

Lotus Group International Limited
Annual report and financial statements
for the year ended 31 December 2021

Registered Number: 02831840



Lotus Group International Limited

Annual report and financial statements for the year ended 31 December 2021

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Lotus Group International Limited

Company information

Directors

Donghui, Daniel Li
Feng, Qingfeng
Mohamed Tarmizi, Mohamed Sharil
An, Conghui
Teik Huat Ooi (appointed 4th January 2021)

Secretary

Matthew Nice

Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Registered office

Potash Lane
Hethel
Norwich
Norfolk
NR14 8EZ

Lotus Group International Limited

Strategic report

The directors of Lotus Group International Limited ("the Company") and its subsidiaries (collectively, "the Group" or "Lotus") present their Strategic report for the year to 31 December 2021.

Principal activities

The principal activities of the Group continues to be the manufacture and sale of high-performance motor cars and the provision of engineering consultancy services. Engineering consulting services covers the commercial development and supply of technology to automotive and industrial clients world-wide. The principal activity of the Company remains that of a non-trading investment holding company.

Results and financial position

The results for the Group show a consolidated profit for the year after taxation of £16.3m and a normalised loss, after the exclusion of the one off other income as per note 5, of £88.3m (2020: loss of £58.1m), revenue of £94.2m (2020: £73.3m) and net assets of £177.9m (2020: £11.9m). Further detail on the results for the year is given under key performance indicators.

Review of business and future developments

The start of 2021 saw Covid-19 continuing to have a significant impact on the world's business environment. However, the year began with several pieces of good news for Lotus. Firstly, despite the global challenges of 2021, the company reported full year new car retail sales up 4.4% compared to 2020. It was followed by details of a high-profile technical collaboration with Alpine on electric sports cars, and news that the first extruded and bonded aluminium chassis to be built at Lotus' new manufacturing facility in Norwich – later in the year officially named Lotus Advanced Structures (LAS) – had been completed. January also saw the announcement that Matt Windle had replaced Phil Popham as head of the Lotus Cars business.

Much of the first half of 2021 saw Lotus building towards the launch of the Emira, the last ICE car from Lotus. Driving Tomorrow, a new annual global strategy event for Lotus, launched in April at Hethel as a platform to update the world on the Vision80 strategy's progress. The virtual broadcast included details of four dedicated new vehicle architectures Lotus would build its next generation of cars on. It also set the scene for the completion of £100million of investment in facilities at Hethel, LAS and other UK sites, first publicised in June.

The Emira was undoubtedly the main attraction for Lotus in 2021 – the world premiere in July at Hethel, which showcased the site's significant upgrades, and the dynamic debut at Goodwood Festival of Speed later the same week. Lotus was the star attraction, headline sponsor and central feature at the Goodwood Festival of Speed 2021, at which orders flooded in immediately for the new Emira sports car. An Emira world tour began in August and took in numerous countries across Europe, North America and Asia, and continued well into Q2 2022, generating thousands of reservations internationally.

New beginnings for one sports car inevitably meant the end for others, and 2021 saw Lotus draw a line under the era of the Elise, Exige and Evora. The Final Edition cars, announced in February, provided a fitting tribute, selling out very quickly as a commercially successful end to production of these cars in December.

Lotus Technology was confirmed as a new division of Group Lotus, officially launching its global headquarters with a 'breaking ground' ceremony in Wuhan. The landmark moment was used to reveal that Lotus' next cars would be the lifestyle EVs built in China – the Type 132, 133 and 134 – plus first details of the Type 135 EV sports car to be manufactured in the UK.

Lotus Group International Limited

Strategic report (continued)

Review of business and future developments (continued)

The first of this new breed of electric lifestyle vehicles was confirmed late in the year, as Type 132 started to break cover. The new car, a product of the Lotus Tech Creative Centre in Warwickshire (formerly Geely Design UK), was launched in March 2022, named the Eletre. It was very positively received by the world's media and orders came thick and fast ahead of start of production scheduled for late 2022.

The Evija programme got back on track during 2021 after it had been significantly impacted by the Covid-19 worldwide travel restrictions which prevented the required testing, validation and homologation work from taking place, with production set to commence this summer.

In motorsport, Lotus announced a technical partnership with JBXE, the Extreme E race team owned by F1 world champion and Lotus customer Jenson Button. Details of a new Emira GT4 race car were also confirmed, ahead of its on-track launch in 2022.

In other sports, Lotus became the new front-of-shirt sponsor for Norwich City Football Club, in the UK's globally watched Premier League, for the 2021/22 season. As part of the agreement, the iconic Lotus logo featured across the first team, academy and women's kit and training wear. There was success in the sporting arena for Lotus Engineering as a lead supplier to British Cycling. It developed an innovative new frontal aero design package for a track bike, which was ridden to glory at the delayed Tokyo Olympics (seven medals, including three gold).

The consultancy also developed an innovative new lightweight chassis called Project LEVA (Lightweight Electric Vehicle Architecture). The technology will underpin the Lotus Type 135 EV sports car and is commercially available through Lotus Engineering. A strong year for the consultancy led to it being named 'Dynamics Team of the Year' in the prestigious Vehicle Dynamics International Awards 2021.

Lotus received a number of other honours in the year. The Lotus Evija was named as 'The One to Watch' in Top Gear magazine, and the company was named 'Manufacturer of the Year' by News UK, publisher of *The Times*, *The Sunday Times* and *The Sun*.

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Strategic report (continued)

Key performance indicators (KPIs)

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

| KPI | Year ended 31 December 2021 | Year ended 31 December 2020 | Commentary |
|------------------------|-----------------------------------|-----------------------------------|---|
| Sales revenue | £94.2 | £73.2m | <p>Revenue increased with the reduced impact of COVID-19, which impacted all markets and revenue streams in 2020.</p> <p>Sales revenue are analysed by class of business – see note 4 for further details.</p> |
| Units sold (wholesale) | 1,566 | 1,189 | <p>Number of vehicles sold in each period. 2021 saw a return to normal levels of trading where 2020 has seen a significant reduction in the volume of vehicle units sold as a result of the difficult economic climate and dealer showroom lockdowns.</p> |
| Units produced | 1,402 | 1,387 | <p>Evora production completed in the first half of the year with the Elise and Exige production continued throughout the year.</p> <p>The production team worked to satisfy customer demand for the Final Editions of the Elise and Exige.</p> |
| Profitability | (£39.9m) | (£18.5m) | <p>The non-statutory profit measure of normalised EBITDA is considered to be the key performance measurement.</p> <p>2021 was a year of investment and transition for Lotus with the phasing out of production of current models, the launch of new models and scaling up in anticipation of the production and sales of Emira and Evija in 2022.</p> <p>Included within administrative costs is £15.4m impairment charge (2020: £18.2m) to intangible assets (see note 10).</p> <p>See note 6 for further details on EBITDA calculation and movement in the year.</p> |
| Net assets | £177.9m | £11.9m | <p>Assets have increased in the 2021 year with continued investment in the development of Emira and future EV vehicles, along with the investment in site upgrades. The other significant investment made this year is £158m in Wuhan Lotus Technology Co. Ltd.</p> <p>The above improvements have been funded by both third-party borrowings of £29m and an increase in Shareholder loans of £71m.</p> <p>As at 31 December 2021, the Group had net current liabilities of £371m. This includes £348m of funding provided by Lotus Advance Technology's (the Company's parent) shareholders, who have confirmed that they do not intend to recall intercompany balances from the Group except where funds permit repayment and to do so would not adversely affect the ability of the Group to meet its liabilities as and when they fall due.</p> <p>This is considered further within the going concern analysis within note 2.2</p> |

Lotus Group International Limited

Strategic report (continued)

Principal risks and uncertainties

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

- **Supply chain** – Key suppliers' ability to deliver to the agreed timetable, at the right price and quality, including global shortages for specific parts such as computer chips, as well as supply chain disruptions and inflationary pressures. This is mitigated by multi-sourcing where possible, continuous monitoring of supplier performance, careful supplier selection based on quality and capability, and regular reviews of strategic sourcing plans to achieve a competitive 'total landed cost'.
- **Market for the Group'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 Group seeks to mitigate this risk through offering competitive and attractive products and services and through investment in research and development.
- **Finance** – The availability of sufficient finance to fund the Group's continuing operations and growth as discussed in the Going Concern section of the Directors' report and note 2.2 of the financial statements.
- **Project delivery** – New car projects require specific onsite production facilities and systems particularly as the Group starts to move towards producing electric vehicles. The Group manages each project through gateway governance and senior management monitor closely the facility and system development.
- **Quality management** – To ensure quality is maintained in products and services supplied and is also embedded within the organisation. The main trading subsidiary, Lotus Cars Limited, is an ISO90001:2008 accredited organisation with regular third-party assessments underpinning the business operations valid until 22 August 2024.
- **Foreign exchange** – The Group receives revenue across several major currencies, not only in Sterling, its presentational currency. In addition, the business sources supplies from all over the world in a variety of currencies. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Chinese Yen and Euro. Foreign exchange risk arises from commercial transactions, borrowing transactions and investments in foreign operations. The Group's mitigating 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.
- **Macroeconomic environment impacts including that of Covid-19** – As part of its risk register, the Board reviews the macroeconomic environment as a whole, and where required takes mitigating actions. Specifically in relation to the ongoing threat of Covid-19, the Board continues to monitor taking mitigating actions by following a Protect and Preserve strategy. The Board have remained in continuous communication with all major stakeholders, including staff, suppliers and dealers. Lotus is committed to ensuring all possible precautions have been taken with regards to employee safety and welfare. The Board also continues to monitor any implications of the Russia/Ukraine war both in respect of supply chain or sales. The Group does not currently have any suppliers within either territory and other than minor logistical impacts has been largely unaffected. Similarly in regards to sale of vehicles, neither territory is a key market at this time.

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

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Strategic report (continued)

Financial risk management

The Group'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 Group, 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 Group.

Price risk

The Group 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 Group to ensure that the Group's products and services are competitively priced, whilst reflecting the quality of the products and services. Inflationary pressures on inbound purchases of goods and services is a risk closely monitored by the Group, and is managed through close communication with the supply base and regularly reviewing sourcing strategy to contain any increases in a controlled manner. The Group 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 Group 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 Group will encounter difficulty in meeting obligations associated with its financial liabilities. The risk is mitigated as the Group has access to inter group finance that is designed to ensure the Group and its subsidiaries have sufficient available funds for operations and planned expansions. The inter group finance is provided by Geely International (Hong Kong) Limited and Etika Automotive Sdn Bhd, the shareholders of the Group's immediate parent company, Lotus Advance Technologies Sdn. Bhd. The shareholders have confirmed that they will provide the necessary financial support to the Group (based on the Lotus Advance Technologies Sdn. Bhd equity split), so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due to continue trading and complete development activities for at least 12 months from the date of signing these audited financial statements.

Foreign exchange risk

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

The Group'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

At 31 December 2021 and the date of approval of these financial statements, the Group was not exposed to significant interest rate risk. The directors monitor this position during quarterly divisional reviews of risks and will revisit the appropriateness of its policy to mitigate the risk should the exposure change in size or nature.

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Strategic report (continued)

Statement of directors' duties

The directors of the Group, as those of all UK companies, must act in accordance with a set of general duties, as detailed in section 172 of the UK Companies Act 2006. This s172 statement explains how Lotus directors have had regard to wider stakeholder needs when performing their duties. This statement focuses on matters of strategic importance to Lotus, and the level of information disclosed is consistent with the size and the complexity of the business.

When making decisions, each director ensures that they act in the way they consider, in good faith, would most likely promote the Group's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- (a) The likely consequences of any decision in the long term;
- (b) The interests of the Company's employees;
- (c) The need to foster the Company's business relationships with suppliers, customers and others;
- (d) The impact of the Company's operations on the community and the environment;
- (e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) The need to act fairly between members of the Company.

Corporate Governance

In Lotus, corporate governance covers the key processes and reporting frameworks, across the business and to the Lotus Board, to ensure that we run effectively and efficiently to deliver our strategic vision and purpose. Corporate governance also ensures we have appropriate decision-making authorities and controls in place, so that interests of all stakeholders (shareholders, employees, suppliers, customers, and the community) are equally balanced. The Lotus Board meets on a quarterly basis to review the Company's progress and to approve key strategic decisions. The Lotus Executive Management Team, comprising the functional leads from across the business, is led by the Lotus Cars Managing Director and is responsible for developing and delivering the long-term strategy of the business.

How the Board considers stakeholders in decision making

During 2021 the Lotus Board continued to use the long-term Vision80 strategy and regular dialogue with its shareholders to provide the foundation for principal decision making. In addition to this the Board have regards to the interests of the Group's employees, suppliers, and other stakeholders, including its impact on the community, the environment and its Brand reputation, when making decisions.

Employees

Discussion forums with employees provide a regular opportunity for broad and varied dialogue, which is then further supported by engagement with the Lotus Staff Council. The combination of these ensuring that our employees remain informed, engaged with the business and its activities and are able to positively contribute in a way that feeds into Board decision making.

Suppliers

Lotus works to develop strong mutually beneficial relationships with its suppliers. Meetings at a working and executive level occur on a regular basis in order to continuously develop these relationships and understand the impact of any key strategic changes to the wider supply base.

Community and Environment

Lotus engages with national and local government agencies to actively understand community input and the impact of strategic decisions on the communities in which it operates. In addition, the Board considers the environmental impact at a local and global level of its business operations and has already taken a number of steps to work to limit this both in the short and medium term.

By order of the board:

DocuSigned by:

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Feng Qingfeng
Director
Date: 6/16/2022

Lotus Group International Limited

Directors' report

The directors present their Annual report and the audited consolidated Financial statements of the Group and Company for the year ended 31 December 2021.

Statement of directors' responsibilities

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 elected to prepare the Group financial statements in accordance with UK-adopted International Financial Accounting Standards and international accounting standards in conformity with the requirements of the Companies Act 2006, and have elected to prepare the Company's 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 and of the profit or loss of the Company and Group for that period.

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

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

Results and dividends

The Group's consolidated profit for the year after taxation amounted to £16.3m (2020: loss of £58.1m). The directors do not recommend payment of a dividend for the year ended 31 December 2021 and the loss for the year has been transferred to reserves. The parent company received a Dividend in Specie of £104,624,700.

Directors

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

Donghui, Daniel Li
Feng Qingfeng
Syed Mokhtar Shah, Sharifah Sofia (resigned 4 January 2021)
Mohamed Tarmizi, Mohamed Sharil
An, Conghui
Teik Huat Ooi (appointed 04 January 2021)

Lotus Group International Limited

Directors' report (continued)

Employees

The directors acknowledge the importance of good communication and employee relations. Communications are essential to progress. As such, the Group 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 Group undertakes regular staff briefings both business wide and in divisional groups. Senior management holds 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 Group'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 Group continues. It is the policy of the Group to further as far as possible the training, career development and promotion of disabled employees.

Going concern

The Group and Company's financial statements have been prepared on the going concern basis, which assumes that the Group and Company will be able to meet their liabilities as they fall due and continue to trade and complete development projects for the foreseeable future.

The Group made a profit for the year of £16.3m, this is after the £104m other income amount which was settled in shares, rather than cash (2020: loss of £58.1m). As at 31 December 2021, the Group had shareholders' funds of £177.9m and net current liabilities of £371.2m (2020: £11.9m and £244.5m, respectively). Included in the net current liabilities is £348.0m (2020: £293.0m) of funding provided by the ultimate shareholders, who have confirmed that they do not intend to recall intercompany balances from the Group except where funds permit repayment and to do so would not adversely affect the ability of the Group to meet its liabilities as and when they fall due.

Although the macroeconomic environment continues to be challenging, Lotus has continued to operate during 2021 and into 2022 working in accordance with all government guidance on Covid-19.

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. They have also considered the principal risks and uncertainties set out in the Strategic Report.

The shareholders of the Company's immediate holding company, Lotus Advance Technologies Sdn Bhd, Geely International (Hong Kong) Limited, to the extent of its 51% holding, and in conjunction with Etika Automotive Sdn Bhd who own 49%, have confirmed that they will provide the necessary financial support to the Lotus Group International Group, so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements to enable them to continue to trade and complete development projects. This continued support is evidenced by the £24m of additional funding received in the post balance sheet period.

The directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Lotus Group International Limited

Directors' report (continued)

Streamlined Energy and Carbon Reporting

As Lotus transforms, we recognise our responsibility to do so in ways that leads our industry in minimising its impact on the environment and benefitting society and the planet as a whole.

A core strategic project focuses on ESG (*Environmental, Social, and Governance*). As part of this journey, Lotus is investing in Solar Array technologies. We are also in the process of submitting SBTi (*Science Based Targets initiative*) targets, developed in collaboration with our partners Centrica.

Lotus is committed to a net zero journey targeting all aspects of the business to ensure it is aligned to the 1.5 °C target.

Due to significant investment, our product range is also transitioning to fully electric ahead of the industry standard with our second electric vehicle already released – the Eletre.

Please visit our website <https://www.lotuscars.com/en-GB/drivingchange/> for further information on "Driving Change" – the corporate social responsibility programme for Lotus.

In line with the UK Government's Streamlined Energy & Carbon Reporting (SECR) framework, the table below shows Lotus' UK operational energy and carbon footprint for the calendar year 2021 compared with 2020. The CO₂e is calculated with a location-based approach using UK average grid intensity conversion factors.

| | Lotus Cars Ltd | 2021 | 2020 |
|---|---|--------------|--------------|
| | Parameter | UK | UK |
| A | Energy consumption used to calculate emissions: kWh | 28,317,430 | 26,665,812 |
| B | Emissions from combustion of gas: tCO ₂ e (Scope 1) | 2,787 | 2,370 |
| C | Emissions from combustion of fuel, including transport (Scope 1) and engine testing: tCO ₂ e | 433 | 850 |
| D | Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3): tCO ₂ e | 223 | 108 |
| E | Emissions from purchased electricity (Scope 2, location-based): tCO ₂ e | 2,212 | 2,346 |
| F | Total gross tCO ₂ e based on above | 5,655 | 5,674 |
| | Intensity ratio: tCO ₂ e/£m | 69.94 | 69.11 |

Methodology: Data is compiled for UK locations in accordance with GHG protocols for finance control.

Lotus Group International Limited

Directors' report (continued)

Qualifying third party indemnity provisions

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

Post balance sheet events

Material funding

Post year end, the Group received material loan funding of £50m from external third parties and £24m from the shareholders of the Company's immediate holding company to support the continued growth of the Group in accordance with the business plan.

Matters covered in Strategic report

Information required in the Directors' report in respect of the business review, future developments, key performance indicators, and principal risks and uncertainties can be found in the Strategic Report under S414C(11).

Auditors

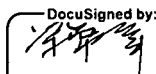
The auditor, Grant Thornton LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

Disclosure of information to auditor

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

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

This report was approved by the Board and signed on its behalf.

DocuSigned by:

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Feng Qingfeng
Director

Date: 6/16/2022

Lotus Group International Limited

Independent auditor's report to the members of Lotus Group International Limited

Opinion

We have audited the financial statements of Lotus Group International Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31. December 2021, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Parent Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Parent Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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

Lotus Group International Limited

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

Conclusions relating to going concern (continued)

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

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

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

Lotus Group International Limited

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and we further enquired of management and in-house legal counsel whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- Laws and regulations identified as being of significance in the context of the entity are Companies Act and Vehicle regulations namely Emissions law, Fuel Efficiency requirements and safety and security of the vehicles.
- We communicated relevant laws and regulations to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet
 - potential management bias in determining accounting estimates, especially in relation to the calculation of impairment of intangible assets
 - transactions with related parties

Lotus Group International Limited

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

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its revenue sources, products and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the applicable statutory provisions
 - the entity's control environment, including the policies and procedures implemented to comply with the requirements of its regulations in place

We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

Use of our report

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



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

Date: 6/16/2022

Lotus Group International Limited

Consolidated income statement For the year ended 31 December 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|--|-------|---------------|-----------------|
| Revenue | 4 | 94,232 | 73,283 |
| Cost of sales | | (89,127) | (64,846) |
| Gross profit | | 5,105 | 8,437 |
| Administrative expenses | | (75,407) | (58,181) |
| Other income | 5 | 105,012 | 1,620 |
| Operating profit/(loss) | 6 | 34,710 | (48,124) |
| Finance income | 8 | - | 48 |
| Finance expense and similar charges | 8 | (18,398) | (10,031) |
| Profit/(loss) on ordinary activities before | | 16,312 | (58,107) |
| Tax on loss on ordinary activities | 9 | 13 | (35) |
| Profit/(loss) for the financial year | | 16,325 | (58,142) |
| Attributable to: | | | |
| Non-controlling interests | 21 | (420) | (343) |
| Equity holders of the parent company | 21 | 16,745 | (57,799) |
| Profit/(loss) for the financial year | | 16,325 | (58,142) |

All the activities of the Group are classified as continuing.

The accompanying notes to the accounts on pages 24 to 61 are an integral part of these financial statements.

Lotus Group International Limited

Consolidated statement of comprehensive income For the year ended 31 December 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|---|-------|---------------|-----------------|
| Profit/(loss) for the financial year | | 16,325 | (58,142) |
| Other comprehensive profit/(loss) | | | |
| Actuarial profit/(loss) recognised on defined benefit pension scheme | 20 | 16,600 | (15,215) |
| Fair value measurement of investment | | 53,205 | - |
| Currency translation difference arising on translation of overseas subsidiaries | | (119) | 274 |
| Total other comprehensive profit/(loss), net of tax | | 69,686 | (14,941) |
| Total comprehensive profit/(loss) for the year | | 86,011 | (73,083) |
| Attributable to: | | | |
| Non-controlling interests | 21 | (420) | (343) |
| Profit/(loss) attributable to equity holders of the parent | 21 | 86,431 | (72,740) |
| Total comprehensive profit/(loss) for the year | | 86,011 | (73,083) |

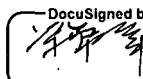
The accompanying notes to the accounts on pages 24 to 61 form an integral part of these financial statements.

Lotus Group International Limited

Consolidated statement of financial position As at 31 December 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|---|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 301,119 | 200,765 |
| Property, plant and equipment | 11 | 93,460 | 75,859 |
| Right-of-use assets | 12 | 1,474 | 4,365 |
| Investments | 13 | 157,830 | 38 |
| | | 553,883 | 281,027 |
| Current assets | | | |
| Inventories | 14 | 21,023 | 35,949 |
| Trade and other receivables | 15 | 40,641 | 38,319 |
| Cash and cash equivalents | 16 | 35,277 | 48,437 |
| | | 96,941 | 122,705 |
| Total assets | | 650,824 | 403,732 |
| Non-current liabilities | | | |
| Lease liability | 12 | (679) | (2,892) |
| Defined benefit pension liability | 20 | (1,771) | (19,381) |
| Provision for liabilities | 19 | (2,316) | (2,383) |
| | | (4,766) | (24,656) |
| Current liabilities | | | |
| Lease liability | 12 | (666) | (1,213) |
| Trade and other payables | 17 | (433,517) | (362,874) |
| Loans and borrowings | 18 | (28,631) | - |
| Provision for liabilities | 19 | (5,338) | (3,094) |
| | | (468,152) | (367,181) |
| Total liabilities | | (472,918) | (391,837) |
| Net current liabilities | | (371,211) | (244,476) |
| Net assets | | 177,906 | 11,895 |
| Equity | | | |
| Called up share capital | 21 | 445,192 | 365,192 |
| Non-distributable reserves | 21 | 139,641 | 139,920 |
| Accumulated losses | 21 | (406,165) | (492,875) |
| Equity attributable owners of the Group | | 178,668 | 12,237 |
| Non-controlling interest | 21 | (762) | (342) |
| Shareholders' funds | | 177,906 | 11,895 |

The accompanying notes to the accounts on pages 24 to 61 are an integral part of these financial statements. The Annual report and Financial statements were approved and authorised for issue by the board of directors and were signed on its behalf by:

DocuSigned by:

 0A8E475F31F0412...

Feng Qingfeng

Director

Date: 6/16/2022

Registered number: 02831840

Lotus Group International Limited


Parent company statement of financial position As at 31 December 2021

| | Notes | 2021 £'000 | 2020 £'000 |
|-----------------------------|-------|------------------|------------------|
| Fixed assets | | | |
| Investments | 13 | 388,038 | 150,208 |
| Total assets | | 388,038 | 150,208 |
| Current liabilities | | | |
| Trade and other payables | 17 | (106,491) | (106,491) |
| Total liabilities | | (106,491) | (106,491) |
| Net assets | | 281,547 | 43,717 |
| Capital and reserves | | | |
| Called up share capital | 21 | 445,192 | 365,192 |
| Profit and loss account | 21 | (163,645) | (321,475) |
| Shareholders' funds | | 281,547 | 43,717 |

The accompanying notes to the accounts on pages 24 to 61 are an integral part of these financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and loss account in these financial statements. The gain after tax of the parent company for the year was £104.6m (2020: £Nil).

The Annual report and Financial statements were approved for issue by the board of directors and were signed on its behalf by:

DocuSigned by:

 0A8E475F31F0412...

Feng Qingfeng

Director

Date: 6/16/2022

Registered number: 02831840

Lotus Group International Limited**Consolidated statement of changes in equity**
For the year ended 31 December 2021

| | Called up Share capital £'000 | Non- distributable reserves £'000 | Accumulated losses £'000 | Non- controlling interests £'000 | Total equity £'000 |
|--|-------------------------------------|--|--------------------------------|---|--------------------------|
| As at 1 January 2020 | 365,192 | 140,199 | (420,414) | 1 | 84,978 |
| Loss for the financial year | - | - | (57,799) | (343) | (58,142) |
| Remeasurement of defined benefit liability | - | - | (15,215) | - | (15,215) |
| Currency translation difference | - | - | 274 | - | 274 |
| Total comprehensive loss | - | - | (72,740) | (343) | (73,083) |
| <i>Transactions with owners, recorded directly in equity</i> | | | | | |
| Depreciation release for revalued assets | - | (279) | 279 | - | - |
| Total transactions with owners | - | (279) | 279 | - | - |
| As at 31 December 2020 | 365,192 | 139,920 | (492,875) | (342) | 11,895 |

Lotus Group International Limited

Consolidated statement of changes in equity (continued) For the year ended 31 December 2021

| | Called up Share capital £'000 | Non- distributable reserves £'000 | Accumulated losses £'000 | Non- controlling interests £'000 | Total equity £'000 |
|--|-------------------------------------|--|--------------------------------|---|--------------------------|
| As at 1 January 2021 | 365,192 | 139,920 | (492,875) | (342) | 11,895 |
| Profit for the financial year | - | - | 16,745 | (420) | 16,325 |
| Fair value measurement of investment | - | - | 53,205 | - | 53,205 |
| Remeasurement of defined benefit liability | - | - | 16,600 | - | 16,600 |
| Currency translation difference | - | - | (119) | - | (119) |
| Total comprehensive loss | - | - | (406,444) | (762) | (86,011) |
| <i>Transactions with owners, recorded directly in equity</i> | | | | | |
| Share capital issued | 80,000 | - | - | - | 80,000 |
| Depreciation release for revalued assets | - | (279) | 279 | - | - |
| Total transactions with owners | - | (279) | 279 | - | 80,000 |
| As at 31 December 2021 | 445,192 | 139,641 | (406,165) | (762) | 177,906 |

Lotus Group International Limited

Parent company statement of changes in equity For the year ended 31 December 2021

| | Called up Share capital £'000 | Profit and loss account £'000 | Total capital and reserves £'000 |
|--|--|--|---|
| As at 31 December 2019 | 365,192 | (321,475) | 43,717 |
| Total comprehensive income being profit for the year | - | - | - |
| As at 31 December 2020 | 365,192 | (321,475) | 43,717 |
| Share capital issued | 80,000 | - | 80,000 |
| Profit for the year | - | 104,625 | 104,625 |
| Fair value remeasurement | - | 53,205 | 53,205 |
| As at 31 December 2021 | 445,192 | (163,645) | 281,547 |

The accompanying notes to the accounts on pages 24 to 61 are an integral part of these financial statements.

Lotus Group International Limited

Consolidated statement of cash flows For the year ended 31 December 2021

| | Notes | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|--|--------|--|--|
| Operating activities | | | |
| Profit/(loss) before tax | | 16,312 | (58,107) |
| Adjustments to reconcile profit/(loss) for the year to net cash flows: | | | |
| Tax credit on continuing operations | | (2,891) | (4,425) |
| Investment impairment | | 38 | |
| Depreciation of property, plant and equipment | 11,12 | 7,300 | 4,816 |
| Amortisation of intangible assets | 10 | 4,929 | 5,377 |
| Impairment of intangible assets | 13 | 15,400 | 18,265 |
| Loss on disposal of property, plant and equipment | 6 | - | 21 |
| Finance income | 8 | - | (48) |
| Finance costs | 8 | 18,398 | 10,031 |
| Principal portion of lease liability | | (1,228) | (1,529) |
| Other income | 5 | (104,625) | - |
| Working capital adjustments: | | | |
| Decrease/(increase) in trade and other receivables | | 582 | (4,962) |
| Decrease/(increase) in inventory | | 14,926 | (11,607) |
| Increase in trade and other payables | | 15,602 | 36,472 |
| Increase/(decrease) in provisions | | 2,177 | (122) |
| Decrease in defined benefit obligation | | (1,253) | (640) |
| Net cash outflow used in operating activities | | (14,334) | (6,458) |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | 11, 12 | (23,545) | (27,030) |
| Proceeds from sale of property, plant and equipment | | 2 | 205 |
| Purchase of intangible assets | 10 | (120,683) | (117,534) |
| Interest received | 8 | - | 48 |
| Net cash flow used in investing activities | | (144,226) | (144,311) |
| Cash flows from financing activities: | | | |
| Proceeds from loan from parent | | 117,100 | 145,647 |
| Secured bank loans | 18 | 28,631 | - |
| Interest of right of use lease liability paid | 8 | (74) | (151) |
| Other interest paid | 8 | (257) | (52) |
| Net cashflow generated from financing activities | | 145,400 | 145,444 |
| Net (decrease)/ increase in cash and cash equivalents | | (13,160) | (5,325) |
| Cash and cash equivalents at beginning of year | | 48,437 | 53,762 |
| Cash at the end of the year | 16 | 35,277 | 48,437 |

The accompanying notes to the accounts on pages 24 to 61 are an integral part of these financial statements.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

1. General information

Lotus Group International Limited and its subsidiaries manufacture high performance motor cars and related merchandise, as well as the automotive components for motor cars. The Group also sells engineering consultancy services, commercial development and technology to automotive and industrial clients internationally.

The Company is a non-trading holding company. The Company is a private company limited by shares, incorporated in England and Wales and the Group is primarily domiciled in the United Kingdom. The address of the registered office and principal place of business of the Company is Potash Lane, Hethel, Norwich, Norfolk, NR14 8EZ.

2. Summary of significant accounting policies

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

2.1 Basis of preparation - Group

The consolidated financial statements of Lotus Group International Limited have been prepared in accordance with UK-adopted International Standards and international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention.

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

2.1 Basis of preparation – parent company

The financial statements of the parent company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). 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.

Lotus Group International Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation – Parent Company (continued)

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

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - 10(d), (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (requirements for a third statement of financial position);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; and
- The requirements of paragraphs 130(f)(ii), 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.2 Going concern

The Group and Company's financial statements have been prepared on the going concern basis, which assumes that the Group and Company will be able to meet their liabilities as they fall due and continue to trade and complete development projects for the foreseeable future.

The Group made a profit the year of £16.3m, this is after the £104m other income amount which was settled in shares, rather than cash (2020: loss of £58.1m). As at 31 December 2021, the Group had shareholders' funds of £177.9m and net current liabilities of £371.2m (2020: £11.9m and £244.5m, respectively). Included in the net current liabilities is £348.0m (2020: £293.0m) of funding provided by the Lotus Advance Technology's (the Company's parent) shareholders, who have confirmed that they do not intend to recall intercompany balances from the Group except where funds permit repayment and to do so would not adversely affect the ability of the Group to meet its liabilities as and when they fall due.

Although the macroeconomic environment continues to be challenging, Lotus has continued to operate during 2021 and into 2022 working in accordance with all government guidance on Covid-19.

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. They have also considered the principal risks and uncertainties set out in the Strategic Report.

The shareholders of the Company's immediate holding company, Lotus Advance Technologies Sdn Bhd, Geely International (Hong Kong) Limited, to the extent of its 51% holding, and in conjunction with Etika Automotive Sdn Bhd who own 49%, have confirmed that they will provide the necessary financial support to the Lotus Group International Group, so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due for at least 12 months from the date of signing of the audited financial statements to enable them to continue to trade and complete development projects. This continued support is evidenced by the £24m of additional funding received in the post balance sheet period.

The directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.3 Consolidation

These consolidated financial statements have been prepared from the financial statements of the Company and its subsidiaries drawn up to 31 December 2021. Intra group sales and purchases are fully eliminated on consolidation. Uniform accounting policies have been adopted across the Group.

(a) Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

(c) Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in the Consolidated Statement of Comprehensive Income of the Group and within equity in the Consolidated Statement of Financial Position separately from the parent company shareholders' equity. Non-controlling interest are initially measured at the non-controlling interest's share of fair values of the identifiable assets and liabilities of the acquiree at the date of acquisition. The Group applies a policy of treating acquisition/disposal of shares from/to non-controlling interest as transactions with owners. Gains and losses resulting from disposal of shares in subsidiary companies to non-controlling interest are recognised in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recognised as equity.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Group and Company are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The Group and Company's presentational currency is GBP.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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. All other foreign exchange gains and losses are presented in the Consolidated Income Statement.

(c) Group companies

The results and financial position of all Group entities that have a functional currency different from presentation currency are as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the Statement of Financial Position;
- income and expenses for each Income Statement are translated at average exchange rate (unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in the Consolidated Statement of Other Comprehensive Income.

2.5 Revenue recognition

Revenue comprises the consideration earned by the Group in respect of the output of its ordinary activities. It is measured based on the consideration specified in the contract with the customer and excludes stated net of discounts, returns and value added taxes. The Group recognises revenue when it transfers control of a good or service to a customer, thus evidencing the satisfaction of the associated performance obligation under that contract. The Group's significant revenue areas are considered separately below:

(a) Sales of vehicles and parts and manufacture of car components

The Group recognises revenue on the sale of vehicles, parts and accessories at the point control is transferred to the customer which is determined by the underlying terms and conditions of the contract. The overall principle of control under IFRS15 considers which party has the ability to direct the use of an asset and to obtain substantially all of the remaining economic benefits.

Determining the transfer of control with regards to the sale of goods is driven by a consideration of a number of factors, including:

- The point at which the risks and rewards of ownership pass to the customer;
- The point at which the customer takes physical possession of the good or product;
- The point at which the customer accepts the good or product;
- The point at which the Group has a present right to payment for the good or product; and
- The point at which legal title to the good or product transfers to the customer.

In the vast majority of cases, revenue on the sale of the relevant goods is recognised upon despatch of the vehicle by the Group to the dealer. Warranties are issued on new vehicles sold with no separate purchase option available to the customer and are accounted for in accordance with IAS 37.

Lotus Group International Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.5 Revenue recognition (continued)

(b) Engineering consultancy

For engineering contracts, performance obligation is the delivery of the stages specified in the contract. The customers are primarily original equipment manufacturers (OEMs) and the performance obligations are bespoke to each customer contract with no alternative use and therefore revenue on engineering contracts and activities is recognised over time during the contract, rather than at one point in time. Contract assets and contract liabilities are included within "trade and other payables" and "trade and other receivables" respectively on the face of the consolidated statement of financial position. They arise from long term contracts with customers as cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts.

(c) Royalty and license income

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

2.6 Other income

Other income comprises the consideration received by the Group in respect of activities or events outside its ordinary activities, including government grants and licence income. The time period for recognition of the licence income has been deemed on issue as the performance obligation has been met and no further activities are expected that will affect the intellectual property to which the licence relates.

2.7 Grants

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. Grants relating to assets are included in non-current assets shown net and are amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment or by deducting the grants in arriving at the carrying amount of the asset. Grants relating to costs, including government furlough grants, are recognised immediately through profit or loss, as other operating income, to match them with the costs incurred. Income grants are grants other than the above grants are recognised in the Consolidated Statement of Comprehensive Income where there is a reasonable assurance that the grant will be received, and the Group will comply with all conditions.

2.8 Taxation

Tax is recognised in the Consolidated Income Statement except that a charge attributable to an item of income and expense recognised as Other Comprehensive Income or to an item recognised directly in equity is also recognised in Other Comprehensive Income or directly in equity 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 Group operates and generates taxable income.

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

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Notes to the financial statements For the year ended 31 December 2021

settle the balances on a net basis.

2. Summary of significant accounting policies (continued)

2.9 Intangible assets

(a) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently carried at cost less any accumulated amortisation and accumulated impairment losses. An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/ legal rights. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

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

(b) Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised and recognised as intangible assets when the following criteria for recognition are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management's intention to complete the intangible asset for use or sale;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated that the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

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.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Amortisation

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets in the course of construction are assessed for impairment annually, or sooner if there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives

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Notes to the financial statements For the year ended 31 December 2021

is recognised in the Consolidated statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

2. Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

The significant intangibles recognised by the Group and their useful economic lives are as follows:

| Intangible assets | Useful lives | Amortisation method used |
|--------------------------------------|--|--------------------------|
| Software | Finite (3 years) | Straight-line |
| Capitalised development costs | Finite (basis over the period of expected future sales from the related project) | Straight-line |
| Assets in the course of construction | Finite (amortisation begins with effect from the date the assets begin to generate economic benefit) | N/A |

2.10 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 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:

| Tangible assets | Useful lives | Depreciation method used |
|--------------------------------------|--|--------------------------|
| Freehold buildings | Finite (40 years) | Straight-line |
| Freehold land | Infinite | N/A |
| Plant and machinery | Finite (2 to 10 years) | Straight-line |
| Motor vehicles | Finite (4 years) | Straight-line |
| Fixtures, fittings and equipment | Finite (2 to 10 years) | Straight-line |
| Vehicle tooling | Finite (period which the products are expected to be sold, typically 5 to 7 years) | Straight-line |
| Assets in the course of construction | Finite (depreciation begins with effect from the date that the assets are available for operational use) | N/A |
| Right of use assets | Lease term (1 to 10 years) | Straight-line |

Property, plant and equipment is classified as held for sale only if it is available for sale in its current condition, management is committed to the sale and a sale is highly probable and expected to be completed within one year from the date of classification. Property, plant and equipment classified as held for sale is measured at the lower of carrying amount and fair value less costs of disposal and is no longer depreciated or amortised.

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Notes to the financial statements

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2. Summary of significant accounting policies (continued)

2.11 Leasing

The Group is not party to any material leases where it acts as a lessor, but the Group does have certain material property and equipment leases, under which it is a lessee.

Following the adoption of IFRS 16, for any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been disclosed separately within non-current assets and lease liabilities are disclosed separately within current and non-current liabilities.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.12 Investments

Investments in subsidiary undertakings are stated at cost less accumulated impairment. 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.

With the investment being held on a long-term basis management have evoked the option to state the investment at fair value through other comprehensive income, with any dividend income being recognised through the income statement. The financial asset is subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in the Other Comprehensive Income (see note 25).

2.13 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 weighted average cost 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.

2.14 Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. Financial assets and financial liabilities are initially measured at fair value.

The Group's financial assets include trade and other receivables. Financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses, including any interest earned, being recognised in the Income statement.

The Group recognises lifetime expected credit losses (ECL) for trade receivables and amounts due on contracts with customers. The ECL on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Group's financial liabilities include trade and other liabilities. Any gains or losses arising on changes in fair value are recognised in the Income statement.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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Notes to the financial statements For the year ended 31 December 2021

Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.15 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets under construction are assessed for impairment annually. An impairment loss is recognised in the Consolidated income statement 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 Group's weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the Group.

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

2.16 Provisions

Provisions for environmental restoration, warranty costs, restructuring costs and legal claims are recognised when: the Group 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. Provisions are not recognised for future operating losses. Where there are several 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.

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Notes to the financial statements For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.16 Provisions (continued)

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.

2.17 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 Group 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 Group'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 Group has no further payment obligations.

The Group 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 and charged to the statement of comprehensive income so as to spread the cost of the pension 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, the last full actuarial valuation was performed on 31 December 2020.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the date of the Consolidated 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 Group, 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 the Consolidated statement of other comprehensive income. The Group 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, considering 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 Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

Summary of significant accounting policies (continued)

2.17 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 Group 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.

(c) Accrued holiday pay

Provision is made at each balance sheet date for employee holidays accrued but not taken at that date.

2.18 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 preference shares do not give holders the rights to dividends or voting rights. The holders have preferential rights to assets before ordinary shareholders on liquidation. These shares are non-convertible and are redeemable at the option of the Company upon notice.

2.19 Alternative Performance Measures

The Group uses normalised EBITDA as a non-statutory profit measure. Management consider non-normal profit and loss items to be income or costs which do not reflect the business's core trading performance (see note 2.5 for core business activities), such as non-recurring income, relocation or redundancy costs.

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Notes to the financial statements For the year ended 31 December 2021

3. Critical accounting estimates and judgments

The preparation of the Financial statements requires management to make judgements and estimates that affect the amounts reported for assets and liabilities at the reporting date and amounts reported for revenue and expenses during the period. These assumptions and judgements are based on experience and analysis of future events, but by their nature will differ from actual events.

Management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- **Revenue recognition:** Determination of satisfaction of performance obligations and transaction price in relation to revenue and incentivisation. [see note 2.5].
- **Lease assets:** Inclusion of lease extensions and terminations for right-to-use lease assets, and determination of the appropriate rate to discount lease payments [see note 2.11].
- **Deferred tax asset recognition:** Management have determined not to recognise a deferred tax asset, upon consideration of recoverability against future sources of taxable income. [see note 9].
- **Capitalisation of intangible assets:** Judgement is applied in determining the point of capitalisation and commencement of amortisation/ depreciation for all assets, including at what point development costs for new vehicle models meet the recognition criteria under IAS 38 [see note 2.9]. Judgement is also used to assess the best available information at the time. In the case of the vehicle development intangibles capitalised this information is taken from the business plan as approved by the Board.

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- **Valuation of investment:** the valuation of the investment held is reassessed annually and revalued to fair value through the OCI. The valuation of the investment is determined by estimated future performance and pre-tax discount rate. Management's estimate of the investment valuation is based on a number of critical underlying assumptions including the terminal growth rate and sales volumes (see note 13).
- **Other income:** the time period of the licence income has been deemed on issue as the performance obligation has been met and no further activities are expected that will affect the intellectual property to which the licence relates.
- **Useful economic lives of tangible assets:** The useful economic lives and residual values are re-assessed annually, to reflect technological advancement, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment and note 2.10 for the useful economic lives for each class of assets.
- **Useful economic life of development costs:** The useful economic life of capitalised development costs is the period of expected future sales from the related project. Useful economic lives and residual values are re-assessed annually, to reflect the sales life of projects, including the sale of parts. Amortisation of capitalised development costs begins when the asset is available for use, therefore management also make an estimate over the point at which this amortisation commences. See note 10 for the carrying amount of intangible assets and note 2.9 for the useful economic lives of each class.
- **Impairment of development costs:** Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is calculated using estimated future performance and pre-tax discount rate (see note 10).
- **Inventory provisioning:** 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 14 for the net carrying amount of the inventory and associated provision.
- **Defined benefit pension obligation:** The present value of the pension obligation is determined using actuarial valuations, using a number of assumptions, including the discount rate, mortality and inflation estimates (see note 20).
- **Warranty provisions:** All vehicles sold have a warranty period of up to 36 months. A provision is estimated based on current volumes of products sold, on historic and forecast future quality rates and estimates of costs to remedy (see note 19).

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Notes to the financial statements For the year ended 31 December 2021

4. Segment information

For management purposes, the Group is organised into business units based on its products and services and has reportable segments, as follows:

- Sales of cars and parts; and
- Engineering consultancy.

No other operating segments have been aggregated to form the above reportable operating segments.

The Executive Committee is the Chief Operating Decision Maker (CODM) as defined by IFRS 8 monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. This assessment is based on profit analysis only, assets and liabilities are assessed on a consolidated Group basis so accordingly, no segment analysis is presented for the balance sheet.

| Year ended 31 December 2021 | Sales of cars and parts | Engineering consultancy | Total |
|-----------------------------|-------------------------|-------------------------|----------|
| | £'000 | £'000 | £'000 |
| Revenue | 90,136 | 4,096 | 94,232 |
| Cost of sales | (86,533) | (2,594) | (89,127) |
| Gross profit | 3,603 | 1,502 | 5,105 |
| Administrative expenses | (74,476) | (931) | (75,407) |
| Other income | 105,012 | - | 105,012 |
| Operating profit | 34,139 | 571 | 34,710 |

| Year ended 31 December 2020 | Sales of cars and parts | Engineering consultancy | Total |
|-----------------------------|-------------------------|-------------------------|----------|
| | £'000 | £'000 | £'000 |
| Revenue | 67,028 | 6,255 | 73,283 |
| Cost of sales | (60,899) | (3,947) | (64,846) |
| Gross profit | 6,129 | 2,308 | 8,437 |
| Administrative expenses | (57,185) | (996) | (58,181) |
| Other income | 1,620 | - | 1,620 |
| Operating (loss)/ profit | (49,436) | 1,312 | (48,124) |

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Notes to the financial statements For the year ended 31 December 2021

4. Segment information (continued)

The following table shows revenue by geographical location:

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Revenue by geographical market destination supplied | | |
| Continental Europe | 20,991 | 26,530 |
| Rest of the World | 26,624 | 18,227 |
| United Kingdom | 23,186 | 14,833 |
| USA | 23,431 | 13,693 |
| Group revenue | 94,232 | 73,283 |

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Revenue by geographical market of origin | | |
| United Kingdom | 81,365 | 60,458 |
| North America | 12,867 | 12,825 |
| Group revenue | 94,232 | 73,283 |

5. Other income

| | 2021 £'000 | 2020 £'000 |
|--------------|----------------|---------------|
| Grant income | 164 | 1,620 |
| Other income | 104,848 | - |
| | 105,012 | 1,620 |

Grant income recognised in the year represents wage subsidies paid through the UK Government job retention scheme. There are no unfulfilled conditions outstanding and the grant has been recognised in full.

Other income recognised in the year ended 31 December 2021 represents the licence income on issuance of the agreement where all performance obligations have been met, no future activity is expected that will impact the intellectual property (see note 13 & 25).

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Notes to the financial statements For the year ended 31 December 2021

6. Group operating profit/(loss)

The operating loss is stated after charging/(crediting):

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Research and development expenditure ¹ | 20,614 | 23,642 |
| Net foreign exchange losses | (113) | (1,008) |
| Auditor's remuneration | | |
| - Audit of these financial statements | 55 | 46 |
| - Audit of financial statements of subsidiaries | 269 | 229 |
| Cost of inventories recognised as an expense | 65,073 | 48,450 |
| Expenditure related grant income (Note 5) | (164) | (1,620) |

¹ Research and development activities in the year totalled £139,972,000, of which £20,614,000 being research, amortisation and impairment costs and expensed above, and £119,358,000 being development and capitalised in accordance with IAS38.

The following table shows the reconciliation of the consolidated loss for the financial year to normalised EBITDA (earnings before interest, tax, depreciation and amortisation and non-normal profit and loss items):

| | Notes | 2021 £'000 | 2020 £'000 |
|---|-------|-----------------|-----------------|
| Operating profit/(loss) | | 34,710 | (48,124) |
| Site relocation | 19 | 2,601 | 1,139 |
| Depreciation of property, plant and equipment | 11,12 | 7,300 | 4,816 |
| Loss on disposal of property, plant and equipment | | - | 21 |
| Amortisation of intangible assets | 10 | 4,929 | 5,377 |
| Impairment of intangible assets | 10 | 15,400 | 18,265 |
| One off other income | 5,13 | (104,625) | - |
| Normalised EBITDA | | (39,685) | (18,506) |

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Notes to the financial statements For the year ended 31 December 2021

7. Staff Costs

The aggregate payroll costs of the above persons were as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Wages and salaries | 54,790 | 54,601 |
| Social security costs | 4,618 | 4,565 |
| Defined benefit pension scheme cost (note 20) | 1,854 | 1,708 |
| Defined contribution pension scheme cost | 3,333 | 4,153 |
| | 64,595 | 65,027 |

The average monthly number of persons employed by the Group (including executive directors) during the period as follows:

| | 2021 £'000 | 2020 £'000 |
|-------------------------------|---------------|---------------|
| By activity | | |
| Management and administration | 819 | 676 |
| Production and sales | 587 | 503 |
| | 1,406 | 1,179 |

Directors' remuneration

Directors emoluments of £Nil (2020: £Nil) are for non-executive services to the Group. None of the directors (2020: none) had share options or retirement benefits accruing under either defined benefit or defined contribution pension schemes. None of the directors received any remuneration for their qualifying services to the Company during the year (2020: £Nil).

Key management compensation

Key management includes directors (executive and non-executive), and members of the Executive committee (including Chief Executive Officer, Chief Operating Officer and Chief Financial Officer). The compensation paid or payable to key management for employee services during the period is shown below:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Remuneration and other short-term employee benefits | 4,799 | 3,457 |

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Notes to the financial statements For the year ended 31 December 2021

8. Finance income and expenses

| | 2021 £'000 | 2020 £'000 |
|---|-----------------|-----------------|
| Interest receivable and similar income | | |
| Interest receivable from bank deposits | - | 48 |
| | - | 48 |
| | | |
| | 2021 £'000 | 2020 £'000 |
| Interest payable and similar charges | | |
| Interest on shareholder loans | (17,824) | (9,749) |
| Charge in respect of the defined benefit pension scheme (note 20) | (243) | (79) |
| Interest on leases | (74) | (151) |
| Other interest charges | (257) | (52) |
| Total finance expense | (18,398) | (10,031) |

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

9. Taxation

(a) Analysis of charge in the year

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Current taxation | | |
| Overseas tax – current year (credit)/charge | (13) | 35 |
| Total tax charge/(credit)in the Income Statement | (13) | 35 |

(b) Reconciliation of the total tax charge

Tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Profit/(loss) on ordinary activities before tax | 16,312 | (58,107) |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% | 3,099 | (11,040) |
| Tax effects of: | | |
| – Expenses not deductible for tax purposes | (3,524) | (4,758) |
| – Overseas tax rate differential | (44) | (46) |
| – Tax losses carried forward not recognised | 469 | 15,844 |
| – Overseas tax (refunded)/non-claimable | (13) | 35 |
| Total tax (credit)/charge | (13) | 35 |

(c) Factors affecting future tax charges

As a result of the Finance Bill 2021 the standard rate of corporation tax in the UK will increase from 19% to 25% for the financial year beginning 1 April 2023. This was substantially enacted on 11 March 2021 accordingly recognised and unrecognised deferred tax assets and liabilities are stated at 25%.

(d) Deferred tax

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. In accordance with the Group's accounting policies, deferred tax assets were not recognised due to uncertainty over the level of future taxable profits against which it would be recovered.

| | 2021 £'000 | 2020 £'000 |
|---|----------------|----------------|
| Unutilised tax losses | 156,651 | 120,407 |
| Depreciation in excess of capital allowances | 5,939 | 9,219 |
| Deferred tax on pension liability | 443 | 3,682 |
| Short term timing differences | 28 | 278 |
| Gross unrecognised deferred tax assets | 163,061 | 133,586 |

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

10. Intangible assets

| | Software £'000 | Trademark and license costs £'000 | Capitalised development costs £'000 | Assets under construction £'000 | Total £'000 |
|-------------------------------|-------------------|---|--|---------------------------------------|----------------|
| Cost | | | | | |
| At 1 January 2020 | 2,295 | 840 | 141,083 | 90,911 | 235,129 |
| Additions | - | - | 8,531 | 109,003 | 117,534 |
| At 31 December 2020 | 2,295 | 840 | 149,614 | 199,914 | 352,663 |
| Additions | - | - | 116,029 | 4,654 | 120,683 |
| At 31 December 2021 | 2,295 | 840 | 265,643 | 204,568 | 473,346 |
| Amortisation | | | | | |
| At 1 January 2020 | 2,295 | 840 | 125,121 | - | 128,256 |
| Charge for the year | - | - | 5,377 | - | 5,377 |
| Impairment charge | - | - | - | 18,265 | 18,265 |
| At 31 December 2020 | 2,295 | 840 | 130,498 | 18,265 | 151,898 |
| Charge for the year | - | - | 4,929 | - | 4,929 |
| Impairment charge | - | - | 13,841 | 1,559 | 15,400 |
| At 31 December 2021 | 2,295 | 840 | 149,268 | 19,824 | 172,227 |
| Net book value | | | | | |
| As at 31 December 2020 | - | - | 19,116 | 181,649 | 200,765 |
| As at 31 December 2021 | - | - | 116,375 | 184,744 | 301,119 |

Assets in the course of construction relate to the development of vehicles which was started but not completed at the period end. Capitalised development costs will be amortised once the development is complete and available for its intended use.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

10. Intangible assets (continued)

Impairment testing

Intangible fixed assets represent software and development costs. The Group reviews the carrying value of its development costs, which have finite useful lives, whenever there is an indication that the intangible asset may be impaired or for those programmes under construction where the vehicles were not available for sale at the year end. Impairment tests are performed by comparing the carrying amount and recoverable amount of the cash-generating unit ('CGU'). The recoverable amount is the higher of the CGU's fair value less cost of disposal and its value in use. Where projects don't fulfil the capitalisation criteria, development costs are written off.

A CGU is the smallest identifiable group of assets that generates independent inflows. To assess development costs, these were determined to be each car or cars where production line was shared, car sales as a whole and engineering sales.

In assessing the value in use, the estimated future cash flows relating to the forecast usage period of the asset or group of assets are discounted to their present value using pre-tax discount rate. This rate reflects current market assessments of time value of money and risks. The pre-tax discount rate was 10% (2020: 9%), which was the directors' estimate of the return on capital appropriate to the income generating unit.

Forecast sales figures were taken from the organisation's revised 10-Year plan approved by the board, with appropriate allocation of overhead costs to each CGU or groups of CGUs. The 10-Year plan incorporates significant growth. It is based on the introduction of new and enhanced models with improved margins which depend on increased penetration into current and potential markets.

In 2021 following impairment reviews a sum of £15.4m (2020: £18.3m) was written off development and other intangible projects.

Sensitivity analysis covered the following scenarios across all models, none of which resulted in the need to recognise any further impairment:

- Increases in pre-tax discount rate to 11%
- Slower than expected sales of new vehicles
- 50% reduction in engineering income over the 10 year period
- Increase in overhead costs

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Notes to the financial statements For the year ended 31 December 2021

11. Property, plant and equipment

| | Freehold land and buildings £'000 | Plant and machinery £'000 | Fixtures, fittings, tooling, equipment and motor vehicles £'000 | Assets under construction £'000 | Total £'000 |
|---------------------------------|--|---------------------------------|---|---------------------------------------|----------------|
| Cost | | | | | |
| At 1 January 2020 | 41,003 | 30,309 | 37,123 | 24,211 | 132,646 |
| Additions | 1,201 | 1,167 | 4,764 | 19,898 | 27,030 |
| Transfers | - | - | - | - | - |
| Disposals | - | (2) | (331) | (2) | (335) |
| At 31 December 2020 | 42,204 | 31,474 | 41,556 | 44,107 | 159,341 |
| Additions | 440 | 1,465 | 926 | 20,714 | 23,545 |
| Transfers | 13,897 | (387) | 1,496 | (15,006) | - |
| Disposals | - | (2) | - | - | (2) |
| At 31 December 2021 | 56,541 | 32,550 | 43,978 | 49,815 | 182,884 |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | 18,694 | 27,893 | 33,163 | - | 79,750 |
| Charge for the year | 940 | 671 | 2,230 | - | 3,841 |
| On disposals | - | (2) | (107) | - | (109) |
| At 31 December 2020 | 19,634 | 28,562 | 35,286 | - | 83,482 |
| Charge for the year | 1,428 | 751 | 3,763 | - | 5,942 |
| On disposals | - | - | - | - | - |
| At 31 December 2021 | 21,062 | 29,313 | 39,049 | - | 89,424 |
| Net Book Value | | | | | |
| As at 31 December 2020 | 22,570 | 2,912 | 6,270 | 44,107 | 75,859 |
| As at 31 December 2021 | 35,479 | 3,237 | 4,929 | 49,815 | 93,460 |

Assets in the course of construction relate to the development of the manufacturing site which was started but not completed at the period end. Buildings will be depreciated once the property is complete and available for its intended use.

Included in freehold land and buildings is land with a cost of £982,000 (December 2020: £982,000) which is not depreciated.

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Notes to the financial statements For the year ended 31 December 2021

12. Right-of-use lease assets

| | Land and Buildings £'000 | Plant and Machinery £'000 | Motor Vehicles £'000 | Total £'000 |
|-------------------------------|--------------------------------|---------------------------------|----------------------------|----------------|
| Cost | | | | |
| At 1 January 2021 | 4,556 | 1,643 | 123 | 6,322 |
| Disposals | (1,446) | (700) | - | (2,146) |
| At 31 December 2021 | 3,110 | 943 | 123 | 4,176 |
| | | | | |
| At 1 January 2021 | 1,423 | 459 | 75 | 1,957 |
| Charge for the year | 1,132 | 197 | 29 | 1,358 |
| Disposals | (487) | (126) | - | (613) |
| At 31 December 2021 | 2,068 | 530 | 104 | 2,702 |
| | | | | |
| Net Book Value | | | | |
| As at 31 December 2020 | 3,133 | 1,184 | 48 | 4,365 |
| As at 31 December 2021 | 1,042 | 413 | 19 | 1,474 |

The Group is party to property leases with terms of 5 to 10 years, in addition to plant, machinery and vehicle leases of between 1 to 15 years.

The lease term determined by the Group comprises a non-cancellable period, periods covered by an option to extend if the Group is reasonably certain to exercise the option and periods covered by an option to terminate if the Group is reasonably certain not to exercise that option. The lease term determines the useful economic life and therefore the depreciation rate of the right-of-use lease assets.

The weighted average of the incremental borrowing rate applied to the lease liabilities recognised in the Statement of financial position for the year ended 31 December 2021 was 3% (2020: 3%)

The maturity profile of discounted lease cash flows accounted for under IFRS 16 as at 31 December 2021 are:

| | 2021 £'000 | 2020 £'000 |
|-------------|---------------|---------------|
| Current | 666 | 1,213 |
| Non-current | 679 | 2,892 |
| | 1,345 | 4,105 |

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

13. Investments

| Group | Share of net assets in joint venture £'000 | Fair value of investment in equity £'000 |
|-----------------------------------|---|---|
| Net book amount: | | |
| At 1 January 2021 | 38 | - |
| Impairment | (38) | |
| Initial recognition at fair value | - | 104,625 |
| Fair value adjustment | - | 53,205 |
| At 31 December 2021 | - | 157,830 |

The Group has a joint venture arrangement, Lotus Finance Limited, a company incorporated in England and Wales, in which it has a 49.9% interest. The entity's financial year end is 31 December and its principal activity was the provision of finance to dealers for the acquisition of Lotus cars. At 31 December 2021, the directors considered the carrying value of the Group's share of the net assets of Lotus Finance Limited, a joint venture undertaking, and concluded that an impairment charge was required following a review of the net assets of Lotus Finance Limited.

The addition in the year relates to the agreement as noted in note 5, see below in regards to the fair value assessment.

| Company | Investments in subsidiary undertakings £'000 | Investments £'000 | Total £'000 |
|---------------------------------|---|----------------------|----------------|
| Cost | | | |
| As at 31 December 2020 | 526,418 | - | 526,418 |
| Acquisition in the year | 80,000 | 104,625 | 184,625 |
| Fair value adjustment | - | 53,205 | 53,205 |
| As at 31 December 2021 | 606,418 | 157,830 | 764,248 |
| Provision for impairment | | | |
| As at 31 December 2020 and 2021 | 376,210 | - | 376,210 |
| Net book value | | | |
| At 31 December 2020 | 150,208 | - | 150,208 |
| At 31 December 2021 | 230,208 | 157,830 | 388,038 |

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

13. Investments (continued)

As at 31 December 2021, the following subsidiary undertakings are fully owned subsidiaries of Lotus Group International Limited:

| Subsidiary undertaking | Country of Incorporation | % Ownership | Nature of Business |
|--|--------------------------|-------------|---|
| Group Lotus Limited ¹ (<i>direct</i>) | England and Wales | 100% | Holding company |
| Lotus Cars Limited ¹ (<i>direct</i>) | England and Wales | 100% | Car Manufacture and engineering consultancy |
| Lotus Motorsport Limited ¹ (<i>direct</i>) | England and Wales | 100% | Dormant company |
| Lotus Engineering Limited ¹ (<i>indirect through Lotus Cars Limited</i>) | England and Wales | 100% | Dormant company |
| Lotus Cars USA, Inc. ² (<i>indirect through Group Lotus Limited</i>) | USA | 100% | Car sales and servicing |
| Lotus Engineering Malaysia Sdn Bhd ³ (<i>indirect through Lotus Cars Limited</i>) | Malaysia | 100% | Dormant company |
| Lotus Lightweight Structures Limited ¹ (<i>indirect through Lotus Cars Limited</i>) | England and Wales | 100% | Dormant company |
| Lotus Pension Trustees Limited ¹ (<i>indirect through Group Lotus Limited</i>) | England and Wales | 100% | Pension Trustee |

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

² Registered office: 47584 Galleon Dr, Plymouth, Michigan 48170 USA

³ Registered office: Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No1 Leboh Ampang, 50100, Kuala Lumpur, Malaysia

The fair value investment in equity of Lotus Technology Inc. was determined based on an appropriate equity pricing model that takes into account the investee's dividends policy and its historical and expected future performance and based on an appropriate growth factor for a similar listed entity and a risk adjusted discount rate.

Key assumptions for the level 3 investment in the business plan include the gross margin generated by each of the car models dependent on sales volumes, terminal growth rate and the WACC.

Management consider the below sensitivity %'s to be reasonably possible and state below the impact on the valuation. The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

| Significant unobservable input | Sensitivity of the input | Impact on fair value measurement £'000 | Sensitivity of the fair value measurement to Input |
|--------------------------------|--------------------------|---|--|
| Terminal growth rate | 1%/(1%) | 9,568 / (8,650) | An increase of 1% (decrease of 1%) would increase (decrease) fair value by £9.5m / (£8.6m) |
| Sales volumes | 5%/(5%) | 31,208 / (31,505) | An increase of 5% (decrease of 5%) would increase (decrease) fair value by £31.2m / (£31.5m) |
| WACC | 2% | 64,914 | A decrease of 2% would increase fair value by £64.9m |

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

14. Inventories

| Group | 2021 £'000 | 2020 £'000 |
|---------------------------|---------------|---------------|
| Raw materials | 10,336 | 13,863 |
| Service parts inventories | 6,887 | 3,881 |
| Work in progress | 1,673 | 1,874 |
| Finished goods | 2,127 | 16,331 |
| | 21,023 | 35,949 |

The replacement cost of inventories is deemed materially equal to the amount at which they are included in the accounts. Inventories are stated after provisions for impairment of £4,319,000 (2020: £2,004,000). No inventories are held by the parent company.

15. Trade and other receivables

| | Group 2021 £'000 | Group 2020 £'000 |
|---|------------------------|------------------------|
| Gross trade receivables | 11,473 | 17,056 |
| Specific loss allowance | (120) | (1,274) |
| Expected credit loss | - | (4) |
| Net trade receivables | 11,353 | 15,778 |
| Amounts owed by related parties (note 24) | 756 | 807 |
| Amounts owed by subsidiary undertakings | - | - |
| VAT receivable | 3,718 | 4,127 |
| Research & development credit | 10,394 | 7,490 |
| Other receivables | 552 | 2,054 |
| Prepayments and accrued income | 13,868 | 8,063 |
| | 40,641 | 38,319 |

Trade and other receivables are unsecured and non-interest bearing. Due to their short maturities, the fair value of trade and other receivables approximates to their book value.

Credit Risk

The Group conducts appropriate credit checks on potential customers before sales are made. Credit control procedures are implemented if customers exceed their agreed terms. Trade and other receivables are only written off when the Group has exhausted all options to recover the amounts due and provided for in full when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the Group and a failure to make contractual payments.

An expected credit loss provision is then calculated on the remaining trade and other receivables, to not distort the expected loss rate. The Group applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers if required.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

15. Trade and other receivables (contd)

| | As at 31 December 2021 | | | As at 31 December 2020 | | |
|--------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|
| | Expected loss rate % | Carrying amount £'000 | Loss allowance £'000 | Expected loss rate % | Carrying Amount £'000 | Loss allowance £'000 |
| 0-6 months past due | 0% | 11,352 | - | 0% | 15,769 | - |
| 6 months-1 year past due | 25% | 1 | - | 25% | 11 | 3 |
| 1-2 years past due | 50% | - | - | 50% | 2 | 1 |
| 2 years + past due | 100% | - | - | 100% | - | - |
| | | 11,353 | - | | 15,782 | 4 |

The movements in the total loss allowance for trade receivables is as follows:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| At 1 January | 1,278 | 1,056 |
| Increase charged to Consolidated income statement | 16 | 443 |
| Unused amounts reversed | (1,174) | (221) |
| At 31 December | 120 | 1,278 |

16. Cash and cash equivalents

| | Group 2021 £'000 | Group 2020 £'000 |
|----------------------------------|------------------------|------------------------|
| Cash at bank available on demand | 35,276 | 48,436 |
| Cash on hand | 1 | 1 |
| | 35,277 | 48,437 |

At 31 December 2021 the Company had no cash and cash equivalents (2020: £Nil)

The book value of cash and cash equivalents approximates to their fair value.

Credit Risk

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a premium rating are accepted.

The Group's cash is held with banks with the following credit rating obtained from Moody's. Below are presented using Fitch equivalent ratings:

| Credit rating | Group 2021 £'000 | Group 2020 £'000 |
|---------------|------------------------|------------------------|
| AA | - | 28,497 |
| AA- | 1,534 | 17,790 |
| A+ | 33,732 | - |
| A | - | 2,150 |
| A- | 11 | - |
| | 35,277 | 48,437 |

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Notes to the financial statements For the year ended 31 December 2021

16. Cash and cash equivalents (contd)

Foreign exchange risk

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

The Group's policy is to apply natural hedging on foreign exchange risk wherever possible. At 31 December cash is held in the following currencies; those held in currencies other than Sterling have been converted at year end exchange rates:

| Currency | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|-----------------|------------------------|------------------------|--------------------------|--------------------------|
| Sterling (GBP) | 27,083 | 36,263 | - | - |
| US Dollar (USD) | 3,794 | 8,003 | - | - |
| Euro (EUR) | 4,400 | 4,171 | - | - |
| | 35,277 | 48,437 | - | - |

17. Trade and other payables

| | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Trade payables | 35,848 | 35,731 | - | - |
| Shareholder loans (note 24) | 347,895 | 292,971 | - | - |
| Amounts owed to related parties (note 24) | 1,198 | 1,830 | - | - |
| Amounts owed to subsidiary undertakings | - | - | 106,491 | 106,491 |
| Customer deposits and advances | 12,332 | 1,793 | - | - |
| Taxation and social security | 1,938 | 1,742 | - | - |
| Accruals and deferred income | 34,306 | 28,807 | - | - |
| | 433,517 | 362,874 | 106,491 | 106,491 |

The amounts owed by the Company are to its subsidiary company, Group Lotus Limited, who has provided written notice that it will not seek repayment of the balance for a period of at least one year from the date of signing these financial statements except where funds permit repayment and to do so would not adversely affect the ability of the Group to meet its liabilities as and when they fall due. The amounts owed to subsidiary undertakings are unsecured, non-interest bearing and have no fixed repayment date.

Customer deposits and advances are recognised in revenue when the performance obligation, principally the supply of vehicle or engineering services, is met by the Group. The Group applies a practical expedient for short-term advances received from customers whereby the advanced payment is not adjusted for the effects of a significant financing component. According to the terms of individual vehicle contracts and the position of the customer in the staged deposit and vehicle specification process, some deposits are contractually refundable.

The carrying value of trade and other payables classified as financial liabilities measured as amortised cost approximates their fair value.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

18. Loans and borrowings

| | Group 2021 £'000 | Group 2020 £'000 |
|----------------------------|------------------------|------------------------|
| Current liabilities | | |
| Secured bank loans | 28,631 | - |
| | 28,631 | - |

A loan of £20,000,000 is secured by way of a legal mortgage and fixed and floating charges over the assets and undertaking of the business. The loan is interest bearing and repayable on demand. A loan of £8,631,000 represents the purchase of plant and machinery which the company holds as bailee pending the initiation of a hire purchase agreement at which point title will pass to the lender. The loan is interest bearing and repayable over 5 years within a hire purchase arrangement.

19. Provisions for liabilities

| | Warranty £'000 | Site relocation £'000 | Other £'000 | Total £'000 |
|------------------------------|-------------------|-----------------------------|----------------|----------------|
| At 1 January 2020 | 4,108 | 1,491 | - | 5,599 |
| Charge to profit and loss | 1,195 | 1,139 | 120 | 2,454 |
| Provision utilised | (1,728) | (848) | - | (2,576) |
| At 31 December 2020 | 3,575 | 1,782 | 120 | 5,477 |
| Charge to profit and loss | 1,009 | 1,934 | 2,086 | 5,029 |
| Provision utilised | (1,110) | (1,622) | (120) | (2,852) |
| At 31 December 2021 | 3,474 | 2,094 | 2,086 | 7,654 |
| Due within one year | 1,158 | 2,094 | 2,086 | 5,338 |
| Due after more than one year | 2,316 | - | - | 2,316 |
| | 3,474 | 2,094 | 2,086 | 7,654 |

Warranty

All vehicles sold by the Group have a warranty period of up to 36 months. Provision is made based upon the directors' best estimate of potential future claims under warranty based on the level of historic claims. The provision is expected to be utilised within the next 3 years.

Site Relocation

Site relocation provisions comprise retention payments to staff and leasehold dilapidations. Leasehold dilapidations are the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. Provisions are not recognised for future operating losses.

Other

Other provisions include legal disputes, litigation, sales related incentives, and other items. The Group reviews outstanding cases at each reporting date, and considers the progress of the case, the potential level of damages, the opinions of legal advisors, and experiences on similar cases.

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

20. Pension commitments

Defined contribution pension scheme

The Group operates a defined contribution group personal pension scheme for eligible employees, the assets of which are held independently of the Group. Pension fund contributions are charged to the Consolidated Income Statement in the periods in which they are payable, see note 7. Included within other payables at 31 December 2021 were pension contributions outstanding by the Group of £859,000 (2020: £671,000).

Defined benefit pension scheme

The Group 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 scheme is now closed to new entrants.

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. The most recent full funding assessment was at 31 December 2020. 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 require additional funding 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

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 every 3 years. The last actuarial valuation of the Plan was at 31 December 2020. 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 £2,817,000 in the year ending 31 December 2022 (2021: £3,592,000).

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

20. Pension commitments (continued)

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

| | 2021 | 2020 |
|---|--|--|
| Nominal rate of increase in salaries | 2.30% | 1.90% |
| Discount rate | 1.85% | 1.35% |
| Inflation: | | |
| RPI inflation assumption (prior to 2030) | 3.20% | 2.80% |
| RPI inflation assumption (post 2030) | 3.00% | 2.80% |
| CPI inflation assumption (prior to 2030) | 2.30% | 1.90% |
| CPI inflation assumption (post 2030) | 2.90% | 2.50% |
| Nominal rate of increase in pensions in payment (pensioners) | | |
| CPI 5% | 2.30% | 1.95% |
| CPI 3% | 2.10% | 1.80% |
| Nominal rate of increase in pensions in payment (non-pensioners) | | |
| CPI 5% | 2.90% | 2.50% |
| CPI 3% | 2.45% | 2.15% |
| Cash balance revaluation | | |
| RPI | 3.20% | 2.80% |
| CPI 2.5% | 1.90% | 1.65% |
| Life Expectancy after age 65 (years) | | |
| Male (current age 45) | 22.20 | 22.90 |
| Male (current age 65) | 21.00 | 21.50 |
| Female (current age 45) | 25.40 | 25.00 |
| Female (current age 65) | 24.00 | 23.40 |
| Analysis of the amount charged to operating loss: | | |
| | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
| Current service cost | 1,854 | 1,708 |
| Net interest on the defined benefit liability/ (asset) | 243 | 79 |
| Scheme administration expenses | 1,016 | 1,454 |
| Total cost/(credit) | 3,113 | 3,241 |

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Notes to the financial statements For the year ended 31 December 2021

20. Pension commitments (continued)

| Analysis of amount recognised as other comprehensive income: | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|--|--|--|
| Return on plan assets in excess of interest income | (5,960) | (15,993) |
| Actuarial gain on demographic assumptions | (4,152) | - |
| Actuarial (gain)/loss on financial assumptions | (4,289) | 31,130 |
| Actuarial (gain)/loss on experience adjustment | (2,199) | 78 |
| Total (gain)/loss | (16,600) | 15,215 |

| Analysis of amounts recognised in the statement of financial position | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Total fair value of scheme assets | (157,409) | (149,624) |
| Present value of scheme liabilities | 159,180 | 169,005 |
| Deficit recognised in scheme | 1,771 | 19,381 |

| Change in defined benefit obligation during the year: | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|---|--|--|
| At beginning of period | 169,005 | 137,125 |
| Current service cost | 1,854 | 1,708 |
| Interest cost | 2,257 | 2,973 |
| Employee contributions | 40 | 41 |
| Benefits paid | (3,336) | (4,050) |
| Actuarial gain on demographic assumptions | (4,152) | - |
| Actuarial (gain)/loss on financial assumptions | (4,289) | 31,130 |
| Actuarial (gain)/loss on experience adjustment | (2,199) | 78 |
| Defined benefit obligation end of the period | 159,180 | 169,005 |

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Notes to the financial statements For the year ended 31 December 2021

20. Pension commitments (continued)

| Change in fair value of scheme assets: | Year ended 31 December 2021 £'000 | Year ended 31 December 2020 £'000 |
|---|--|--|
| At beginning of year | 149,624 | 132,398 |
| Interest income | 2,014 | 2,894 |
| Benefits paid | (3,336) | (4,050) |
| Scheme expenses | (1,016) | (1,454) |
| Actual return less expected return on pension scheme assets | 5,960 | 15,993 |
| Employer contributions | 4,123 | 3,802 |
| Employee contributions | 40 | 41 |
| At end of the year | 157,409 | 149,624 |

The table below shows the investment allocation of pension assets against the related liabilities of the pension schemes as at the balance sheet date:

| | 2021 £'000 | 2020 £'000 |
|--|----------------|----------------|
| Liability driven investment | 60,774 | 58,436 |
| Equities | 52,352 | 52,163 |
| Bonds | 8,547 | 7,301 |
| Managed funds | 23,424 | 22,637 |
| Cash | 9,927 | 7,143 |
| Other | 2,385 | 1,944 |
| Total fair value of scheme assets | 157,409 | 149,624 |

Sensitivity Analysis

At the reporting date, reasonable possible changes to one of the relevant actuarial assumptions, with the other assumptions held constant, would have affected the defined benefit obligation by the amounts shown below:

| | 31 December 2021 Increase in defined benefit obligation £'000 |
|--------------------------|--|
| Discount rate +0.10% | (3,368) |
| RPI +0.10% | 3,133 |
| Salary increase +0.10% | 376 |
| Life expectancy + 1 year | 5,542 |

Lotus Group International Limited

Notes to the financial statements For the year ended 31 December 2021

21. Share capital and reserves

| | 2021 | | 2020 | |
|------------------------------|----------------|----------------|---------|---------|
| | Number | £'000 | Number | £'000 |
| Ordinary shares of £1 | 445,192 | 445,192 | 365,192 | 365,192 |

On 21 December 2021 the company issued 80,000,000 £1 Ordinary shares for the £80,000,000 loan waiver as noted below.

Non-distributable reserves

This includes a number of non-distributable reserves comprising:

- Capital contributions of £65,958,000 and £71,000,000 relating to loans waived in prior years with Proton Holdings Berhad and Geely International (Hong Kong) Limited respectively. During the year a further £80,000,000 relating to loans was waived with Geely International (Hong Kong) Limited and Etika Automotive Sdn. Bhd.
- The revaluation reserve of £2,021,000 (2020: £2,300,000) is a revaluation surplus over book value of freehold land and buildings.
- Other non-distributable reserves of £662,000.

Accumulated losses

Accumulated losses account represents accumulated profits and losses less any dividends paid, as well as the cumulative foreign exchange differences arising on the translation of foreign operations of the Group.

Non-controlling interest arising from Redeemable non-voting preference

On 31 December 2014, Lotus Cars Limited, a direct subsidiary of the Company, issued 2,173,700 Redeemable Preference Shares of £1 each directly to Proton Holdings Berhad, for a consideration of £217.4m. On 24th September 2018 the shares were transferred from Proton Holdings Berhad to Geely International (Hong Kong) Limited (now holding 1,108,587 Redeemable Preference Shares) and Etika Automotive Sdn Bhd (now holding 1,065,113 Redeemable Preference Shares). The preference shares do not give holders the rights to dividends or voting rights. The holders have preferential rights to assets before ordinary shareholders on liquidation. These shares are non-convertible and are redeemable at the option of the Company upon notice.

22. Contingent liabilities and other financial commitments

Capital commitments

As at 31 December 2021, the Company was committed to the following future capital expenditure:

| | 2021 | 2020 |
|---------------------------------|--------|--------|
| | £'000 | £'000 |
| Contracted but not provided for | 16,373 | 16,055 |

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Notes to the financial statements For the year ended 31 December 2021

22. Contingent liabilities and other financial commitments (continued)

Financial guarantees

The Company had the following guarantees in place at 31 December 2021:

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| HM Customs and Excise duty bond (Perpetual guarantee) | 500 | 500 |
| International Standby Letter of Credit (Maturity within one year) | - | 1,399 |
| | 500 | 1,899 |

23. Ultimate parent undertaking

The immediate holding company is Lotus Advance Technologies Sdn. Bhd, a company incorporated in Malaysia, whose shareholders are Geely International (Hong Kong) Limited (51%) and Etika Automotive Sdn. Bhd.(49%).

The largest group to consolidate the results of Lotus Group International Limited and its subsidiaries is headed by Zhejiang Geely Holding Group, a company incorporated in China. Copies of their consolidated financial statements are publicly available under PRC GAAP. The directors regard Zhejiang Geely Holding Group as the ultimate holding company and the ultimate controlling party.

24. Related party transactions

During the year the Group entered into the following transactions with related parties who are not members of the Group:

| 31 December 2021 | Purchases from related party £'000 | Sales to related party £'000 | Amounts owed by related party £'000 | Amounts owed to related party £'000 |
|-------------------------------------|--|---------------------------------------|--|--|
| Proton Parts Centre Sdn Bd | - | - | - | (536) |
| Shanghai Global Trading Corporation | - | - | 26 | - |
| Beijing Lotus Car Sales Co Ltd | - | 621 | - | - |
| Geely Research & Development UK Ltd | - | 1,025 | 479 | - |
| Lotus Cars Europe | - | - | 51 | - |
| Wuhan Lotus Car Sales Ltd | - | 320 | 127 | - |
| Volvo Car Corporation | - | 94 | 56 | - |
| London EV Company Limited | 20 | - | - | - |
| Ningbo Geely Automotive R&D Co Ltd | 1,907 | - | - | (662) |
| China Euro Vehicle Technology AB | 7,149 | - | - | - |
| Wuhan Lotus Technologies Co. Ltd | - | 105 | 17 | - |
| | 9,075 | 2,165 | 756 | (1,198) |

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Notes to the financial statements For the year ended 31 December 2021

24. Related party transactions (continued)

| 31 December 2020 | Purchases from related party | Sales to related party | Amounts owed by related party | Amounts owed to related party |
|-------------------------------------|------------------------------------|------------------------------|--|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Proton Parts Centre Sdn Bd | - | - | - | (1,567) |
| Proton Holdings Berhad | - | - | 23 | - |
| Beijing Lotus Car Sales Co Ltd | - | 1,467 | 388 | - |
| Geely Research & Development UK Ltd | - | 1,745 | 396 | - |
| London EV Company Limited | 7 | - | - | - |
| Ningbo Geely Automotive R&D Co Ltd | 633 | - | - | (175) |
| China Euro Vehicle Technology AB | 814 | - | - | (88) |
| Geely Automobile Group Co Ltd | 800 | - | - | - |
| Geely Changxing Transmission Co Ltd | 185 | - | - | - |
| | 2,439 | 3,212 | 807 | (1,830) |

Goods are bought and sold with related parties based on the price list in force and terms that would be available to third parties and are due two months after the date of sales. Sales of services are negotiated with related parties on a cost-plus basis. The receivables and payables are unsecured in nature and bear no interest.

The Group has loan balances with Geely International (Hong Kong) Limited, a shareholder of the immediate parent company. During the year further amounts were received of £58,000,000 (2020 - £97,647,000), the balance of £40,800,000 (2020: £nil) was capitalised during the year. Interest was charged for the year of £9,916,000 (2020 - £6,147,000). At 31 December 2021 the balance outstanding was £200,327,000 (2020 £173,211,000). The loans are unsecured, repayable on demand and subject to interest at 5% per annum.

The Group has loan balances with Etika Automotive Sdn. Bhd, a shareholder of the immediate parent company. During the year further amounts were received of £59,100,000 (2020 - £48,000,000), the balance of £39,200,000 (2020: £nil) was capitalised during the year. Interest was charged for the year of £7,908,000 (2020 - £3,601,000). At 31 December 2021 the balance outstanding was £147,568,000 (2020 - £119,760,000). The loans are unsecured, repayable on demand and subject to interest at 5% per annum.

25. Financial Instruments

Financial assets measured at fair value:

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows

| | Notes | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|--------------------------------------|-------|------------------------|------------------------|--------------------------|--------------------------|
| Investments: | | | | | |
| Amount recognised in profit and loss | 5,13 | 104,625 | - | - | - |
| Fair value through OCI | 13 | 53,205 | - | - | - |
| | | 157,830 | - | - | - |

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Notes to the financial statements For the year ended 31 December 2021

25. Financial Instruments (continued)

Financial assets measured at amortised cost:

| | Notes | Group 2021 £'000 | Group 2020 £'000 | Company 2021 £'000 | Company 2020 £'000 |
|----------------------------------|-------|------------------------|------------------------|--------------------------|--------------------------|
| Cash and cash equivalents | 16 | 35,277 | 48,437 | - | - |
| Trade receivables | 15 | 11,353 | 15,778 | - | - |
| Other receivables | 15 | 552 | 2,054 | - | - |
| Amounts due from related parties | 15 | 756 | 807 | - | - |
| | | 47,938 | 67,076 | - | - |

Financial liabilities measured at amortised cost:

| | Notes | Group 2021 £'000 | Group 2020 £'000 | Company 2020 £'000 | Company 2020 £'000 |
|---|-------|------------------------|------------------------|--------------------------|--------------------------|
| Trade payables | 17 | 35,844 | 35,731 | - | - |
| Customer deposits and advances | 17 | 12,332 | 1,793 | - | - |
| Accruals and deferred income | 17 | 34,307 | 28,807 | - | - |
| Amount due to related parties | 24 | 1,198 | 1,830 | - | - |
| Shareholder Loans | 24 | 347,895 | 292,971 | - | - |
| Secured Loans | 18 | 28,631 | - | - | - |
| Amounts owed to subsidiary undertakings | 17 | - | - | 106,491 | 106,491 |
| | | 460,207 | 361,132 | 106,491 | 106,491 |

The maturity profile of the Groups financial liabilities at 31 December 2021 and 2020 are all due within 12 months. Amounts due to Group companies and shareholder loans have no fixed repayment date and are therefore all considered repayable on demand.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities as they fall due. The risk is mitigated as the Group has access to inter group finance that is designed to ensure the Group and its subsidiaries have sufficient available funds for operations and planned expansions. The inter group finance is provided by Geely International (Hong Kong) Limited and Etika Automotive Sdn Bhd, the shareholders of the Group's immediate parent company, Lotus Advance Technologies Sdn. Bhd. The shareholders have confirmed that they will provide the necessary financial support to the Group (based on the Lotus Advance Technologies Sdn. Bhd equity split), so as to allow the Company and all of its subsidiaries to meet their liabilities as they fall due to continue trading and complete development activities for at least 12 months from the date of signing these audited financial statements. Management review rolling annual cash flow projections as well as information regarding cash balances and indicate that the Group expects to have sufficient liquid resources to meet its obligations.

26. Post balance sheet events

Material funding

Post year end, the Group received material loan funding of £50m from an external third party and £24m from the shareholders, to support the continued growth of the Group in accordance with the business plan.