199	185
Interest payable on bank loans	4,795	3,572
Interest payable on inter-company loans	690	497
Interest payable on Senior/Green Bond	9,668	10,763
Net interest payable	16,049	15,229

10 Taxation

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
(a) Analysis of credit in the year		
Statement of comprehensive income:		
<i>Current tax charge:</i>		
Prior year tax charge	44	293
Current year tax charge	289	268
Overseas tax paid (irrecoverable withholding tax)	778	1,500
Total current tax charge	1,111	2,061
<i>Deferred taxation (note 17):</i>		
Origination and reversal of timing differences	-	-
Total tax charge	1,111	2,061
(b) Factors affecting the total tax credit for the year		
The tax assessed for the year is different to the standard rate of corporation tax in the UK at 19.00% (year ended 31 December 2020: 19.00%). The differences are explained below:		
Loss on ordinary activities before tax	(117,203)	(35,915)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (year ended 31 December 2020: 19.00%)	(22,269)	(6,824)
<i>Effects of:</i>		
Prior year tax charge	44	293
Current year tax charge	289	268
Overseas tax paid (irrecoverable withholding tax)	778	1,500
Change in unrecognised deferred tax assets	22,269	6,824
Tax charge for the year	1,111	2,061

Geely UK Limited

(c) Factors that may affect future tax charges

The Group had trading tax losses available to carry forward of £339,899,000 at 31 December 2020 which will be updated for 2021 trading losses once finalised, and comprises £100,223,000 of losses incurred pre 1 April 2017 and £239,676,000 of losses incurred post 1 April 2017, which have not been recognised as deferred tax assets as the Directors consider that recognition of tax assets would be premature until such time that the business can forecast with a high degree of certainty generating a taxable profit and begins able to utilise brought forward tax losses or an opportunity presents itself to surrender its losses elsewhere in the wider UK Geely Group.

Notwithstanding that the current year tax loss has not yet been quantified, the Directors remain of the opinion that these current year tax losses would be recognised as deferred tax assets in the same way as the brought forward losses detailed above.

A Research and Development tax credit has been recognised during the year of £1,521,245 (of which £nil was received during the year) relating to the twelve month period ending 31 December 2021. (2020 £3,047,000 relating to the twelve month period ended 31 December 2019, and the twelve month period ended 31 December 2020).

As the Group's R&D tax credits are claimed under the Research and Development Expenditure Credit ("RDEC") scheme, R&D tax credits are disclosed as other income rather than as a credit to the tax charge in the Statement of Comprehensive Income, with a corresponding tax charge recognised against the credit received.

Geely UK Limited

11 Intangible fixed assets

Summary

Group	Goodwill £'000	Develop- ment costs (see below) £'000	Software £'000	Supplier contract £'000	Total £'000
Cost					
At 1 January 2021	9,229	222,051	691	-	231,971
Additions	-	9,261	255	26,245	35,761
Disposals	-	-	-	-	-
At 31 December 2021	9,229	231,312	946	26,245	267,732
Amortisation					
At 1 January 2021	9,229	52,792	246	-	62,267
Charge for year	-	30,235	266	7,499	38,000
At 31 December 2021	9,229	83,027	512	7,499	100,267
Net book value					
At 31 December 2021	-	148,285	434	18,746	167,465
At 31 December 2020	-	169,259	445	-	169,704

Development Costs

Group	Group Projects £'000	TX vehicle £'000	VN5 vehicle £'000	Total £'000
Cost				
At 1 January 2021	532	179,964	41,555	222,051
Additions	557	8,418	286	9,261
Disposals	-	-	-	-
At 31 December 2021	1,089	188,382	41,841	231,312
Amortisation				
At 1 January 2021	-	51,925	867	52,792
Charge for year	-	19,813	10,422	30,235
At 31 December 2021	-	71,738	11,289	83,027
Net book value				
At 31 December 2021	1,089	116,644	30,552	148,285
At 31 December 2020	532	128,039	40,688	169,259

Supplier contract relates to a contractual cost with a supplier which ensures component supply until 2024.

Lotus Tech Innovation Centre GmbH holds “software” in its intangible fixed assets register as stated above.

The Company holds no intangible fixed assets.

Geely UK Limited

11 Intangible fixed assets (continued)

Development costs relating to ongoing vehicle product development projects are charged to cost of sales and are detailed below:

Project	Details
	Product development projects being amortised at reporting date:
TX	Range extended electric taxi vehicle project. Start of production of the TX vehicle commenced in October 2017. TX development costs are being amortised over a period of 10 years which is management's best estimate of the useful life of this asset. Additions in the year relate to "Model Year" improvements and development of derivative products.
VN5	Range extended electric van project. Start of production of the VN5 vehicle commenced in November 2020. The VN5 project will be amortised over a period of 10 years which is management's best estimate of the useful life of this asset.
	Product development projects in progress at reporting date
Group Projects	Smaller projects related to supporting the development programmes for Group products that will form part of the future product offering of LEVC.

Geely UK Limited

12 Tangible fixed assets

Group	Freehold land & buildings £'000	Vehicles, plant & equipment £'000	Total £'000
Cost			
At 1 January 2021	45,112	110,163	155,275
Additions	-	3,483	3,483
Disposals	-	-	-
At 31 December 2021	45,112	113,646	158,758
Depreciation			
At 1 January 2021	2,194	31,263	33,457
Charge for year	731	15,835	16,566
Disposals	-	-	-
At 31 December 2021	2,925	47,098	50,023
Net book value			
At 31 December 2021	42,187	66,548	108,735
At 31 December 2020	42,918	78,900	121,818

Included in freehold land and buildings is freehold land of £8,766,000 (31 December 2020: £8,766,000) which is not depreciated.

13 Fixed asset investments

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2021	416,792
Addition	36,500
At 31 December 2021	453,292
Provision for diminution in value	
At 1 January 2021	321,574
Impairment in year	118,292
At 31 December 2021	439,866
Net book value	
At 31 December 2021	13,426
At 31 December 2020	95,218

Geely UK Limited

13 Fixed asset investments (continued)

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>
London EV Company Limited (LEVC)*	UK	Ordinary shares	100%	Production and sale of urban commercial motor vehicles
Lotus Tech Innovation Centre GmbH*	Germany	Ordinary shares	100%	Advanced automotive design and development
Emerald Automotive Design Limited (EAD)*	UK	Ordinary shares	100%	Dormant
London EV Company (USA) Inc.	USA	Ordinary shares	100%	Dormant
London EV Company (USA) LLC	USA	Ordinary shares	100%	Dormant
LEVC Finance Ltd	British Virgin Islands	Ordinary Shares	100%	Bond issuer (note 16)
LTC GB Limited	British Virgin Islands	Ordinary Shares	100%	Non-trading entity
The London Taxi Corporation Limited*	UK	Ordinary shares	100%	Dormant
Geely FinanceCo UK Limited*	UK	Ordinary shares	100%	Dormant
Geely Automobile Limited*	UK	Ordinary shares	100%	Dormant
GEVC Limited*	UK	Ordinary shares	100%	Dormant

* interests held directly by Geely UK Limited

All the above subsidiaries have been included in the consolidated financial statements.

The registered office of UK incorporated subsidiaries is Li Close, Ansty Park, Coventry, CV7 9RF.

The registered office of USA incorporated subsidiaries is 6 City Place Drive, Suite 900, St Louis, Missouri, 63141.

The registered office of LEVC Finance Limited is Ritter House, Wickhams Cay II, P.O Box 3170, Road Town, Tortola, VG1110, British Virgin Islands.

The registered office of LTC GB Limited is Wickhams Cay 1, P.O Box 3140, Road Town, Tortola, VG1110, British Virgin Islands.

The registered office of Lotus Tech Innovation Centre GmbH is Prime Parc 2, 65479 Raunheim, Germany.

Geely UK Limited

14 Debtors

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<i>Amounts falling due within one year:</i>				
Trade debtors	4,124	6,548	-	-
Amounts owed by parent undertaking	295,880	292,839	295,880	292,839
Amounts owed by group undertakings	14,685	2,568	-	-
Other debtors	4,408	2,692	-	-
Prepayments	11,944	9,052	-	-
Accrued income	3,260	5,994	-	-
	334,301	319,693	295,880	292,839
<i>Amounts falling due after more than one year:</i>				
Prepayments	22,159	27,008	-	-
Property lease deposits	543	551	543	551
	22,702	27,559	543	551
Total	357,003	347,252	296,423	293,390

15 Inventories

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Raw materials and consumables	23,154	24,898	-	-
Work in progress	1,743	443	-	-
Finished goods and goods for resale	20,254	25,000	-	-
	45,151	50,341	-	-

Finished goods (vehicles) with a carrying value of £7,072,000 (31 December 2020: £11,650,000) were pledged as collateral against the Wholesale Unit Stocking Loans (see note 16).

During the year net impairment costs of £2,244,000 (2020: £378,000) were charged to cost of sales.

Geely UK Limited

16 Creditors

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
<i>Amounts falling due within one year:</i>				
Trade creditors	27,955	22,834	-	-
Bank overdrafts	7,938	28,298	-	-
Wholesale unit stocking loans	7,072	11,650	-	-
Bank loans	219,892	156,614	-	-
Amount owed to immediate parent undertaking:				
Current account	588	588	588	588
Intercompany loans	26,623	18,431	13,791	14,381
Interest accrued on intercompany loans	1,472	1,156	1,472	1,156
Amounts owed to group undertakings (note 24)	5,736	15,524	289,219	286,384
Other taxes and social security	6,531	5,306	-	-
Corporation tax payable	1,190	122	-	-
Other creditors	881	490	-	-
Accruals	48,171	25,753	-	-
Deferred income	1,683	1,790	-	-
Deferred government grants	4,929	4,929	-	-
	360,661	293,485	305,070	302,509
<i>Amounts falling due after more than one year:</i>	£'000	£'000	£'000	£'000
Senior/Green Bond	295,984	292,651	-	-
Deferred government grants	13,883	18,771	-	-
	309,867	311,422	-	-

The bank overdraft is made up of a £9.6m facility secured by a Standby Letter of Credit (SBLC) repayable to HSBC Bank Plc. A SBLC is a legal document where a parent company guarantees the payment of a specific amount to the lender if the other company defaults on the agreement. £20.0m overdraft facility available in 2020 was converted in to a loan.

The wholesale unit stocking loans are comprised of a £5.0m facility, repayable to Black Horse Limited within one year and a £10.0m facility, repayable to Volvo Car Financial Services. Both facilities are secured on the financed vehicles themselves and are repayable within one year. The loans attract interest linked to the Bank of England base rate and the VCFSUK base rate with a margin to reach an "all in" rate. The Blackhorse £5.0m facility was decommissioned in April 2022.

The Group also retains a European wholesale stocking loan of £10m with Santander Consumer finance. The stocking loan attracts an "all-in" rate of 2.5%.

The Group has a further £50.0m bank loan facility with Santander UK plc. This takes the form of a revolving credit facility ("RCF") secured by a standby letter of credit ("SBLC") issued against the facilities of the Company's ultimate parent undertaking. The RCF is equivalent to the term of the SBLC, being one year. The facility was accepted, and the loan was fully drawn down on 16 March 2018. The facility was renewed on 01 July 2022 and the SBLC extended. This renewed facility expires on 1 July 2023 and is expected to be renewed. The loan attracts interest linked to GBP SONIA.

Geely UK Limited

16 Creditors (continued)

The Group has a £65.0m bank loan with HSBC Bank plc. This takes the form of a short-term revolving credit facility secured by two SBLC's issued against the facilities of the Company's ultimate parent undertaking. The term of the loan is equivalent to the term of the SBLC, being one year. The facility was fully drawn down on 31 December 2021. The facility was renewed on 29 October 2021. The loan attracts interest linked to GBP LIBOR on 31 December 2021. From June 2022 the loans are linked to SONIA.

The Group has a £22.05m bank loan with Standard Chartered Bank plc. This takes the form of a short-term loan, secured by an SBLC issued against the facilities of the Company's ultimate parent undertaking. The term of the loan is equivalent to the term of the SBLC, being twelve months. The facility was accepted on 7 June 2018 and the loan was fully drawn down on 25 June 2018. The facility was renewed on 30 May 2022 for a further 12 months. The loan attracts interest linked to SONIA.

The Group has a £23.0m bank loan with Citibank, N.A. This takes the form of a short-term loan, secured by an SBLC issued against the facilities of the Company's ultimate parent undertaking. The term of the loan is equivalent to the term of the SBLC, being one year. The facility was accepted on 2 October 2018 and the loan was fully drawn down on 26 October 2018. The facility was renewed on 22 October 2021 for a further 12 months. The loan attracts interest linked to SONIA.

The Group has a £40.0m bank loan with BNP Bank. This takes the form of a RCF secured by charge on land and buildings (Ansty), debenture on all plant and equipment excluding TX and VN Tooling and Left-Hand Drive Parts, WIP and finished Goods. The RCF is fully drawn and is subject to renewal in November 2022.

The Group has a £20.0m bank loan with Societe Generale Bank. This takes the form of a short-term revolving credit facility. The loan also includes a group guarantee, which falls under the Zhejiang Geely Holding Group Co., Ltd policy. The term of the loan is one year, and the facility was fully utilised by 26 August 2021. The loan attracts a fixed term rate and has been renewed until 31 August 2023.

The Senior Bond represents a fully subscribed issue of \$400m corporate bonds by LEVC Finance Limited on 25 March 2021 on the Singapore stock exchange. The bonds bear interest at a coupon rate of 1.375%, payable semi-annually in arrears and matures on 25 March 2024. The bonds are secured by an irrevocable standby letter of credit issued by Bank of China Limited, Singapore Branch with the further benefit of a Keepwell Deed provided by Zhejiang Geely Holding Group Company Limited.

The aggregate amount of bank loans secured against the Group at 31 December 2021 was £530,886,000 (31 December 2020: £489,213,000).

No amounts were secured against the Company.

Geely UK Limited

16 Creditors (continued)

The Group is the recipient of two grants from the UK government which have been credited to a deferred income account and will be released to profit over the expected useful lives of the relevant tangible and intangible assets by equal annual instalments. The credit in the year was £4,929,000 (2020: £1,881,000):

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<i>Analysis of grant creditor:</i>				
Department for Business Innovation & Skills: Regional Growth Fund Round 6 ("RGF6 grant")	9,346	10,947	-	-
Technology Strategy Board: APC4 Driving UK Capability and Economic Impact Through Low Carbon Propulsion Technologies ("APC4 grant")	9,466	12,753	-	-
Total	18,812	23,700	-	-

The RGF6 grant is a grant of £16,008,750 made under Section 7 of the Industrial Development Act 1982 to help LEVC implement its "Horizon" vehicle project to create a new manufacturing centre with research and development facilities, through an investment in capital investment, training, research and development in order to create a specific number of new full-time equivalent jobs within a specific time period and to safeguard a specific number of existing jobs. LEVC is being regularly monitored to ensure compliance with the grant's several and various terms and conditions. The monitoring period ends on 31 March 2026.

The APC4 grant is a grant of £13,359,328 made under Section 5 of the Science and Technology Act 1965 to help a consortium of UK companies (including LEVC) develop the UK supply chain for hybrid light commercial vehicles. The APC4 grant will create new full-time equivalent jobs and safeguard existing employment within the consortium partners and UK supply chain along with increasing knowledge and skills within the UK. The project will also contribute to increased CO2 savings within the UK and worldwide. LEVC and its consortium partners are being regularly monitored to ensure compliance with the grant's terms and conditions.

Geely UK Limited

17 Provisions

	Warranty 2021 £'000	Warranty 2020 £'000
Group and Company		
At 1 January 2021	4,434	5,364
Charge to statement of comprehensive income	5,155	3,545
Utilised	(5,006)	(4,475)
At 31 December 2021	4,583	4,434

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

TX Vehicle

- a) 3 year or 120,000 mile (whichever occurs sooner) warranties granted on new TX vehicles sold;
- b) 3 year paint warranties granted on new TX vehicles sold
- c) 7 year body warranties granted on new TX vehicles sold.
- d) 5 year HV battery warranties granted on new TX vehicles sold

VN5 Vehicle

- a) 5 year or 150,000 mile (whichever occurs sooner) warranties granted on new VN5 vehicles sold.
- b) 3 year paint warranties granted on new VN5 vehicles sold
- c) 7 year body warranties granted on new VN5 vehicles sold.
- d) 8 years/150,000 (whichever occurs sooner) HV battery warranties granted on new VN5 vehicles sold

TX4 Vehicle

- a) One year / 50,000 miles warranty on Used Vehicles.

Deferred Tax

No deferred tax asset is being recognised for tax losses carried forward as recovery of the asset is not yet considered probable.

Geely UK Limited

18 Called up share capital

Issued and fully paid:	No.	£'000
Ordinary shares of £1 each:		
At 1 January 2021	97,500,100	97,500
Ordinary share issued during the year	36,500,000	36,500
At 31 December 2021	<u>134,000,100</u>	<u>134,000</u>

The Company has one class of ordinary shares which carry no rights to fixed income. During the year, a subsidiary issued 36,500,000 ordinary shares at a par value of £1 for £36,500,000.

19 Capital contribution

On 14 June 2017, the Company received a capital contribution from its immediate parent undertaking of \$250m, to provide additional capital for the Company. This was translated to sterling at the transaction rate on 14 June 2017 with no future retranslation. On 5 November 2019 the Company received a further capital contribution of \$150m translated to sterling at the transaction rate on 5 November 2019 with no future retranslation.

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 year is disclosed in 'Staff Costs' (note 7). The unpaid employers' contributions outstanding at the reporting date (including amounts for salary sacrifice), included in 'Accruals and deferred income' (note 16), are £222,000 (31 December 2020: £190,000).

21 Subsequent events

On the 24 June 2022 Geely UK sold its 100% holding in Lotus Tech Innovation Centre GmbH to Lotus Technology Innovative Limited. This sale has resulted in elimination of the investment from the balance sheet and generated a profit on disposal of £3.4m.

22 Capital commitments

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts contracted for but not provided for in the accounts	<u>5,340</u>	<u>7,135</u>	<u>-</u>	<u>-</u>

Geely UK Limited

23 Commitments under non-cancellable operating leases

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

	2021		2020	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Group				
Due within one year	1,160	79	1,022	251
Due between two and five years	3,917	133	592	165
Due after five years	28,346	-	19,109	-
	<u>33,423</u>	<u>212</u>	<u>20,723</u>	<u>416</u>
	2021		2020	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Company				
Due within one year	-	-	417	-
Due between two and five years	-	-	-	-
Due after five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>417</u>	<u>-</u>

Geely UK Limited

24 Financial instruments

Capital risk management

The finance and capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity capital attributable to equity holders of the Company, comprising issued capital, capital contributions and retained earnings as disclosed in the Statement of Changes in Equity and notes 18 and 19.

Categories of financial instruments

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Financial assets / (liabilities) at amortised cost:				
Trade debtors (note 14)	4,124	6,548	-	-
Cash and bank balances	4,688	10,663	3	118
Bank overdraft (note 16)	(7,938)	(28,298)	-	-
Amounts owed by/(to) Group undertakings:				
Inter-company receivables (note 14)	310,565	295,407	295,880	292,834
Inter-company payables (note 16)	(5,736)	(15,524)	(289,219)	(286,384)
Inter-company loan payables (note 16)	(28,683)	(20,175)	(15,851)	(16,125)
Bank loans (note 16)	(219,892)	(156,614)	-	-
Other loans (note 16)	(7,072)	(11,650)	-	-
Senior / Green Bond (note 16)	(295,984)	(292,651)	-	-
Trade creditors (note 16)	(27,955)	(22,834)	-	-
	<u>(273,883)</u>	<u>(235,128)</u>	<u>(9,187)</u>	<u>(9,557)</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 through a mixture of utilising spot foreign exchange transactions and entering into forward foreign exchange contracts.

At 31 December 2021, the Group had forward foreign currency commitments of £nil (31 December 2020: £15,132,000) and the fair value of these contracts totalled £nil (31 December 2020: £14,496,000).

Geely UK Limited

24 Financial instruments (continued)

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		Assets	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
EUR:				
Operating liabilities/assets	13,933	14,617	20,168	10,638
Financing – LTIC (GATD) formation	8,688	9,207	-	-
SEK	4,216	14,290	-	-
USD:				
Operating liabilities/assets	365	4,138	12,292	819
Financing – Senior / Green Bond (\$400m)	295,984	292,651	-	-
Financing - Intercompany	12,832	4,050	-	-
Financing - Capital contribution	-	-	295,880	292,839
CNY	2,249	1,554	-	-
PLN	1	-	37	-
	338,268	340,507	328,377	304,296

Geely treasury policy permits the Group to hedge against net foreign currency exposures on operating activities as follows:

Maximum hedging percentage	Settlement within
50%	6 months
20%	6-12 months
0%	> 12 months

At the date of signing of these financial statements the Group has outstanding forward contracts to purchase USD of \$Nil (2020 \$ 19,800,000).

Geely treasury policy permits the Group to hedge against net foreign currency exposures on financing activities (e.g. take on of foreign currency debt) as follows:

Maximum hedging percentage	Term	Implementation of hedge
80%	Not exceeding debt tenure	Within two weeks of debt issue

The Group was fully hedged on its \$400m Senior Bond liability by the \$400m capital contribution commitment from its immediate parent company presenting the Group with a net nil exposure.

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 advance payment terms or secure payment instruments such as irrevocable confirmed letters of credit.

Geely UK Limited

24 Financial instruments (continued)

Liquidity and interest rate risk

The Group is funded by a mixture of debt and equity. The Group's largest loan payable is the Green Bond which has a fixed rate of interest and therefore presents no interest rate risk. Interest rate risk on its loans can be summarised as follows:

Debt at 31 December 2021	£'m	%	Rate	Interest rate (note 16)
Senior Bond	296.0	53.0	Fixed	1.375% coupon rate
Bank loans	220.0	39.4	Variable	Linked to GBP Bank rates
Acquisition Loan	6.0	1.1	Variable	Linked to UK Base Rate
Wholesale Unit Stocking Loan	7.0	1.3	Variable	Linked to BoE Base Rate
Bank overdraft	8.0	1.4	Variable	Linked to GBP Bank rates
Bridging Loan	12.8	2.3	Variable	Linked to US Prime Rate
LTIC (GATD) Acquisition Loans	8.4	1.5	Variable	Linked to US Prime Rate
Total	<u>558.2</u>	<u>100.0</u>		

Liquidity risk is also mitigated by the \$400m capital contribution as detailed above on which the Group can call on demand.

Geely UK Limited

25 Related party transactions

Transactions between related parties are disclosed below:

Group trading transactions	Sale of goods & services		Purchase of goods & services	
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Transactions during the year	£'000	£'000	£'000	£'000
Baoji Geely Engine Co. Ltd	-	-	2,211	1,430
Geely Design UK Ltd	10	19	-	-
Group Lotus plc	20	14	12	104
Hangzhou Yuanyu Human Resource Co. Ltd	-	-	-	360
Ningbo Geely Automobile Research Development Co. Ltd	18,643	24,868	-	-
Shanghai LTI Automobile Components Co. Ltd	-	-	-	331
Shanghai Maple Automobile Company Ltd	-	433	-	-
Volvo Car Corporation	-	-	319	12,318
Volvo Car UK Ltd	-	6	377	195
Zhejiang Geely Holding Group Co. Ltd	-	106	-	-
Zhejiang Geely New Energy Commercial Vehicles Co., Ltd	1,128	296	-	93
Zhejiang LEVC Automobile Co. Ltd	-	20,406	-	54
Zhejiang Jirun Automobile Co. Ltd	-	-	70	-
Zhongjia Automobile Manufacturing (Chengdu) Co. Ltd	-	-	-	75
Zhejiang Geely Automobile Industry Co., Ltd	-	-	-	831
	19,801	46,148	2,989	15,791
	Amounts owed by related parties		Amounts owed to related parties	
	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2021	As at 31 Dec 2020
	£'000	£'000	£'000	£'000
Baoji Geely Engine Co. Ltd	-	-	590	597
Geely Design UK Ltd	-	1	-	-
Group Lotus plc	-	-	-	174
Hangzhou Yuanyu Human Resource Co. Ltd	-	-	345	360
Ningbo Geely Automobile Research Development Co. Ltd	6,395	-	-	-
Ningbo Lotos Robotics Co.	826	-	-	-
Shanghai LTI Automobile Components Co. Ltd	-	-	493	-
Wuhan Lotus Cars Co. Ltd	7,423	-	-	-
Volvo Car Corporation	-	-	4,203	14,277
Volvo Car UK Ltd	24	98	-	-
Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd	-	-	-	39
Zhejiang Geely Holding Group Co. Ltd	292	812	-	-
Zhejiang Geely Business Service Co., Ltd	-	6	140	-
Zhejiang Geely New Energy Commercial Vehicles Co., Ltd	-	121	-	-
Zhejiang LEVC Automobile Co. Ltd	-	1,530	-	-
Zhejiang Jirun Automobile Co. Ltd	-	-	-	-
Zhongjia Automobile (Volvo Cars China)	-	-	-	77
	14,960	2,568	5,771	15,524

Baoji Geely Engine Co. Ltd ('Baoji') is the Group's principal internal combustion engine supplier. Baoji is a related party of the Company because it is owned and controlled by Zhejiang Geely Holding Group Co. Ltd, which is wholly owned by Mr Li Shu Fu and his associates.

Geely Design UK Ltd is an engineering design services company wholly owned by Geely International Hong Kong Ltd. Amounts relate to service support provided.

Group Lotus plc ('Lotus') is a sports car manufacturer based at Hethel, UK. Lotus is a related party of the Company because Geely acquired a 51% majority stake in Lotus in September 2017. The Group has supported Lotus in certain R&D activities.

Hangzhou Yuanyu Human Resource Co. Ltd is owned and controlled by Zhejiang Geely Holding Group Co Ltd. Amounts relate to recharges of staff costs.

Geely UK Limited

25 Related party transactions (continued)

Ningbo Geely Automobile Research Development Co Ltd ("NGARD") is owned and controlled by Zhejiang Geely Holding Group Co Ltd. Amounts relate to consulting and support services.

Shanghai LTI Automobile Components Co. Ltd ("SLTI") is owned and controlled by Zhejiang Geely Holding Group Co Ltd. SLTI was a low volume supplier of parts and some development services relating to the TX vehicle.

Shanghai Maple Automobile Company Ltd ("SMA") is a related party of the Company because it is 90% owned and controlled by Zhejiang Geely Holding Group Co. Ltd. SMA was a principal supplier to the Group, supplying 'semi knock-down kits' for assembly of TX4 vehicles in Coventry.

Volvo Car Corporation ("VCC") is majority owned by Zhejiang Geely Holding Group Co. Ltd. VCC assisted the Group with its product development.

Volvo Car UK Limited ("VCUK") is wholly owned and controlled by Volvo Car Corporation. VCUK also assisted the Group with its product development and has since become a supplier of leased passenger vehicles to the Group which the Group has utilised as company cars.

Zhangjiakou Volvo Car Engine Manufacturing Co., Ltd ("ZVCEM") is a joint venture between Geely and VCC for the production of low-emission internal combustion engines in China. ZVCEM is a principal supplier to the UK Group, supplying a low-emission petrol engine for the TX vehicle.

Zhejiang Geely Holding Group Co Ltd ("ZGH") is the ultimate parent undertaking and controlling party of the Group. Amounts relate to recharges of PR expenditure during the year.

Zhejiang Geely New Energy Commercial Vehicles Co. Ltd ("ZGNECV") is owned by Zhejiang Geely Holding Group Co. Ltd. Amounts relate to consulting and support services provided in respect development of ZGNECV's new factory development in Yiwu, China for the production of green energy vehicles.

Zhejiang Jirun Automobile Co Ltd is owned and controlled by Zhejiang Geely Holding Group Co Ltd. Amounts relate to recharges of staff costs.

Zhongjia Automobile Manufacturing (Chengdu) Co Ltd is owned and controlled by Zhejiang Geely Holding Group Co Ltd. Amounts relate to TX vehicle parts.

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

Geely UK Limited

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 are both incorporated in the People's Republic of China.

The largest group in which the results of the Company are consolidated is that of which Zhejiang Geely Holding Group Co. Ltd is the parent company, however, consolidated financial statements of Zhejiang Geely Holding Group Co. Ltd are not publicly available.

The smallest group in which the results of the Company are consolidated is that of which Geely International (Hong Kong) Limited is the parent company, however, consolidated financial statements of Geely International (Hong Kong) Limited are also not publicly available.