Lotus Cars Limited
Annual report and financial statements
for the year ended 31 March 2017

Registered Number: 00895081

Lotus Cars Limited

Annual report and financial statements for the year ended 31 March 2017

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Lotus Cars Limited

Strategic report

As required by the amendments to the Companies Act 2006, effective 30 September 2013, the directors of Lotus Cars Limited ("the company") present their Annual Report containing a Strategic Report, Directors' Report and the Financial Statements for the year ended 31 March 2017.

Principal activities

The principal activities of the company comprise the manufacture and sale of high performance motor cars and related merchandise (Lotus Cars division) and, the provision of engineering consultancy services and the commercial development and supply of technology to automotive and industrial clients world-wide (Lotus Engineering division).

Review of business and future developments

The company (Lotus) is the world-renowned manufacturer of high performance and lightweight sports cars. Drawing on an illustrious heritage of success in motor racing, including F1 and Indycar, and history of producing numerous iconic sports cars, Lotus today offers a range of vehicles which provide customers with exceptional performance on road and track.

Lotus' products – including the Evora, Exige, Elise and 3-Eleven models - are considered global industry benchmarks, and have received universal critical acclaim, having been conceived, designed and manufactured in Norfolk by the 800 highly-skilled employees at the Company's Hethel facility.

From its Hethel headquarters in Norfolk, UK, Lotus operates through an extensive and expanding global network of dealers and distributors, selling vehicles in 39 countries and exporting 85% of cars produced.

Additionally, Lotus conducts engineering consultancy services and the commercial development and supply of technology to automotive and industrial clients world-wide.

Financial year 16/17 has seen the company achieve a major milestone in the turnaround of the business, which started in FY14/15. In closing the year with positive EBITDA of £1.5m, a significant improvement compared with EBITDA of £17.1m loss in the prior year, the business achieved its primary financial objective.

In line with the favourable EBITDA performance, the Loss Before Tax has also improved significantly year-on-year, from £27.6m loss in FY15/16 to £12.2m loss in FY16/17. The foundations are firmly set for long term sustainability and the company's next key financial objective; to return to full year Profit Before Tax in FY17/18.

The further progress in financial performance and business stability during FY16/17, the third year of an extensive business turnaround plan lead by Chief Executive Officer, Jean-Marc Gales, has been the result of a wide-ranging strategy to improve revenues and cash flow, reduce costs and improve processes across the entire business. Key elements of the strategy include the introduction of new, higher margin products delivered quickly to market, the expansion of the global dealer network and an aggressive programme of overhead cost reduction.

New Product Introductions

Key to the continued turnaround has been the successful introduction of a number of new products, based on the existing model line-up.

During the course of the past two years, Lotus has completely revised its product portfolio and currently boasts the best line-up of vehicles in the company's impressive history.

Strategic report (continued)

Review of business and future developments (continued)

New Product Introductions (continued)

These new variants have followed a philosophy of offering improved performance through a combination of increased power and reduction in mass in line with Lotus' core product values, and have increasingly incorporated advanced lightweight materials including aluminium, carbon fibre and titanium.

These carefully targeted product introductions have resulted in considerably improved vehicle margins across the entire range. Importantly, these programmes have been delivered efficiently, with low levels of investment and generating high levels of return.

Launch of Evora 400 in the US Market

Q2 FY16/17 was a breakthrough period for Lotus from both a product and market perspective with the successful launch of the Evora 400 in North America. As the largest sports car market in the world, this represents an important step for Lotus, extending its addressable market.
A highly effective and well-received press launch in August 2016 resulted in extensive positive coverage by the most influential media in North America and culminated in the Evora 400 being placed second in Road and Track Magazine's prestigious Car of the Year award.

Introduction of Higher Performance Derivatives

Further successful introductions of higher performance derivative products followed in Q3 FY16/17; namely the Evora Sport 410 and the Exige Sport 380, offering customers even higher performance and dynamic capability than the respective base models. Again, these models were the subject of critical acclaim, with both products attracting numerous positive '5-star' reviews from major automotive publications.

In addition, the Lotus 3-Eleven, launched at the start of the year, saw production ramp up in Q1 FY16/17 and the introduction of the 'Race', track-only version at a retail price of over £100,000; the first Lotus product to achieve this. A highly focused vehicle, this car broke the lap record at Hockenheim for a road-legal production car.

Looking forward, Lotus continues to work on a range of projects as part of a comprehensive long range product plan that will deliver a sustainable future for Lotus. It has been fully approved by the Board and will see further new product introductions each year over the coming years. In the near term, the focus remains on enhanced versions of all three core model ranges, delivered with low levels of investment to ensure high levels of profitability.

The Lotus Exclusive customisation programme was launched during FY16/17 and has proven to be highly successful. Capitalising on the hand-build nature of Lotus vehicles, customers are offered the chance to specify bespoke content, colours and trim options. This has generated incremental revenue for Lotus as approximately 25% of vehicles produced at Lotus' Hethel facility include some level of Lotus Exclusive content, with take-up increasing.

Sales and Network

The result of the new product introductions has been not only extensive positive media coverage, but strong demand from both dealers and customers. The vehicle order book has remained strong throughout the year consistently equating to around 4 months of production. Importantly, the mix of orders now is more equally spread across the Elise, Exige and Evora model ranges, resulting in a 16% increase in average revenue per vehicle and substantially higher average margin per vehicle compared with the prior financial year. Lotus is focusing upon the production and wholesale of industry benchmark, high margin derivatives rather than pursuing volume growth at the expense of profitability.

Strategic report (continued)

Review of business and future developments (continued)

Sales and Network (continued)

Vehicle retails were up in a number of key markets in FY16/17 compared with FY15/16 including USA, France, Germany, UK, Switzerland, Italy, and the Middle East. Overall, revenues from vehicles increased by 8.7% from £65.5m in FY15/16 to £71.1m in FY16/17.

As part of the ongoing activity to increase its global network, the number of dealers and authorised repairers rose from 200 to 215 through the year, in line with target.

Aggressive Cost Reduction and Efficiency Improvements

Contributing significantly to the improved financial results and cash flow position has been the continued focus on cost reduction. Annual overhead costs have continued to reduce year on year, from £44.1m in FY15/16 to £27.6m in FY16/17. Lotus continues to carefully scrutinise all opportunities for cost reduction in every aspect of the business.

To improve production cost and efficiency, Lotus has stabilised production levels at 40 cars per week aligned to the strong sales demand, referenced previously. Although production stability was affected by working capital constraints in the early part of the year and supplier delivery challenges, working capital improvement from increasing revenues through the year has now established continuity of production. Lotus continues to work closely with its supply base to improve delivery and quality and implement component cost savings.

Lotus Engineering

In addition to the developing the latest range of Lotus product, engineering project revenues for external clients have grown to £12.8m in FY16/17 from £8.1m in FY15/16. Core areas of activity include engine design, development and testing, chassis and suspension design, advanced structural composites and active control technologies.

Lotus has further strengthened its customer base, which consists primarily of major, global automotive clients and the order book for FY17/18 is strong, with 95% of the annual target for the full year of FY17/18 already secured as at April 2017.

Outlook

The excellent progress in Lotus' financial performance has established a solid foundation for profitability in FY17/18 and beyond. Lotus will continue to introduce new derivatives of the current model range, starting in early FY17/18 with the latest model year versions of the Elise range and the Exige 380 Cup, an even more track-focused offering at the top of the range.

Across the global sales network, Lotus will identify and appoint new dealers in strategic locations and will target sales growth in all territories, with strong focus on Asia. Sales will also be bolstered by the first full year of the Evora 400 in the US market and the launch of the Evora Sport 410 in this territory.

In fulfilling the strong order book, further initiatives have been defined to increase production efficiency and to strengthen the supply chain. The focus on driving down overheads throughout the business will continue to ensure that Lotus, now self-sufficient and sustainable, has the ideal platform for profitability and growth in the coming years.

Strategic report (continued)

Key performance indicators ("KPIs")

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

- Revenue by class of business– see note 5 for further details;
- Revenue by geographical segment – see note 5 for further details;
- Number of units sold –1,459 (2016: 1,607) vehicles; and
- *Profitability – Pre-exceptional* EBITDA *is considered to be the key performance measurement –* £1.5m profit (2016: £17.1m loss).

See review of business and future developments section above for an explanation of the movement in the above KPI's.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. A risk register for the company is maintained and regularly updated, and is reported at monthly management meetings. The key business risks affecting the performance of the company and the mitigation of those risks are as follows:

- Supply chain – Key suppliers' ability to deliver to the agreed timetable and quality, mitigated by multi-sourcing where possible, continuous monitoring of supplier performance and careful supplier selection based on quality and capability;
- Quality management – To ensure quality is maintained in products and services supplied and is also embedded within the organisation. The company is an ISO90001:2008 accredited organisation with regular third party assessments underpinning the business operations;
- Foreign exchange – A large proportion of the company's revenues are in currencies other than Sterling. In addition the business sources supplies from all over the world in a variety of currencies and elements of its funding are denominated in foreign currencies. Where there is a significant forecast net position in any foreign currency a proportion of that risk is mitigated by forward contract hedging arrangements, where these are deemed appropriate;
- Market for the company's products and services – These are to an extent dependent on competitors' activity, having the right products and services that the market demands and the health of the global economy. The company seeks to mitigate this risk through offering competitive and attractive products and services and through investment in research and development; and
- Finance – The availability of sufficient finance to fund the company's continuing operations and growth as discussed in the Going Concern section of the Directors' Report and note 2 of the financial statements.

All risks and uncertainties are monitored on a regular basis with action plans put in place to mitigate any adverse effects on the business.

Financial risk management

The company's operations expose it to a variety of financial risks, which include price risk, credit risk, liquidity risk, foreign exchange risk and interest rate cash flow risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the relevant departments within the company.

Strategic report (continued)

Financial risk management (continued)

Price risk
The company is exposed to price risk through the indirect impact of competitors' activities. The pricing of competitors is closely monitored and it is the policy of the company to ensure that the company's products and services are competitively priced, whilst reflecting the quality of the products and services supplied. The company is also subject to movements in commodity prices (for example, aluminium and steel prices). Such exposure is not currently managed by hedge arrangements, although the directors will revisit the appropriateness of this policy should the exposure change in size or nature.

Credit risk
Credit risk is the risk customers will default on their obligation to make payment for the product or services supplied. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. In some circumstances advance payments are required. Credit control procedures are implemented if customers exceed their agreed terms.

Liquidity risk
Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities. The risk is mitigated as the company has access to inter group finance that is designed to ensure the company has sufficient available funds for operations and planned expansions. The inter group finance is provided by DRB-HICOM Berhad, the company's ultimate parent company, and has been confirmed in writing that it will provide the necessary financial support to enable the group and its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing the financial statements of the group for the financial year ended 31 March 2017.

Foreign exchange risk
The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Malaysian Ringgit, Euro, US Dollar and Japanese Yen. Foreign exchange risk arises from commercial transactions, borrowing transactions and investments in foreign operations.

The company's policy is to apply natural hedging on foreign exchange risk wherever possible. Where a significant net position in any foreign currency is forecast, the risk is reviewed and forward contract hedging arrangements are considered if appropriate.

Interest rate cash flow risk
The company pays interest on elements of its debts at a variable rate. The directors will revisit the appropriateness of the policy of not hedging the company's exposure to changes in interest rates should the exposure change in size or nature.

By order of the board

Dato' Ahmad Fuaad bin Mohd Kenali
Director
6 September 2017

Potash Lane
Hethel
Norwich
Norfolk
NR14 8EZ

Lotus Cars Limited

Directors' report

The directors present their Directors Report and the audited Financial Statements of the company for the year ended 31 March 2017.

Results and dividends

The company's loss for the financial year after taxation amounted to £12.2m (2016: £27.6m) after an extraordinary charge of £nil in respect of the impairment of tangible fixed assets, (2016 £1.4m in respect of impairment of intangible assets). The directors do not recommend any payment of dividend (2016: £nil), and the loss for the financial year has been transferred to reserves.

Future developments

The directors have outline in detail all significant future developments within the Strategic Report at page 2.

Going concern

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

The company made a loss for the year ended 31 March 2017 of £12.2m (2016: £27.6m). As at 31 March 2017, the company had shareholders' funds of £65.2m and net current assets of £161.7m. The directors have prepared cash flow forecasts for the foreseeable future, being at least 12 months from the date of approval of these financial statements, which indicate that the company requires financial support to enable it to meet its liabilities as they fall due.

DRB-HICOM Berhad, the group's ultimate parent company, has confirmed in writing that it will provide the necessary financial support to the group, so as to allow the company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements or earlier in the event of disposing of the controlling interest in the Lotus Group for the financial year ended 31 March 2017. In the event that the DRB-HICOM Berhad disposes of their controlling interest in the Lotus Group to Zhejiang Geely Holding Group Co., Ltd. and Etika Automotive Sdn. Bhd. before 12 months lapse from the date of approval of these financial statements, Zhejiang Geely Holding Group Co., Ltd. and Etika Automotive Sdn. Bhd. will provide the financial support up to 12 months from the date of approval of these financial statements.

The directors of the company have considered the track record of financial support from its intermediate parent undertaking, Proton Holdings Berhad, its ultimate parent undertaking, DRB-HICOM Berhad, as well as the financial position of Zhejiang Geely Holding Group Co., Ltd. and Etika Automotive Sdn. Bhd. and continuing discussions about its future plans, and based on this, concluded that support will continue for the foreseeable future and for at least 12 months from the date of approval of these financial statements. The directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Research and development

The company is committed to research and development and undertaking such expenditure as is required to maintain its current market position and further enhance future growth and profitability, principally through the development of new models and variants of existing models. Updated iterations of existing model lines will be introduced to maintain vehicle demand ahead of a new platform model to be launched in 2020. Development costs that meet the capitalisation criteria of IAS 38 'Intangible Assets', are capitalised and amortised over their estimated useful economic life. Research costs and other development costs are expensed as incurred. Research and development expenditure charged to the income statement, including amounts amortised and impaired, amounted to £9.8 m (2016: £6.5m).

Directors' report (continued)

Employees

The directors acknowledge the importance of good communication and employee relations. Communications are essential to progress; as such the company has devoted considerable time and effort to ensure that employees are well informed about those aspects of the business which affect them.

Employees and their representatives are briefed on all matters relevant to their area of operation and their views are sought and taken into account. The company undertakes regular staff briefings both business wide and in divisional groups. Senior management hold separate monthly meetings with the staff representatives, to discuss group performance, issues, employee matters and future plans. These, together with regular communications of latest developments, which are distributed to all staff via emails and notice boards, ensure that all staff are informed of the company's performance and plans.

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

Directors

The directors who held office during the year and up to the date of this report, except where otherwise stated are listed below;

Dato' Ahmad Fuaad bin Mohd Kenali	(appointed 1 April 2016)
Aslam Farikullah	
Dato' Md Radzaif bin Mohamed	
Rohime Bin Shafie	(resigned 1 April 2016)
Dato' Abdul Harith bin Abdullah	(resigned 1 April 2016)

Subsequent events

On 23 June 2017, DRB-HICOM Berhad (DRB-HICOM) entered into a conditional Share Purchase Agreement (the proposal) through its subsidiary company, Proton Holdings Berhad, to sell its 100% indirect equity in the Company's immediate parent undertaking, Lotus Advanced Technologies Sdn. Bhd. as to 51% to Zhejiang Geely Holding Group Co., Ltd. and 49% to Etika Automotive Sdn. Bhd. for a total cash consideration of GBP100,000,000.

The proposal is subject to approvals of the relevant authorities and shareholders of DRB-HICOM, and upon its completion, the Company and its immediate parent undertaking, Lotus Advanced Technologies Sdn. Bhd. will cease to be indirect wholly-owned subsidiary companies of the DRB-HICOM Group.

Statement of directors' responsibilities in respect of the Annual Report and the Financial Statements

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

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

Directors' report (continued)

Statement of directors' responsibilities in respect of the Annual Report and the Financial Statements (continued)

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

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

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

Statement of disclosure of information to auditor

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

Auditor

Ernst & Young LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

Dato' Ahmad Fuaad bin Mohd Kenali
Director
6 September 2017

Potash Lane
Hethel
Norwich
Norfolk
NR14 8EZ

Independent auditor's report to the members of Lotus Cars Limited

We have audited the financial statements of Lotus Cars Limited for the year ended 31 March 2017 which comprise of the Income statement, Statement of comprehensive income, Statement of financial position, Statement of changes in equity and the and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework").

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Lotus Cars Limited (continued)

Opinion on other matter 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.

- 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 the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report of Directors' Report.

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

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

Nick Gomer (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, UK
8 *September 2017*

Lotus Cars Limited

Income statement for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Revenue	5	**83,963**	73,575
Cost of sales		**(67,309)**	(63,857)
Gross profit		**16,654**	9,718
Exceptional administrative expenses			
- Impairment of tangible fixed assets	6	-	(1,408)
Other administrative expenses		**(27,598)**	(44,112)
Other (expense)/income	6	**(329)**	6,924
Finance income	8	**241**	1,465
Finance expense	8	**(981)**	(14)
Other finance charges	8	**(219)**	(159)
Loss on ordinary activities before taxation		**(12,232)**	(27,586)
Tax on loss on ordinary activities	9	-	-
Loss for the financial year		**(12,232)**	(27,586)

All the activities of the company are classified as continuing.

Statement of comprehensive income for the ended 31 March 2017

Loss for the financial year		**(12,232)**	(27,586)
Actuarial profit/(loss) recognised on defined benefit pension scheme	19	**920**	(912)
Total comprehensive loss for the year		**(11,312)**	(28,498)

The notes on pages 15 to 45 are an integral part of these financial statements.

Lotus Cars Limited

Statement of financial position as at 31 March 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	10	**50,664**	52,721
Property, plant and equipment	11	**38,324**	41,844
Investments	12	**2,032**	2,032
		91,020	96,597
Current assets			
Inventories	13	**14,522**	18,300
Trade and other receivables	14	**267,822**	256,764
Cash and cash equivalents		**3,932**	2,274
		286,276	277,338
Current liabilities	15	**(124,541)**	(108,699)
Net current assets		**161,735**	168,639
Total assets less current liabilities		**252,755**	265,236
Non-current liabilities	16	**(177,414)**	(176,901)
Provision for liabilities	18	**(4,722)**	(5,268)
Net assets excluding pension liability		**70,619**	83,067
Defined benefit pension liability	19	**(5,379)**	(6,515)
Net assets including pension liability		**65,240**	76,552
Equity			
Called up share capital	20	**368,816**	368,816
Revaluation reserve		**3,346**	3,438
Capital reserve		**17**	17
Share premium account		**215,196**	215,196
Accumulated losses		**(522,135)**	(510,915)
Total shareholders' funds		**65,240**	76,552

The notes on pages 15 to 45 are an integral part of these financial statements.

The Annual Report and Financial Statements, were approved by the board of directors and authorised for issue on 6 September 2017 and were signed on its behalf by:

Dato' Ahmad Fuaad bin Mohd Kenali
Director

Registered number: 00895081

Statement of changes in equity

	Share capital £'000	Revaluation reserve £'000	Capital reserve £'000	Share premium account £'000	Accumulated losses £'000	Total £'000
Balance as at 1 April 2015	**368,816**	**3,530**	**17**	**215,196**	**(482,509)**	**(105,050)**
Loss for the year	-	-	-	-	(27,586)	(27,586)
Other comprehensive income:						
Actuarial loss relating to defined benefit pension liability	-	-	-	-	(912)	(912)
Transfer of amount equivalent to additional depreciation on re-valued assets	-	(92)	-	-	92	-
Balance as at 1 April 2016	**368,816**	**3,438**	**17**	**215,196**	**(510,915)**	**76,552**
Loss for the year	-	-	-	-	(12,232)	(12,232)
Other comprehensive income:						
Actuarial profit relating to defined benefit pension liability	-	-	-	-	920	920
Transfer of amount equivalent to additional depreciation on re-valued assets	-	(92)	-	-	92	-
Balance as at 31 March 2017	**368,816**	**3,346**	**17**	**215,196**	**(522,135)**	**65,240**

Notes to the financial statements for the year ended 31 March 2017

1. General information

Lotus Cars Limited ("the company") manufactures high performance motor cars and related merchandise (Lotus Cars division) and provides and sells engineering consultancy services and the commercial development and supply of technology to automotive and industrial clients world-wide (Lotus Engineering division) within the United Kingdom.

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

2. Summary of significant accounting policies

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

Basis of preparation
The financial statements of Lotus Cars Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with the Companies Act 2006.

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

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1; and
  (ii) paragraph 73(e) of IAS 16 Property, plant and equipment.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  – 10(d), (statement of cash flows);
  – 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  – 16 (statement of compliance with all IFRS);
  – 38A (requirement for minimum of two primary statements, including cash flow statements);
  – 38B-D (additional comparative information);
  – 40A-D (requirements for a third statement of financial position);
  – 111 (cash flow statement information); and
  – 134-136 (capital management disclosures)

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Basis of preparation (continued)

- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of IFRS 7 'Financial Instruments: Disclosures'; and
- The requirements of paragraphs 91-99 of IFRS13, 'Fair Value Measurement' new IFRS that has been issued but is not yet effective.

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

Going concern

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

The company made a loss for the year ended 31 March 2017 of £12.2m (2016: £27.6m). As at 31 March 2017, the company had shareholders' funds of £65.2m and net current assets of £161.7m. The directors have prepared cash flow forecasts for the foreseeable future, being at least 12 months from the date of approval of these financial statements, which indicate that the company requires financial support to enable it to meet its liabilities as they fall due.

DRB-HICOM Berhad, the group's ultimate parent company, has confirmed in writing that it will provide the necessary financial support to the group, so as to allow the company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements or earlier in the event of disposing of the controlling interest in the Lotus Group for the financial year ended 31 March 2017. In the event that the DRB-HICOM Berhad disposes of their controlling.interest in the Lotus Group to Zhejiang Geely Holding Group Co., Ltd. and Etika Automotive Sdn. Bhd. before 12 months lapse from the date of approval of these financial statements, Zhejiang Geely Holding Group Co., Ltd. and Etika Automotive Sdn. Bhd. will provide the financial support up to 12 months from the date of approval of these financial statements.

The directors of the company have considered the track record of financial support from its intermediate parent undertaking, Proton Holdings Berhad, its ultimate parent undertaking, DRB-HICOM Berhad, as well as the financial position of Zhejiang Geely Holding Group Co., Ltd. and Etika Automotive Sdn. Bhd. and continuing discussions about its future plans, and based on this, concluded that support will continue for the foreseeable future and for at least 12 months from the date of approval of these financial statements. The directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the company

The following standards have been adopted by the company for the first time for the financial year beginning on 1 April 2016 but did not have significant impact on the company's financial statements:

- IFRS 14 'Regulatory Deferral Accounts'
- Amendments to International Accounting Standards (IAS) 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'
- Amendments to IFRS 11 'Accounting for Acquisition of Interests in Joint Operations'
- Amendments to IAS 16 and IAS 41 'Agriculture: Bearer Plants'
- Amendments to IAS 27 'Equity Method in Separate Financial Statements'
- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception'
- Amendments to IAS 1 'Disclosure Initiative'

(b) New standards, amendments and interpretations not adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the company except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income and fair value through Profit and Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in Other Comprehensive Income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The company is yet to assess IFRS 9's full impact.

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations not adopted (continued)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised 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 good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company is assessing the impact of IFRS 15.

IFRS 16 Leases, in January 2016 the International Accounting Standards Board (IASB) issued IFRS 16 Leases. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Acknowledging the potentially significant impact of the new lease standard on a lessee's financial statements, IFRS 16 does not require a full retrospective application in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors but allows a "simplified approach". Full retrospective application is optional. If an entity chooses not to use the "simplified approach", it has to apply IFRS 16 retrospectively to each prior reporting period in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. The company is currently assessing the impact of the amendment and plans to adopt the new standard on the required effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company for the current year.

Consolidation

The company is a wholly owned subsidiary of Proton Holdings Berhad and of its ultimate parent, DRB-HICOM Berhad. It is included in the consolidated financial statements of DRB-HICOM Berhad which are publically available. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Notes to the financial statements for the year ended 31 March 2017
2. Summary of significant accounting policies (continued)

Foreign currency translation

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

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

Financial assets

The company's financial assets is only compose of loans and receivables.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise of trade and other receivables in the statement of financial position.

Recognition and measurement
Loans and receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment.

Derecognition
Loans and receivables are derecognised once the rights to receive cash flows from the asset have expired or have been collected.

Impairment of financial assets

Assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

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

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

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

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

Property, plant and equipment
The cost of property, plant and equipment is their historic purchase cost or valuation, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost or valuation of tangible property, plant and equipment, less their estimated residual values, over their estimated useful economic lives at the following principal rates:

Freehold buildings	40 years
Plant and machinery	2 to 10 years
Motor vehicles	4 years
Fixtures, fittings and equipment	2 to 10 years

Freehold land is not depreciated. Vehicle tooling costs are depreciated on a straight line basis over the period which the products are expected to be sold.

Assets in the course of construction are not depreciated. Depreciation begins with effect from the date that assets are available for operational use.

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Research and development
Expenditure in connection with research activities (research expenditure) is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria for recognition are fulfilled:

(a) It is technically feasible to complete the intangible assets so that it will be available for use or sale;
(b) Management's intention to complete the intangible asset for use or sale;
(c) There is an ability to use or sell the intangible asset;
(d) It can be demonstrated that the intangible asset will generate probable future economic benefits;
(e) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(f) The expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs previously recognised as an expense are not recognised as an asset in subsequent period. Development expenses capitalised include costs incurred in the development from the date it first meets the recognition criteria and up to the completion of the development project and commencement of commercial production. Capitalised development cost is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of development cost is based on straight line basis over its useful life, which ranges between 5 to 7 years for vehicles and mechanical parts.

Inventories
Inventory and work in progress are stated at the lower of cost (comprising direct materials and labour together with manufacturing overheads) and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the cost of realisation. Where necessary, provision is made for obsolete, slow moving and defective stock.

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Employee benefits
The group operates various schemes, including both defined benefit and defined contribution pension plans.

(a) Pension obligations
A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The company's contributions to the defined contribution plan are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the company has no further payment obligations.

The company operates a defined benefit pension scheme, the Lotus Pension Plan for their eligible employees. The defined benefit obligation is calculated using the projected unit credit method, determined by independent actuaries are charged to the statement of comprehensive income so as to spread the cost of pensions over the average remaining service lives of the related employees participating in the defined benefit plan. Assumptions were made in relation to the expected rate of salary increases and annual discount rate. Full actuarial valuations are carried out every three years with interim reviews in the intervening years; these valuations are updated to 31 March each year by qualified independent actuaries. The last full actuarial valuation was performed on 31 December 2014.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the date of the statement of financial position less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service. The group determines the present value of the defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date. When the calculation results in a potential asset for the company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit obligations, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the changes in asset ceiling (excluding interest), are recognised immediately in other comprehensive income. The company determines the net interest income or expense on the net defined obligations for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period, taking into account any changes in the net defined benefit obligations during the period as a result of contributions and benefit payments.

Net interest income or expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Employee benefits (continued)
(b) Termination benefits
Termination benefits are payable to an entitled employee whenever the employment has to be terminated before the normal retirement date or when the employee accepts mutual/voluntary separation in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost in the financial statements of the company. Provision against the underlying cost of investments in subsidiaries is made, where in the opinion of the directors, there is a permanent diminution in the value of the underlying business.

Provisions
Provisions for environmental restoration, warranty costs, restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Reorganisation provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provision is made for the estimated liability on all products under warranty in addition to claims already received. The provision is based on experienced levels of claims arising during the period of warranty and the average cost of fulfilling these claims on a model by model basis.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

The Company's non-cumulative redeemable preference shares have been accounted for as equity. The Redeemable Preference Shares hold no voting rights, otherwise the ordinary shares and the Redeemable Preference Shares rank pari passu in all aspects.

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

A liability is current when:
• It is expected to be settled in the normal operating cycle
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The company classifies all other liabilities as non-current.

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

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

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

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

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

Notes to the financial statements for the year ended 31 March 2017

2. Summary of significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below.

The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue represents the sales value of goods and services supplied to customers and net of VAT. Revenue on the sale of a vehicle is recognised upon despatch of the vehicle to the dealer.

Revenue on long-term engineering contracts is recognised on the basis of the stage of completion of such contracts at the balance sheet date, where the contract outcome can be assessed with reasonable certainty. Related costs are included in cost of sales. Full provision is made for all foreseeable losses on contracts entered into before the year end.

Revenue on other engineering contracts and activities is recognised when the service or solution has been delivered and customer acceptance has occurred.

Amounts are included within accrued income and payments in advance on engineering contracts to recognise timing differences arising between amounts invoiced and received and amounts recognised in the profit and loss account on individual engineering contracts.

Payments made in advance on engineering projects are treated as deferred income and recorded on the statement of financial position.

Grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all conditions attached will be met.

i. Grants relating to assets are included in non-current liabilities as deferred income and are amortised to profit or loss over the expected useful life of the relevant asset by equal annual installment or by deducting the grants in arriving at the carrying amount of the asset.

ii. Grants relating to costs are recognised immediately through profit or loss to match them with the costs incurred.

iii. Income grants are grants other than the above grants and recognised in the statements of comprehensive income where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. Critical accounting estimates and judgments

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

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 2 for the useful economic lives for each class of assets.

(b) Inventory provisioning

The company sells cars and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory and associated provision.

(c) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 14 for the net carrying amount of the receivables and associated impairment provision.

(d) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model ("DCF"). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. See note 10 for the carrying amount of intangible asset

Notes to the financial statements for the year ended 31 March 2017

3. Critical accounting estimates and judgments (continued)

(e) Defined benefit pension scheme

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date by the directors.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about pension obligations are given in note 19.

(f) Warranty provisions

All vehicles sold by the group have a warranty period of up to 36 months. Provision is made based on current volumes of products sold still under warranty and on historic quality rates for mature products as well as estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur. Refer to note 18 for further details.

4. Financial instruments

The company is exempt from disclosing financial instruments in terms of UK GAAP Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as disclosed in note 1.

Notes to the financial statements for the year ended 31 March 2017

5. Revenue

	2017 £'000	2016 £'000
Revenue by class of business		
Sales of cars and parts – Lotus Cars division	**71,144**	65,469
Engineering consultancy – Lotus Engineering division	**12,819**	8,106
	83,963	73,575

	2017 £'000	2016 £'000
Revenue by geographical market supplied		
United Kingdom	**37,702**	31,344
Continental Europe	**27,050**	21,253
North and South America	**15,232**	1,274
Rest of the world	**3,979**	19,704
	83,963	73,575

	2017 £'000	2016 £'000
Revenue by geographical origin		
United Kingdom	**83,963**	73,575

Notes to the financial statements for the year ended 31 March 2017

6. Operating loss

The operating loss is stated after charging/(crediting):	2017 £'000	2016 £'000
Wages and salaries	**26,449**	27,747
Social security costs	**2,717**	2,867
Other pension costs	**2,983**	1,869
Staff costs	**32,149**	32,483
Operating lease rentals	**1,308**	1,096
Depreciation and impairment of property, plant and equipment:		
- owned assets	**3,210**	4,176
- impairment of property, plant and equipment	**-**	1,408
Research and development:		
- expenditure on research	**17**	114
- amortisation of capitalised development costs	**9,802**	6,361
(Profit)/loss on disposal of property, plant and equipment	**(190)**	271
Net foreign exchange (gain)/loss on trading activities	**(156)**	1,852
Auditor's remuneration:		
- fees payable to the company's auditor for the audit of the financial statements	**130**	59
- other services relating to pension scheme advice	**-**	46
(Reversal)/impairment of trade receivables	**(2,093)**	2,253
Inventory recognised as an expense including reversal of inventory write down of £1,121,000 (2016: £3,097,000)	**67,309**	63,857

Notes to the financial statements for the year ended 31 March 2017

7. Employees and directors

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

	2017	2016
	Number	Number
Category		
Management and administration	**403**	472
Production and sales	**368**	378
	771	850

Directors' remuneration

	2017	2016
	£'000	£'000
Aggregate emoluments	**293**	292

None of the directors (2016: none) had share options or retirement benefits accruing under either a defined benefit scheme or defined contribution pension schemes.

	2017	2016
	£'000	£'000
The emoluments of the highest paid director amounted to:		
Aggregate emoluments	**293**	292

Notes to the financial statements for the year ended 31 March 2017

8. Finance income and expense

	2017 £'000	2016 £'000
Finance income		
Interest from bank deposits	**2**	2
Interest from customers	**239**	147
Net foreign exchange gain on loan from intermediate holding company	**-**	1,316
	241	1,465
Finance expense		
Finance interest	**(66)**	(14)
Net foreign exchange loss on loan from intermediate holding company	**(915)**	-
	(981)	(14)
Other finance charges		
Charge in respect of the defined benefit pension scheme (note 19)	**(215)**	(159)
Other sundry interest charges	**(4)**	-
	(219)	(159)

9. Income tax

Tax expense included in income statement

(a) Analysis of tax charge

No current and deferred tax expense recognized in 2017 and 2016.

Notes to the financial statements for the year ended 31 March 2017

9. Income tax (continued)

(b) Reconciliation of the total tax credit

Tax expense for the period is lower (2016: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2017 of 20% (2016: 20%). The differences are explained below:

	2017	2016
	£'000	£'000
Loss on ordinary activities before tax	**(12,232)**	(27,586)
Loss on ordinary activities at standard rate of corporation tax in the UK of 20% (2016: 20%)	**(2,446)**	(5,517)
Effects of:		
Depreciation in excess of capital allowances	**669**	998
Non-taxable income from capital asset disposal	**(98)**	-
Other short term timing differences	**-**	(385)
Expenses not deductible for tax purposes	**121**	2
Pension contribution relief in excess of net pension charge	**(43)**	106
Tax losses carried forward	**1,797**	4,796
Tax credit	**-**	-

(c) Unrecognised tax losses

The Company has unutilised carried forward trading losses of £467,028,439 (2016: £458,045,501) which, subject to agreement by Her Majesty's Revenue & Customs, will be available to relieve future taxable profits. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty over the recoverability.

(d) Change in corporation tax rate

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. The change to 17% was substantively enacted on 15 September 2016.

9. Income tax (continued)

(e) Deferred tax

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

	2017	2016
	£'000	£'000
Depreciation in excess of capital allowances	**56,585**	52,228
Short term timing differences	**290**	291
Unutilised tax losses	**467,028**	458,046
Deferred tax on pension liability	**5,379**	6,515
Unrecognised deferred tax asset	**529,282**	517,080

No deferred tax asset has been recognised in relation to these timing differences and unutilised tax losses as there is insufficient reliable evidence that they will reverse in the foreseeable future against taxable profits.

10. Intangible assets

	Software	**Capitalised development**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 April 2016	2,295	134,668	136,963
Additions	-	7,745	7,745
At 31 March 2017	**2,295**	**142,413**	**144,708**
Accumulated amortisation			
At 1 April 2016	2,229	82,013	84,242
Charge for the year	44	9,758	9,802
At 31 March 2017	**2,273**	**91,771**	**94,044**
Net book amount			
At 31 March 2017	**22**	**50,642**	**50,664**
At 31 March 2016	66	52,655	52,721

Notes to the financial statements for the year ended 31 March 2017

10. Intangible assets (continued)

Impairment testing of intangible assets

Intangible development costs and property, plant and equipment (see note 11) have been reviewed for impairment at a cash generating unit level, being the vehicle models (Evora, Exige, Elise and 3-Eleven) by reference to the recoverable amount based on a value in use calculation. The key assumptions in the model are sales growth and the discount rate.

- Sales are included in the first five years at the growth levels projected in the strategic business plan and after that projected at a rate appropriate to the expected lifecycle of the group's products.

- The pre-tax discount rate of 12% (2016: 12%) is based on the directors' estimate of the return on capital appropriate to the income generating unit. Growth rates are related to introduction of known enhanced models with improved margins. They also depend on increasing the number of dealers and reintroducing vehicles into the US market.

Sensitivity to change in assumptions

The following table demonstrates the sensitivity of the discounted cash flows used in the impairment review to a reasonably possible change in significant assumptions as at 31 March 2017 and 2016:

Adjustments to assumptions	**Impact on excess of value in use over carrying values**	
	2017	2016
	£'000	£'000
Discount rate - plus 3.0%		
- Evora	**(4,069)**	(6,651)
- Exige	**(1,524)**	(1,483)
- Elise	**(451)**	(403)
- 3-Eleven	**(40)**	(201)
Sales units – less 10%		
- Evora	**(6,828)**	(7,198)
- Exige	**(2,596)**	(2,086)
- Elise	**(1,134)**	(657)
- 3-Eleven	**(165)**	(534)

The above sensitivity review confirmed that there is sufficient headroom between the adjusted net present value and the carrying value of the intangible asset.

Notes to the financial statements for the year ended 31 March 2017

11. Property, plant and equipment

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tooling, equipment and motor vehicles	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 April 2016	41,053	35,009	32,766	5,850	114,678
Additions	-	15	1,549	-	1,564
Disposals	-	-	(3,006)	-	(3,006)
At 31 March 2017	**41,053**	**35,024**	**31,309**	**5,850**	**113,236**
Accumulated depreciation:					
At 1 April 2016	15,133	34,921	22,780	-	72,834
Charge for the year	936	93	2,181	-	3,210
Disposals	-	-	(1,132)	-	(1,132)
At 31 March 2017	**16,069**	**35,014**	**23,829**	**-**	**74,912**
Net book amount:					
At 31 March 2017	**24,984**	**10**	**7,480**	**5,850**	**38,324**
At 31 March 2016	25,920	88	9,986	5,850	41,844

The historic cost net book value of freehold land and buildings at 31 March 2017 was £21,638,000 (2016: £22,482,000). All other property, plant and equipment assets are carried at cost.

Assets in the course of construction relate to the development of the manufacturing site which was started but not completed at the year end.

Included in freehold land and buildings is land cost of £982,000 (2016: £982,000) which is not depreciated.

Impairment testing of property, plant and equipment

Property, plant and equipment carrying values have been reviewed for impairment at a business wide level and for the asset in the course of construction, by reference to the recoverable amount based on a value in use calculation. The key assumptions in the model are consistent with those used in assessing the capitalised development costs (note 10).

Notes to the financial statements for the year ended 31 March 2017

12. Investments

	Subsidiary undertakings £'000	Equity investment £'000	Total £'000
Cost:			
At 1 April 2016 and 31 March 2017	68	2,032	2,100
Provision for impairment:			
At 1 April 2016 and 31 March 2017	68	-	68
Net book amount:			
At 31 March 2017	**-**	**2,032**	**2,032**
At 31 March 2016	-	2,032	2,032

During the financial year ended 31 March 2016 an investment of £2,032,000 was made to acquire 10% of the share capital of Goldstar LOTUS Automobile Co. Ltd, a company registered in China.

At 31 March 2017, the company owned 100% of the issued ordinary share capital of the following entities:

	Country of incorporation	Nature of business
Lotus Engineering Limited	England and Wales	Dormant company
Lotus Engineering Malaysia Sdn. Bhd	Malaysia	Dormant company
Lotus Engineering Company Limited	China	Dormant company

13. Inventories

	2017 £'000	2016 £'000
Raw materials	**9,419**	11,959
Cars in course of production and other work in progress	**1,312**	2,596
Service inventories	**2,470**	3,115
Finished goods	**1,321**	630
	14,522	18,300

The difference between purchase price or production cost of inventory and the replacement cost is not considered material by the directors.

Inventories are stated after provisions for impairment of £3,039,000 (2016: £4,160,000).

Notes to the financial statements for the year ended 31 March 2017

14. Trade and other receivables

	2017	2016
	£'000	£'000
Trade receivables	18,359	11,392
Amounts owed by other group undertakings	33,058	28,852
Amounts owed by immediate parent undertaking	209,499	210,257
Other receivables	2,529	1,265
Prepayments and accrued income	4,377	4,998
	267,822	256,764

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

Trade receivables are stated after provisions for impairment of £320,000 (2016: £1,043,000). Amounts owed by other group undertakings are stated after provisions for impairment of £1,095,000 (2016: £2,465,000).

15. Current liabilities

	2017	2016
	£'000	£'000
Amounts owed to intermediate parent undertaking	67,735	64,820
Amounts owed to other group undertakings	26,435	17,139
Accruals and deferred income	17,074	8,860
Trade payables	6,768	10,624
Deferred income relating to government grant	3,927	3,571
Payments in advance on engineering contracts	2,026	2,707
Other taxation and social security	576	978
	124,541	108,699

The amounts owed to the intermediate parent and other group undertakings are unsecured, non-interest bearing and have no fixed repayment date.

Deferred income relating to a government grant will be released to the income statement account upon the completion of the related new development project and apportioned based on the employment headcount as set out in the grant conditions. At the end of the 5 year monitoring period surplus funds will need to be repaid on a pro rata basis if the employment headcount per the grant agreement is not achieved. The government grant is secured by a bank guarantee.

Notes to the financial statements for the year ended 31 March 2017

16. Non-current liabilities

	2017 £'000	2016 £'000
Loan owed to parent undertaking (note 17)	**176,901**	176,901
Accruals and deferred income	**513**	-
	177,414	176,901

The amount owed to parent undertaking comprises a loan from Lotus Group International Limited. Lotus Group International Limited has provided confirmation to the company indicating that it will not seek repayment of the loan for a period of at least one year from the date of signing these financial statements. The loan is unsecured, non-interest bearing and has no fixed repayment date

17. Loans and other borrowings

	2017 £'000	2016 £'000
Loan owed to parent undertaking	**176,901**	176,901

Maturity of financial liabilities		
In more than two years, but not more than five years	**176,901**	176,901

The loan from parent undertaking comprises of a loan from Lotus Group International Limited. Lotus Group International Limited has provided confirmation to the company indicating that it will not seek repayment of the loan for a period of at least one year from the date of signing these financial statements. The loan is unsecured, non-interest bearing and has no fixed repayment date.

18. Provision for liabilities

	Warranty provision £'000
At 1 April 2016	5,268
Charge to profit and loss	1,744
Provision utilised	(2,290)
At 31 March 2017	**4,722**

All vehicles sold by the company have a warranty period of up to 36 months. Provision is made based upon the directors' best estimate of potential future claims under warranty. The provision is expected to be utilised within the next 3 years. The provision has not been discounted as the directors consider the effect to be immaterial.

19. Pension commitments

The company operates a defined contribution group personal pension scheme and a defined benefit pension scheme. Total contributions outstanding by the company at 31 March 2017 were £422,969 (2016: £197,000).

Defined contribution pension scheme

The company operates a defined contribution group personal pension scheme for eligible employees, the assets of which are held independently of the company. Pension fund contributions are charged to the profit and loss account in the periods in which they are payable.

Defined benefit pension scheme

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

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

The Plan exposes the group to a number of risks:

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

There were no Plan amendments, curtailments or settlements during the year.

Notes to the financial statements for the year ended 31 March 2017

19. Pension commitments (continued)

Effect of the Plan on the group's future cash flows

The group is required to agree a Schedule of Contributions with the Trustees of the Plan following an actuarial valuation which must be carried out at least once every three years. The last actuarial valuation of the Plan was at 31 December 2014. In the event that a valuation reveals a larger deficit than expected, the group may be required to increase the contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected contributions may be reduced. The group expects to pay contributions of approximately £3,195,000 in the year ending 31 March 2018.

The valuation of the Plan under IAS 19 has been based on the actuarial valuation as at 31 December 2014, updated by the actuary from Barnett Waddingham in order to assess the assets and liabilities of the Plan as at 31 March 2017.

The key assumptions used by the actuary in the IAS 19 valuation were:

	2017	2016
Rate of increase in salaries	**2.00%**	2.50%
Rate of increase in pensions in payment	**2.00%**	2.00%
Discount rate	**2.80%**	3.70%
Price Inflation (RPI)	**3.30%**	3.00%
Long term expected rate of return on:		
Equities	**2.80%**	3.70%
Bonds	**2.80%**	3.70%
Cash	**2.80%**	3.70%
Price inflation (CPI)	**2.00%**	2.00%

The assumptions used under the adopted mortality tables were as follows:

	2017	2016
Longevity at age 65 for current pensioners		
- Men	**87.0**	87.1
- Women	**89.0**	89.2
Longevity at age 65 for future pensioners currently aged 45		
- Men	**88.3**	88.5
- Women	**90.5**	90.7

The maturity profile of defined benefit obligations are as follows:

	2017	2016
Average duration of the defined benefit obligations:	**20**	20

Notes to the financial statements for the year ended 31 March 2017

19. Pension commitments (continued)

The following table demonstrates the sensitivity of the defined benefit pension liability to a reasonably possible change in significant assumptions as at 31 March 2017:

Adjustments to assumptions	Impact on scheme liabilities £'000
Discount rate	
Plus 0.50%	**(11,100)**
Minus 0.50%	**12,700**
Inflation rate	
Plus 0.50%	**11,900**
Minus 0.50%	**(10,500)**
Salary increase	
Plus 0.50%	**1,400**
Minus 0.50%	**(1,300)**
Life expectancy	
Plus 1.0 years	**(3,600)**
Minus 1.0 years	**3,700**

The following amounts at 31 March 2017 were measured in accordance with the requirements of IAS 19 "Retirement Benefits":

	2017 £'000	2016 £'000
Total fair value of scheme assets	**114,769**	96,925
Present value of scheme liabilities	**(120,148)**	(103,440)
Net pension liability	**(5,379)**	(6,515)

As disclosed in note 9, a deferred tax asset of £914,000 (2016: £1,173,000) has not been recognised in relation to these timing differences as there is insufficient reliable evidence that they will reverse in the foreseeable future against taxable profits.

The assets in the scheme were:	**2017 £'000**	2016 £'000
Equities	**63,888**	52,010
Bonds	**12,341**	13,393
Managed funds	**35,649**	29,097
Cash	**2,891**	2,425
Total fair value of scheme assets	**114,769**	96,925

Notes to the financial statements for the year ended 31 March 2017

19. Pension commitments (continued)

Analysis of the amount charged to operating loss	2017 £'000	2016 £'000
Current service cost	1,035	1,217
Total operating charge	1,035	1,217

Analysis of the amount charged/(credited) to other finance charges	2017 £'000	2016 £'000
Expected return on pension scheme assets	(3,550)	(3,395)
Interest on pension scheme liabilities	3,765	3,554
Net charge to other finance charges	215	159

Analysis of amount recognised in other comprehensive income	2017 £'000	2016 £'000
Actual return less expected return on pension scheme assets	16,250	(6,004)
Experience gains arising on the scheme liabilities	2,913	-
Changes in assumptions underlying the present value of the scheme	(18,243)	5,092
Actuarial gain/(loss) recognised in other comprehensive income	920	(912)
Cumulative loss recognised in other comprehensive income	(14,431)	(15,351)

Reconciliation of present value of scheme liabilities	2017 £'000	2016 £'000
At beginning of the year	103,440	105,257
Current service cost	1,035	1,217
Interest cost	3,765	3,554
Employee contributions	549	652
Benefits paid	(3,971)	(2,148)
Changes to assumptions	18,243	(5,092)
Experience gains arising on the scheme liabilities	(2,913)	-
At end of the year	120,148	103,440

Notes to the financial statements for the year ended 31 March 2017

19. Pension commitments (continued)

Reconciliation of fair value of scheme assets	2017 £'000	2016 £'000
At beginning of the year	**96,925**	100,184
Expected return on scheme assets	**3,550**	3,395
Benefits paid	**(3,971)**	(2,148)
Scheme expenses	**(1,101)**	(1,268)
Actual return less expected return on pension scheme assets	**16,250**	(6,004)
Employer contributions	**2,567**	2,114
Employee contributions	**549**	652
At end of the year	**114,769**	96,925

20. Called up share capital

	2017 Number	2017 £'000	2016 Number	2016 £'000
Allotted, called up and fully paid				
At 1 April and 31 March	**368,815,762**	**368,816**	368,815,762	368,816

The Redeemable Preference Shares hold no voting rights, otherwise the ordinary shares and the Redeemable Preference Shares rank pari passu in all aspects.

Notes to the financial statements for the year ended 31 March 2017

21. Contingent liabilities, guarantees and other financial commitments

(1) Capital commitments

As at 31 March 2017, the company was committed to the following future capital expenditure:

	2017	2016
	£'000	£'000
Contracted but not provided for	**718**	1,716

(2) Financial commitments

The company has entered into commercial leases on certain properties and other assets. These leases have an average life between one to ten years, with no renewal option included in the contracts. There are no restrictions placed upon the company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017 Land and Buildings	**2017 Other**	2016 Land and Buildings	2016 Other
	£'000	**£'000**	£'000	£'000
Within one year	**1,225**	-	801	72
Between two and five years	**4,498**	-	3,080	-
After five years	**474**	-	788	-
	6,197	-	4,669	72

(3) Contingent liabilities

At the year end, the company has a number of claims from third parties, totalling a combined value of approximately £nil (2016:£354,000). The Group has been advised by its legal counsel that it is only possible, but not probable, that these actions will succeed. Accordingly, no provision for any liability has been made in these financial statements.

In addition the company had the following guarantees in place at 31 March 2017:

	2017	2016
	£'000	£'000
HM Customs and Excise duty bond (Perpetual guarantee)	**500**	500
Government grant letter of credit (Maturity 1 to 5 years)	**10,440**	10,440
	10,940	10,940

Notes to the financial statements for the year ended 31 March 2017

22. Ultimate parent undertaking

The immediate holding company of the ordinary share capital of the company is Group Lotus plc, a company incorporated in England and Wales.

The smallest group to consolidate the financial statements of Lotus Cars Limited is headed by Lotus Group International Limited, a company incorporated in England and Wales. The largest group to consolidate the financial statements of the company is headed by DRB-HICOM Berhad, a company incorporated in Malaysia. Copies of the DRB-HICOM Berhad consolidated group financial statements are available from Level 5, Wisma DRB-HICOM, No.2, Jalan Usahawan U1/8, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.

The directors regard Etika Strategi Sdn. Bhd, a company incorporated in Malaysia, as the ultimate holding company. The directors regard DRB-HICOM Sdn. Bhd., a company incorporated in Malaysia, as the ultimate controlling company.

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

23. Subsequent Events

On 23 June 2017, DRB-HICOM Berhad (DRB-HICOM) entered into a conditional Share Purchase Agreement (the proposal) through its subsidiary company, Proton Holdings Berhad, to sell its 100% indirect equity in the Company's immediate parent undertaking, Lotus Advanced Technologies Sdn. Bhd. as to 51% to Zhejiang Geely Holding Group Co., Ltd. and 49% to Etika Automotive Sdn. Bhd. for a total cash consideration of GBP100,000,000.

The proposal is subject to approvals of the relevant authorities and shareholders of DRB-HICOM, and upon its completion, the Company and its immediate parent undertaking, Lotus Advanced Technologies Sdn. Bhd. will cease to be indirect wholly-owned subsidiary companies of the DRB-HICOM Group.