

LOTUS F1 TEAM LTD
(Formerly Lotus Renault GP Ltd)

Report and Financial Statements

31 December 2011

TUESDAY



A21 *A19XVSJL* #89
29/05/2012
COMPANIES HOUSE

LOTUS F1 TEAM LTD

REPORT AND FINANCIAL STATEMENTS 2011

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The principal activity of the Company is the running of a Formula One Racing team

Turnover during the year, comprising mainly of sponsorship income and prize money, amounted to £115,651,868 (2010 £82,160,580), and the loss after taxation for the financial year was £20,869,872 (2010 loss £34,279,373)

Revenue increased by 41% in 2011 as Group Lotus became a title sponsor of the Team alongside Renault. Further sponsorship acquisitions were realised in Brazilian and Russian markets, reflecting the Team's changing driver line up

Operating costs increased by £12 million. This was attributed to several areas of the business including acquisition fees and commercial functions, tyre supply agreement, salary increases, and race related costs

The Team's driver Robert Kubica was unable to take part during the race season due to serious injuries sustained in a rallying accident. Nick Heidfeld was engaged to drive with Vitaly Petrov as Kubica's replacement. Despite high expectations, the Team subsequently elected to appoint Bruno Senna from the Belgium Grand Prix through to the end of the season

On track, the Team finished the year in 5th position for the second year running, having started the season positively with back to back 3rd place finishes in Australia and Malaysia

Vitaly Petrov improved on his 2010 performance securing eight top ten results and finishing 10th in the Driver's Championship. Nick Heidfeld took part in a total of 11 races and had 6 top ten finishes. Bruno Senna took part in 8 races and had one top ten finish

Looking forward, the Team has secured the services of Kimi Raikkonen, a previous world champion, and Romain Grosjean, the GP2 2011 champion, and hopes to mount a serious challenge in 2012

The Directors consider turnover and race results as their key performance indicators

SUBSEQUENT EVENTS

In February 2012 the Company reorganised its partnership with Group Lotus, changing its name to Lotus F1 Team Ltd, and refinancing its existing loans through Proton (owner of Group Lotus)

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are of the opinion that a thorough risk management process is adopted through regular financial review. The risks and uncertainties facing the Company might be broadly grouped as Competitive, Legislative, and Financial

- **Competitive Risks**

The Company's financial performance is subject to significant variation where its principal sponsors pay bonuses in respect to results achieved on track. Such results also combine to affect a proportion of the Company's income from TV prize money in the following season, as well as generally impacting on the Company's ability to generate sponsorships in the future

- **Legislative Risks**

As a competitor in the FIA Formula One World Championship, the Team is subject to the International Sporting Code, the current F1 Technical and Sporting Regulations, and the provisions laid out in the 2009 Concorde Agreement or such similar agreements. The Company works with its employees, agents and advisors, and also the governing body to ensure its compliance

DIRECTORS' REPORT

- **Financial Risks**

The Company uses overdraft facilities, loans, cash, and trade payables and receivables directly in the course of its ongoing operations. The Company seeks to minimise exposure to exchange risk through matching currency assets and expenditure to income and borrowings.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2010- £nil). The loss for the year of £20,869,872 (2010 – loss £34,279,373) has been added to the deficit on the profit and loss account.

RESEARCH AND DEVELOPMENT

Information relating to research and development expenditure on racing cars is given in note 1 to the financial statements.

DIRECTORS

The following served as directors during the year:

G Lopez
E Lux
D Bahar
S Zainal (appointed 3rd March 2011)

P Thompson (Company Secretary, resigned 21st April 2011)
B Mercer (Company Secretary, appointed 21st April 2011)

EMPLOYEES

Applications for employment of disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from a disability.

The company has arrangements for providing information to employees, involving employees in the company's performance and achieving awareness amongst employees of the factors affecting the company's performance.

GOING CONCERN

The Accounts have been prepared on the going concern basis as it is anticipated that the owners will continue to support the operation of the company as a Formula 1 team for the foreseeable future. Further information is provided in note 1.

DIRECTORS' REPORT

DIRECTORS INDEMNITY

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approval of the directors' report.


DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the group's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to have made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

Ernst and Young have expressed a willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 13/5/2012



Gerard Lopez
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgments 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOTUS F1 TEAM LTD. 5

We have audited the financial statements of Lotus F1 Team Limited for the year ended 31st December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOTUS F1 TEAM LTD.

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Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Nick Powell (Senior statutory auditor)

for and on behalf of Ernst & Young LLP Statutory Auditor

London

17-5-12

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING 31 DECEMBER 2011**

	Note	2011 £	2010 £
TURNOVER	1	115,651,868	82,160,580
Operating expenses	2	<u>(134,317,986)</u>	<u>(122,180,832)</u>
OPERATING LOSS			
	6	(18,666,118)	(40,020,252)
Other interest receivable and similar income	4	2,129	6,342
Interest payable and similar charges	5	<u>(2,155,971)</u>	<u>(474,218)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(20,819,960)	(40,488,128)
Tax on loss on ordinary activities	7	<u>(49,912)</u>	<u>6,208,755</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE FINANCIAL YEAR	15	<u><u>(20,869,872)</u></u>	<u><u>(34,279,373)</u></u>

All activities derive from continuing operations

There are no recognised gains and losses other than the results for the current financial year and preceding financial year. Accordingly, no statement of total recognised gains and losses is given

LOTUS F1 TEAM LTD

BALANCE SHEET

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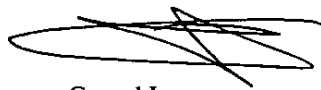
Year ended 31 December 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	8	25,150,626	<u>27,815,821</u>		
			25,150,626		27,815,821
CURRENT ASSETS					
Stocks	9	11,639,066	12,016,537		
Debtors	10	16,247,381	16,348,297		
Cash at bank and in hand		3,381,595	5,488,716		
		<u>31,268,042</u>	<u>33,853,550</u>		
CREDITORS: amounts falling due Within one year	11	<u>(55,681,374)</u>	<u>(41,016,400)</u>		
NET CURRENT LIABILITIES			<u>(24,413,332)</u>		<u>(7,162,850)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>737,294</u>		<u>20,652,971</u>
LONG TERM LIABILITIES					
Loan	13		<u>(15,000,000)</u>		<u>(14,045,805)</u>
NET (LIABILITIES)/ASSETS			<u>(14,262,706)</u>		<u>6,607,166</u>
CAPITAL AND RESERVES					
Called up share capital	14		60,700,000		60,700,000
Profit and loss account	15		<u>(74,962,706)</u>		<u>(54,092,834)</u>
EQUITY SHAREHOLDERS' FUNDS	16		<u>(14,262,706)</u>		<u>6,607,166</u>

These financial statements were approved by the Board of Directors on

13/5/2012

On behalf of the board



Gerard Lopez

Director

LOTUS F1 TEAM LTD

BALANCE SHEET

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Year ended 31 December 2011

	Note	<i>Restated (note 1)</i>	
		2011	2010
		£	£
Net cash outflow from operating activities	18	(2,430,616)	(25,070,019)
Returns on investment and servicing of finance			
Interest received		2,129	6,342
Interest paid		<u>(707,884)</u>	<u>(94,601)</u>
		(705,755)	(88,259)
Taxation			
Foreign corporation tax paid		(49,913)	(38,723)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(4,691,412)	(5,309,796)
Receipts from sales of tangible fixed assets		<u>263,028</u>	<u>309,345</u>
		(4,428,384)	(5,000,451)
Net cash outflow before management of liquid resources and financing		<u>(7,614,668)</u>	<u>(30,197,452)</u>
Financing			
Issue of ordinary share capital			34,300,000
Net movement in short term borrowings		4,507,548	21,000,000
Net movement in long term borrowings		1,000,000	14,000,000
Intercompany financing			<u>(34,309,943)</u>
		5,507,548	34,990,057
(Decrease)/Increase in cash		<u>(2,107,120)</u>	<u>4,792,605</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash		(2,107,120)	4,792,605
Cash inflow from increase in loans		<u>(5,507,548)</u>	<u>(35,000,000)</u>
Change in net debt resulting from cash flows		(7,614,668)	(30,207,395)
Movement in net debt		(7,614,668)	(30,207,395)
Net debt at 1 January		<u>(29,511,284)</u>	696,111
Net debt at 31 December		<u>(37,125,952)</u>	<u>(29,511,284)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2011

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis since the ultimate parent undertaking has given the necessary assurances that sufficient resources will be made available for the foreseeable future so that the company can meet its liabilities as they fall due.

Re-Statement

The 2010 cash flow has been restated to reflect an allocation error between Interest Paid and Creditors in the amount of £379,517. As a consequence, other values restated also include, net movement in short term borrowings, net movement in long term borrowings, cash inflow from increase in loans and the movement in net debt.

Turnover

Turnover principally comprises sponsorship income and prize money. Sponsorship receipts are credited to the profit and loss account over the period of the sponsorship agreements. Prize money is credited to the profit and loss account as it is won and in accordance with the Concorde agreement 2009.

In certain cases, the company enters into agreements with suppliers whereby goods and services are received in exchange for various sponsorship and marketing activities. In such cases turnover is recorded at the fair value of the goods or services rendered.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold Land and Buildings	10 – 22.5 years
Motor vehicles	4 years
Plant, machinery, furniture and fittings	2 – 8 years

Assets under construction are held separately within fixed assets and are not subject to depreciation until they are brought into use. When the asset is brought into use it is transferred to the relevant fixed asset category.

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

Foreign currency translation

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses are reflected in the profit and loss account.

Expenditure on racing cars

The racing cars have an expected life of one year and all expenditure on the production and maintenance of such cars is charged to the profit and loss account during the racing season in which the car is used.

The Board considers that research continues to play a vital role in the company's success. Certain development costs are carried forward to the following year.

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Taxation

Corporation tax payable is provided on taxable profits at the current rate

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where the transactions have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Leases

Rentals payable under operating lease are charged in the profit and loss account on a straight line basis over the lease term

Stocks and work in progress

The company has carried forward to the following year certain development costs relating to the production of next season's racing cars

2. OPERATING EXPENSES

Due to the nature of the business the directors are of the opinion that analysis of expenditure between costs of sales, administration costs and distribution costs would be meaningless and hence no analysis is given

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2011	2010
	£	£
Directors' emoluments		
Remuneration	-	868,815
	<u> </u>	<u> </u>
Remuneration of the highest paid director	-	556,467
	<u> </u>	<u> </u>
No pension contributions were paid in respect of any director (2010 - £Nil)		
	2011	2010
	No	No
Average number of persons employed		
Engineering	262	269
Production	149	152
Administration	89	93
	<u> </u>	<u> </u>
	500	514
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	2011 £	2010 £
Staff costs during the year (including directors)		
Wages and salaries	28,219,030	26,818,494
Social security costs	3,319,709	3,047,204
	<u>31,538,739</u>	<u>29,865,698</u>

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £	2010 £
On bank deposits	2,129	5,262
Other interest receivable	-	1,080
	<u>2,129</u>	<u>6,342</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £	2010 £
On bank loans and overdrafts, and other loans, repayable within five years	2,104,990	379,617
On inter company loans, repayable within five years	50,981	94,601
	<u>2,155,971</u>	<u>474,218</u>

6. OPERATING LOSS

Operating loss is stated after charging:	2011 £	2010 £
Depreciation	7,237,862	9,400,829
Rentals under operating leases		
Land and buildings	26,739	41,540
Plant and machinery	790,416	968,769
Motor Vehicles	301,261	436,566
Profit on sale of fixed assets	144,281	262,305
Auditors' remuneration		
Audit of the financial statements	36,996	34,596
	<u>7,336,255</u>	<u>10,103,505</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2011	2010
	£	£
Analysis of tax charge in the period		
Corporation tax		
Foreign Tax		
Current tax on income for the period	49,912	38,723
Total current tax	<u>49,912</u>	<u>38,723</u>
Deferred tax		
Origination/reversal of timing differences	-	(6,250,372)
Adjustment in respect of previous years	-	2,894
Tax on (loss)/profit on ordinary activities	<u>49,912</u>	<u>(6,208,755)</u>

The tax credit for the year is higher than that from applying the average standard rate of corporation tax in the UK 26.49% (2010 28%)

Factors affecting future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012.

This will reduce the company's future current tax charge accordingly and further reduce the unrecognised deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by £730,549.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's unrecognised deferred tax asset accordingly.

NOTES TO THE ACCOUNTS

Year ended 31 December 2011

7. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

	2011 £	2010 £
Loss on ordinary activities before tax	(20,819,960)	(40,488,128)
Tax at 26.49% (28%) thereon	(5,515,863)	(11,336,676)
Effects of		
Expenses not deductible for tax purposes	575,315	327,201
Depreciation in excess of capital allowances	1,470,399	2,435,432
Movement in tax losses	7,897,774	13,230,164
Capital Gain	-	-
Short term timing differences	(3,750)	-
Group relief not paid/excess paid for group relief	-	-
Overseas tax suffered	49,912	38,723
Impact of rate change on current year deferred tax credit/charge	559,300	580,207
Transfer pricing adjustment	-	-
Prior period adjustments	-	-
Additional relief for research and development expenditure	(4,983,175)	(5,236,328)
Current tax Debit for the year	49,912	38,723

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery, furniture and fittings £	Motor vehicles £	Assets under construction £	Total £
Cost					
At 1 January 2011	24,488,398	56,595,703	1,914,925	1,067,130	84,066,156
Additions	855,364	1,424,575	-	2,411,474	4,691,413
Transfers	-	1,067,130	-	(1,067,130)	-
Disposals	(51,842)	(823,856)	(222,907)	-	(1,098,605)
At 31 December 2011	25,291,920	58,263,552	1,692,018	2,411,474	87,658,964
Accumulated depreciation					
At 1 January 2011	9,581,941	44,958,205	1,710,189	-	56,250,335
Charge for the year	1,574,147	5,556,031	107,684	-	7,237,862
Disposals	(17,781)	(739,171)	(222,907)	-	(979,859)
At 31 December 2011	11,138,307	49,775,065	1,594,966	-	62,508,338
Net book value					
At 31 December 2011	14,153,613	8,488,487	97,052	2,411,474	25,150,626
At 31 December 2010	14,906,457	11,637,498	204,736	1,067,130	27,815,821

Included in the total for freehold land and buildings is land of £1,220,000 which is not depreciated. There is a charge over land, property and certain plant assets totalling £24 million.

NOTES TO THE ACCOUNTS
Year ended 31 December 2011

9. STOCKS

	2011	2010
	£	£
Work in progress	11,639,066	12,016,537

The difference between the purchase price of stocks and their replacement cost is not material

10. DEBTORS

Amounts falling due within one year	2011	2010
	£	£
Trade debtors	1,760,852	1,689,732
Amounts due from group undertakings	-	-
Value added tax	747,354	487,394
Other debtors	63,187	115,875
Prepayments and accrued income	13,675,988	14,055,296
	<u>16,247,381</u>	<u>16,348,297</u>

11. CREDITORS

Amounts falling due within one year	2011	2010
	£	£
Trade creditors	6,725,546	2,418,199
Amounts owed to group undertakings	1,192,505	672,269
Corporation tax	-	38,723
Other taxation and social security	1,036,369	1,080,502
Accruals and deferred income	19,387,502	15,472,895
Bank Overdraft	4,200	-
Loans	27,335,252	21,333,812
	<u>55,681,374</u>	<u>41,016,400</u>

Further details on the loans are provided in note 13

NOTES TO THE ACCOUNTS
Year ended 31 December 2011

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The amounts provided in the accounts and the amounts not provided are as follows

	Provided 2011 £	Provided 2010 £	Not provided 2011 £	Not provided 2010 £
Difference arising between accumulated depreciation & Capital allowances	2,018,830	3,595,763	-	-
Short term timing differences	-	(4,050)	-	-
Losses	<u>(2,018,830)</u>	<u>(3,591,713)</u>	<u>(18,263,708)</u>	<u>(9,638,451)</u>
	<u>-</u>	<u>-</u>	<u>(18,263,708)</u>	<u>(9,638,451)</u>

13. LOANS

	Total Short Term Debt (Within 1 Year) £	Total Long Term Debt (2-5 Years) £	Total Liability £
Third Party Loans	25,776,723	15,000,000	40,776,723
Group Loans	<u>1,558,529</u>	<u>-</u>	<u>1,558,529</u>
	<u>27,335,252</u>	<u>15,000,000</u>	<u>42,335,252</u>

Included in the above is a loan with Proton (interest rate 4%) with a value of £10 million at the year end date
 In February 2012 this loan increased to £30 million in total, and £16.4 million of short term debt was repaid

NOTES TO THE ACCOUNTS
Year ended 31 December 2011

14. CALLED UP SHARE CAPITAL

	2011	2010
	£	£
Allotted, called-up and fully paid Ordinary shares of £1 each	60,700,000	60,700,000
	<u>60,700,000</u>	<u>60,700,000</u>

15. PROFIT AND LOSS ACCOUNT

	2011	2010
	£	£
Balance at 1 January	(54,092,834)	(19,813,461)
(Loss)/profit for the financial year	(20,869,872)	(34,279,373)
Balance at 31 December	<u>(74,962,706)</u>	<u>(54,092,834)</u>

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2011	2010
	£	£
(Loss)/profit for the year	(20,869,872)	(34,279,373)
Increase in share capital	-	34,300,000
Net decrease to shareholders' funds	<u>(20,869,872)</u>	<u>20,627</u>
Opening shareholders' funds	6,607,166	6,586,539
Closing shareholders' funds	<u>(14,262,706)</u>	<u>6,607,166</u>

17. FINANCIAL COMMITMENTS

	2011	2010
	£	£
Capital commitments		
Contracted for but not provided	<u>2,878,583</u>	<u>770,900</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2011

Lease commitments

At 31 December 2011, the company was committed to making the following payments during the next year in respect of

Operating Leases	2011		2010	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Leases which expire				
Within one year	-	260,032	9,171	545,997
Within two to five years	42,380	523,966	-	593,596
	<u>42,380</u>	<u>783,998</u>	<u>9,171</u>	<u>1,139,593</u>

18. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of operating loss to net cash inflow from operating activities

	2011		2010	
	£	£	£	£
Operating loss		(18,666,117)		(40,020,252)
Depreciation of tangible fixed assets	7,237,862		9,400,829	
Decrease in stocks	377,471		1,005,649	
Decrease/(increase) in debtors	100,915		(116,763)	
Increase/(decrease) in creditors	8,663,534		4,922,823	
(Profit)/loss on sale of fixed tangible assets	(144,281)		(262,305)	
		<u>16,235,501</u>		<u>14,950,233</u>
Net cash outflow from operating activities		<u>(2,430,616)</u>		<u>(25,070,019)</u>

b) Analysis of net debt

	At 1 January 2011	Cash flow	At 31 December 2011
	£	£	£
Cash at bank and in hand	5,488,716	(2,107,120)	3,381,596
Loans (excluding interest)	<u>(35,000,000)</u>	<u>(5,507,548)</u>	<u>(40,507,548)</u>
	<u>(29,511,284)</u>	<u>(7,614,668)</u>	<u>(37,125,952)</u>

19. ULTIMATE PARENT COMPANY

The directors consider that the ultimate controlling entity is Genii Capital S A at C1, 1 rue Peterelchen, L-2370 Howald, Luxembourg

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with wholly owned other group companies